

CHAIRMAN'S STATEMENT

I am pleased to present to shareholders the interim report and condensed consolidated financial statements of ITC Corporation Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30th September, 2006.

INTERIM DIVIDEND

The board of directors of the Company (the "Board") has resolved to pay an interim dividend of HK1.5 cents per ordinary share for the six months ended 30th September, 2006 (2005: HK1.5 cents) to holders of ordinary shares whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 24th January, 2007. The interim dividend is expected to be paid to holders of ordinary shares of the Company by post on or about 27th February, 2007. The Board has also proposed that the interim dividend should be satisfied in cash, with an option to elect scrip dividend of ordinary shares, in respect of part or all of such dividend. The market value of the ordinary shares to be issued under scrip dividend proposal will be fixed by reference to the average of the closing prices of the ordinary shares of the Company for the three consecutive trading days ending 24th January, 2007 less a discount of five per cent of such average price, or the par value of ordinary shares, whichever is the higher. The proposed scrip dividend is conditional upon The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") granting the listing of, and permission to deal in, the new ordinary shares to be issued. A circular giving full details of the scrip dividend proposal and a form of election will be sent to holders of ordinary shares of the Company.

CLOSE OF REGISTER OF HOLDERS OF ORDINARY SHARES

The register of holders of ordinary shares of the Company will be closed from 22nd January, 2007 to 24th January, 2007, both days inclusive, during which period no ordinary share transfer shall be effected. In order to qualify for the interim dividend, all transfers of ordinary shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, 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 19th January, 2007.

主席報告

本人欣然向股東提呈德祥企業集團有限公司(「本公司」)及其附屬公司(「本集團」)截至二零零六年九月三十日止六個月之中期報告及簡明綜合財務報表。

中期股息

本公司董事局(「董事局」)已決議向於二零零七年一月二十四日辦公時間結束時名列本公司普通股股東名冊之普通股股東派付截至二零零六年九月三十日止六個月每股普通股1.5港仙(二零零五年:1.5港仙)之中期股息。中期股息預計於二零零七年二月二十七日左右以郵寄方式向本公司之普通股股東派付。董事局並建議透過現金方式派付中期股息,惟股東可選擇收取普通股股息股份以代替部份或全部有關股息。根據以股代息建議將予發行之普通股之市值,將參考本公司股份於截至二零零七年一月二十四日止連續三個交易日之平均收市價減該平均價5%之折讓或普通股股份面值(以較高者為準)計算。建議之以股代息須待香港聯合交易所有限公司(「香港聯交所」)批准將予發行之新普通股股份上市及買賣後方可作實。載有以股代息建議全部詳情之通函,將連同選擇表格一併寄予本公司各普通股股東。

暫停辦理普通股股東登記手續

本公司將於二零零七年一月二十二日至二零零七年一月二十四日(包括首尾兩日)暫停辦理本公司之普通股股東登記手續,於該期間內將不會登記任何普通股股份之轉讓。如欲獲派中期股息,所有普通股過戶文件連同有關股票,最遲須於二零零七年一月十九日下午四時前交回本公司之香港股份過戶登記處秘書商業服務有限公司以供登記,地址為香港灣仔皇后大道東28號金鐘匯中心26樓。

RESULTS AND FINANCIAL HIGHLIGHTS

業績及財務摘要

FINANCIAL HIGHLIGHTS

• Turnover	HK\$358 million
• Profit attributable to equity holders	HK\$196 million
• Basic earnings per share	HK10.7 cents
• Diluted earnings per share	HK9.0 cents
• Interim dividend per share	HK1.5 cents
• Current ratio	8.7
• Gearing ratio	14.2%

財務摘要

• 營業額	358百萬港元
• 股權持有人應佔溢利	196百萬港元
• 每股基本盈利	10.7港仙
• 每股攤薄盈利	9.0港仙
• 每股中期股息	1.5港仙
• 流動比率	8.7
• 資產負債比率	14.2%

The principal activities of the Group comprise investment holding, the provision of finance, the provision of management services, property investment, treasury investment, trading of building materials and machinery and the provision and operation of an internet-based precious metals trading platform through Trasy Gold Ex Limited ("Trasy").

During the period under review, consolidated turnover increased by approximately 733% to approximately HK\$358 million due to the increase in turnover from treasury investment and the provision of finance. The Group reported a profit attributable to equity holders of approximately HK\$196 million, an increase of approximately 626% as compared to approximately HK\$27 million for the last corresponding period. The increase in profit was mainly due to the increase in contribution from Hanny Holdings Limited ("Hanny"). Basic earnings per ordinary share was HK10.7 cents (2005: HK2.6 cents). The Board has resolved the payment of an interim dividend of HK1.5 cents per ordinary share, which represents a dividend payment of approximately HK\$28 million based on the issued ordinary share capital at the date of this report (2005: HK\$16 million).

Regarding the financial position of the Group, the total assets increased by 5% to approximately HK\$2,593 million and the equity attributable to equity holders increased by 5% to approximately HK\$2,107 million.

本集團之主要業務，包括投資控股、提供融資、提供管理服務、物業投資、庫務投資、建築材料及機械貿易，以及透過卓施金網有限公司（「卓施」）提供並經營網上貴金屬交易平台。

於回顧期內，由於庫務投資及提供融資之營業額增加，故本集團之綜合營業額增加約733%至約358,000,000港元。本集團錄得股權持有人應佔溢利約196,000,000港元，比去年同期約27,000,000港元增加約626%。溢利增加主因乃錦興集團有限公司（「錦興」）之貢獻增加所致。每股普通股基本盈利為10.7港仙（二零零五年：2.6港仙）。董事局已決議派付中期股息每股普通股1.5港仙，派息總額（根據本報告日期之已發行普通股股本計算）約為28,000,000港元（二零零五年：16,000,000港元）。

本集團之財政狀況方面，總資產增加5%至約2,593,000,000港元，而股權持有人應佔權益增加5%至約2,107,000,000港元。

REVIEW OF OPERATIONS

During the six months ended 30th September, 2006, the Group continued to hold significant interests, directly or indirectly, in a number of companies listed in Hong Kong, Canada, Singapore, the United States, Australia and Germany and other high potential unlisted investments pursuant to its long-term strategy of exploring potential investments in an aggressive, but cautious, manner and enhancing a balanced and diversified investment portfolio.

STRATEGIC INVESTMENTS

As at 30th September, 2006, the Group had the following significant strategic investments:

Listed subsidiaries and strategic investments directly held

Hanny

Hanny is an investment holding company. Following the completion of the disposal of the business of trading of computer related products and consumer electronic products and marketing of data storage media relating to the brand "Memorex®" in April 2006, the Hanny group is principally engaged in the trading of securities, property investment and trading, holding of vessels for sand mining and other strategic investments including investments in associated companies which are listed on the Hong Kong Stock Exchange and the Singapore Exchange Limited and long-term convertible notes issued by companies whose shares are listed on the Hong Kong Stock Exchange. For the six months ended 30th September, 2006, Hanny reported a consolidated profit of approximately HK\$491.4 million and its overall after tax contribution to the Group was a profit of approximately HK\$118.4 million.

PYI Corporation Limited ("PYI")

Based in Hong Kong, the PYI group focuses on infrastructure investments in and operation of bulk cargo port and logistics facilities in the Yangtze River region in the PRC. It also engages in land and property development in association with port facilities. In addition, PYI provides comprehensive services in engineering and construction, project management and facilities management through Paul Y. Engineering Group Limited ("Paul Y. Engineering"). For the six months ended 30th September, 2006, PYI reported a consolidated profit of approximately HK\$231.6 million and its overall after tax contribution to the Group was a profit of approximately HK\$64.0 million.

Trasy

The Trasy group is principally engaged in the provision and operation of an internet-based precious metals trading platform known as the "Trasy System". Trading in Trasy's shares has been suspended since 10th June, 2003. Trasy has submitted a resumption proposal to the Hong Kong Stock Exchange in November 2006 for consideration. The board of directors of Trasy considers that the current scale of operations of the Trasy group is sufficient to warrant continued listing of its shares. For the six months ended 30th September, 2006, Trasy's after tax contribution to the Group was a loss of approximately HK\$1.1 million.

業務回顧

於截至二零零六年九月三十日止六個月，本集團持續直接或間接持有於香港、加拿大、新加坡、美國、澳洲及德國多間上市公司及其他具良好潛力的非上市投資項目之重大權益，此符合其長遠策略，即積極但謹慎地開拓具潛力投資項目，以提昇其均衡及多元化之投資組合。

策略性投資

於二零零六年九月三十日，本集團之主要策略性投資項目如下：

直接持有上市附屬公司及策略性投資項目

錦興

錦興為一家投資控股公司。於二零零六年四月完成出售有關以「Memorex®」品牌經營之電腦相關產品及消費電子產品貿易以及推廣資料儲存媒體產品之業務後，錦興集團現時主要從事證券買賣、物業投資及買賣、擁有採砂船隻以及其他策略性投資，其中包括於香港聯交所及新加坡證券交易所有限公司上市的聯營公司之投資及於香港聯交所上市之公司發行之長期可兌換票據之投資。截至二零零六年九月三十日止六個月，錦興錄得綜合溢利約491,400,000港元，其整體對本集團之除稅後貢獻則為溢利約118,400,000港元。

保華集團有限公司（「保華」）

保華集團以香港為基地，專注於中國長江流域一帶的大宗散貨港口基建投資及物流運作業務，其亦從事與港口設施相關的土庫及房地產開發業務，並透過保華建業集團有限公司（「保華建業」），提供全面的工程及建築、項目管理及設施管理服務。截至二零零六年九月三十日止六個月，保華錄得綜合溢利約231,600,000港元，其整體對本集團之除稅後貢獻則為溢利約64,000,000港元。

卓施

卓施集團之主要業務為提供及經營網上貴金屬交易平台名為「卓施系統」。自二零零三年六月十日起，卓施股份之交易已經暫停。卓施已於二零零六年十一月提交一份復牌建議書供香港聯交所審議。卓施董事局認為，卓施集團現時之營運規模足以保證其股份繼續上市。截至二零零六年九月三十日止六個月，卓施對本集團除稅後貢獻為虧損約1,100,000港元。

Burcon NutraScience Corporation (“Burcon”)

Burcon is a research and development company developing a portfolio of composition, application and process patents around its plant protein extraction and purification technology. Burcon’s patented process utilises inexpensive oilseed meals for the production of purified plant proteins that exhibit valuable nutritional, functional or nutraceutical profiles. Burcon, in conjunction with Archer Daniels Midland, is currently focusing its efforts on developing the world’s first commercial canola proteins, namely Puratein® and Supertein™ (the “Products”). Canola, recognised for its nutritional qualities, is the second-largest oilseed crop in the world after soybeans. Burcon’s goal is to develop the Products to participate with soy, dairy and egg proteins in the expanding multi-billion-dollar protein ingredient market, with potential uses in prepared foods, nutritional supplements and personal care products. For the six months ended 30th September, 2006, Burcon’s after tax contribution to the Group was a loss of approximately HK\$3.0 million.

*Hong Kong listed strategic investments indirectly held***Paul Y. Engineering**

Established in 1946, Paul Y. Engineering is an international engineering services group serving Hong Kong, the PRC and the international market with its 60 years of expertise. It has three core areas of business: management contracting, project management and facilities management.

Macau Prime Properties Holdings Limited (“MPP”)

The MPP group is principally engaged in property development and investment in Macau, the PRC and Hong Kong. The MPP group is also engaged in operations of golf resort and hotel in the PRC, securities investment, the trading of motorcycles, the sale and manufacturing of western pharmaceutical products, Chinese pharmaceutical and health products.

See Corporation Limited (“See”)

The See group is principally engaged in the entertainment and media business, which includes film and television programme production; event production; and artiste and model management. It also owns significant interest in TVB Pay Vision Holdings Limited, which operates a pay-television business in Hong Kong.

Wing On Travel (Holdings) Limited (“Wing On Travel”)

The Wing On Travel group is principally engaged in the business of providing package tours, travel and other related services, and hotel operation including a hotel chain with the “Rosedale” brand in Hong Kong and the PRC.

Burcon NutraScience Corporation (「Burcon」)

Burcon為一間研究開發公司，現正採用植物蛋白質淨化及提取技術發展一系列之合成、應用及加工專利權。Burcon之專利工序利用廉宜之油籽粉以生產營養價值高、效能廣泛及有健康效果之淨化植物蛋白質。Burcon目前聯同Archer Daniels Midland致力發展全球首種商用芥花籽蛋白質Puratein®及Supertein™(該等「產品」)。公認具備豐富營養價值之芥花籽為緊隨大豆之後世界第二產量最高之油籽穀物。Burcon之目標是以發展該等產品參與大豆、奶類及蛋類蛋白質在數以十億元計並不斷擴大之蛋白質成份市場，而該等產品可用於預製食品、營養補充劑及個人護理產品。截至二零零六年九月三十日止六個月，Burcon對本集團除稅後貢獻為虧損約3,000,000港元。

*間接持有香港上市策略性投資項目***保華建業**

保華建業於一九四六年創立，為國際化之工程服務集團，透過其60年之專業經驗服務香港、中國內地及國際市場。其三項核心業務包括：承建管理、項目管理及設施管理。

澳門祥泰地產集團有限公司 (「澳門祥泰地產」)

澳門祥泰地產集團主要從事於澳門、中國內地及香港之物業發展及投資。澳門祥泰地產集團亦於中國內地經營高爾夫球度假村及酒店、證券投資、電單車買賣以及西藥產品、中藥及健康產品之銷售及製造。

漢傳媒集團有限公司 (「漢傳媒」)

漢傳媒集團主要從事娛樂和傳媒業務，包括電影及電視節目製作、表演項目製作及藝人及模特兒管理。漢傳媒亦持有無線收費電視控股有限公司之重大權益，其於香港營運收費電視業務。

永安旅遊(控股)有限公司 (「永安旅遊」)

永安旅遊集團主要從事組辦旅行團、旅遊及其他相關服務和經營酒店業務，包括在香港及中國內地以「珀麗」品牌經營之連鎖酒店。

*Overseas listed strategic investments indirectly held***PSC Corporation Ltd (“PSC”)**

PSC focuses on three core business activities in consumer business, healthcare and packaging which involves in food trading, logistics, manufacturing and retail franchising, providing turnkey solutions in developing primary to tertiary healthcare facilities, healthcare consultancy and services as well as turnkey construction and hospital management, and packaging through Tat Seng Packaging Group Ltd. (“Tat Seng Packaging”).

China Enterprises Limited (“China Enterprises”)

The China Enterprises group is engaged in the business of property investment and development in the PRC and has substantial interests in certain investment holding companies, the subsidiaries of which are principally engaged in the business of manufacturing and marketing of tires in the PRC and other countries abroad and the business of providing package tours, travel and other related services, and hotel operation.

MRI Holdings Limited (“MRI”)

MRI is an investment company, which has a major investment in one of the leading health and fitness chains in Australia. The MRI group continues to identify appropriate, strategic investment opportunities that maximize returns to shareholders, within the clear mandate determined by shareholders.

Intraco Limited (“Intraco”)

The Intraco group has developed its business portfolio under five core areas, which are commodities trading, projects, semiconductors, info-communications and seafoods.

Tat Seng Packaging

Tat Seng Packaging is one of Singapore’s leading manufacturers of corrugated paper packaging product with operations in Singapore and Suzhou and Hefei, the PRC. Tat Seng Packaging designs, manufactures and sells corrugated paper packaging products for the packing of diverse range of products according to customers’ specifications. Its key products include corrugated paper boards, corrugated paper cartons, die-cut boxes, assembly cartons, heavy duty corrugated paper products and other packaging related products.

*間接持有海外上市策略性投資項目***普威集團有限公司 (「普威」)**

普威集中於消費產品業務、保健服務以及包裝三項核心業務，當中包括食品貿易、物流、生產及零售特許經營，提供完備配套之基本至高等的保健設施、保健顧問及服務，以及承包建造及醫院管理、及透過達成包裝集團 (「達成包裝」) 進行包裝業務。

China Enterprises Limited (「China Enterprises」)

China Enterprises集團在中國內地從事物業投資及發展業務；及於若干投資控股公司持有重大權益。其附屬公司的主要業務為在中國內地及其他海外國家生產及銷售輪胎，並從事提供旅行團、旅遊及其他相關服務和經營酒店。

MRI Holdings Limited (「MRI」)

MRI為一家投資控股公司，其擁有澳洲其中一間領先之健身連鎖店之主要投資。MRI集團繼續物色合適之策略性投資機會，務求在股東所既定之清晰投資權限為股東提供最佳回報。

新加坡國際貿易有限公司 (「新加坡國際貿易」)

新加坡國際貿易集團集中發展之五大核心業務為商品貿易、工程項目、半導體、資訊通信及海鮮貿易及加工。

達成包裝

達成包裝為新加坡一家頂級的瓦楞紙包裝產品製造商，並在新加坡及中國蘇州及合肥設有工廠。達成包裝設計、製造和銷售瓦楞紙包裝產品，為廣泛行業之產品提供包裝產品，並能按客戶的個別需求進行生產。其主要產品包括瓦楞紙板、瓦楞紙箱、模切紙箱、普通開槽箱、重型瓦楞紙製品及其他包裝相關產品。

The Group's interests in listed subsidiaries and strategic investments are summarised below:

本集團於上市附屬公司及策略性投資項目之權益概述如下：

Listed subsidiaries and strategic investments directly held

直接持有之上市附屬公司及策略性投資項目

Name of investee company	Place of listing	Stock code	Shareholding percentage	
			As at 30.9.2006 於二零零六年九月三十日	As at the date of this report 於本報告日期
所投資公司之名稱	上市地點	股份代號	股權百分比	
Hanny 錦興	Hong Kong Stock Exchange 香港聯交所	275	24.4%	64.0%
PYI 保華	Hong Kong Stock Exchange 香港聯交所	498	27.3%	27.4%
Trasy 卓施	The Growth Enterprise Market of Hong Kong Stock Exchange 香港聯交所創業板	8063	56.5%	56.5%
Burcon	TSX Venture Exchange and Frankfurt Stock Exchange TSX Venture Exchange及 法蘭克福證券交易所	BU WKN 157793	25.5%	25.5%

Hong Kong listed strategic investments indirectly held

間接持有之香港上市策略性投資項目

Name of investee company	Place of listing	Stock code	Effective interest	
			As at 30.9.2006 於二零零六年九月三十日	As at the date of this report 於本報告日期
所投資公司之名稱	上市地點	股份代號	實際權益	
Paul Y. Engineering 保華建業	Hong Kong Stock Exchange 香港聯交所	577	17.7% (Note a) (附註a)	17.7% (Note a) (附註a)
MPP 澳門祥泰地產	Hong Kong Stock Exchange 香港聯交所	199	3.8% (Note b) (附註b)	9.9% (Note b) (附註b)
See 漢傳媒	Hong Kong Stock Exchange 香港聯交所	491	4.4% (Note b) (附註b)	11.5% (Note b) (附註b)
Wing On Travel 永安旅遊	Hong Kong Stock Exchange 香港聯交所	1189	2.7% (Note c) (附註c)	7.1% (Note c) (附註c)

Overseas listed strategic investments indirectly held

間接持有之海外上市策略性投資項目

Name of investee company	Place of listing	Stock code	Effective interest	
			As at 30.9.2006 實際權益 於二零零六年九月三十日	As at the date of this report 於本報告日期
PSC 普威	Singapore Exchange Limited 新加坡證券交易所有限公司	PSC	8.0% (Note d) (附註d)	17.6% (Note d) (附註d)
China Enterprises	OTC Bulletin Board, U.S.A. 美國場外交易議價板	CSHEF	13.3% (Note b) (附註b)	34.9% (Note b) (附註b)
MRI	Australian Securities Exchange 澳洲證券交易所	MRI	13.8% (Note b) (附註b)	36.2% (Note b) (附註b)
Tat Seng Packaging 達成包裝	Singapore Exchange Limited 新加坡證券交易所有限公司	TAT SENG	5.1% (Note e) (附註e)	11.2% (Note e) (附註e)
Intraco 新加坡國際貿易	Singapore Exchange Limited 新加坡證券交易所有限公司	INTRACO	2.4% (Note e) (附註e)	5.2% (Note e) (附註e)

Notes:

- (a) The Group's interest is held through its direct interest in PYI.
- (b) The Group's interest is held through its direct interests in Hanny.
- (c) The Group's interest is held through its indirect interest in China Enterprises.
- (d) Other than the Group's direct interest of approximately 2.0% as at 30th September, 2006 and as at the date of this report, the Group's interest is held through its direct interest in Hanny.
- (e) The Group's interest is held through its indirect interest in PSC.

附註：

- (a) 本集團之權益透過其於保華之直接權益持有。
- (b) 本集團之權益透過其於錦興之直接權益持有。
- (c) 本集團之權益透過其於China Enterprises之間接權益持有。
- (d) 除於二零零六年九月三十日及於本報告日期本集團之直接權益約2.0%外，本集團之權益透過其於錦興之直接權益持有。
- (e) 本集團之權益透過其於普威之間接權益持有。

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash, bank balances and deposits as at 30th September, 2006 amounted to approximately HK\$107.4 million. As at 30th September, 2006, the Group had bank borrowings of approximately HK\$115.2 million of which approximately HK\$55.1 million is repayable within one year or on demand. The redeemable convertible preference shares with an aggregate redemption value of approximately HK\$283.0 million will be redeemed on 3rd November, 2007 (or the next following business day if it is not a business day) unless they are previously converted, redeemed or purchased and cancelled.

As at 30th September, 2006, all the Group's borrowings, except the redeemable convertible preference shares, are at floating interest rates and the Group's current ratio was 8.72.

流動資金及財務資源

本集團在整體業務運作方面採取審慎理財政策。於二零零六年九月三十日，本集團之現金、銀行結餘及存款約為107,400,000港元。於二零零六年九月三十日，本集團之銀行借款約為115,200,000港元，其中須於一年內償還或按通知償還之部份約為55,100,000港元。除非先前獲兌換、贖回或購買及註銷，否則贖回額合共約283,000,000港元之可贖回可兌換優先股將會在二零零七年十一月三日（如當日並非辦公日，則在隨後之辦公日）贖回。

於二零零六年九月三十日，本集團之所有借款除了可贖回可兌換優先股外，均按浮動息率計息，而本集團之流動比率為8.72。

EXCHANGE RATE EXPOSURE

As at 30th September, 2006, approximately 29.4% of the cash, bank balances and deposits were in other currencies and only approximately 4.1% of the Group's total borrowings of approximately HK\$407.5 million was denominated in Canadian dollars. The Canadian dollars denominated borrowings are directly tied in with the Group's business in Canada.

GEARING RATIO

The Group's gearing ratio, which was calculated using the Group's net borrowings of approximately HK\$300.1 million and the equity attributable to equity holders of approximately HK\$2,106.9 million, was 14.2% as at 30th September, 2006, as compared to 7.5% as at 31st March, 2006.

PLEDGE OF ASSETS

As at 30th September, 2006, certain of the Group's properties, margin accounts receivable, held for trading investments and derivative financial instruments with an aggregate carrying value of approximately HK\$216.2 million were pledged to banks and financial institutions to secure general facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30th September, 2006, the Group has contingent liabilities in respect of guarantee given to banks on general banking facilities granted to an associate and financial support given to the associate of HK\$56 million and approximately HK\$8.9 million, respectively.

EMPLOYEE AND REMUNERATION POLICY

As at 30th September, 2006, the Group employed a total of 92 employees. It is the Group's remuneration policy that the employees' remuneration is based on the employees' skills, 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 other benefits to employees including discretionary bonus, training, provident funds and medical coverage. Share option schemes are established for the eligible employees but no share option was granted during the period and there was no outstanding share options granted by the Company as at 30th September, 2006.

MAJOR EVENTS

SUBSCRIPTION OF CONVERTIBLE EXCHANGEABLE NOTES OF HANNY

In June 2006, the Company conditionally agreed to subscribe at face value for 1% convertible exchangeable notes due 2011 to be issued by Hanny with a principal amount of US\$75 million (equivalent to approximately HK\$582.5 million) (the "Hanny Notes") entitling the holders of the Hanny Notes to convert into shares in Hanny at an initial conversion price of US\$0.51 per share. The holders of the Hanny Notes shall also have the right to exchange the principal amount of the Hanny Notes, subject to a maximum amount equal to approximately 66% of the face value of the Hanny Notes, for the same principal amount of the convertible notes to be issued by China Enterprises (the "China Enterprises Notes"), entitling the holders of the China Enterprises Notes to convert into shares of China Enterprises at an initial conversion price of US\$3 per share. The subscription of Hanny Notes by the Company was approved by the shareholders of the Company in September 2006.

匯兌風險

於二零零六年九月三十日，約29.4%之現金、銀行結餘及存款以其他貨幣為單位，而在本集團約407,500,000港元之借款總額中，僅有約4.1%乃以加拿大元為單位。該等加拿大元借款與本集團之加拿大業務有直接關連。

資產負債比率

按本集團之借款淨額約300,100,000港元及股權持有人應佔權益約2,106,900,000港元計算，本集團於二零零六年九月三十日之資產負債比率為14.2%，而於二零零六年三月三十一日之有關比率則為7.5%。

資產抵押

於二零零六年九月三十日，本集團賬面總值約216,200,000港元之若干物業、應收孳展賬戶款項、持作買賣投資及衍生金融工具已抵押予銀行及財務機構，以為本集團取得一般信貸。

或然負債

於二零零六年九月三十日，本集團就授予一家聯營公司之一般銀行融資向銀行提供之擔保及授予該聯營公司之財政資助有分別56,000,000港元及約8,900,000港元之或然負債。

僱員及酬金政策

於二零零六年九月三十日，本集團聘用共92名僱員。員工酬金乃取決於員工之技能、知識及對本集團事務之參與，並參考本公司之表現及業界之薪金水平及當時市況釐定。酬金政策最終旨在確保本集團有力吸引、挽留及激勵對本集團之成功舉足輕重之勝任團隊。本集團亦提供其他福利予僱員，包括酌情花紅、培訓、公積金及醫療保障計劃。購股權計劃乃為合資格僱員設立，惟期內並無授出任何購股權，於二零零六年九月三十日亦無由本公司授出而尚未行使之購股權。

重大事項

認購錦興可兌換可交換票據

於二零零六年六月，本公司有條件同意以面值認購錦興所發行於二零一一年到期、本金額為75,000,000美元（相等於約582,500,000港元）之1厘可兌換可交換票據（「錦興票據」），錦興票據持有人有權以每股0.51美元之初步兌換價兌換為錦興股份。錦興票據持有人亦有權將錦興票據之本金額（上限金額為錦興票據面值約66%）交換為相同本金額由China Enterprises所發行之可兌換票據（「China Enterprises票據」），China Enterprises票據持有人有權以每股3美元之初步兌換價兌換為China Enterprises股份。本公司對錦興票據之認購已於二零零六年九月經本公司股東批核。

ACQUISITION OF HANNY SHARES AND CONDITIONAL MANDATORY CASH OFFERS FOR HANNY

In August 2006, Famex Investment Limited ("Famex"), an indirect wholly-owned subsidiary of the Company, conditionally agreed to acquire 22,812,359 shares of Hanny at a price of HK\$3.8 per share amounted to approximately HK\$86.7 million. The acquisition was completed in November 2006. Upon completion, Famex was required to make a conditional mandatory cash offer to acquire all the issued shares of Hanny at HK\$3.8 per share and to make a comparable offer to the holders of the existing convertible bonds of Hanny under the Takeovers Code (the "Offers"). The Offers were closed on 13th December, 2006. Taking into account the acceptances of shares of Hanny received and the on-market purchases by Famex during the offer period, the shareholding interest in Hanny held by the Group has increased to approximately 64.0% and accordingly Hanny became a subsidiary of the Company.

SECURITIES IN ISSUE

As a result of the issue of new ordinary shares under scrip dividend alternative scheme in November 2006 and the conversion of redeemable convertible preference shares in December 2006, the total numbers of issued ordinary shares and issued redeemable convertible preference shares of the Company of HK\$0.10 each are 1,863,611,108 and 266,062,000, respectively, as at the date of this report.

OUTLOOK

Although there are indications of economic slow-down in the US, the global economy is still very favourable and remained on track. The recent easing in oil prices and the pause in interest rate hikes have reduced some downside risks to the global economy. In Hong Kong, the forecast GDP growth for 2006 has been revised upwards in November 2006. The positive wealth effects from the buoyant stock market, the improving labour market and rising wages have stimulated local consumption and investment. The economy of the PRC remained robust despite its tightening measures and will continue to provide the main impetus for Hong Kong in the coming years.

With the goal to maximize its shareholder's value and maintain a stable dividend payout, the Group will continue to balance its investment portfolio in a diversified manner and capture investment opportunities that can provide sustainable growth and returns. Upon the close of the Offers in December 2006, the Group successfully increased its controlling interests in Hanny at a discount to Hanny's underlying net asset value and accordingly Hanny became a subsidiary of the Company. The existing principal activities of the Hanny group will remain unchanged. Looking ahead, barring unforeseen circumstances, the Group is confident about the future prospects of its investment and business operation.

收購錦興股份及對錦興提出有條件強制性現金收購建議

於二零零六年八月，其威投資有限公司（「其威」），本公司一間間接全資擁有之附屬公司，有條件同意以每股3.8港元（總數約為86,700,000港元）收購22,812,359股錦興股份。該收購於二零零六年十一月完成。收購完成後，其威須根據收購守則提出有條件強制性現金收購建議，以每股3.8港元之價格收購所有錦興已發行股份，並向錦興的現有可兌換債券持有人提出一項同等基礎的收購建議（「收購建議」）。收購建議已於二零零六年十二月十三日結束。經計及於收購建議期內收到錦興之接納股份及其威於市場上進行購買，本集團於錦興持有之股權經已增加至約64.0%，因此，錦興成為本公司之附屬公司。

已發行之證券

由於本公司於二零零六年十一月以股代息方案發行之新普通股及於二零零六年十二月兌換之可贖回可兌換優先股，本公司於本報告日期之已發行普通股及已發行可贖回可兌換優先股總數分別為1,863,611,108股及266,062,000股（每股面值0.10港元）。

展望

雖然美國經濟有放緩的跡象，但全球經濟仍然非常樂觀，而且穩步發展。近期的石油價格放緩及停止加息已舒緩全球經濟下滑的危機。香港之二零零六年本地生產總值增長預算已於二零零六年十一月被調高。暢旺股票市場產生的財富效應、持續改善的勞工市場及上升的薪酬已刺激本地消費及投資。中國雖然收緊經濟政策，但經濟仍然強勁增長，於未來幾年仍會為香港經濟提供強大推動力。

在將股東的價值推至最高且保持穩定股息分發之目標下，本集團將繼續維持其均衡多元化投資組合的角色，並抓緊能提供穩定增長及回報的投資機會。隨着收購建議於二零零六年十二月截止後，本集團已以較錦興的相關資產淨值折讓之價格，成功增持其於錦興的控制權，錦興並已成為本公司之附屬公司。錦興集團現時之主要業務將維持不變。展望未來，在並無不可預計之情況下，本集團對其投資及業務運作充滿信心。