



ANNUAL REPORT

2010

年 度 報 告

PURSuing GROWTH THROUGH VALUE CREATION

價 值 創 造 追 求 增 長

**ITC**

**ITC CORPORATION LIMITED**

**德 祥 企 業 集 團 有 限 公 司**

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock code 股份代號 : 372.HK

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors*

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

### *Independent Non-Executive Directors*

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## SECRETARY

Lee Hon Chiu

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISORS

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

## PRINCIPAL BANKERS

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

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (*Bermuda*) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM 08  
Bermuda

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## WEBSITE

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

## STOCK CODE

Hong Kong Stock Exchange

372

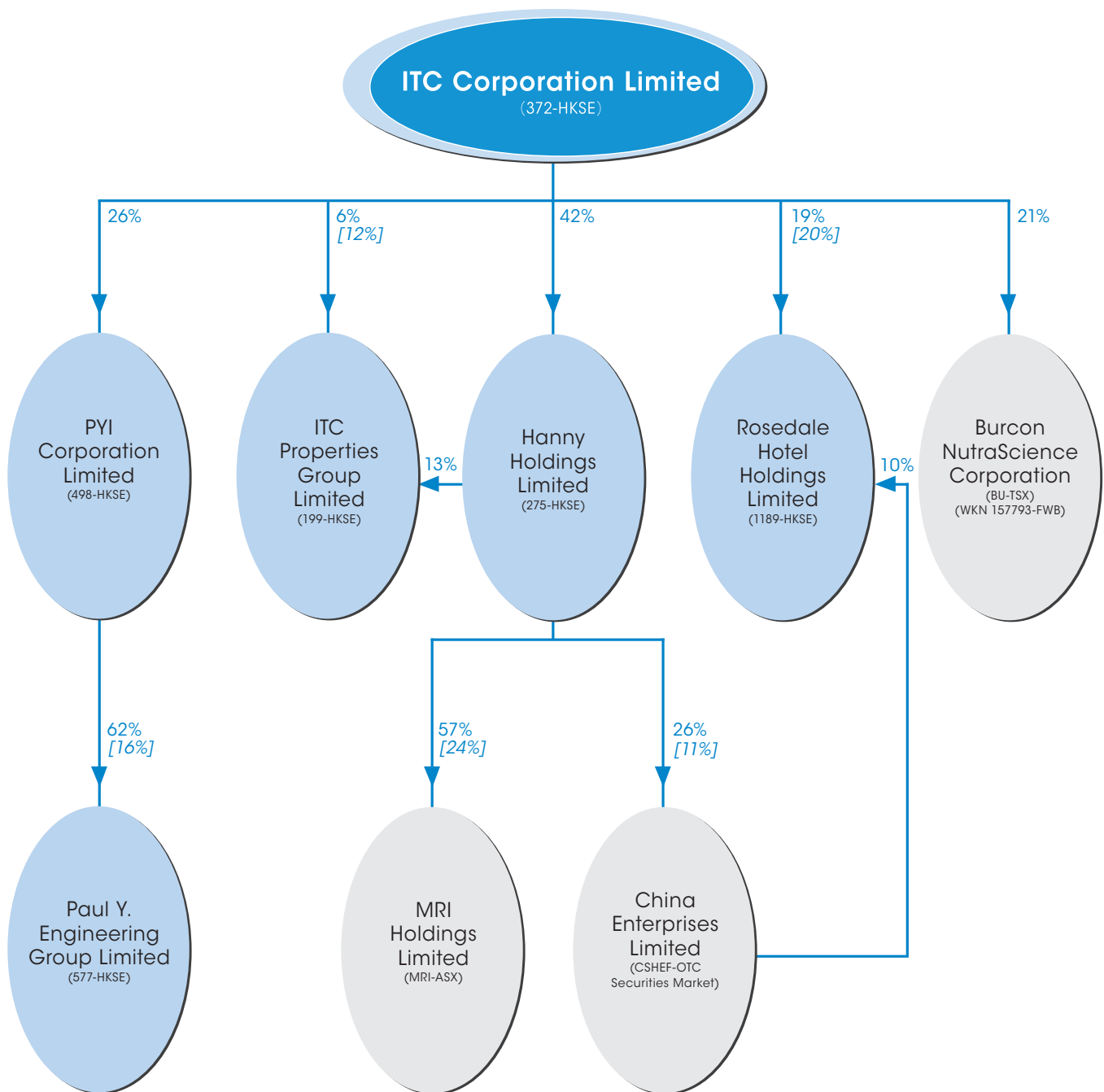
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# CORPORATE CHART

AT 23RD JULY, 2010

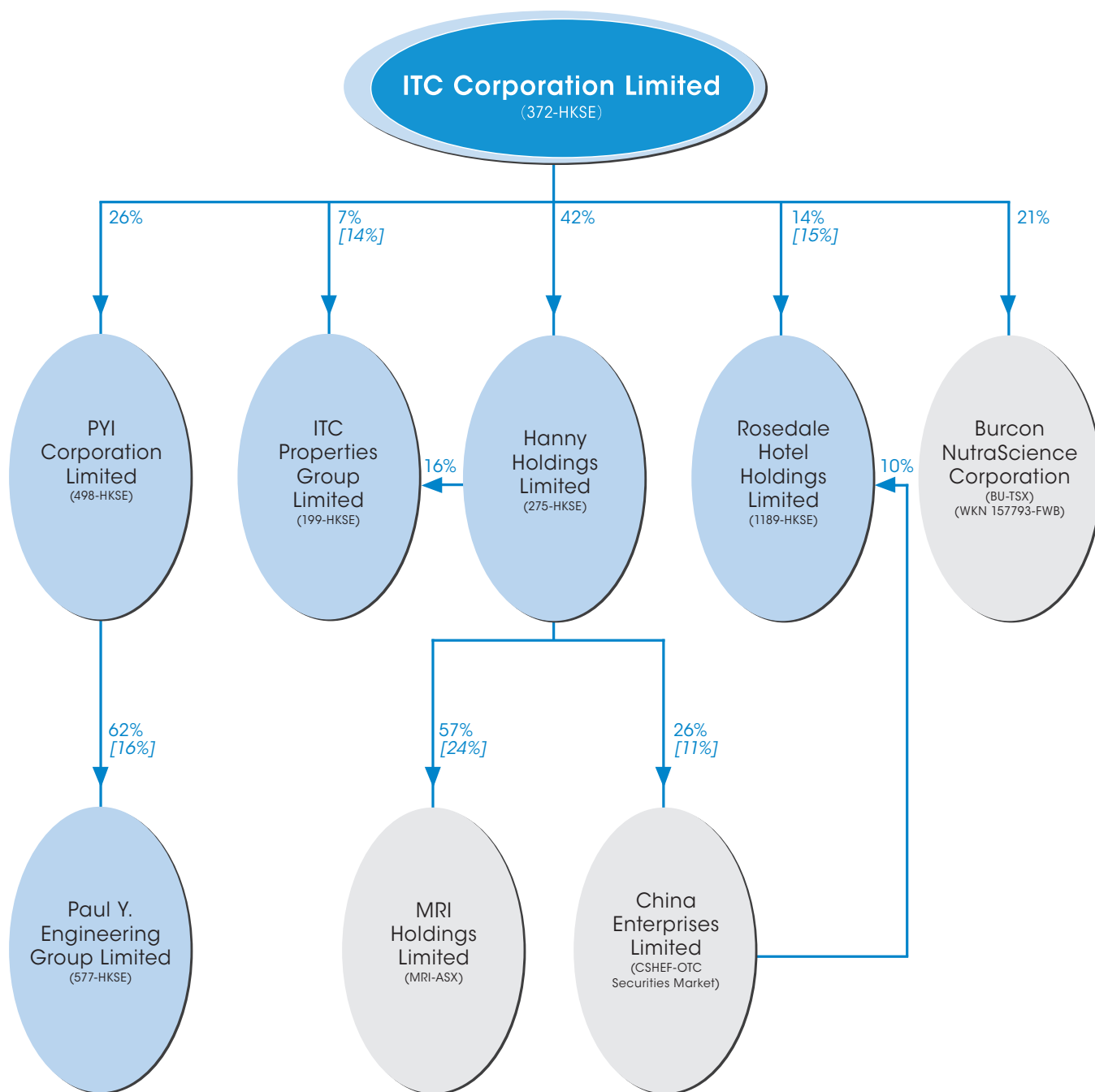


- Hong Kong listed
- Overseas listed

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

# CORPORATE CHART

AT 31ST MARCH, 2010



■ Hong Kong listed

■ Overseas listed

*[ITC's effective interest]*

(Stock code - Listing place)

## CHAIRMAN'S STATEMENT

# PURSUING GROWTH THROUGH VALUE CREATION

## 價值創造 追求增長

I am pleased to present to shareholders the annual report of ITC Corporation Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st March, 2010.

### REVIEW OF FINANCIAL PERFORMANCE AND POSITION

For the year ended 31st March, 2010, the Group recorded a consolidated revenue of approximately HK\$59 million, representing an increase of 27% compared to last year. Loss attributable to owners was approximately HK\$5 million (2009: loss HK\$713 million) and basic loss per share was HK0.67 cent for the year (2009: loss per share HK151.72 cents).

The current year's loss was attributable to a net loss on deemed disposal of associates of approximately HK\$137 million. This was mainly a non-cash loss arising from the placement of shares to outside parties by the Group's strategic investments, Hanny Holdings Limited ("Hanny") and Rosedale Hotel Holdings Limited ("Rosedale Hotel"). By excluding such non-cash loss, the Group achieved a profit of approximately HK\$132 million for the current year. The improvement in results compared to last year was mainly due to the increase in profit contribution from the strategic investments attributable to the rebound of the economy. Moreover, the Group achieved a positive operating cash flow of approximately HK\$97 million for the year representing an operating cash flow per share of HK\$0.13 compared to last year's HK\$0.07 per share.

Analysis of the Group's performance is as follows:

	<b>2010</b> <b>HK\$'M</b>	2009 HK\$'M
Profit (loss) contributed by strategic investments:		
Hanny	<b>100</b>	(572)
PYI	<b>45</b>	37
ITC Properties	<b>8</b>	(35)
Burcon	<b>(10)</b>	(5)
Rosedale Hotel (formerly Wing On Travel)	<b>(55)</b>	(115)
	<b>88</b>	(690)
Net (loss) gain on deemed disposal and disposal of interests in associates	<b>(137)</b>	30
Net gain (loss) from other investments and operations	<b>44</b>	(53)
	<b>(5)</b>	(713)



## CHAIRMAN'S STATEMENT *(continued)*

Hanny's results for the year ended 31st March, 2010 improved significantly from a loss attributable to its owners of approximately HK\$1,145 million for the previous year to a profit attributable to its owners of approximately HK\$188 million. Such turn-around was mainly attributable to the increase in market value of its investment property, the net gain on disposal of certain investments as opposed to a significant net loss on investments last year, and the non-existence of significant impairment loss on available-for-sale investments and loss on disposal of subsidiaries recorded last year. Accordingly, the Group shared a profit of approximately HK\$100 million.

PYI Corporation Limited ("PYI") recorded an increase in profit attributable to its owners of 8% to approximately HK\$149 million for the year ended 31st March, 2010, mainly due to the increase in profit contributed from the ports and logistics business, as benefited from the growth in share of profit from Nantong Port Group, and the gain on bargain purchase of 51% interest in Yichang Port Group. The majority of PYI's results came from the market-to-market revaluation of its land bank at Yangkou Port. As a result, contribution from PYI to the Group increased from approximately HK\$37 million to approximately HK\$45 million for the year.

ITC Properties Group Limited ("ITC Properties") recorded a profit of approximately HK\$103 million attributable to its owners for the year ended 31st March, 2010, which marked a significant turn-around compared to the loss of approximately HK\$462 million for the last year. Such improvement was mainly owing to the recognition of increase in fair value of its investment properties and the reversal of impairment losses on properties held for sale due to the robust performance of the property market in Hong Kong during the year. Moreover, ITC Properties realised certain investments in financial instruments and recorded a net gain as a result of the rebound of stock market in Hong Kong during the year. The share attributable to the Group was a profit of approximately HK\$8 million.

Burcon NutraScience Corporation ("Burcon") reported a loss of approximately 7 million Canadian dollars for the year ended 31st March, 2010, compared to a loss of approximately 5 million Canadian dollars for the last year. Burcon is a development stage company and its increase in loss was mainly due to the recognition of non-cash stock-based compensation expense for the stock options granted and vested during the year, higher patent legal fees and expenses as more patents were obtained, and higher listing fee as Burcon's common shares listing graduated from the TSX Venture Exchange to the Toronto Stock Exchange in June 2009. The loss shared by the Group was approximately HK\$10 million for the current year.

Rosedale Hotel, which has changed its name from Wing On Travel (Holdings) Limited ("Wing On Travel") as detailed under the section "Review of Operations", recorded a loss of approximately HK\$358 million attributable to its owners for the year ended 31st December, 2009, compared to a loss of approximately HK\$689 million for the previous year. The improvement was largely due to a gain from disposal of a hotel property in Hong Kong and a decrease in impairment loss for its luxury train business. Accordingly, the loss shared by the Group reduced significantly from approximately HK\$115 million for the previous year to approximately HK\$55 million for the current year.

The net gain from other investments and operations was approximately HK\$44 million for the year, which has significantly improved from the net loss of approximately HK\$53 million of last year. Such improvement mainly comprised the following:

- (i) A net gain of approximately HK\$38 million on financial instruments (2009: net loss HK\$17 million);
- (ii) A net gain on change in fair value of investment properties of approximately HK\$32 million (2009: net loss HK\$17 million);
- (iii) An impairment loss of approximately HK\$24 million on the available-for-sale investments recorded last year but none for the current year; and
- (iv) A discount on acquisition of associates of approximately HK\$3 million when the Group acquired the shares of Rosedale Hotel on the open market in August 2009 which resulted an increase of the Group's direct interest in Rosedale Hotel from approximately 14.0% to 14.3%. An amount of approximately HK\$38 million was recorded last year when the Group increased its interest in Rosedale Hotel and ITC Properties which resulted an increase of the Group's direct interests in Rosedale Hotel and ITC Properties from approximately 14.2% to 16.7% and from approximately 6.5% to 7.7% respectively.

Regarding the overall financial position as at 31st March, 2010, the Group successfully maintained a strong asset base with total assets and equity attributable to owners increased by 8% and 10% to approximately HK\$3,238 million and HK\$2,945 million respectively, compared to the last year end date. The increase was mainly due to the increase in interests in associates as well as the proceeds from the fund raising activities for investment opportunities in future.

## CHAIRMAN'S STATEMENT *(continued)*

### REVIEW OF OPERATIONS

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

During the year ended 31st March, 2010, the Group continued to hold significant interests, directly or indirectly, in a number of companies listed in Hong Kong, Canada, the United States of America ("U.S.A."), Australia and Germany, and other high potential unlisted investments, pursuant to its long-term strategy of exploring investments in an aggressive, but cautious, manner and enhancing a balanced and diversified investment portfolio.

#### *Listed strategic investments directly held*

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

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

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

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

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

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

##### ***Rosedale Hotel Holdings Limited ("Rosedale Hotel", formerly known as Wing On Travel (Holdings) Limited ("Wing On Travel"))***

Rosedale Hotel is principally engaged in the business of hotel operation in Hong Kong and Mainland China and trading of securities. Rosedale Hotel is managing a 4-star rated hotel chain in Hong Kong and Mainland China namely Rosedale on the Park, Rosedale Hotel & Suites,

Beijing, Rosedale Hotel & Suites, Guangzhou, and Times Plaza Hotel, Shenyang; and Luoyang Golden Gulf Hotel. In addition, Rosedale Hotel is running a budget hotel chain under the brandname "Square Inn" in Mainland China. In April 2010, the shareholders of Rosedale Hotel approved (i) the disposal of 90% of Rosedale Hotel's travel business; and (ii) the termination of an rolling stock purchase agreement with respect to its luxury train business in Lhasa and Lijiang of Mainland China. Following the completion of the above events, its name was changed from Wing On Travel to Rosedale Hotel to reflect Rosedale Hotel's current principal business.

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

Burcon is a leader in nutrition, health and wellness in the field of functional, renewable plant proteins. Since 1999, Burcon has developed a portfolio of composition, application, and process patents originating from its core protein extraction and purification technology. Burcon is developing Puratein® and Supertein™ canola protein isolates with unique functional and nutritional attributes. Puratein® and Supertein™ are the first canola protein isolates to have attained *self-affirmed Generally Recognised as Safe ("GRAS")* status in the U.S.A. Burcon has filed a formal notification that these canola protein isolates are *GRAS for their intended use* as an ingredient in a variety of food and beverage applications with the U.S. Food and Drug Administration during the year. Moreover, Burcon is developing CLARISOY®, a revolutionary soy protein isolate which is 100% soluble and completely transparent in acidic solutions.

#### *Listed strategic investments indirectly held*

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

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

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

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

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

MRI is an investment company, which has investments in securities and financial assets. In April 2010, its shareholders have approved to return capital to shareholders by way of members' voluntary liquidation.



CHAIRMAN'S STATEMENT *(continued)*

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

**Listed strategic investments directly held**

Name of investee company	Place of listing	Stock code	Approximate shareholding percentage	
			As at 31/3/2010	As at the date of this report
Hanny	Hong Kong Stock Exchange	275	42.7%	42.7%
PYI	Hong Kong Stock Exchange	498	26.7%	26.7%
ITC Properties	Hong Kong Stock Exchange	199	14.8% <i>(Note a)</i>	12.3% <i>(Note a)</i>
Rosedale Hotel	Hong Kong Stock Exchange	1189	15.4% <i>(Note b)</i>	20.2% <i>(Note b)</i>
Burcon	Toronto Stock Exchange and Frankfurt Stock Exchange	BU WKN 157793	21.6%	21.6%

**Listed strategic investments indirectly held**

Name of investee company	Place of listing	Stock code	Approximate effective interest	
			As at 31/3/2010	As at the date of this report
Paul Y. Engineering	Hong Kong Stock Exchange	577	16.6% <i>(Note c)</i>	16.6% <i>(Note c)</i>
China Enterprises	OTC Securities Market, U.S.A.	CSHEF	11.1% <i>(Note d)</i>	11.1% <i>(Note d)</i>
MRI	Australian Securities Exchange	MRI	24.4% <i>(Note d)</i>	24.4% <i>(Note d)</i>

**Notes:**

- (a) Hanny and China Enterprises each holds a shareholding interest in ITC Properties. The Group's effective interest includes its approximately 7.7% and 6.4% direct shareholding interest in ITC Properties as at 31st March, 2010 and as at the date of this report, respectively.
- (b) China Enterprises holds a shareholding interest in Rosedale Hotel. The Group's effective interest includes its approximately 14.2% and 19.0% direct shareholding interest in Rosedale Hotel as at 31st March, 2010 and as at the date of this report, respectively.
- (c) The Group's interest is held through PYI.
- (d) The Group's interest is held through Hanny.

## CHAIRMAN'S STATEMENT *(continued)*

### LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent funding and treasury policy with regard to its overall business operations such that adequate funding is maintained to match with cash flows required for working capital and seizing investment opportunities. Bank deposits, bank balances and cash as at 31st March, 2010 amounted to approximately HK\$144 million compared to approximately HK\$14 million of the last year end date. The increase was mainly due to the proceeds from the fund-raising activities described in detail under the section "Major Events".

As at 31st March, 2010, the total bank loan facilities that have been drawn by the Group amounted to approximately HK\$91 million of which approximately HK\$43 million is repayable within one year or on demand. All of these bank loan facilities are at floating interest rates. In addition to the aforementioned, the Group has approximately HK\$180 million recognised as the liability component of its convertible notes as at the year end date. These convertible notes were issued in November 2009 with a 2-year maturity and a 5% annual interest. The details of these convertible notes are described under the section "Major Events". Accordingly, the Group's current ratio improved from approximately 1.1 of last year to approximately 4.4 as at the year end date.

### GEARING RATIO

The Group's gearing ratio at the end of the year was approximately 4.3% (2009: 10.0%), calculated on the basis of net borrowings, being the excess of borrowings over bank deposits, bank balance and cash, of approximately HK\$127 million over the equity attributable to owners of approximately HK\$2,945 million. The improvement in gearing ratio was mainly due to the proceeds from the fund-raising activities described in detail under the section "Major Events".

### EXCHANGE RATE EXPOSURE

As at 31st March, 2010, approximately 4.3% of the bank deposits, bank balances and cash were in foreign currencies and all of the Group's borrowings were denominated in Hong Kong dollars.

### PLEDGE OF ASSETS

As at 31st March, 2010, properties with an aggregate carrying value of approximately HK\$137 million were pledged to a bank to secure general facilities granted to the Group. In addition, an aggregate carrying value of approximately HK\$175 million of interests in a listed associate were pledged as a security under a margin securities account with a financial institution. As at 31st March, 2010 and the date of this report, there were no outstanding balances for the aforementioned margin securities account.

### CONTINGENT LIABILITIES

As at 31st March, 2010, the Group had no contingent liabilities, except that on disposal of an associate, the Group had given an indemnity to the purchaser relating to unrecorded taxation liabilities, if any, and the affairs and business of the associate up to the date of disposal.

### EMPLOYEE AND REMUNERATION POLICY

As at 31st March, 2010, the Group had a total of 69 employees. It is the Group's remuneration policy that the employees' remuneration is based on the employees' skill, knowledge and involvement in the Company's affairs and is determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Company. The Group also offers benefits to employees including discretionary bonus, training, provident funds and medical coverage. The share option scheme is established for the eligible participants (including employees) but no share options were granted during the year. There were 197,600,000 outstanding share options granted by the Company as at 1st April, 2009. Due to adjustments arising from the capital reorganisation and rights issue of the Company and lapse of share options during the year, the outstanding share options of the Company as at 31st March, 2010 and as at the date of this report is 29,447,750 and 28,914,000 respectively with a current exercise price of HK\$2.52 per share (subject to adjustments).

## CHAIRMAN'S STATEMENT *(continued)*

### MAJOR EVENTS

The major events of the Group completed during the year ended 31st March, 2010 are summarised below:

#### **Capital reorganisation**

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

#### **Fund raising activities**

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

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

In September 2009, the Company received acceptance of its offer to repurchase 5% convertible notes due 2nd November, 2009 ("2009 CN") in the aggregate principal amount of HK\$128 million at their face value (the "Repurchase Offer"). The purchase price was satisfied by the issuance of the same principal amount of 5% convertible notes due 2nd November, 2011 ("2011 CN") with rights to subscribe for shares of the Company at an initial conversion price of HK\$0.50 per share (subject to

adjustments). The remaining 2009 CN in the aggregate principal amount of HK\$72 million, which were not repurchased under the Repurchase Offer, were repaid in November 2009 by the net proceeds generated from the issuance of 2011 CN in the aggregate principal amount of HK\$72 million pursuant to the placing agreement between the Company and the placing agent made in September 2009. In November 2009, the Repurchase Offer and the placing of 2011 CN were completed, no 2009 CN remained outstanding and 2011 CN in the aggregate principal amount of HK\$200 million were issued.

These fund raising activities have enlarged the shareholder base and capital base of the Company, and have strengthened the Group's cash flow position.

#### **Strategic investments**

The pursuance of quality investments continues to be a key pillar of the Group's development strategy. During the year, the Group continued to support its strategic investments by increasing its investment in them:

##### *Rosedale Hotel*

In May and June 2009, the Group acquired an aggregate principal amount of approximately HK\$108 million of Rosedale Hotel's 2% convertible exchangeable notes (the "Rosedale Hotel Notes") with an aggregate consideration of approximately HK\$85 million. These Rosedale Hotel Notes were being acquired at a discount to the principal amount. As at the date of this report, the Group holds an aggregate principal amount of approximately HK\$114 million Rosedale Hotel Notes.

In August 2009, the Group acquired an aggregate of approximately 32 million shares of Rosedale Hotel, which were subsequently adjusted to approximately 1.6 million shares due to the capital reorganisation of Rosedale Hotel effective in February 2010, on the open market at a total consideration of approximately HK\$1.4 million with an aim to take advantage of the potential up-side in the investment in Rosedale Hotel.

## CHAIRMAN'S STATEMENT *(continued)*

### *PYI*

In July 2009, the Group subscribed for its pro-rata entitlement of approximately 809 million rights shares of PYI at HK\$0.12 per rights share with a total consideration of approximately HK\$97 million. The subscription of rights shares allowed the Group to maintain its pro rata shareholding in PYI and to share the benefit from the growth of PYI.

### **Realisation of investments**

The Group has successfully realised capital gains from its securities investments by taking advantage of the improved market conditions and realised a disposal gain of approximately HK\$26 million during the year. In February 2010, the Group disposed of a property in Canada for a consideration of approximately HK\$45 million and recognised a gain of approximately HK\$22 million compared to its net book value. The proceeds from the above realisation have been used to repay bank loans and as general working capital of the Group.

## MAJOR EVENTS AFTER THE REPORTING PERIOD

The major events of the Group subsequent to the year ended 31st March, 2010 are summarised below:

### **Strategic investments**

#### *Hanny*

In April 2010, the Group acquired an aggregate principal amount of approximately HK\$42 million of Hanny's 2% convertible notes (the "Hanny Notes") at a discount by paying approximately HK\$31 million as the consideration.

In July 2010, Hanny proposed to repurchase the outstanding Hanny Notes at their face value with the consideration to be satisfied by the issuance of Hanny shares at HK\$0.50 per share. As at the date of this report, the aggregate principal amount of Hanny Notes held by the Group is approximately HK\$231 million. The directors

of the Company proposed to accept such repurchase offer in full in respect of all the Hanny Notes held by the Group for approximately 463 million Hanny shares if the whitewash waiver, among other conditions precedent, is obtained. If the whitewash waiver, among other conditions precedent, is not obtained, the directors of the Company proposed to accept such repurchase offer in respect of the Hanny Notes held by the Group to the extent that the Group's interests in Hanny increases by less than 2% and no general offer obligation on the Group in respect of its interests in Hanny under The Hong Kong Code on Takeovers and Mergers will be triggered. The proposed acceptance of the repurchase offer is subject to, among others, the approval from the shareholders of the Company.

#### *Rosedale Hotel*

In July 2010, the directors of the Company proposed to accept the repurchase offer from Rosedale Hotel in respect of all the outstanding Rosedale Hotel Notes held by the Group for approximately HK\$100 million in cash, based on the aggregate principal amount of approximately HK\$114 million of these Rosedale Hotel Notes as at the date of this report. The proposed acceptance of the repurchase offer is subject to, among others, the approval from the shareholders of the Company at the special general meeting to be held on 5th August, 2010.

From May to July 2010, the Group further acquired an aggregate of approximately 26 million shares of Rosedale Hotel on the open market at a total consideration of approximately HK\$16 million with an aim to take advantage of the potential up-side in the investment in Rosedale Hotel in consideration of Rosedale Hotel's plan to expand its hotel business in Mainland China's flourishing hospitality industry. As at the date of this report, the Group's direct interest in Rosedale Hotel is approximately 19.0%.

## CHAIRMAN'S STATEMENT *(continued)*

### SECURITIES IN ISSUE

As a result of the issue of shares arising from warrant exercises, the Capital Reorganisation, the Rights Issue and the Placing, the total number of issued shares of the Company of HK\$0.01 each is 753,695,343 as at the date of this report. All outstanding warrants of the Company were expired on 4th November, 2009.

### FINAL DIVIDEND

Despite that the Group recorded a loss of approximately HK\$5 million for the year, the board of directors of the Company (the "Board") considered that by excluding the non-cash loss on deemed disposal of associates, the Group achieved a profit of approximately HK\$132 million as explained in the section "Review of Financial Performance and Position". In order to show appreciation for shareholders' sustained support, the Board has resolved to recommend the payment of a final dividend of HK1.0 cent per share for the year ended 31st March, 2010 (2009: Nil) to shareholders whose names appear on the register of members of the Company as at the close of business on 8th October, 2010. The proposed final dividend is expected to be paid to shareholders by post on or about 5th November, 2010 following approval at the forthcoming annual general meeting. The proposed final dividend is conditional upon the passing at the forthcoming annual general meeting of the Company of an ordinary resolution to approve the final dividend.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 6th October, 2010 to Friday, 8th October, 2010, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:00 p.m. on Tuesday, 5th October, 2010.

### OUTLOOK

While it is widely thought that the worst of the economic recession appears to be behind us, the recent market corrections arising from concerns over various issues such as policy tightening in Mainland China and sovereign debt crises in some European countries indicate the risks remain. Nevertheless, the Central Government of Mainland China is expecting a positive growth in its economy in the second half of 2010. The optimism in the Mainland China economy will be beneficial to the Hong Kong economy due to its close ties with and proximity to Mainland China. The Board is optimistic on the business outlook and the Group's long term strategy of exploring potential investments in an aggressive, yet cautious, manner and enhancing the value of its strategic investments. In line with the theme this year "Pursuing Growth Through Value Creation", the Group, equipped with a strong asset base and a low gearing level, will continue to pursue valuable investments and capitalise on these opportunities in a vigilant manner.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the shareholders for their continuous support to the Company and extend my appreciation to all management and staff members for their contribution and dedication throughout the year.

**Dr. Chan Kwok Keung, Charles**

*Chairman*

Hong Kong, 23rd July, 2010



## BIOGRAPHIES OF DIRECTORS AND SECRETARY

### DIRECTORS

**Chan Kwok Keung, Charles**, aged 55, is the Chairman of the Company. Dr. Chan holds an Honorary Degree of Doctor of Laws and a Bachelor's Degree in Civil Engineering and has over 30 years' international corporate management experience in the construction and property sectors as well as in strategic investments. He joined the Group in February 1997 and is responsible for its strategic planning. Dr. Chan is a non-executive director of PYI Corporation Limited. Dr. Chan was the chairman and executive director of Hanny Holdings Limited until September 2008. Dr. Chan is the sole director and beneficial owner of Chinaview International Limited and Galaxyway Investments Limited which are substantial shareholders of the Company as disclosed in the section headed "Interests and short positions of substantial shareholders/other persons recorded in the register kept under section 336 of the SFO" in the directors' report. Dr. Chan is the father and the elder brother of Mr. Chan Yiu Lun, Alan and Mr. Chan Kwok Chuen, Augustine, respectively, executive directors of the Company.

**Chau Mei Wah, Rosanna**, aged 55, is the Deputy Chairman and Managing Director of the Company, a member of the Remuneration Committee of the Company and a director of various subsidiaries of the Group. Ms. Chau has over 30 years' experience in international corporate management and finance. She holds a Bachelor's Degree and a Master's Degree in Commerce and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia and a member of the Certified General Accountants' Association of Canada. She joined the Group in February 1997 and is responsible for its operations and business development. Ms. Chau is a director of Burcon NutraScience Corporation.

**Chan Kwok Chuen, Augustine**, aged 51, joined the Company as an executive director in November 1997 and is also a director of various subsidiaries of the Group. Mr. Chan holds a diploma in arts and has over 27 years' experience in trading business in the PRC. Mr. Chan is the managing director of Hanny Holdings Limited. Mr. Chan is the younger brother of Dr. Chan Kwok Keung, Charles, the Chairman of the Company and the sole director and beneficial owner of Chinaview International Limited and Galaxyway Investments Limited which are substantial shareholders of the Company, and is the uncle of Mr. Chan Yiu Lun, Alan, an executive director of the Company.

**Chan Fut Yan**, aged 56, joined the Company as an executive director in December 1997 and is also a director of various subsidiaries of the Group. Mr. Chan has over 37 years' experience in the local construction field specialising in planning of construction business. He is also the managing director of ITC Properties Group Limited and was appointed as the deputy chairman and an executive director of Paul Y. Engineering Group Limited on 31st May, 2010.

**Cheung Hon Kit**, aged 56, joined the Company as an independent non-executive director in December 1999 and was appointed as an executive director in September 2001. Mr. Cheung graduated from the University of London with a Bachelor of Arts Degree. He has over 32 years' experience in real estate development, property investment and corporate finance. He has worked in key executive positions in various leading property development companies in Hong Kong. He is the chairman and an executive director of ITC Properties Group Limited and Rosedale Hotel Holdings Limited (company name was changed from Wing On Travel (Holdings) Limited on 27th May, 2010) and is also an independent non-executive director of Future Bright Holdings Limited (formerly known as Innovo Leisure Recreation Holdings Limited) and International Entertainment Corporation.

**Chan Yiu Lun, Alan**, aged 26, joined the Company as an executive director in March 2009 and is also a director of various subsidiaries of the Group. Mr. Chan graduated from Duke University, United States of America, with a Bachelor of Arts Degree in Political Science - International Relations. He previously worked in the Investment Banking Division at the Goldman Sachs Group, Inc. Mr. Chan was appointed as an executive director of ITC Properties Group Limited on 1st March, 2010. He was also appointed as a director of Burcon NutraScience Corporation on 20th April, 2010 and resigned as an alternate director to Ms. Chau Mei Wah, Rosanna in Burcon NutraScience Corporation on 23rd April, 2010. Mr. Chan was appointed as an advisor to the Bisagni Environmental Enterprise (BEE Inc.) on 22nd April, 2010. He was also appointed as an alternate director to Dr. Chan Kwok Keung, Charles in PYI Corporation Limited on 19th July, 2010. Mr. Chan is a son of Dr. Chan Kwok Keung, Charles, the Chairman of the Company and the sole director and beneficial owner of Chinaview International Limited and Galaxyway Investments Limited which are substantial shareholders of the Company. Mr. Chan is also a nephew of Mr. Chan Kwok Chuen, Augustine, an executive director of the Company.



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

**Chuck, Winston Calptor**, aged 54, joined the Company as an independent non-executive director in November 2001. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Chuck graduated from the University of Western Ontario, Canada with a Bachelor of Arts Degree. He is a practising solicitor in Hong Kong and has over 28 years' experience in the legal fields. He is also an independent non-executive director of Starlight International Holdings Limited.

**Lee Kit Wah**, aged 54, joined the Company as an independent non-executive director in July 2004. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Lee graduated from University of Toronto with a Bachelor's Degree in Commerce. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is a member of the Institute of Chartered Accountants in England and Wales. He has been practising as a certified public accountant in Hong Kong since 1988 and is the managing director of an accounting firm. Mr. Lee is also an independent non-executive director of Sinocom Software Group Limited.

**Hon. Shek Lai Him, Abraham**, *SBS, JP*, aged 65, joined the Company as an independent non-executive director in June 2006 and is also a member of the Audit Committee of the Company. Mr. Shek graduated from the University of Sydney, Australia with a Bachelor of Arts Degree. Mr. Shek is a member of the Legislative Council for the Hong Kong Special Administrative Region representing real estate and construction functional constituency since 2000. Currently, Mr. Shek is a member of the Council of The Hong Kong University of Science & Technology and a member of the Court of The University of Hong Kong. He is also a director of The Hong Kong Mortgage Corporation Limited and the Vice Chairman of Independent Police Complaints Council. Mr. Shek was appointed as a Justice of the Peace in 1995 and awarded Silver Bauhinia Star in 2007. Mr. Shek is also an independent non-executive director of NWS Holdings Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, Titan Petrochemicals Group Limited, Country Garden Holdings Company Limited, MTR Corporation Limited, Hsin Chong Construction Group Ltd., Chuang's China Investments Limited, Hop Hing Group Holdings Limited and SJM Holdings Limited. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust. He is also an independent non-executive director of Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust. Mr. Shek was an independent non-executive director of See Corporation Limited until September 2008 and was an independent non-executive director of Hop Hing Holdings Limited until April 2008.

## SECRETARY

**Lee Hon Chiu**, aged 48, is the Company Secretary and the Chief Financial Officer of the Company and is also a director of various subsidiaries of the Group. Mr. Lee has over 23 years' experience in auditing, accounting and financial management. He was an executive director of Paul Y. Engineering Group Limited until April 2008. He holds a Bachelor's Degree in Business Administration and is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and also a certified public accountant in Hong Kong. He joined the Group in May 2008 and is responsible for its finance, accounting and company secretarial functions.

## CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company believes that good corporate governance practices are essential for effective management to enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders.

### CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March, 2010, complied with the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has continued to adopt the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company (the "Directors"). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31st March, 2010.

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

### BOARD OF DIRECTORS

#### The Board

The members of the Board are individually and collectively responsible for the leadership and control, and for promoting the success, of the Company by directing and supervising the Company's affairs. As at the date of this report, the Board comprises nine Directors, including the Chairman, the Deputy Chairman and Managing Director, four other executive Directors, and three independent non-executive Directors. The Board has a balanced composition of executive and independent non-executive Directors so that strong independent elements are included in the Board, enabling the Board to exercise judgment independently and make decision objectively in the interests of the Company and its shareholders as a whole. Biographical details of the Directors, showing a good balance of professional expertise and diverse range of experience among them, are set out on pages 11 and 12 of this annual report. The Board members have no financial, business, family or other material/relevant relationship with each other, except that Dr. Chan Kwok Keung, Charles is the elder brother of Mr. Chan Kwok Chuen, Augustine and Mr. Chan Yiu Lun, Alan is a son and a nephew of Dr. Chan Kwok Keung, Charles and Mr. Chan Kwok Chuen, Augustine respectively.

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

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

## CORPORATE GOVERNANCE REPORT *(continued)*

The attendance of each individual member of the Board, the Audit Committee and the Remuneration Committee at the respective meetings during the year under review, on a named basis, is set out in the following table:

Name of Directors	Meetings Attended/ Eligible to attend		
	Board	Audit Committee	Remuneration Committee
<i>Executive Directors</i>			
Chan Kwok Keung, Charles ( <i>Chairman</i> )	3/5		
Chau Mei Wah, Rosanna ( <i>Deputy Chairman and Managing Director</i> )	5/5		2/2
Chan Kwok Chuen, Augustine	3/5		
Chan Fut Yan	3/5		
Cheung Hon Kit	4/5		
Chan Yiu Lun, Alan	4/5		
<i>Independent non-executive Directors</i>			
Chuck, Winston Calptor	3/5	2/2	2/2
Lee Kit Wah	5/5	2/2	2/2
Shek Lai Him, Abraham	5/5	2/2	

### Chairman and Managing Director

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

### Independent non-executive Directors

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

### Nomination, appointment and re-election of Directors

The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders of the Company (the "Shareholders") at the general meeting. Under the Company's Bye-laws, the Directors shall have the power to appoint any person as a Director at any time either to fill a casual vacancy on the Board or as an addition to the existing Board who is subject to retirement and re-election at the first general meeting or first annual general meeting respectively after his/her appointment. All Directors are subject to retirement and re-election by the Shareholders on a rotation basis and pursuant to the Company's Bye-laws, each annual general meeting one-third of the Directors for the time being shall retire from office by rotation such that each Director shall be subject to retirement by rotation at least once every three years at the annual general meeting. Potential new Directors are identified and submitted to the Board for approval. The nomination of Directors should be taken into consideration of the candidate's qualification, ability and potential contribution to the Company. A candidate to be appointed as independent non-executive Director must also satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. No Board meeting was convened during the year under review for the appointment of new Director.

## CORPORATE GOVERNANCE REPORT *(continued)*

### REMUNERATION COMMITTEE

The Board has set up a Remuneration Committee of the Company with a majority of the members being independent non-executive Directors. As at the date of this report, the Remuneration Committee comprises two independent non-executive Directors, namely, Mr. Chuck, Winston Calptor (Chairman of the Remuneration Committee) and Mr. Lee Kit Wah, and the Deputy Chairman and Managing Director, Ms. Chau Mei Wah, Rosanna.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and the senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and reviewing and determining the remuneration packages of the executive Directors and the senior management. The terms of reference of the Remuneration Committee, which follow closely the requirements of the code provisions of the Code, have been adopted by the Board, are posted on the Company's website. The Remuneration Committee is provided with sufficient resources to discharge its duties.

During the year under review, the Remuneration Committee had principally performed the followings: making recommendation to the Board on Directors' fees for the approval by the Shareholders at the annual general meeting, approving/recommending the directors' fees of Directors and reviewing and approving the discretionary bonus of executive Directors and the senior management of the Company.

With the recommendation of the Remuneration Committee, the Board sets the remuneration policy of Directors and the senior management of the Company. The Remuneration Committee shall consult the Chairman and/or the Managing Director of the Company about its proposals relating to remuneration packages of the Directors and the senior management of the Company. The emoluments of the Directors and the senior management of the Company are based on their individual skills, knowledge and involvement in the Company's affairs and are determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration is to ensure that the Company is able to attract, retain and motivate a high-calibre team which is essential to the success of the Company.

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

### AUDIT COMMITTEE

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

The principal duties of the Audit Committee include reviewing the Company's financial reporting system and internal control procedures (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget), reviewing the Group's financial information and reviewing the relationship with the external auditor of the Company. The terms of reference of the Audit Committee, which follow closely the requirements of the code provisions of the Code, have been adopted by the Board, and are posted on the Company's website. The Audit Committee is provided with sufficient resources to discharge its duties.

During the year under review, the Audit Committee reviewed and made recommendation for the Board's approval of the draft audited financial statements of the Group for the year ended 31st March, 2009 and the draft unaudited interim financial statements of the Group for the six months ended 30th September, 2009, discussed the accounting policies and practices which may affect the Group with the management and the Company's external auditor, made recommendation on the re-appointment of external auditor for the approval of the Shareholders in the annual general meeting of the Company, reviewed the fees charged by the external auditor; and reviewed the internal control system of the Group.

## CORPORATE GOVERNANCE REPORT *(continued)*

### AUDITOR'S REMUNERATION

Messrs. Deloitte Touche Tohmatsu ("Deloitte"), the Group's principal auditor, was re-appointed by the Shareholders at the annual general meeting of the Company held on 29th September, 2009 as the Company's external auditor until the next annual general meeting. For the year ended 31st March, 2010, the total fee paid/payable in respect of statutory audit and non-audit services provided by Deloitte is set out in the following table:

Services rendered	Fee paid/payable	
	for the year ended 31st March,	
	2010	2009
	HK\$'000	HK\$'000
Audit services	1,910	1,803
Non-audit services		
Taxation advisory	30	31
Special engagements	543	7
<b>Total fee paid/payable for the year</b>	<b>2,483</b>	<b>1,841</b>

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31st March, 2010, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable and prepared the financial statements on a going concern basis. The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 33 of this annual report.

### INTERNAL CONTROL

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

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

## CORPORATE GOVERNANCE REPORT *(continued)*

### COMMUNICATION WITH SHAREHOLDERS

The Board makes its endeavour to maintain an ongoing and transparent communication with the Shareholders and, in particular, uses general meetings to communicate with them and encourage their participation. The Company also uses various other means of communication with the Shareholders, such as publication of annual and interim reports, announcements, circulars and additional information on the Group's business activities and development on the Company's website: [www.itc.com.hk](http://www.itc.com.hk). During the year under review, all resolutions put forward at the annual general meeting and the special general meetings had been conducted by way of poll and poll results were posted on the websites of the Company and the Hong Kong Stock Exchange in compliance with the requirements of the Listing Rules. Details of procedure for conducting a poll was explained at each general meeting of the Company and notice of not less than 10 clear business days and 20 clear business days were sent to the Shareholders for special general meetings and the annual general meeting of the Company respectively during the year under review.

By Order of the Board

**Lee Hon Chiu**

*Company Secretary*

Hong Kong, 23rd July, 2010



## DIRECTORS' REPORT

The directors have pleasure to present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2010.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities and particulars of the Company's principal subsidiaries and the Group's principal associates as at 31st March, 2010 are set out in notes 47 and 18, respectively, to the consolidated financial statements.

### SEGMENTAL INFORMATION

An analysis of the Group's revenue and contribution to operating results for the year ended 31st March, 2010 is set out in note 4 to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2010 are set out in the consolidated statement of comprehensive income on page 34 of the annual report.

The directors have resolved to recommend the payment of a final dividend of HK1.0 cent per share for the year ended 31st March, 2010, which will be payable in cash.

### RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 37 and 38 of the annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers during the year were less than 30% of the Group's total turnover.

The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 30% of the Group's total purchases.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 97 of the annual report.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

### INVESTMENT PROPERTIES

Details of revaluation and movements of the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

**DIRECTORS' REPORT** *(continued)***SHARE CAPITAL**

Details of the movements in the share capital of the Company during the year are set out in note 35 to the consolidated financial statements.

**DISTRIBUTABLE RESERVES OF THE COMPANY**

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, subject to the restrictions as stipulated in the Companies Act 1981 of Bermuda as described above, the Company's reserves available for distribution to shareholders as at 31st March, 2010 were as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Contributed surplus	<b>1,402,800</b>	1,134,686
Accumulated profits	<b>723,184</b>	737,021
	<b>2,125,984</b>	1,871,707

**BORROWINGS**

Bank borrowings repayable within one year or on demand are classified as current liabilities. Details of the repayment analysis of bank borrowings of the Group as at 31st March, 2010 are set out in note 31 to the consolidated financial statements.

## DIRECTORS' REPORT *(continued)*

### DIRECTORS

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

**Executive directors:**

Chan Kwok Keung, Charles (*Chairman*)

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

Chan Kwok Chuen, Augustine

Chan Fut Yan

Cheung Hon Kit

Chan Yiu Lun, Alan

**Independent non-executive directors:**

Chuck, Winston Calptor

Lee Kit Wah

Shek Lai Him, Abraham

In accordance with Bye-law 98(A) of the Company's Bye-laws, Mr. Chan Kwok Chuen, Augustine, Mr. Chan Fut Yan and Mr. Lee Kit Wah will retire by rotation at the forthcoming annual general meeting. All retiring directors, being eligible, offer themselves for re-election.

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

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

As at 31st March, 2010, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") were as follows:

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

Name of director	Capacity	Long position/ Short position	Number of shares of the Company held	Number of underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Chan Kwok Keung, Charles	Beneficial owner	Long position	61,016,330 <i>(Note 1)</i>	-	8.09%
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note 1)</i>	Long position	202,678,125 <i>(Note 1)</i>	-	26.89%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	-	4,102,250 <i>(Note 2)</i>	0.54%
Chan Kwok Chuen, Augustine	Beneficial owner	Long position	-	1,830,000 <i>(Note 2)</i>	0.24%
Chan Fut Yan	Beneficial owner	Long position	-	3,812,500 <i>(Note 2)</i>	0.51%
Cheung Hon Kit	Beneficial owner	Long position	-	3,812,500 <i>(Note 2)</i>	0.51%
Chuck, Winston Calptor	Beneficial owner	Long position	-	381,250 <i>(Note 2)</i>	0.05%
Lee Kit Wah	Beneficial owner	Long position	-	381,250 <i>(Note 2)</i>	0.05%
Shek Lai Him, Abraham	Beneficial owner	Long position	-	381,250 <i>(Note 2)</i>	0.05%

*Notes:*

- Galaxyway Investments Limited was a wholly-owned subsidiary of Chinaview International Limited which was, in turn, wholly-owned by Dr. Chan Kwok Keung, Charles. Dr. Chan Kwok Keung, Charles was deemed to be interested in 202,678,125 shares of the Company held by Galaxyway Investments Limited. Dr. Chan Kwok Keung, Charles held 61,016,330 shares of the Company.
- These interests represented the interests in underlying shares in respect of the share options (unlisted equity derivatives) granted by the Company to these directors as beneficial owners, the details of which are set out in the section headed "Share Option Scheme" of this report.

## DIRECTORS' REPORT *(continued)*

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

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

Name of director	Capacity	Long position/ Short position	Number of shares of Hanny held	Number of underlying shares of Hanny held	Approximate percentage of the issued share capital of Hanny
Chan Kwok Keung, Charles	Interest of controlled corporation (Note 1)	Long position	240,146,821 (Note 1)	-	42.78%
Chan Kwok Keung, Charles	Interest of controlled corporations (Note 1)	Long position	-	11,999,977 (Note 1)	2.14%
Chan Kwok Keung, Charles	Beneficial owner	Long position	2,298,393	-	0.41%
Chan Kwok Keung, Charles	Beneficial owner	Long position	-	179,520 (Note 1)	0.03%
Cheung Hon Kit	Beneficial owner	Long position	1	-	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	32	-	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	-	4 (Note 2)	0.00%

*Notes:*

- 240,146,821 shares of Hanny were held by an indirect wholly-owned subsidiary of the Company. The Company, through its indirect wholly-owned subsidiaries, also held the convertible notes of Hanny (unlisted equity derivatives) with an aggregate principal amount of HK\$189,959,670. Upon full conversion of such convertible notes at a conversion price of HK\$15.83 per share of Hanny (subject to adjustments), 11,999,977 shares of Hanny would be issued to the indirect wholly-owned subsidiaries of the Company.

By virtue of his direct and deemed interests in approximately 34.98% of the issued share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and underlying shares of Hanny held by the indirect wholly-owned subsidiaries of the Company.

Dr. Chan Kwok Keung, Charles owned the convertible notes of Hanny (unlisted equity derivatives) in the principal amount of HK\$2,841,810. Upon full conversion of such convertible notes at a conversion price of HK\$15.83 per share of Hanny (subject to adjustments), 179,520 shares of Hanny would be issued to Dr. Chan Kwok Keung, Charles.

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

## DIRECTORS' REPORT *(continued)*

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

#### (c) *Interests and short positions in shares, underlying shares and debentures of PYI Corporation Limited ("PYI")*

Name of director	Capacity	Long position/ Short position	Number of shares of PYI held	Number of underlying shares of PYI held	Approximate percentage of the issued share capital of PYI
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note 1)</i>	Long position	1,213,537,695	-	26.79%
Chan Kwok Keung, Charles	Beneficial owner	Long position	35,936,031	-	0.79%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	-	3,626,666 <i>(Note 2)</i>	0.08%
Chan Fut Yan	Beneficial owner	Long position	-	7,083,334 <i>(Note 2)</i>	0.16%
Cheung Hon Kit	Beneficial owner	Long position	400	-	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	6,000	-	0.00%

*Notes:*

- The shares of PYI were held by an indirect wholly-owned subsidiary of the Company. By virtue of his direct and deemed interests in approximately 34.98% of the issued share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of PYI held by an indirect wholly-owned subsidiary of the Company.
- As at 31st March, 2010, Ms. Chau Mei Wah, Rosanna and Mr. Chan Fut Yan held share options (unlisted equity derivatives) (which were granted on 28th December, 2004) with rights to subscribe for 3,626,666 shares of PYI and 7,083,334 shares of PYI respectively at HK\$0.5294 per share of PYI (subject to adjustments) during the period from 28th December, 2004 to 26th August, 2012. These share options were vested on the date of grant.

As at 1st April, 2009, Ms. Chau Mei Wah, Rosanna and Mr. Chan Fut Yan held the aforesaid share options with rights to subscribe for 1,493,333 shares of PYI and 2,916,667 shares of PYI respectively at HK\$1.2857 per share of PYI (subject to adjustments). The exercise price and the number of shares of PYI to be issued upon exercise of such share options were adjusted as a result of rights issue of PYI in July 2009.



## DIRECTORS' REPORT *(continued)*

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

#### (d) *Interests and short positions in shares, underlying shares and debentures of Burcon NutraScience Corporation ("Burcon")*

Name of director	Capacity	Long position/ Short position	Number of shares of Burcon held	Number of underlying shares (in respect of the share options (unlisted equity derivatives)) of Burcon held	Approximate percentage of the issued share capital of Burcon
Chau Mei Wah, Rosanna	Beneficial owner	Long position	349,389	-	1.20%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	-	88,500	0.30%

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

Name of director	Capacity	Long position/ Short position	Number of shares of ITC Properties held	Number of underlying shares of ITC Properties held	Approximate percentage of the issued share capital of ITC Properties
Chan Kwok Keung, Charles	Interest of controlled corporations (Note 1)	Long position	112,996,163	-	23.99%
Chan Kwok Keung, Charles	Interest of controlled corporations (Note 1)	Long position	-	95,158,088 (Note 1)	20.21%
Chan Kwok Keung, Charles	Beneficial owner	Long position	6,066,400	-	1.28%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	3,200,000	-	0.67%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	-	1,500,000 (Note 2)	0.31%
Chan Fut Yan	Beneficial owner	Long position	-	2,900,000 (Note 2)	0.61%
Cheung Hon Kit	Beneficial owner	Long position	12,000,000	-	2.54%
Cheung Hon Kit	Beneficial owner	Long position	-	3,900,000 (Note 2)	0.83%
Chan Yiu Lun, Alan	Beneficial owner	Long position	-	1,500,000 (Note 2)	0.31%

## DIRECTORS' REPORT *(continued)*

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

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

Notes:

- 36,593,400 shares of ITC Properties were held by an indirect wholly-owned subsidiary of the Company. 76,402,763 shares of ITC Properties were held by an indirect wholly-owned subsidiary of Hanny. An indirect wholly-owned subsidiary of the Company held convertible notes (unlisted equity derivatives) of ITC Properties in the aggregate principal amount of HK\$64,000,000 at a conversion price of HK\$9.025 per share of ITC Properties (subject to adjustments). Upon full conversion of such convertible notes, 7,091,412 shares of ITC Properties would be issued to such indirect wholly-owned subsidiary of the Company. An indirect wholly-owned subsidiary of Hanny owned convertible notes (unlisted equity derivatives) of ITC Properties in the principal amounts of HK\$330,000,000 and HK\$270,000,000 at conversion prices of HK\$5.675 and HK\$9.025 per share of ITC Properties (subject to adjustments), respectively. Upon full conversion of such convertible notes, 58,149,779 and 29,916,897 shares of ITC Properties would be issued to such indirect wholly-owned subsidiary of Hanny. An indirect wholly-owned subsidiary of the Company owned approximately 42.78% of the issued share capital of Hanny and Dr. Chan Kwok Keung, Charles held approximately 0.41% of the issued share capital of Hanny. By virtue of his direct and deemed interests in approximately 34.98% of the issued share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and underlying shares of ITC Properties held by the subsidiaries of Hanny and the Company.
- Details of outstanding share options (unlisted equity derivatives) granted to the directors of the Company by ITC Properties as at 31st March, 2010 were as follows:

Name of optionholder	Date of grant	Option period*	Number of share options		Exercise price per share of ITC Properties as at 28th March, 2010 (subject to adjustments) HK\$
			Outstanding as at 1.4.2009	Outstanding as at 28.3.2010	
Chau Mei Wah, Rosanna (Note)	27.7.2007	27.7.2007 to 26.7.2011	190,320	190,320	10.55
Chan Fut Yan (Note)	27.7.2007	27.7.2007 to 26.7.2011	444,080	444,080	10.55
Cheung Hon Kit (Note)	27.7.2007	27.7.2007 to 26.7.2011	761,280	761,280	10.55

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

## DIRECTORS' REPORT *(continued)*

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

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

Note:

On 1st April, 2010, the Company received disclosure forms from the following directors with the following information:-

- (1) the share options granted by ITC Properties to Ms. Chau Mei Wah, Rosanna, Mr. Chan Fut Yan and Mr. Cheung Hon Kit as mentioned above have been cancelled by agreement between ITC Properties and these directors respectively on 29th March, 2010; and
- (2) the following share options have been granted by ITC Properties to Ms. Chau Mei Wah, Rosanna, Mr. Chan Fut Yan, Mr. Cheung Hon Kit and Mr. Chan Yiu Lun, Alan on 29th March, 2010 with the following details:-

Name of optionholder	Date of grant	Option period**	Number of share options		Exercise price per share of ITC Properties as at 31st March, 2010 (subject to adjustments) HK\$
			Outstanding as at 29.3.2010	Outstanding as at 31.3.2010	
Chau Mei Wah, Rosanna	29.3.2010	29.3.2010 to 28.3.2014	1,500,000	1,500,000	2.22
Chan Fut Yan	29.3.2010	29.3.2010 to 28.3.2014	2,900,000	2,900,000	2.22
Cheung Hon Kit	29.3.2010	29.3.2010 to 28.3.2014	3,900,000	3,900,000	2.22
Chan Yiu Lun, Alan	29.3.2010	29.3.2010 to 28.3.2014	1,500,000	1,500,000	2.22

\*\* In relation to the grant of share options on 29th March, 2010 subject to the terms and conditions of the share option scheme of ITC Properties adopted on 26th August 2002, the share options shall be exercisable at any time during the option period and subject further to a maximum of 50% of the share options shall be exercisable during the second year period commencing from 29th March, 2011 to 28th March, 2012 with the balance of the share options not yet exercised may be exercised during the period commencing from 29th March, 2012 to 28th March, 2014.

As at 31st March, 2010, Hanny, PYI, Burcon and ITC Properties were associated corporations of the Company within the meaning of Part XV of the SFO.

Dr. Chan Kwok Keung, Charles was, by virtue of his direct and deemed interests in approximately 34.98% of the issued share capital of the Company, deemed to be interested in the shares and underlying shares (in respect of equity derivatives), if any, of the associated corporations (within the meaning of Part XV of the SFO) of the Company held by the Group under Part XV of the SFO.

Save as disclosed above, as at 31st March, 2010, none of the directors and chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT *(continued)*

## SHARE OPTION SCHEME

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

Name or category of participants	Date of grant	Exercisable period*	Exercise price per share (subject to adjustments) (Notes 1 & 2) HK\$	Number of shares of the Company to be issued upon exercise of the share options					
				Outstanding as at 1.4.2009	Granted during the year	Adjustments (Notes 1 & 2)	Exercised during the year	Cancelled or lapsed during the year	Outstanding as at 31.3.2010
Directors of the Company									
Chau Mei Wah, Rosanna	28.3.2008	28.3.2008 to 27.3.2011	2.52	26,900,000	-	(22,797,750)	-	-	4,102,250
Chan Kwok Chuen, Augustine	28.3.2008	28.3.2008 to 27.3.2011	2.52	12,000,000	-	(10,170,000)	-	-	1,830,000
Chan Fui Yan	28.3.2008	28.3.2008 to 27.3.2011	2.52	25,000,000	-	(21,187,500)	-	-	3,812,500
Cheung Hon Kit	28.3.2008	28.3.2008 to 27.3.2011	2.52	25,000,000	-	(21,187,500)	-	-	3,812,500
Chuck, Winston Calptor	28.3.2008	28.3.2008 to 27.3.2011	2.52	2,500,000	-	(2,118,750)	-	-	381,250
Lee Kit Wah	28.3.2008	28.3.2008 to 27.3.2011	2.52	2,500,000	-	(2,118,750)	-	-	381,250
Shek Lai Him, Abraham	28.3.2008	28.3.2008 to 27.3.2011	2.52	2,500,000	-	(2,118,750)	-	-	381,250
Employees	28.3.2008	28.3.2008 to 27.3.2011	2.52	25,200,000	-	(21,357,000)	-	(686,250) (Note 3)	3,156,750
Other participants	28.3.2008	28.3.2008 to 27.3.2011	2.52	76,000,000	-	(64,410,000)	-	-	11,590,000
Total				197,600,000	-	(167,466,000)	-	(686,250)	29,447,750

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

## Notes:

1. The exercise price per share from HK\$0.385 to HK\$7.7 and the number of shares of the Company to be issued upon exercise of share options were adjusted with effect from 2nd April, 2009 due to the capital reorganisation of the Company completed in April 2009.
2. The exercise price per share from HK\$7.7 to HK\$2.52 and the number of shares of the Company to be issued upon exercise of share options were adjusted with retroactive effect from 29th April, 2009, being commencement of the day next following the record date of the rights issue, due to the rights issue of the Company completed in May 2009. Such adjustments were announced on 19th May, 2009.
3. Out of 686,250 share options lapsed during the year, 457,500 share options were adjusted from 150,000 share options, as a result of rights issue as mentioned in Note 2 above, which lapsed on 18th May, 2009.

Details of the share option scheme of the Company are set out in note 36 to the consolidated financial statements.

## DIRECTORS' REPORT *(continued)*

### SHARE OPTION SCHEME *(continued)*

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

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 45 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors of the Company were interested in any business apart from the Group's businesses which compete or is likely to compete, either directly or indirectly, with the businesses of the Group as at 31st March, 2010.

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

As at 31st March, 2010, so far as is known to the directors and the chief executives of the Company, the interests or short positions of substantial shareholders/other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

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

Name	Capacity	Long position/ Short position	Number of shares of the Company held	Approximate percentage of the issued share capital of the Company
Chan Kwok Keung, Charles	Beneficial owner	Long position	61,016,330 <i>(Note)</i>	8.09%
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	202,678,125 <i>(Note)</i>	26.89%
Chinaview International Limited	Interest of controlled corporation <i>(Note)</i>	Long position	202,678,125 <i>(Note)</i>	26.89%
Galaxyway Investments Limited	Beneficial owner	Long position	202,678,125 <i>(Note)</i>	26.89%
Ng Yuen Lan, Macy	Interest of spouse <i>(Note)</i>	Long position	263,694,455 <i>(Note)</i>	34.98%

*Note:*

Galaxyway Investments Limited was a wholly-owned subsidiary of Chinaview International Limited which was, in turn, wholly-owned by Dr. Chan Kwok Keung, Charles. Ms. Ng Yuen Lan, Macy is the spouse of Dr. Chan Kwok Keung, Charles. Chinaview International Limited, Dr. Chan Kwok Keung, Charles and Ms. Ng Yuen Lan, Macy were deemed to be interested in 202,678,125 shares of the Company held by Galaxyway Investments Limited. Dr. Chan Kwok Keung, Charles held 61,016,330 shares of the Company. Ms. Ng Yuen Lan, Macy was deemed to be interested in the shares of the Company held by Dr. Chan Kwok Keung, Charles.

DIRECTORS' REPORT *(continued)*INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO *(continued)**(b) Interests and short positions of other persons in shares and underlying shares of the Company*

Name	Capacity	Long position/ Short position	Number of shares of the Company held	Number of underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Paul G. Desmarais	Interest of controlled corporations <i>(Note 1)</i>	Long position	49,362,500	-	6.55%
Nordex Inc.	Interest of controlled corporations <i>(Note 1)</i>	Long position	49,362,500	-	6.55%
Gelco Enterprises Ltee	Interest of controlled corporations <i>(Note 1)</i>	Long position	49,362,500	-	6.55%
Power Corporation of Canada	Interest of controlled corporations <i>(Note 1)</i>	Long position	49,362,500	-	6.55%
171263 Canada Inc.	Interest of controlled corporations <i>(Note 1)</i>	Long position	49,362,500	-	6.55%
Power Financial Corporation	Interest of controlled corporations <i>(Note 1)</i>	Long position	49,362,500	-	6.55%
IGM Financial Inc.	Interest of controlled corporations <i>(Note 1)</i>	Long position	49,362,500	-	6.55%
Mackenzie Inc.	Interest of controlled corporations <i>(Note 1)</i>	Long position	49,362,500	-	6.55%
Mackenzie Financial Corporation	Interest of controlled corporations <i>(Note 1)</i>	Long position	49,362,500	-	6.55%
Everland Group Limited	Beneficial owner <i>(Note 2)</i>	Long position	-	50,000,000	6.63%
Wong Yun Sang	Interest of controlled corporation <i>(Note 2)</i>	Long position	-	50,000,000	6.63%
Chair Sai Sui	Interest of controlled corporation <i>(Note 2)</i>	Long position	-	50,000,000	6.63%



## DIRECTORS' REPORT *(continued)*

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

#### *(b) Interests and short positions of other persons in shares and underlying shares of the Company (continued)*

Name	Capacity	Long position/ Short position	Number of shares of the Company held	Number of underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Ma Hon Man, Hoffman	Beneficial owner <i>(Note 3)</i>	Long position	-	70,332,712	9.33%
Katherine Chan	Interest of spouse <i>(Note 3)</i>	Long position	-	70,332,712	9.33%
Yeung Po Yuk, Pymalia	Beneficial owner <i>(Note 4)</i>	Long position	-	70,000,000	9.29%
Sunrise Light Limited	Beneficial owner <i>(Note 5)</i>	Long position	410,000	-	0.05%
Sunrise Light Limited	Beneficial owner <i>(Note 5)</i>	Long position	-	50,000,000	6.63%
All Media Services Limited	Interest of controlled corporation <i>(Note 5)</i>	Long position	410,000	-	0.05%
All Media Services Limited	Interest of controlled corporation <i>(Note 5)</i>	Long position	-	50,000,000	6.63%
Ultra Star Services Limited	Interest of controlled corporation <i>(Note 5)</i>	Long position	410,000	-	0.05%
Ultra Star Services Limited	Interest of controlled corporation <i>(Note 5)</i>	Long position	-	50,000,000	6.63%
Yeung Hoi Sing, Sonny	Interest of controlled corporation <i>(Note 5)</i>	Long position	410,000	-	0.05%
Yeung Hoi Sing, Sonny	Interest of controlled corporation <i>(Note 5)</i>	Long position	-	50,000,000	6.63%
Yeung Hoi Sing, Sonny	Beneficial owner <i>(Note 5)</i>	Long position	75,000	-	0.00%
Yeung Hoi Sing, Sonny	Beneficial owner <i>(Note 5)</i>	Long position	-	3,000	0.00%

## DIRECTORS' REPORT *(continued)*

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

#### *(b) Interests and short positions of other persons in shares and underlying shares of the Company (continued)*

Name	Capacity	Long position/ Short position	Number of shares of the Company held	Number of underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Liu Siu Lam, Marian	Interest of spouse <i>(Note 5)</i>	Long position	485,000	-	0.06%
Liu Siu Lam, Marian	Interest of spouse <i>(Note 5)</i>	Long position	-	50,003,000	6.63%

*Notes:*

- So far as known to the directors of the Company, Mackenzie Cundill Investment Mgmt. (Bermuda) Ltd. was interested in 13,112,500 shares of the Company. Mackenzie Cundill Investment Mgmt. (Bermuda) Ltd. was a wholly-owned subsidiary of Mackenzie (Rockies) Corp., which in turn was a wholly-owned subsidiary of Mackenzie Financial Corporation. Mackenzie Cundill Investment Management Ltd., a wholly-owned subsidiary of Mackenzie Financial Corporation, was deemed to be interested in 36,250,000 shares of the Company held by Mackenzie Financial Capital Corporation. Mackenzie Financial Capital Corporation was a wholly-owned subsidiary of Mackenzie Financial Corporation. Mackenzie Financial Corporation was a wholly-owned subsidiary of Mackenzie Inc. which was, in turn, a wholly-owned subsidiary of IGM Financial Inc. of which Power Financial Corporation held approximately 56.36% shareholding interests. 171263 Canada Inc., a wholly-owned subsidiary of Power Corporation of Canada, owned approximately 66.29% shareholding interests in Power Financial Corporation. Gelco Enterprises Ltee owned approximately 53.83% voting shareholding interests in Power Corporation of Canada. Nordex Inc., a company which was owned as to 68.00% by Mr. Paul G. Desmarais, owned approximately 94.95% shareholding interests in Gelco Enterprises Ltee.

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

- Everland Group Limited was interested in 50,000,000 underlying shares (in respect of unlisted equity derivatives) of the Company. Mr. Wong Yun Sang and Mr. Chair Sai Sui owned as to 50% of Everland Group Limited respectively. By virtue of SFO, each of Mr. Wong Yun Sang and Mr. Chair Sai Sui was deemed to be interested in the underlying shares of the Company in which Everland Group Limited was interested.
- Mr. Ma Hon Man, Hoffman was interested in 70,332,712 underlying shares of the Company, of which 332,712 underlying shares and 70,000,000 underlying shares related to listed equity derivatives and unlisted equity derivatives respectively. So far as known to the directors of the Company, such 332,712 underlying shares of the Company lapsed in November 2009. Ms. Katherine Chan is the spouse of Mr. Ma Hon Man, Hoffman and therefore, by virtue of the SFO, was deemed to be interested in the underlying shares of the Company in which Mr. Ma was interested.
- Ms. Yeung Po Yuk, Pymalia was interested in 70,000,000 underlying shares (in respect of unlisted equity derivatives) of the Company.
- Sunrise Light Limited, a company wholly-owned by All Media Services Limited, was interested in 410,000 shares of the Company and 50,000,000 underlying shares (in respect of unlisted equity derivatives) of the Company. All Media Services Limited was wholly-owned by Ultra Star Services Limited, which in turn was wholly-owned by Mr. Yeung Hoi Sing, Sonny. Mr. Yeung Hoi Sing, Sonny was interested in 75,000 shares of the Company and 3,000 underlying shares (in respect of listed equity derivatives) of the Company. So far as known to the directors of the Company, such 3,000 underlying shares of the Company lapsed in November 2009. Mr. Yeung Hoi Sing, Sonny was deemed to be interested in the shares and underlying shares of the Company in which Sunrise Light Limited was interested. Ms. Liu Siu Lam, Marian is the spouse of Mr. Yeung Hoi Sing, Sonny and therefore, by virtue of the SFO, was deemed to be interested in the shares and underlying shares of the Company in which Mr. Yeung and Sunrise Light Limited were interested.

## DIRECTORS' REPORT *(continued)*

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31st March, 2010.

### RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 40 to the consolidated financial statements.

### PRE-EMPTIVE RIGHTS

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

### PUBLIC FLOAT

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

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

During the year ended 31st March, 2010, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

### EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 44 to the consolidated financial statements.

### AUDITOR

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

On behalf of the Board

**Dr. Chan Kwok Keung, Charles**

*Chairman*

Hong Kong, 23rd July, 2010

## INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF ITC CORPORATION LIMITED***(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of ITC Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 96, which comprise the consolidated statement of financial position as at 31st March, 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

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

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

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

**OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu***Certified Public Accountants*

Hong Kong, 23rd July, 2010

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH, 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Turnover			
– gross proceeds	4	<u>75,276</u>	<u>255,994</u>
Revenue	4	<u>59,014</u>	<u>46,453</u>
Management and other related service income		4,363	3,509
Net gain (loss) on financial instruments	5	37,892	(16,735)
Interest income		42,079	37,945
Property rental income		3,959	3,672
Other income	6	8,046	709
Gain (loss) on changes in fair values of investment properties		31,784	(16,744)
Administrative expenses		(63,160)	(64,951)
Impairment loss recognised in respect of available-for-sale investments		-	(24,086)
Finance costs	8	(18,247)	(16,517)
Net (loss) gain on deemed disposal and disposal of interests in associates	9	(136,815)	28,881
Share of results of associates			
– share of results		87,161	(689,730)
– discount on acquisitions of associates		2,850	37,654
Loss before taxation	10	(88)	(716,393)
Taxation	11	(4,682)	2,894
Loss for the year		<u>(4,770)</u>	<u>(713,499)</u>
Other comprehensive income (expenses):			
Exchange differences arising on translation of foreign operations		8,743	(7,168)
Share of other comprehensive income of associates		83,862	9,516
Gain (loss) arising on revaluation of:			
– prepaid lease payment upon transfer to investment properties		-	33,513
– land and buildings		(3,614)	(653)
Deferred tax arising on revaluation of land and buildings		1,224	(5,374)
Effect of change in tax rate		-	227
Fair value gain (loss) on available-for-sale investments		21,714	(61,995)
Reclassification adjustments:			
– impairment loss on available-for-sale investments		-	24,086
– reserves released on deemed disposal and disposal of partial interests in associates		(6,670)	(12)
– investment revaluation reserve released on disposal of available-for-sale investments		(25,705)	(5,315)
Other comprehensive income (expenses) for the year		<u>79,554</u>	<u>(13,175)</u>
Total comprehensive income (expenses) for the year		<u>74,784</u>	<u>(726,674)</u>
Loss for the year attributable to owners of the Company		<u>(4,770)</u>	<u>(713,499)</u>
Total comprehensive income (expenses) for the year attributable to owners of the Company		<u>74,784</u>	<u>(726,674)</u>
		<i>HK cent</i>	<i>HK cent</i>
Loss per share	13		
Basic and diluted		<u>(0.67)</u>	<u>(151.72)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 31ST MARCH, 2010

	Notes	2010 HK\$'000	2009 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	31,253	68,484
Investment properties	15	88,497	54,592
Prepaid lease payments	16	56,348	57,892
Intangible assets	17	1,540	830
Interests in associates	18	2,471,715	2,305,330
Debt portion of convertible notes	19	328,358	192,377
Conversion options embedded in convertible notes	19	201	-
Available-for-sale investments	20	8,049	39,239
		<b>2,985,961</b>	<b>2,718,744</b>
<b>Current assets</b>			
Inventories		33	28
Prepaid lease payments	16	1,544	1,544
Debtors, deposits and prepayments	21	2,899	10,862
Margin account receivables	22	18	55
Amounts due from associates	23	74,356	218,626
Amounts due from related companies	24	96	96
Loan receivable	25	21,969	25,000
Investments held for trading	26	6,825	2,073
Derivative financial instruments	27	-	2,876
Short-term bank deposits, bank balances and cash	28	144,207	13,700
		<b>251,947</b>	<b>274,860</b>
<b>Current liabilities</b>			
Margin account payables	22	-	4,231
Creditors and accrued expenses	29	13,011	12,935
Amounts due to associates	30	941	6,040
Bank borrowings - due within one year	31	5,250	2,973
Bank overdrafts	32	37,974	16,476
Convertible notes payable	33	-	197,299
		<b>57,176</b>	<b>239,954</b>
<b>Net current assets</b>		<b>194,771</b>	<b>34,906</b>
<b>Total assets less current liabilities</b>		<b>3,180,732</b>	<b>2,753,650</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

AT 31ST MARCH, 2010

	Notes	2010 HK\$'000	2009 HK\$'000
<b>Non-current liabilities</b>			
Bank borrowings – due after one year	31	47,500	64,394
Convertible notes payable	33	180,492	–
Deferred tax liabilities	34	7,706	8,104
		<u>235,698</u>	<u>72,498</u>
<b>Net assets</b>		<u><b>2,945,034</b></u>	<u>2,681,152</u>
<b>Capital and reserves</b>			
Share capital	35	7,537	269,461
Share premium and reserves		2,937,497	2,411,691
		<u>2,945,034</u>	<u>2,681,152</u>

The consolidated financial statements on pages 34 to 96 were approved and authorised for issue by the Board of Directors on 23rd July, 2010 and are signed on its behalf by:

**Chan Kwok Keung, Charles**  
Chairman

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2010

	Attributable to owners of the Company													Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note a)	Reserve on acquisition HK\$'000 (Note b)	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Convertible notes reserve HK\$'000	Warrant reserve HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	
At 1st April, 2008	269,460	414,286	1,108,927	(83,611)	908	4,564	16,875	31,437	136,356	4,183	-	18,768	1,474,278	3,396,431
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	(713,499)	(713,499)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(7,168)	-	-	-	-	(7,168)
Share of other comprehensive income of associates	-	-	-	-	-	(8,117)	-	5,963	11,670	-	-	-	-	9,516
Loss on revaluation of:														
- prepaid lease payments upon transfer to investment properties	-	-	-	-	-	-	33,513	-	-	-	-	-	-	33,513
- land and buildings	-	-	-	-	-	-	(653)	-	-	-	-	-	-	(653)
Fair value loss on available- for-sale investments	-	-	-	-	-	-	-	(61,995)	-	-	-	-	-	(61,995)
Deferred tax arising on revaluation of land and buildings	-	-	-	-	-	-	(5,374)	-	-	-	-	-	-	(5,374)
Effect of change in tax rate	-	-	-	-	-	-	227	-	-	-	-	-	-	227
Impairment loss on available- for-sale investments	-	-	-	-	-	-	-	24,086	-	-	-	-	-	24,086
Released on deemed disposal and disposal of partial interests in associates	-	-	-	79	-	(5)	-	-	(86)	-	-	-	-	(12)
Released on disposal of available-for-sale investments	-	-	-	-	-	-	-	(5,315)	-	-	-	-	-	(5,315)
Total comprehensive income (expenses) for the year	-	-	-	79	-	(8,122)	27,713	(37,261)	4,416	-	-	-	(713,499)	(726,674)
Issue of bonus warrants	-	-	-	-	-	-	-	-	-	-	512	-	(512)	-
Transaction costs attributable to issue of bonus warrants	-	-	-	-	-	-	-	-	-	-	(512)	-	-	(512)
Issue of shares on exercise of warrants	1	1	-	-	-	-	-	-	-	-	-	-	-	2
Distributions (note 12)	-	-	-	-	-	-	-	-	-	-	-	-	(8,084)	(8,084)
Released upon lapse of vested share options	-	-	-	-	-	-	-	-	-	-	-	(95)	95	-
Decrease in associates' equity attributable to the Group's interests arising on equity transaction of the associates	-	-	-	(13,888)	-	12,712	-	-	-	-	-	-	21,165	19,989
At 31st March, 2009	269,461	414,287	1,108,927	(97,420)	908	9,154	44,588	(5,824)	140,772	4,183	-	18,673	773,443	2,681,152

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

FOR THE YEAR ENDED 31ST MARCH, 2010

	Attributable to owners of the Company													Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note a)	Reserve on acquisition HK\$'000 (Note b)	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Convertible notes reserve HK\$'000	Warrant reserve HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	
At 1st April, 2009	269,461	414,287	1,108,927	(97,420)	908	9,154	44,588	(5,824)	140,772	4,183	-	18,673	773,443	2,681,152
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	(4,770)	(4,770)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	8,743	-	-	-	-	8,743
Share of other comprehensive income of associates	-	-	-	-	-	(2,138)	-	81,552	4,448	-	-	-	-	83,862
Loss on revaluation of land and buildings	-	-	-	-	-	-	(3,614)	-	-	-	-	-	-	(3,614)
Fair value gain on available- for-sale investments	-	-	-	-	-	-	-	21,714	-	-	-	-	-	21,714
Deferred tax arising on revaluation of land and buildings	-	-	-	-	-	-	1,224	-	-	-	-	-	-	1,224
Released on deemed disposal of partial interests in associates	-	-	-	1,339	-	495	-	(2,943)	(5,561)	-	-	-	-	(6,670)
Released on disposal of available-for-sale investments	-	-	-	-	-	-	-	(25,705)	-	-	-	-	-	(25,705)
Total comprehensive income (expenses) for the year	-	-	-	1,339	-	(1,643)	(2,390)	74,618	7,630	-	-	-	(4,770)	74,784
Capital reorganisation	(268,114)	-	268,114	-	-	-	-	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- on exercise of warrants	-	40	-	-	-	-	-	-	-	-	-	-	-	40
- on issue of rights shares	5,390	102,400	-	-	-	-	-	-	-	-	-	-	-	107,790
- on placement of shares	800	59,200	-	-	-	-	-	-	-	-	-	-	-	60,000
Transaction costs attributable to issue of shares	-	(5,348)	-	-	-	-	-	-	-	-	-	-	-	(5,348)
Issue of convertible notes	-	-	-	-	-	-	-	-	-	22,928	-	-	-	22,928
Released upon lapse of vested share options	-	-	-	-	-	-	-	-	-	-	-	(425)	425	-
Transfer upon redemption of convertible notes	-	-	-	-	-	-	-	-	-	(4,183)	-	-	4,183	-
Released on disposal of land and buildings	-	-	-	-	-	-	(15,424)	-	-	-	-	-	15,424	-
Deferred tax released on disposal of land and buildings	-	-	-	-	-	-	3,856	-	-	-	-	-	-	3,856
Decrease in associates' equity attributable to the Group's interests arising on equity transaction of the associates	-	-	-	-	-	(5,352)	-	-	(9,368)	-	-	-	14,552	(168)
At 31st March, 2010	7,537	570,579	1,377,041	(96,081)	908	2,159	30,630	68,794	139,034	22,928	-	18,248	803,257	2,945,034

## Notes:

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31ST MARCH, 2010

	2010 HK\$'000	2009 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	(88)	(716,393)
Adjustments for:		
Allowance recognised for:		
– amounts due from associates and related companies	93	2,086
– debtors, deposits and prepayments	155	158
Amortisation of intangible assets	22	–
Depreciation of property, plant and equipment	9,096	9,287
Loss (gain) on changes in fair values of:		
– conversion options embedded in convertible notes	1,672	1,923
– derivative financial instruments	(7,773)	3,004
– investments held for trading	(4,149)	18,029
– investment properties	(31,784)	16,744
(Gain) loss on disposal of:		
– available-for-sale investments	(25,705)	(5,315)
– property, plant and equipment	(7,821)	24
Impairment loss recognised in respect of available-for-sale investments	–	24,086
Imputed portion of interest on convertible notes	(27,102)	(11,822)
Interest expenses	18,247	16,517
Net loss (gain) on deemed disposal and disposal of interests in associates	136,815	(28,881)
Release of prepaid lease payments	1,544	1,599
Share of results of associates	(90,011)	652,076
Operating cash flows before movements in working capital	(26,789)	(16,878)
(Increase) decrease in inventories	(5)	5
Decrease (increase) in debtors, deposits and prepayments	7,808	(2,122)
Decrease in margin account receivables	37	2,875
Decrease in amounts due from associates	122,587	42,573
Decrease in amounts due from related companies	–	4,666
Decrease in loan receivable	3,031	–
Decrease in financial assets designated at fair value through profit or loss	–	5,390
(Increase) decrease in investments held for trading	(603)	13,331
Decrease in derivative financial instruments	44	–
(Decrease) increase in margin account payables	(4,231)	2,396
Increase (decrease) in creditors and accrued expenses	76	(7,589)
(Decrease) increase in amounts due to associates	(5,099)	5,208
Cash generated from operations	96,856	49,855
Dividends received from associates	–	1,294
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>96,856</b>	<b>51,149</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2010

	2010 HK\$'000	2009 HK\$'000
<b>INVESTING ACTIVITIES</b>		
Acquisition of convertible notes	(112,162)	-
Acquisition of additional interests in associates	(102,560)	(188,380)
Additions to available-for-sale investments	(3,544)	(514)
Additions to property, plant and equipment	(2,534)	(2,305)
Additions to intangible assets	(732)	-
Proceeds from disposal of available-for-sale investments	56,448	16,657
Proceeds from disposal of property, plant and equipment	42,880	-
Advance to an associate	-	(53,690)
Acquisition of derivative financial instruments	-	(2,442)
Proceeds from disposal of interests in and loan to associates	-	143,556
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(122,204)</b>	<b>(87,118)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of convertible notes payables	(72,000)	-
Repayments of bank borrowings	(14,617)	(2,450)
Interest paid	(11,029)	(12,170)
Payment of transaction costs attributable to issue of shares	(5,348)	-
Payment of transaction costs attributable to issue of convertible notes payable	(1,097)	-
Gross proceeds from issue of shares	167,790	-
Gross proceeds from issue of convertible notes payable	72,000	-
Gross proceeds from exercise of warrants	40	2
Dividends paid	-	(8,084)
Payment of transaction costs attributable to issue of warrants	-	(512)
New bank borrowings raised	-	12,167
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>135,739</b>	<b>(11,047)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>110,391</b>	<b>(47,016)</b>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>(2,776)</b>	<b>40,840</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(1,382)</b>	<b>3,400</b>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>106,233</b>	<b>(2,776)</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Short-term bank deposits, bank balances and cash	144,207	13,700
Bank overdrafts	(37,974)	(16,476)
	<b>106,233</b>	<b>(2,776)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010

### 1. GENERAL

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

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

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries and the Group's principal associates are set out in notes 47 and 18, respectively.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

#### New and revised HKFRSs affecting presentation and disclosure only

##### **HKAS 1 (Revised 2007) Presentation of Financial Statements**

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

##### **HKFRS 8 Operating Segments**

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 4).

##### **Improving Disclosures about Financial Instruments**

##### **(Amendments to HKFRS 7 Financial Instruments: Disclosures)**

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>3</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>5</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>6</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>8</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>6</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>7</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirements <sup>4</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>8</sup>

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

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

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2011

<sup>5</sup> Effective for annual periods beginning on or after 1st February, 2010

<sup>6</sup> Effective for annual periods beginning on or after 1st January, 2010

<sup>7</sup> Effective for annual periods beginning on or after 1st January, 2013

<sup>8</sup> Effective for annual periods beginning on or after 1st July, 2010

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st April, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective to the Group from 1st April, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective to the Group from 1st April, 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Basis of consolidation**

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

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



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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

#### **Basis of consolidation** *(continued)*

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

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

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

#### **Business combinations**

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

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

#### **Deemed disposal and disposal of partial interests in subsidiaries/associates**

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

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

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

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

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

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Property, plant and equipment** *(continued)*

No depreciation is provided in respect of freehold land.

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

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

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

**Investment properties**

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

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

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

**Interests in associates**

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 statement of financial position 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.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

#### **Interests in associates** *(continued)*

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 not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

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

#### **Intangible assets**

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

#### **Financial instruments**

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

#### **Financial assets**

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

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

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

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

*Financial assets at fair value through profit or loss*

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes interest but excludes dividend earned on the financial assets.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

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

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

##### *Loans and receivables*

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

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

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

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

##### *Impairment of financial assets*

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

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

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

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

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Financial instruments** *(continued)***Financial assets** *(continued)**Impairment of financial assets (continued)*

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

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

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

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

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

**Financial liabilities and equity**

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

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

*Effective interest method*

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

Interest expense is recognised on an effective interest basis for debt instruments.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

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

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

##### *Convertible notes payable*

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

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

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

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

##### *Other financial liabilities*

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

##### *Equity instruments*

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

##### *Warrants*

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

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



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

FOR THE YEAR ENDED 31ST MARCH, 2010

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Financial instruments** *(continued)***Derivative financial instruments**

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

*Embedded derivatives*

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

**Derecognition**

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

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

**Inventories**

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

**Impairment (other than goodwill)**

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

#### Revenue recognition

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

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

Service income is recognised when services are rendered.

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

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

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

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

#### 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

#### **Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

#### **Retirement benefit costs**

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

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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.

#### **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 profit or loss on a straight-line basis over the terms of the relevant lease.

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

Operating leases payments are recognised as an expense on a straight-line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease terms on a straight-line basis.

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

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

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

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

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

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

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

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

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

Revenue represents the amounts received and receivable from outside customers for the year and included net gain on disposal of investments held for trading. An analysis of the Group's revenue for the year, is as follows:

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>42,079</b>	37,945
Property rental income	<b>3,959</b>	3,672
Dividend income from listed investments	<b>1,937</b>	947
Net gain on disposal of investments held for trading	<b>6,376</b>	-
Management fee income	<b>4,363</b>	3,509
Others	<b>300</b>	380
	<b>59,014</b>	46,453

**Segment information**

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

In prior years, primary segment information was analysed on the basis of the Group's operating divisions namely finance (loan financing services), securities investment (trading of securities), other investment (investments in financial instruments except investments held for trading) and property investment divisions (leasing of investment properties). However, information reported to the chief operating decision maker, the Executive Directors of the Company, for the purposes of resource allocation and performance assessment focuses more specifically on each type of investments held by the Group, provision of finance and other business (which included various activities and reported in aggregate). The principal types of investment held by the Group are long term investment and other investment. The adoption of HKFRS 8 has not changed the basis of measurement of segment profit or loss.

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

Finance	-	loan financing services
Long-term investment	-	investments in investments such as, convertible notes issued by the associates
Other investment	-	investments in available-for-sale investments, derivatives and trading of securities
Others	-	leasing of investment properties, leasing of motor vehicles and management services

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

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

Gross proceeds included in turnover represents the amounts received and receivable from outside customers for the year together with gross proceeds from disposal of financial instruments which arise incidental to the main revenue generating activities of the Group.

The following is an analysis of the Group's revenue and results by operating segment:

**For the year ended 31st March, 2010**

	Finance HK\$'000	Long term investment HK\$'000	Other investment HK\$'000	Others HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>							
- GROSS PROCEEDS	18,302	33,077	24,575	12,285	88,239	(12,963)	75,276
<b>SEGMENT REVENUE</b>							
External sales	8,971	33,077	8,313	8,653	59,014	-	59,014
Inter-segment sales	9,331	-	-	3,632	12,963	(12,963)	-
Total	18,302	33,077	8,313	12,285	71,977	(12,963)	59,014
<b>RESULT</b>							
Segment result	(27,141)	31,323	39,485	33,391	77,058	-	77,058
Central administration costs							(12,095)
Finance costs							(18,247)
Net loss on deemed disposal and disposal of interests in associates							(136,815)
Share of results of associates - share of results							87,161
- discount on acquisitions of associates							2,850
Loss before taxation							(88)

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

For the year ended 31st March, 2009

	Finance HK\$'000	Long term investment HK\$'000	Other investment HK\$'000	Others HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>							
- GROSS PROCEEDS	33,161	21,311	205,099	11,753	271,324	(15,330)	255,994
<b>SEGMENT REVENUE</b>							
External sales	21,741	15,922	947	7,843	46,453	-	46,453
Inter-segment sales	11,420	-	-	3,910	15,330	(15,330)	-
Total	33,161	15,922	947	11,753	61,783	(15,330)	46,453
<b>RESULT</b>							
Segment result	(8,259)	10,911	(36,632)	(15,680)	(49,660)	-	(49,660)
Central administration costs							(27,021)
Finance costs							(16,517)
Net gain on deemed disposal and disposal of interests in associates							28,881
Share of results of associates - share of results							(689,730)
- discount on acquisitions of associates							37,654
Loss before taxation							(716,393)

Inter-segment sales are charged at prevailing market rate or at terms determined and agreed by both parties.

Segment result represents the result of each segment without allocation of central administration costs, directors' salaries, finance costs and items related to interest in associates.



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

FOR THE YEAR ENDED 31ST MARCH, 2010

**4. TURNOVER, GROSS PROCEEDS, REVENUE AND SEGMENT INFORMATION** (continued)**Segment assets and liabilities****As at 31st March, 2010**

	Finance	Long term	Other	Others	Segment	Unallocated	Total
	HK\$'000	investment	investment	HK\$'000	total	HK\$'000	HK\$'000
		HK\$'000	HK\$'000		HK\$'000		
<b>SEGMENT ASSETS</b>							
Segment assets	86,289	334,720	14,895	88,497	524,401	-	524,401
Interests in associates	-	-	-	-	-	2,471,715	2,471,715
Unallocated corporate assets	-	-	-	-	-	241,792	241,792
Total assets	86,289	334,720	14,895	88,497	524,401	2,713,507	3,237,908

**As at 31st March, 2009**

<b>SEGMENT ASSETS</b>							
Segment assets	248,686	195,581	44,242	54,592	543,101	-	543,101
Interests in associates	-	-	-	-	-	2,305,330	2,305,330
Unallocated corporate assets	-	-	-	-	-	145,173	145,173
Total assets	248,686	195,581	44,242	54,592	543,101	2,450,503	2,993,604

For the purposes of monitoring segment performance and allocating resources among segments:

- all assets are allocated to operating segment other than interests in associates, property, plant and equipment, prepaid lease payments, intangible assets, short term bank deposits and bank balance and cash. The bank interest income is included as part of the segment results while the related bank balances are not included as part of segment assets reported to the Executive Directors of the Company for the purpose of the resources allocation and performance assessment.
- No segment liabilities information is provided as no such information is regularly provided to the Executive Directors of the Company on making decision for resources allocation and performance assessment.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**4. TURNOVER, GROSS PROCEEDS, REVENUE AND SEGMENT INFORMATION** (continued)**Other information****For the year ended 31st March, 2010**

	Finance HK\$'000	Long term investment HK\$'000	Other investment HK\$'000	Others HK\$'000	Total HK\$'000
Amounts included in the measure of segment result:					
Net (loss) gain on:					
- conversion options embedded in convertible notes	-	(1,672)	-	-	(1,672)
- investments held of trading	-	-	4,149	-	4,149
- investments properties	-	-	-	31,784	31,784
- derivative financial instruments	-	-	7,773	-	7,773
Gain on disposal of available-for-sale investments	-	-	25,705	-	25,705
Gain on disposal of property, plant and equipment	-	-	7,821	-	7,821
Allowance of bad and doubtful debts	(248)	-	-	-	(248)
	<u>(248)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(248)</u>

**For the year ended 31st March, 2009**

Amounts included in the measure of segment result:

Net loss on:					
- conversion options embedded in convertible notes	-	(1,923)	-	-	(1,923)
- investments held of trading	-	-	(18,070)	-	(18,070)
- investments properties	-	-	-	(16,744)	(16,744)
- derivative financial instruments	-	-	(3,004)	-	(3,004)
Gain on disposal of available-for-sale investments	-	-	5,315	-	5,315
Impairment loss on available-for-sale investments	-	-	(24,086)	-	(24,086)
Allowance of bad and doubtful debts	(2,244)	-	-	-	(2,244)
	<u>(2,244)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,244)</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

The Group's operations are located in Hong Kong and Canada.

The Group's revenue from external customers or counterparties based on their physical locations and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue		Carrying amount of non-current assets	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hong Kong	54,245	42,575	153,151	135,157
Canada	4,769	3,878	24,487	46,641
	<b>59,014</b>	<b>46,453</b>	<b>177,638</b>	<b>181,798</b>

Non-current assets excluded interests in associates, debt portion of convertible notes, conversion options embedded in convertible notes and available-for-sale investments.

**Information about major customers**

During the year, the Group's received interest income from certain convertible notes issued by two associates which contributed over 10% of the total revenue of the Group amounted to HK\$14,579,000 (2009: HK\$13,565,000) and HK\$15,752,000 (2009: Nil), respectively.

**Major revenue by services and investments**

The Group's major revenue was disclosed in the segment revenue above.

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

	2010 HK\$'000	2009 HK\$'000
Gain on disposal of available-for-sale investments	25,705	5,315
Dividend income on investments held for trading	1,937	947
Net (loss) gain on changes in fair values of:		
- Conversion options embedded in convertible notes	(1,672)	(1,923)
- Derivative financial instruments	7,773	(3,004)
- Investments held for trading	4,149	(18,070)
	<b>37,892</b>	<b>(16,735)</b>

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**6. OTHER INCOME**

	2010 HK\$'000	2009 HK\$'000
Net foreign exchange gain	41	329
Gain on disposal of property, plant and equipment	7,821	-
Others	184	380
	<u>8,046</u>	<u>709</u>

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

The emoluments paid or payable to each of the nine directors were as follows:

**(a) Directors' emoluments**

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Discretionary bonus HK\$'000	Equity-settled share-based payments HK\$'000	Total HK\$'000
<b>2010</b>						
Chan Kwok Keung, Charles	10	3,240	324	2,500	-	6,074
Chau Mei Wah, Rosanna	10	3,240	324	2,250	-	5,824
Chan Kwok Chuen, Augustine	10	1,932	61	500	-	2,503
Chan Fut Yan	10	600	60	-	-	670
Cheung Hon Kit	10	-	-	-	-	10
Chan Yiu Lun, Alan	10	944	12	1,000	-	1,966
Chuck, Winston Calptor	200	-	-	-	-	200
Lee Kit Wah	200	-	-	-	-	200
Shek Lai Him, Abraham	200	-	-	-	-	200
Total	<u>660</u>	<u>9,956</u>	<u>781</u>	<u>6,250</u>	<u>-</u>	<u>17,647</u>
<b>2009</b>						
Chan Kwok Keung, Charles	10	3,240	324	-	-	3,574
Chau Mei Wah, Rosanna	10	3,240	324	-	-	3,574
Chan Kwok Chuen, Augustine	10	1,932	65	-	-	2,007
Chan Fut Yan	10	600	60	-	-	670
Cheung Hon Kit	10	-	-	-	-	10
Chan Yiu Lun, Alan	-	33	1	-	-	34
Chuck, Winston Calptor	200	-	-	-	-	200
Lee Kit Wah	200	-	-	-	-	200
Shek Lai Him, Abraham	200	-	-	-	-	200
Total	<u>650</u>	<u>9,045</u>	<u>774</u>	<u>-</u>	<u>-</u>	<u>10,469</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

Of the five individuals with the highest emoluments in the Group, four (2009: three) were directors of the Company whose emoluments are included in Note (a) above. The emoluments of the remaining one (2009: two) individual was as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Salaries and other benefits	<b>2,300</b>	2,610
Retirement benefit scheme contributions	<b>90</b>	131
	<b>2,390</b>	2,741

Their emoluments were within the following bands:

	<b>Number of employees</b>	
	<b>2010</b>	2009
HK\$1,000,001 to HK\$1,500,000	-	1
HK\$1,500,001 to HK\$2,000,000	-	1
HK\$2,000,001 to HK\$2,500,000	<b>1</b>	-
	<b>1</b>	2

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the year.

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

**8. FINANCE COSTS**

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	<b>906</b>	1,122
Bank borrowings not wholly repayable within five years	-	922
Other borrowings wholly repayable within five years	-	3
Margin account payables	<b>123</b>	122
Convertible notes payable wholly repayable within five years	<b>17,218</b>	14,348
	<b>18,247</b>	16,517

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

	2010 HK\$'000	2009 HK\$'000
Net loss on deemed disposal of partial interests in associates	(136,815)	(1,503)
Gain on disposal of an associate	-	30,384
	<u>(136,815)</u>	<u>28,881</u>

The net loss for the year ended 31st March, 2010 was mainly resulted from the deemed disposal of partial interests in an associate, Hanny Holdings Limited ("Hanny"), which arose from the net dilution effect of exercise of warrants and placements of shares to outside parties in May and September 2009 respectively. As a result, the Group recognised a loss of HK\$121,363,000 in the profit or loss and the Group's interest in Hanny was decreased from 49.90% to 42.77%.

During the year ended 31st March, 2009, the Group disposed of its entire 50% equity interest in an associate, Central Town Limited, which resulted in a gain on disposal of HK\$30,384,000.

**10. LOSS BEFORE TAXATION**

	2010 HK\$'000	2009 HK\$'000
Loss before taxation has been arrived at after charging:		
Staff costs, including directors' emoluments:		
Salaries and other benefits	32,622	28,434
Retirement benefit scheme contributions	1,286	1,245
	<u>33,908</u>	<u>29,679</u>
Auditor's remuneration	1,557	1,631
Release of prepaid lease payments	1,544	1,599
Depreciation of property, plant and equipment	9,096	9,287
Minimum lease payments under operating leases in respect of rented premises	1,023	1,003
Allowance for bad and doubtful debts	248	2,244
Loss on disposal of property, plant and equipment	-	24
Amortisation of intangible assets	22	-
and after crediting:		
Rental income under operating leases in respect of rented premises, net of negligible outgoings	<u>3,959</u>	<u>3,672</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**11. TAXATION**

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Current tax:		
Hong Kong Profits Tax	-	-
Deferred tax (note 34)	<b>4,682</b>	(2,894)
Taxation attributable to the Company and its subsidiaries	<b>4,682</b>	(2,894)

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

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong.

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

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Loss before taxation	<b>(88)</b>	(716,393)
Tax at Hong Kong Profits Tax rate of 16.5%	<b>(14)</b>	(118,205)
Tax effect of expenses not deductible for tax purposes	<b>22,278</b>	10,118
Tax effect of income not taxable for tax purposes	<b>(3,204)</b>	(7,883)
Tax effect of utilisation of deductible temporary differences previously not recognised	-	(364)
Tax effect of tax losses not recognised	<b>474</b>	5,847
Tax effect of share of results of associates	<b>(14,852)</b>	107,593
Taxation for the year	<b>4,682</b>	(2,894)

Details of the deferred tax are set out in note 34.



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

FOR THE YEAR ENDED 31ST MARCH, 2010

**12. DISTRIBUTIONS**

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Dividends recognised as distributions to owners of the Company during the year:		
- Final dividend for 2009 - Nil (2009: HK0.3 cent for 2008) per ordinary share	-	8,084
Bonus warrants ( <i>Note</i> )	-	512
	<hr/>	<hr/>
	-	8,596
	<hr/> <hr/>	<hr/> <hr/>
Dividends proposed in respect of the current year:		
- Final dividend for 2010 - HK1.0 cent (2009: Nil) per ordinary share	<b>7,537</b>	-
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

On 30th September, 2008, the shareholders of the Company approved the issuance of bonus warrants to the holders of ordinary shares of the Company on the basis of one warrant for every five ordinary shares of the Company held on 20th October, 2008 at an initial subscription price of HK\$0.22 per ordinary share (subject to anti-dilutive adjustments). The fair value of the warrants of HK\$512,000 was determined by the directors of the Company with reference to the valuation as at the date of declaration, which was the date of approval of the issue of the warrants on 30th September, 2008 performed by an independent professional valuer, not connected with the Group, using the Binomial Model.

The directors of the Company have resolved to recommend the payment of a final dividend of HK1.0 cent per ordinary share for the year ended 31st March, 2010, which will be payable in cash (2009: Nil).

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**13. LOSS PER SHARE**

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

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<b>(4,770)</b>	(713,499)
	<b>Number of shares</b>	
	<b>2010</b>	2009
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>710,506,572</b>	470,285,275

The weighted average number of ordinary shares for both years have been adjusted for the capital reorganisation of the Company in April 2009 and the bonus element in the issue of four rights shares for every reorganised share of the Company in May 2009. Details of which are disclosed in note 35.

The potential ordinary shares attributable to the Company's outstanding convertible notes payable has anti-dilutive effect for both years. The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and warrants as the exercise prices of those options and warrants are higher than the average market price of shares for both years.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**14. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings <i>HK\$'000</i>	Plant, machinery and office equipment <i>HK\$'000</i>	Yacht and motor vehicles <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST OR VALUATION</b>					
At 1st April, 2008	60,164	3,266	30,965	8,027	102,422
Translation adjustments	(8,901)	(107)	(193)	(338)	(9,539)
Additions	-	987	91	1,227	2,305
Disposals	-	(194)	-	(95)	(289)
Revaluation decrease	(1,511)	-	-	-	(1,511)
Reclassified as investment properties	(3,623)	-	-	-	(3,623)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2009	46,129	3,952	30,863	8,821	89,765
Translation adjustments	7,958	113	199	364	8,634
Additions	-	222	2,239	73	2,534
Disposals	(35,294)	(358)	(1,558)	(512)	(37,722)
Revaluation decrease	(4,074)	-	-	-	(4,074)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2010	14,719	3,929	31,743	8,746	59,137
Comprising:					
At cost	-	3,929	31,743	8,746	44,418
At valuation – 2010	14,719	-	-	-	14,719
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	14,719	3,929	31,743	8,746	59,137
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION</b>					
At 1st April, 2008	-	2,363	6,335	5,103	13,801
Translation adjustments	(84)	(103)	(193)	(304)	(684)
Provided for the year	942	600	6,169	1,576	9,287
Eliminated on disposals	-	(181)	-	(84)	(265)
Reversal on revaluation	(858)	-	-	-	(858)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2009	-	2,679	12,311	6,291	21,281
Translation adjustments	16	110	199	305	630
Provided for the year	949	648	5,886	1,613	9,096
Eliminated on disposals	(505)	(346)	(1,454)	(358)	(2,663)
Reversal on revaluation	(460)	-	-	-	(460)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2010	-	3,091	16,942	7,851	27,884
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>CARRYING VALUES</b>					
At 31st March, 2010	14,719	838	14,801	895	31,253
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2009	46,129	1,273	18,552	2,530	68,484
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**14. PROPERTY, PLANT AND EQUIPMENT** (continued)

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

Freehold land	Nil
Buildings	2% – 5%
Plant, machinery and office equipment	10% – 33 <sup>1</sup> / <sub>3</sub> %
Yacht and motor vehicles	20% – 33 <sup>1</sup> / <sub>3</sub> %
Furniture and fixtures	10% – 33 <sup>1</sup> / <sub>3</sub> %

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

At 31st March, 2010, the Group's land and buildings were revalued by RHL Appraisal Ltd. (2009: Asset Appraisal Limited), independent professional property valuer not connected with the Group, using the direct comparison method. The resulting revaluation deficit of HK\$3,614,000 have been debited to the property revaluation reserve.

The carrying value of land and buildings held by the Group as at the end of the reporting period comprised:

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Freehold properties in Canada	<b>6,489</b>	38,049
Buildings in Hong Kong on land held under medium-term leases	<b>8,230</b>	8,080
	<b>14,719</b>	46,129

At 31st March, 2010, had the Group's land and buildings been carried at cost less accumulated depreciation, the carrying value would have been HK\$13,131,000 (2009: HK\$31,900,000).

**15. INVESTMENT PROPERTIES**

	HK\$'000
<b>FAIR VALUE</b>	
At 1st April, 2008	9,511
Translation adjustments	(1,713)
Reclassified from property, plant and equipment and prepaid lease payments	63,538
Net decrease in fair value recognised in profit or loss	(16,744)
	<hr/>
At 31st March, 2009	54,592
Translation adjustments	2,121
Net increase in fair value recognised in profit or loss	31,784
	<hr/>
At 31st March, 2010	88,497
	<hr/>

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**15. INVESTMENT PROPERTIES** *(continued)*

The fair value of the Group's investment properties at 31st March, 2010 have been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Ltd. (2009: Asset Appraisal Limited and RHL Appraisal Ltd.), who are members of Hong Kong Institute of Valuers, and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at using the direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

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

The carrying value of investment properties held by the Group at the end of the reporting period comprised:

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Freehold properties in Canada	<b>17,997</b>	8,592
Land and building in Hong Kong under medium-term lease	<b>70,500</b>	46,000
	<b>88,497</b>	54,592

**16. PREPAID LEASE PAYMENTS**

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

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Non-current assets	<b>56,348</b>	57,892
Current assets	<b>1,544</b>	1,544
	<b>57,892</b>	59,436

**17. INTANGIBLE ASSETS**

Other than club memberships of HK\$732,000, which were acquired during the year and have membership periods of 5 and 11 years, the intangible assets have indefinite lives. Intangible assets represent club memberships in Hong Kong and The People's Republic of China (the "PRC"). Amortisation of intangible assets of HK\$22,000 was charged to the profit or loss. The directors have reviewed the carrying amounts of the intangible assets and considered that, in light of market conditions, no impairment loss has been recognised in profit or loss for both years.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**18. INTERESTS IN ASSOCIATES**

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Share of consolidated net assets of associates:		
Listed in Hong Kong	<b>2,455,499</b>	2,304,153
Listed overseas	<b>15,039</b>	-
Goodwill ( <i>Note (a) below</i> )	<b>1,177</b>	1,177
	<b>2,471,715</b>	2,305,330
Market value of listed securities:		
Hong Kong	<b>694,044</b>	268,397
Overseas	<b>457,764</b>	193,431
	<b>1,151,808</b>	461,828

*Notes:*

- (a) Included in interests in associates is goodwill with carrying value of HK\$1,177,000 (2009: HK\$1,177,000) arising on acquisitions and deemed acquisitions.

	HK\$'000
Cost	
At 1st April, 2008, 31st March, 2009 and 31st March, 2010	6,332
Impairment	
At 1st April, 2008, 31st March, 2009 and 31st March, 2010	(5,155)
Carrying value	
At 31st March, 2009 and 31st March, 2010	1,177

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

Notes: *(continued)*

(b) Particulars of the Group's principal associates as at 31st March, 2010 and 2009 are as follows:

Name of associate	Place of listing	Place of incorporation/ registration	Principal place of operation	Percentage of issued share capital held by the Group		Principal activities
				2010 %	2009 %	
Burcon NutraScience Corporation	Canada and Germany	Canada	Canada	<b>21.70</b>	24.35	Investment holding in company engaged in the development of commercial canola and soy protein
PYI Corporation Limited ("PYI")	Hong Kong	Bermuda	Hong Kong	<b>26.79</b>	26.82	Investment holding in companies engaged in development and investment in port and infrastructure projects, land and property development and investment in association with port facilities, treasury investment, engineering and property-related services
Hanny	Hong Kong	Bermuda	Hong Kong	<b>42.77</b>	49.90	Trading of securities, property development and trading, holding of vessels for sand mining, industrial water supply business and other strategic investments
Rosedale Hotel Holdings Limited ("Rosedale Hotel") (formerly known as Wing On Travel (Holdings) Limited) (Note (i))	Hong Kong	Bermuda	Hong Kong	<b>14.30</b> (Note (iii))	16.77	Business of providing package tours, travel and other related services, hotel operation in Hong Kong and the PRC and trading of securities (Note (ii))
ITC Properties Group Limited ("ITCP")	Hong Kong	Bermuda	Hong Kong	<b>7.77</b> (Note (iii))	7.77	Business of property development and investment in Macau, the PRC and Hong Kong, golf resort and leisure operations in the PRC, securities investment and loan financing services

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

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



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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

Notes: *(continued)*

- (b) Particulars of the Group's principal associates as at 31st March, 2010 and 2009 are as follows: *(continued)*

Notes:

- (i) Rosedale Hotel is a company listed in the Hong Kong Stock Exchange and its financial year end is 31st December. As such, the Group has equity accounted for this associate using published financial information of Rosedale Hotel. The Group has used the consolidated financial statements of Rosedale Hotel for the financial year ended 31st December, 2009 in applying the equity method of accounting in respect of the interests in the equity shares of Rosedale Hotel held by the Group. Hence, the Group's share of net assets and interests of Rosedale Hotel at 31st March, 2010 is calculated based on the net assets of Rosedale Hotel at 31st December, 2009 and the results up to 31st December, 2009, respectively. There were no significant transactions that occurred between 31st December, 2009 and 31st March, 2010.
- (ii) Rosedale Hotel disposed of its travel business in May 2010. As a result, the remaining principal activities of Rosedale Hotel are engaged in hotel operation in Hong Kong and the PRC and trading of securities afterward.
- (iii) The Group has representative on the board of directors of these associates, and hence, in the opinion of the directors, the Group is able to exercise significant influence over the financing and operating policies of these associates.

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

	2010 HK\$'000	2009 HK\$'000
Total assets	26,370,306	24,166,520
Total liabilities	<b>(13,965,425)</b>	(12,891,009)
Net assets	<b>12,404,881</b>	11,275,511
The Group's share of net assets of associates	<b>2,470,538</b>	2,304,153
Revenue	<b>6,534,765</b>	7,194,781
Profit (loss) for the year	<b>141,661</b>	(2,214,385)
The Group's share of results of associates for the year	<b>87,161</b>	(689,730)

During the year ended 31st March, 2010, the profit of the associates mainly arose from the gain on changes in fair values of investment properties and investments held for trading.

During the year ended 31st March, 2009, the significant loss of the associates mainly arose from impairment loss recognised in respect of financial instruments, property, plant and equipment, other intangible assets and loss on investments held for trading.

During the both years ended 31st March, 2010 and 31st March, 2009, the directors of the Company have assessed the recoverable amounts of interests in associates using value in use calculation for assessment of impairment on interests in associates listed in Hong Kong as the carrying values of the interest in associates is higher than the market value of the listed securities. The value in use of interests in associates is determined using the present value of the future cash flows expected to arise from associates based on their expected ultimate disposal, applying a suitable discount rate. The value in use is higher than the carrying value for each of the principal associates and hence no impairment loss is recognised thereon.

- (d) During the year ended 31st March, 2009, the Group has discontinued recognition of its share of loss of an associate. The amount of unrecognised share of the associate, extracted from the relevant audited accounts of the associate, for the year of 2009 and cumulatively were HK\$2,347,000. During the current year, the associate has completed a placement exercise, the Group has recognised an increase in interest in an associate with gain on deemed disposal. As a result, the loss was recognised and debited to profit or loss.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

### 19. DEBT PORTION OF CONVERTIBLE NOTES AND CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES

	Debt portion		Embedded conversion option	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Convertible notes issued by associates of the Group:				
Hanny ( <i>Note (a) below</i> )	175,368	164,587	-	-
ITCP ( <i>Note (b) below</i> )	52,031	27,790	76	-
Rosedale Hotel ( <i>Note (c) below</i> )	100,959	-	125	-
	<b>328,358</b>	<b>192,377</b>	<b>201</b>	<b>-</b>

*Notes:*

(a) The 2% convertible notes were issued by Hanny ("Hanny Notes") with principal amounts of HK\$19,000, HK\$94,802,000 and HK\$95,139,000 and with maturity on 12th, 16th and 22nd June, 2011, respectively, entitling the noteholders to convert into shares in Hanny at any time at initial conversion price of HK\$9 per share (subject to adjustments), which was subsequently adjusted to HK\$0.67 as a result of issuance of bonus shares by Hanny on 6th June, 2007 and 24th September, 2007. During the year ended 31st March, 2009, the conversion price was further adjusted to HK\$15.83 as a result of share consolidation by Hanny for which every fifty issued shares had been consolidated into one share and issue of open offer shares by Hanny. On maturity, unless previously converted, Hanny shall redeem the Hanny Notes at the principal amount of the Hanny Notes plus any outstanding interest.

(b) The 1% convertible notes were issued by ITCP (the "ITCP Notes") with a principal amount of HK\$64,000,000 (2009: HK\$30,000,000) entitling the holders of the ITCP Notes to convert into shares in ITCP at any time at an initial conversion price of HK\$0.7 per share (subject to adjustments), which was subsequently adjusted to HK\$9.025 during the year ended 31st March, 2009 as a result of issuance of rights shares by ITCP and share consolidation by ITCP for which every twenty-five issued shares had been consolidated into one share. Unless previously converted, ITCP shall redeem the ITCP Notes at the redemption amount which is 110% of their principal amount plus any outstanding interest on 14th June, 2011.

In February 2010, the Group entered into agreements with an independent third party to acquire additional ITCP Notes with a principal amount of HK\$34,000,000.

(c) During the year ended 31st March, 2010, the Company entered into agreements with independent third parties to acquire 2% convertible notes with maturity on 7th June, 2011 issued by an associate of the Company, Rosedale Hotel, with outstanding aggregate principal amount of HK\$114,200,000 (the "Rosedale Hotel Notes"). The Rosedale Hotel Notes can be converted into shares of Rosedale Hotel at the conversion price of HK\$6.78 per share (subject to adjustments). Unless previously converted or lapsed, Rosedale Hotel shall redeem the Rosedale Hotel Notes on maturity date at 110% of their then outstanding principal amount.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

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

	31st March, 2010	31st March, 2009
<b>Hanny Notes</b>		
Stock price	<b>HK\$0.590</b>	HK\$0.365
Conversion price	<b>HK\$15.83</b>	HK\$15.83
Volatility	<b>65.40%</b>	52.19%
Dividend yield	<b>Zero</b>	Zero
Option life	<b>1.2 years</b>	2.2 years
Risk free rate	<b>0.33%</b>	0.76%
<b>ITCP Notes</b>		
Stock price	<b>HK\$1.940</b>	HK\$0.480
Conversion price	<b>HK\$9.025</b>	HK\$9.025
Volatility	<b>61.45%</b>	40.74%
Dividend yield	<b>Zero</b>	Zero
Option life	<b>1.2 years</b>	2.2 years
Risk free rate	<b>0.32%</b>	0.68%
<b>Rosedale Hotel Notes</b>		
Stock price	<b>HK\$0.57</b>	-
Conversion price	<b>HK\$6.78</b>	-
Volatility	<b>99.70%</b>	-
Dividend yield	<b>Zero</b>	-
Option life	<b>1.2 years</b>	-
Risk free rate	<b>0.31%</b>	-

The effective interest rates of the debt portion of convertible notes ranged from 6.47% to 32.54% per annum.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**20. AVAILABLE-FOR-SALE INVESTMENTS**

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
At fair value:		
Listed investments:		
– Equity securities listed in Hong Kong	–	17,107
– Equity securities listed elsewhere	–	8,420
Unlisted equity securities ( <i>Note below</i> )	<b>8,049</b>	13,712
	<b>8,049</b>	39,239

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

*Note:*

The amount represents investment in Shikumen Offshore Feeder Fund, which is managed by Shikumen Capital Management Limited and can be redeemed or purchased at the fund net asset values provided by the trustee of the fund. The fair value of the investment is determined by reference to the fund net asset values as at 31st March, 2010 provided by the trustee.

**21. DEBTORS, DEPOSITS AND PREPAYMENTS**

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Trade debtors	<b>1,797</b>	9,575
Less: Allowance for doubtful debts	–	–
	<b>1,797</b>	9,575
Other debtors, deposits and prepayments	<b>2,350</b>	2,380
Less: Allowance for doubtful debts	<b>(1,248)</b>	(1,093)
	<b>1,102</b>	1,287
	<b>2,899</b>	10,862

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

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

The following is an aged analysis of trade debtors presented based on the invoice date at the end of the reporting period:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade debtors		
0 – 30 days	<b>1,785</b>	2,627
31 – 60 days	<b>5</b>	4
61 – 90 days	<b>3</b>	4
Over 90 days	<b>4</b>	6,940
	<b>1,797</b>	9,575

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

Included in the Group's trade debtors balance are debtors with aggregate carrying amount of HK\$4,000 (2009: HK\$6,940,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is between 91 days to 180 days (2009: between 360 to 720 days). The balances were fully settled subsequent to the end of the reporting period. As at 31st March, 2010, no allowance for doubtful debts of trade debtors was provided (2009: Nil).

Movement in the allowance for other debtors are as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Balance at beginning of the year	<b>1,093</b>	935
Impairment loss recognised	<b>155</b>	158
Balance at end of the year	<b>1,248</b>	1,093

Included in the allowance for doubtful debts of other debtors were individually impaired debtors with an aggregate balance of HK\$1,248,000 (2009: HK\$1,093,000) which had been in severe financial difficulties. The Group did not hold any collateral over these balances.

**22. MARGIN ACCOUNT RECEIVABLES/PAYABLES**

The margin account receivables/payables carry interest at floating interest rates with effective interest rates ranging from 0.025% to 5.25% (2009: 0.25% to 8.25%) per annum.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**23. AMOUNTS DUE FROM ASSOCIATES**

The amounts are unsecured, repayable within one year and non-interest bearing, except for an amount of HK\$61,400,000 (2009: HK\$193,635,000) which bears interest at the Hong Kong dollar best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Best Lending Rate") plus 2% per annum. The effective interest rates is 7.00% (2009: range from 7.00% to 7.25%) per annum.

Before approving any new loan to associates, the Group will assess the potential borrower's credit quality and defines credit limits individually. Limits attributed to borrowers are reviewed twice a year. The amounts due from associates are repayable upon request for repayment, as a result the amounts are neither past due nor impaired and have no loan default history, except for a balance of HK\$2,766,000 (2009: HK\$2,673,000).

As at 31st March, 2010, the Group has provided fully for the amount of HK\$2,766,000 (2009: HK\$2,673,000). Movement of the allowance is as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Balance at beginning of the year	<b>2,673</b>	2,578
Impairment losses recognised	<b>93</b>	95
	<hr/>	<hr/>
Balance at end of the year	<b>2,766</b>	2,673
	<hr/> <hr/>	<hr/> <hr/>

Included in the allowance for doubtful debts were individually impaired amounts due from associates with an aggregate balance of HK\$2,766,000 (2009: HK\$2,673,000) which had been in severe financial difficulties. The Group did not hold any collateral over these balances.

**24. AMOUNTS DUE FROM RELATED COMPANIES**

The amount outstanding as at 31st March, 2010 related to a related company in which a director of the Company, who is also a shareholder of the Company, has significant influence over the related company. The amount is unsecured, aged within one year, repayable within one year and non-interest bearing.

Before approving any new loans to related companies, the Group will assess the potential borrower's credit quality and defines credit limits individually. Limits attributed to borrowers are reviewed twice a year. All amounts due from related companies that are neither past due nor impaired have the best credit rating. The Group has provided fully for a balance of HK\$28,674,000 (2009: HK\$28,674,000) owed by a related company which the Group has a 18.84% equity interest. The related company had been in severe financial difficulties and the Group did not hold any collateral over the balance. The movement of the allowance is as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Balance at beginning of the year	<b>28,674</b>	26,683
Impairment losses recognised	<b>-</b>	1,991
	<hr/>	<hr/>
Balance at end of the year	<b>28,674</b>	28,674
	<hr/> <hr/>	<hr/> <hr/>

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**25. LOAN RECEIVABLE**

	2010 HK\$'000	2009 HK\$'000
Unsecured	23,867	26,898
Less: Impairment loss recognised	<u>(1,898)</u>	<u>(1,898)</u>
	<u>21,969</u>	<u>25,000</u>

The amount is unsecured, carries interest at the Best Lending Rate plus 3% per annum (2009: the Best Lending Rate plus 3% per annum) with effective interest rate at 8.00% (2009: ranging from 8.00% to 8.25%) per annum.

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

Before approving any loans to new borrowers, the Group will assess the potential borrower's credit quality and defines credit limits individually. Limits attributed to borrowers are reviewed twice a year. The directors will continuously assess the recoverability of the loan receivable. In the opinion of the directors, the borrower has sound financial background and there has not been a significant change in credit quality. As a result, the amount is still receivable.

The allowance for doubtful debts relates to an individually impaired loan receivable of HK\$1,898,000 (2009: HK\$1,898,000) for which the debtor was in severe financial difficulties. The Group did not hold any collateral over this balance.

**26. INVESTMENTS HELD FOR TRADING**

	2010 HK\$'000	2009 HK\$'000
Listed equity securities, at fair value:		
– in Hong Kong	<u>6,825</u>	<u>2,073</u>

**27. DERIVATIVE FINANCIAL INSTRUMENTS**

	2010 HK\$'000	2009 HK\$'000
Warrants issued by:		
– Hanny (Note (a) below)	–	2,202
– PYI (Note (b) below)	–	674
	<u>–</u>	<u>2,876</u>



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

FOR THE YEAR ENDED 31ST MARCH, 2010

**27. DERIVATIVE FINANCIAL INSTRUMENTS** *(continued)*

Notes:

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

During the year ended 31st March, 2010, the Group exercised the entire Hanny Warrants for new Hanny's shares. The fair value of the Hanny Warrants upon exercise, based on the listed warrant price, was HK\$10,605,000, which was considered as part of investments in associates.

- (b) On 18th July, 2008, PYI declared the payment of final dividend for the year ended 31st March, 2008, such final dividend has been paid in the form of warrants (the "PYI Warrants"). The PYI Warrants entitled their holders to subscribe for PYI shares at an initial subscription price of HK\$1.00 per PYI share (subject to adjustments), at any time during the period commencing on 26th September, 2008 and ending on 25th September, 2009. The PYI Warrants were listed in the Hong Kong Stock Exchange on 29th September, 2008. The fair value of the PYI warrants on initial recognition was HK\$3,438,000. The PYI Warrants expired during the year ended 31st March, 2010.

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

The short-term bank deposits and bank balances carry interest at prevailing market saving rates ranging from 0.02% to 1.71% (2009: 0.01% to 3.09%) per annum.

**29. CREDITORS AND ACCRUED EXPENSES**

Included in creditors and accrued expenses are trade creditors of HK\$4,688,000 (2009: HK\$4,791,000) and their aged analysis presented based on the invoice date at the end of the reporting period is as follows:

	2010 HK\$'000	2009 HK\$'000
Trade creditors		
0 - 30 days	559	672
31 - 60 days	4,127	4,118
Over 90 days	2	1
	<u>4,688</u>	<u>4,791</u>

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

**30. AMOUNTS DUE TO ASSOCIATES**

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

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**31. BANK BORROWINGS**

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
The entire bank borrowings are secured and repayable as follows:		
Within one year or on demand	5,250	2,973
From one to two years	5,250	5,795
From two to three years	5,250	5,815
From three to four years	5,250	5,837
From four to five years	31,750	5,859
More than five years	-	41,088
	<u>52,750</u>	<u>67,367</u>
Less: Amount due within one year or on demand shown under current liabilities	<u>(5,250)</u>	<u>(2,973)</u>
Amount due after one year	<u>47,500</u>	<u>64,394</u>

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

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's variable rate borrowings are 0.64% to 4.75% (2009: 1.84% to 3.75%) per annum.

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

**32. BANK OVERDRAFTS**

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Secured	24,988	3,709
Unsecured	12,986	12,767
	<u>37,974</u>	<u>16,476</u>

Bank overdrafts carry interest at prevailing market rates which range from 4.00% to 5.75% (2009: 3.56% to 5.75%) per annum.

**33. CONVERTIBLE NOTES PAYABLE**

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Liability component:		
At the beginning of the year	197,299	192,952
Redemption during the year	(200,000)	-
Issued during the year	175,975	-
Interest charge	17,218	14,348
Interest paid	(10,000)	(10,001)
	<u>180,492</u>	<u>197,299</u>
At the end of the year	<u>180,492</u>	<u>197,299</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**33. CONVERTIBLE NOTES PAYABLE** (continued)

On 2nd November, 2007, the Company issued 5% convertible notes at a par value of HK\$200,000,000 (the "Notes"). The Notes are denominated in HKD. The Notes entitle the holders to convert it into ordinary shares of the Company at any time between the period commencing on and including the 7th day after the date of issue of the Notes up to and including the date which is 7 days prior to the maturity date on 2nd November, 2009 at an initial conversion price of HK\$0.75 per conversion share (subject to anti-dilutive adjustments), which was subsequently adjusted to HK\$0.61 as a result of bonus issue of shares and warrants of the Company in 2009 and further adjusted to HK\$12.20 and then to HK\$4.12 as a result of the capital reorganisation and the issue of rights shares, respectively, as disclosed in note 35. Unless previously converted, the Company should redeem the Notes at 100% of the outstanding principal amount. The effective interest rate of the liability component was 6.06% per annum. The Notes were fully settled on the maturity date of 2nd November, 2009.

On 2nd November, 2009, the Company issued 5% convertible notes at a par value of HK\$200,000,000 (the "New Notes"). Interest is payable semi-annually. The New Notes are denominated in HKD and entitle the holders to convert it into ordinary shares of the Company at any time between the period commencing on and including the 7th day after the date of issue of the New Notes up to and including the date which is 7 days prior to the maturity date on 2nd November, 2011 at an initial conversion price of HK\$0.50 per conversion share (subject to anti-dilutive adjustments). If the New Notes have not been converted, they will be redeemed on 2nd November, 2011 at 100% of the outstanding principal amount. The effective interest rate of the liability component is 11.52% per annum.

The New Notes in an aggregate principal amount of HK\$128,000,000 have been issued to the holders of the Notes as consideration upon settlement of the outstanding Notes at their par value of HK\$128,000,000 and the remaining portion of HK\$72,000,000 have been issued for cash.

**34. DEFERRED TAX LIABILITIES**

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

	<b>Accelerated tax depreciation</b>	<b>Revaluation of properties</b>	<b>Tax losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April, 2008	3,262	4,765	(2,176)	5,851
Effect of change in tax rate	(186)	(185)	144	(227)
(Credit) charge to profit or loss	(559)	(2,739)	404	(2,894)
Charge to other comprehensive income	-	5,374	-	5,374
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2009	2,517	7,215	(1,628)	8,104
Charge (credit) to profit or loss	(663)	5,110	235	4,682
Credit to other comprehensive income	-	(5,080)	-	(5,080)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2010	<u>1,854</u>	<u>7,245</u>	<u>(1,393)</u>	<u>7,706</u>

At 31st March, 2010, the Group has unused tax losses of HK\$533,230,000 (2009: HK\$531,782,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$8,442,000 (2009: HK\$9,867,000) of such losses. No deferred tax asset in respect of the remaining tax losses of HK\$524,788,000 (2009: HK\$521,915,000) has been recognised due to the unpredictability of future profit streams. Tax losses can be carried forward indefinitely.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

### 35. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
At 1st April, 2008, ordinary shares of HK\$0.10 each	10,000,000,000	1,000,000
Increase during the year <i>(Note (a) below)</i>	280,000,000	28,000
	<hr/>	<hr/>
At 31st March, 2009, ordinary shares of HK\$0.10 each	10,280,000,000	1,028,000
Capital reorganisation <i>(Note (b) below)</i>	92,520,000,000	-
	<hr/>	<hr/>
At 31st March, 2010, ordinary shares of HK\$0.01 each	102,800,000,000	1,028,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
At 1st April, 2008, ordinary shares of HK\$0.10 each	2,694,605,269	269,460
Exercise of warrants <i>(Note (c) below)</i>	7,167	1
	<hr/>	<hr/>
At 31st March, 2009, ordinary shares of HK\$0.10 each	2,694,612,436	269,461
Capital reorganisation <i>(Note (b) below)</i>	(2,559,881,815)	(268,114)
Exercise of warrants <i>(Note (d) below)</i>	13,098	-
Issue of rights shares <i>(Note (e) below)</i>	538,951,624	5,390
Placement of shares <i>(Note (f) below)</i>	80,000,000	800
	<hr/>	<hr/>
At 31st March, 2010, ordinary shares of HK\$0.01 each	753,695,343	7,537
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) On 30th September, 2008, the authorised ordinary share capital of the Company was increased from HK\$1,000,000,000 to HK\$1,028,000,000 by the creation of 280,000,000 ordinary shares of HK\$0.10 each.
- (b) On 3rd April, 2009, the reorganisation of the share capital (the "Capital Reorganisation") proposed by the Company in February 2009 became effective after the approval by the shareholders. The Capital Reorganisation involved the following:
- (i) every twenty issued shares of HK\$0.10 each was consolidated (the "Share Consolidation") into one consolidated share of HK\$2.00 (the "Consolidated Share");
  - (ii) the total number of the Consolidated Shares in the issued share capital of the Company following the Share Consolidation was rounded down to a whole number by cancelling the fractional Consolidated Share arising from the Share Consolidation;
  - (iii) the paid-up capital of each Consolidated Share was reduced from HK\$2.00 to HK\$0.01 by cancelling HK\$1.99 (the "Capital Reduction") so as to form a reorganised share of HK\$0.01 (the "Reorganised Share");
  - (iv) each of the authorised but unissued shares of HK\$0.10 was subdivided into ten Reorganised Shares of HK\$0.01 each; and
  - (v) the credit arising in the share capital of the Company from the Capital Reduction of HK\$268,114,000 was credited to the contributed surplus account of the Company and the directors were authorised to apply such amount in any manner permitted by the laws of Bermuda and the bye-laws of the Company and to distribute such amount out of the contributed surplus of the Company from time to time, without the need for further authorisation from the shareholders.

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

- (c) 7,167 ordinary shares of the Company of HK\$0.10 each were issued upon the exercise of 6,907, 240 and 20 warrants on 4th December, 2008, 11th March, 2009 and 31st March, 2009, respectively, at an exercise price of HK\$0.22 per share.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**35. SHARE CAPITAL** *(continued)**Notes: (continued)*

- (d) 13,098 ordinary shares of the Company of HK\$0.01 each were issued upon the exercise of 145,700 warrants on 22nd April, 2009 at exercise price of HK\$4.40 per share and the exercise of 116,260 warrants from 14th October, 2009 to 4th November, 2009 at exercise price of HK\$1.466 per share.
- (e) On 22nd May, 2009, 538,951,624 ordinary shares of the Company of HK\$0.01 each were issued on the basis of four rights shares for every Reorganised Share held (the "Rights Issue") at a subscription price of HK\$0.20 per share. The net proceeds of approximately HK\$104 million was used as general working capital of the Group. Further details of the Rights Issue were set out in the announcement of the Company dated 17th March, 2009.
- (f) On 15th June, 2009, 80,000,000 new ordinary shares of HK\$0.01 each were issued at HK\$0.75 per share pursuant to a placing and underwriting agreement dated 9th June, 2009 entered into between the Company and a placing agent. The net proceeds of approximately HK\$58.2 million was used as general working capital of the Group. Further details of the aforesaid placing of shares were set out in the announcement of the Company dated 10th June, 2009.

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

**Warrants**

As detailed in note 12, during the year ended 31st March, 2009, the Company made a bonus issue of 538,921,053 warrants with an initial exercise price of HK\$0.22 per ordinary share. At 31st March, 2009, the Company had outstanding 538,913,886 warrants, the exercise in full of which would result in the issue of 538,913,886 ordinary shares of HK\$0.10 each. During the year ended 31st March, 2010, the exercise price of warrant was subsequently adjusted to HK\$4.40 per Reorganised Share and HK\$1.466 per Reorganised Share, respectively, as a result of the Capital Reorganisation and the Rights Issue as disclosed in Notes (b) and (e) above.

Prior to the expiry of the warrants on 4th November, 2009, 261,960 warrants were exercised during the period from 22nd April, 2009 to 4th November, 2009 as disclosed in Note (d) above. All unexercised warrants had expired on 4th November, 2009.

**36. SHARE OPTIONS**

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

At the time of adoption by the Company of the ITC Scheme, the aggregate number of shares which may be issued upon the exercise of all options to be granted by the Company under the ITC Scheme and any other share option scheme(s) adopted by the Company must not exceed 10% of the total number of issued shares of the Company as at the date of shareholders' approval of the ITC Scheme. By ordinary resolution passed at the Company's annual general meeting on 29th September, 2009 relating to the refreshing of the scheme limit on grant of options under the ITC Scheme and any other share option scheme(s) of the Company, the scheme limit on grant of options was refreshed to 75,368,953 shares of the Company. As at the date of this report, the total number of shares available for issue under the ITC Scheme is 75,368,953 shares, which represented approximately 10% of the issued share capital of the Company as at the date of this report. Notwithstanding the foregoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the ITC Scheme and any other share option scheme(s) of the Company must not, in aggregate, exceed 30% of the total number of issued shares of the Company from time to time.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

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

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

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

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

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

Category of participants	Date of grant	Vesting date	Exercisable period	Exercise price per share (subject to adjustments) HK\$	Number of shares of the Company to be issued upon exercise of the share options								
					Outstanding at 1.4.2008	Granted during the year	Lapsed during the year	Reclassified during the year	Outstanding at 31.3.2009	Adjustments (Notes 1 & 2)	Granted or exercised during the year	Cancelled or lapsed during the year	Outstanding at 31.3.2010
Directors	28.3.2008	28.3.2008	28.3.2008 - 27.3.2011	2.52	96,400,000	-	-	-	96,400,000	(81,699,000)	-	-	14,701,000
Employees	28.3.2008	28.3.2008	28.3.2008 - 27.3.2011	2.52	30,200,000	-	(1,000,000)	(4,000,000)#	25,200,000	(21,357,000)	-	(686,250)	3,156,750 (Note 3)
Other participants	28.3.2008	28.3.2008	28.3.2008 - 27.3.2011	2.52	72,000,000	-	-	4,000,000#	76,000,000	(64,410,000)	-	-	11,590,000
					198,600,000	-	(1,000,000)	-	197,600,000	(167,466,000)	-	(686,250)	29,447,750

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



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

FOR THE YEAR ENDED 31ST MARCH, 2010

**36. SHARE OPTIONS** *(continued)*

Notes:

1. The exercise price per share from HK\$0.385 to HK\$7.7 and the number of shares of the Company to be issued upon exercise of share options were adjusted with effect from 2nd April, 2009 due to the Capital Reorganisation completed in April 2009.
2. The exercise price per share from HK\$7.7 to HK\$2.52 and the number of shares of the Company to be issued upon exercise of share options were adjusted with retroactive effect from 29th April, 2009, being commencement of the day next following the record date of the Rights Issue, due to the Rights Issue completed in May 2009. Such adjustments were announced on 19th May, 2009.
3. Out of 686,250 share options lapsed during the year, 457,500 share options were adjusted from 150,000 share options, as a result of the Rights Issue as mentioned in Note 2 above, which lapsed on 18th May, 2009.

**37. CAPITAL RISK MANAGEMENT**

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

The capital structure of the Group consists of net debt, which includes the bank borrowings and convertible notes payable as disclosed in notes 31 and 33, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves.

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

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

	2010 HK\$'000	2009 HK\$'000
<b>Financial assets</b>		
Fair value through profit or loss (FVTPL)		
Held for trading	6,825	2,073
Conversion options embedded in convertible notes	201	-
Derivative financial instruments	-	2,876
Loans and receivables (including cash and cash equivalents)	570,801	459,437
Available-for-sale investments	8,049	39,239
<b>Financial liabilities</b>		
Amortised cost	277,401	299,041



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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

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

The Group's financial instruments include trade and other debtors, margin account receivables and payables, loan receivable, short-term bank deposits, bank balances and cash, amounts due from (to) associates/related companies, debt portion of convertible notes, conversion options embedded in convertible notes, available-for-sale investments, investments held for trading, derivative financial instruments, trade and other creditors, bank borrowings, bank overdrafts and convertible notes payable. Details of these financial instruments are disclosed in 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 in a timely and effective manner. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

#### **Market risks**

##### (i) Currency risk

Certain bank balances with aggregate carrying value of HK\$43,000 (2009: HK\$51,000) are denominated in United States dollars ("USD"). Since HKD is pegged to USD, the Group does not expect any significant movements in USD/HKD exchange rate. Management has closely monitored foreign exchange exposure to mitigate the foreign currency risk.

##### (ii) Interest rate risk

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

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

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

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

#### Sensitivity analysis

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

If interest rates had been 50 basis points (2009: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by HK\$25,000 (2009: HK\$589,000).

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**38. FINANCIAL INSTRUMENTS** *(continued)***(b) Financial risk management objectives and policies** *(continued)***Market risks** *(continued)**(iii) Other price risk*

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

The conversion options embedded in convertible notes held by the Group is required to be recognised at fair value at the end of the reporting period. Changes in fair value are recognised in profit or loss as long as the convertible notes are outstanding. The fair value change will be affected either positively or negatively, amongst others, by the changes in share price volatility of the convertible notes issuer.

## Sensitivity analysis

The sensitivity analyses on available-for-sale investments and investments at FVTPL set out as below have been determined based on the exposure to the equity price risks of listed securities or underlying securities at the end of the reporting period.

If the prices of the respective equity instruments had been 5% (2009: 5%) higher/lower and all other variables were held constant:

- the Group's post-tax loss for the year would decrease/increase by HK\$285,000 (2009: HK\$207,000) as a result of the changes in fair value of investments held for trading and derivative financial instruments;
- investment revaluation reserve would increase/decrease by HK\$402,000 as a result of changes in fair value of available-for-sale investments for the year ended 31st March, 2010; and
- investment revaluation reserve would increase by HK\$1,962,000, post-tax loss would increase by HK\$1,107,000 and investment revaluation reserve would decrease by HK\$855,000 for further impairment as a result of the changes in fair value of available-for-sale investments for the year ended 31st March, 2009.

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

If the share prices of those convertible notes issuers had been 5% (2009: 5%) higher/lower and all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by HK\$1,117,000 (2009: negligible), as a result of changes in fair value of conversion option embedded in the convertible notes.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations as at 31st March, 2010 in relation to each class of recognised financial assets are the amounts stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has determined credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and loan debtor and convertible notes receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk on a loan receivable, amounts due from six associates and convertible notes receivable issued by certain associates, amounting to approximately HK\$22 million, HK\$74 million and HK\$328 million, respectively. As the debtors or issuers have good payment record in the past, the directors of the Company consider that the Group's credit risk to these counterparties is not significant. Other than that, the Group has no significant concentration of credit risk.

The credit risk on liquid fund is limited because the counterparties are banks and other financial institutions with high credit ratings. The Group does not have significant concentration of credit risk on liquid fund.

***Liquidity risk***

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

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**38. FINANCIAL INSTRUMENTS** (continued)**(b) Financial risk management objectives and policies** (continued)**Liquidity risk** (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayable terms. The table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

*Liquidity tables*

	Weighted average interest rate %	Less than 3 months or on demand HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2010</b>							
<b>Non-derivative financial liabilities</b>							
Creditors	-	5,244	-	-	-	5,244	5,244
Amounts due to associates	-	941	-	-	-	941	941
Bank overdrafts	3.81	38,147	-	-	-	38,147	37,974
Bank borrowing							
– variable-rate	0.69	91	5,522	48,569	-	54,182	52,750
Convertible notes payable	5.00	5,000	5,000	210,000	-	220,000	180,492
		<u>49,423</u>	<u>10,522</u>	<u>258,569</u>	<u>-</u>	<u>318,514</u>	<u>277,401</u>
<b>2009</b>							
<b>Non-derivative financial liabilities</b>							
Margin account payables	8.25	4,231	-	-	-	4,231	4,231
Creditors	-	7,628	-	-	-	7,628	7,628
Amounts due to associates	-	6,040	-	-	-	6,040	6,040
Bank overdrafts	4.56	16,476	-	-	-	16,476	16,476
Bank borrowings							
– variable-rate	2.80	498	3,944	28,235	42,024	74,701	67,367
Convertible notes payable	5.00	2,466	204,698	-	-	207,164	197,299
		<u>37,339</u>	<u>208,642</u>	<u>28,235</u>	<u>42,024</u>	<u>316,240</u>	<u>299,041</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2010

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

#### (c) Fair value

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

- the fair value of financial assets (including derivative instruments in note 27) with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market bid prices;
- the fair value of the debt portion of convertible notes and the conversion options embedded in convertible notes are determined based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments and option pricing models, respectively;
- the fair value of available-for-sale investment is determined by reference to the valuation provided by the counterparty financial institution, which is determined based on inputs such as share price of equity securities of the fund; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

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

#### ***Fair value measurements recognised in the consolidated statement of financial position***

The following table provides an analysis of financial instrument that is measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**38. FINANCIAL INSTRUMENTS** (continued)**(c) Fair value** (continued)*Fair value measurements recognised in the consolidated statement of financial position* (continued)

	As at 31st March, 2010			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets at FVTPL</b>				
Conversion options embedded in convertible notes	-	-	201	201
Investments held for trading	6,825	-	-	6,825
<b>Available-for-sale financial assets</b>				
Unlisted equity securities	-	8,049	-	8,049
Total	6,825	8,049	201	15,075

There were no transfer between Level 1 and Level 2 in the current year.

**Reconciliation of Level 3 fair value measurements of financial asset**

	Conversion options embedded in convertible notes HK\$'000
At 1st April, 2009	-
On initial recognition	1,873
Loss for the year recognised in profit or loss (Note)	(1,672)
At 31st March, 2010	201

Note: The entire gains or losses for the year included in profit or loss, relates to the conversion options embedded in convertible notes held at the end of the reporting period. The amount is presented in "Net gain (loss) on financial instruments".

**39. MAJOR NON-CASH TRANSACTIONS**

During the year ended 31st March, 2010, the Group subscribed for rights shares of an associate in proportion to its shareholding by the capitalisation of HK\$23,000,000 of the amounts due from the associate.

As detailed in note 27, the Group exercised its entire Hanny Warrants with fair value of HK\$10,605,000. Such fair value was capitalised as part of investments in associates.

During the year ended 31st March, 2009, the Company made a bonus issue of 538,921,053 warrants as detailed in note 12. In addition, as disclosed in note 27, the Group received PYI Warrants as the final dividend.

As detailed in note 33, the Group issued New Notes in an aggregate principal amount of HK\$128,000,000 to the holders of the Notes as consideration upon settlement of the outstanding Notes.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**40. RETIREMENT BENEFIT SCHEMES**

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

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

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

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

**41. CONTINGENT LIABILITIES**

On disposal of an associate in previous years, the Group had given an indemnity to the purchaser relating to unrecorded taxation liabilities, if any, and the affairs and business of the associate up to the date of disposal.

**42. OPERATING LEASE ARRANGEMENTS****(a) The Group as a lessee:**

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>355</b>	323
In the second to fifth year inclusive	<b>432</b>	660
	<b>787</b>	983

Leases are negotiated, and monthly rentals are fixed, for an average term of two years (2009: two years).



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

FOR THE YEAR ENDED 31ST MARCH, 2010

**42. OPERATING LEASE ARRANGEMENTS** *(continued)***(b) The Group as a lessor:**

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments which fall due as follows:

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Within one year	<b>3,689</b>	3,227
In the second to fifth year inclusive	<b>2,492</b>	3,142
	<b>6,181</b>	6,369

The investment properties held have committed tenants for the next two years (2009: three years).

**43. PLEDGE OF ASSETS**

At the end of the reporting period, the following assets were pledged by the Group to secure banking and other financing facilities:

	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
Listed securities of associates	<b>175,068</b>	193,295
Buildings	<b>8,230</b>	46,129
Prepaid lease payments	<b>57,892</b>	59,436
Investment properties	<b>70,500</b>	54,592
	<b>311,690</b>	353,452

**44. EVENTS AFTER THE REPORTING PERIOD**

The Group has the following events after the end of the reporting period:

- (i) In April 2010, the Group executed an instrument of transfer with an independent third party to acquire additional Hanny Notes with outstanding principal amount of HK\$41,520,000 for a consideration of HK\$31,460,000. The maturity date of the Hanny Notes is 17th June, 2011.
- (ii) According to the announcement of the Company dated 5th July, 2010, the Group proposed to accept the conditional repurchase offer from Rosedale Hotel for the repurchase of Rosedale Hotel Notes in consideration for cash equal to 88% of the outstanding principal amount of the Rosedale Hotel Notes of HK\$114.2 million.
- (iii) According to the joint announcement of the Company and Hanny dated 16th July, 2010, the Group proposed to accept the proposed repurchase offer from Hanny for the repurchase of Hanny Notes in consideration of at HK\$0.5 per Hanny share. In the event that only the Group accepts the repurchase offer by Hanny, the Group would obtain controlling interest in Hanny, whereas in the event that all noteholders accept the repurchase offer, Hanny will remain as an associate of the Group. As the acquisition was not yet completed at the date of approval of these financial statements, in the opinion of the directors, it was impracticable to quantify the financial effects of the proposed transaction.

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**45. RELATED PARTY TRANSACTIONS**

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

<b>Class of related party</b>	<b>Nature of transactions/balances</b>	<b>2010</b> <b>HK\$'000</b>	<b>2009</b> <b>HK\$'000</b>
Associates of the Group	Rentals and related building management fee charged by the Group	<b>3,703</b>	3,572
	Service fees charged by the Group	<b>1,689</b>	1,352
	Interest income received and receivable by the Group	<b>39,993</b>	32,966
Other related companies <i>(Note)</i>	Interest income received and receivable by the Group	-	2,373

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

**Compensation of key management personnel**

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

**46. FINANCIAL INFORMATION OF THE COMPANY**

	<b>2010</b> <b>HK\$'000</b>	<b>2009</b> <b>HK\$'000</b>
Total assets	<b>2,944,154</b>	2,794,451
Total liabilities	<b>(197,969)</b>	(215,233)
Total assets and liabilities	<b>2,746,185</b>	2,579,218
Capital and reserves		
Share capital	<b>7,537</b>	269,461
Share premium and reserves	<b>2,738,648</b>	2,309,757
Total equity	<b>2,746,185</b>	2,579,218

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**47. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

Details of the Company's principal subsidiaries as at 31st March, 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital				Principal activities
			held by the Group		attributable to the Group		
			2010 %	2009 %	2010 %	2009 %	
<b>Directly owned</b>							
All Combine Investments Limited	British Virgin Islands	US\$1 ordinary share	<b>100</b>	100	<b>100</b>	100	Investment holding
Great Intelligence Limited	British Virgin Islands	US\$1 ordinary share	<b>100</b>	100	<b>100</b>	100	Investment holding
Hero's Way Resources Ltd.	British Virgin Islands	US\$1 ordinary share	<b>100</b>	100	<b>100</b>	100	Investment holding
ITC Development Co. Limited	British Virgin Islands	US\$15,000 ordinary shares	<b>100</b>	100	<b>100</b>	100	Investment holding
ITC Investment Holdings Limited	British Virgin Islands	US\$1 ordinary share	<b>100</b>	100	<b>100</b>	100	Investment holding
ITC Management Group Limited	British Virgin Islands	US\$2 ordinary shares	<b>100</b>	100	<b>100</b>	100	Investment holding
Large Scale Investments Limited	British Virgin Islands	US\$1 ordinary share	<b>100</b>	100	<b>100</b>	100	Investment holding

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

FOR THE YEAR ENDED 31ST MARCH, 2010

**47. PARTICULARS OF PRINCIPAL SUBSIDIARIES** *(continued)*Details of the Company's principal subsidiaries as at 31st March, 2010 and 2009 are as follows: *(continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital				Principal activities
			held by the Group		attributable to the Group		
			2010 %	2009 %	2010 %	2009 %	
<b>Indirectly owned</b>							
Burcon Group Limited	Canada	CAD1,000 class A common shares	<b>100</b>	100	<b>100</b>	100	Investment and property holding
Great Intelligence Holdings Limited	Hong Kong	HK\$2 ordinary shares	<b>100</b>	100	<b>100</b>	100	Securities trading and treasury investment
Great Intelligence Limited	Hong Kong	HK\$2 ordinary shares	<b>100</b>	100	<b>100</b>	100	Property holding and investment
ITC Finance Limited	Hong Kong	HK\$2 ordinary shares	<b>100</b>	100	<b>100</b>	100	Provision of finance
ITC Management Limited	Hong Kong	HK\$2 ordinary shares	<b>100</b>	100	<b>100</b>	100	Provision of management, administration and financial services and treasury investment

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

All of the above subsidiaries are limited companies.

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

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

## FINANCIAL SUMMARY

## RESULTS

	Year ended 31st March,				2010 HK\$'000
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
Revenue					
- Continuing operations	44,238	244,060	155,699	46,453	<b>59,014</b>
- Discontinued operations	4,234	5,177	2,547	-	-
	<u>48,472</u>	<u>249,237</u>	<u>158,246</u>	<u>46,453</u>	<u><b>59,014</b></u>
Profit (loss) before taxation	46,436	899,546	324,501	(716,393)	<b>(88)</b>
Taxation	-	(8,695)	(10,669)	2,894	<b>(4,682)</b>
Profit for the year from discontinued operations	-	29	2	-	-
	<u>46,436</u>	<u>890,880</u>	<u>313,834</u>	<u>(713,499)</u>	<u><b>(4,770)</b></u>
Profit (loss) for the year					
Attributable to:					
Owners of the Company	50,289	843,929	252,051	(713,499)	<b>(4,770)</b>
Minority interests	(3,853)	46,951	61,783	-	-
	<u>46,436</u>	<u>890,880</u>	<u>313,834</u>	<u>(713,499)</u>	<u><b>(4,770)</b></u>

## ASSETS AND LIABILITIES

	As at 31st March,				2010 HK\$'000
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
Total assets	2,460,700	6,310,209	3,705,532	2,993,604	<b>3,237,908</b>
Total liabilities	(428,691)	(1,938,149)	(309,101)	(312,452)	<b>(292,874)</b>
Shareholders' funds	<u>2,032,009</u>	<u>4,372,060</u>	<u>3,396,431</u>	<u>2,681,152</u>	<u><b>2,945,034</b></u>
Attributable to:					
Owners of the Company	2,009,945	2,810,426	3,396,431	2,681,152	<b>2,945,034</b>
Convertible notes reserve of a subsidiary	-	55,279	-	-	-
Minority interests	22,064	1,506,355	-	-	-
	<u>2,032,009</u>	<u>4,372,060</u>	<u>3,396,431</u>	<u>2,681,152</u>	<u><b>2,945,034</b></u>



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