HellerEhrman

September 22, 2006

SUPPL

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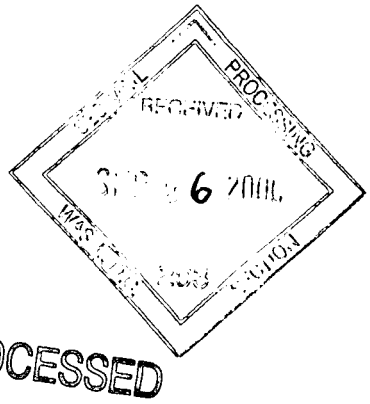

Securities and Exchange Commission
100 F Street, NE,
Washington, DC 20549
USA
Attention Filer Support
Mail Stop 1-4

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FINANCIAL

Ladies and Gentlemen:

SEC FILE NO. 82-4217

Re: PYI Corporation Limited
(formerly known as Paul Y. - ITC Construction Holdings Limited)
Information Furnished Pursuant to Rule 12g3-2(b)
under the Securities Exchange Act

On behalf of PYI Corporation Limited (the "Company"), S.E.C. File No. 82-4217, the enclosed copies of documents are submitted to you in order to maintain the Company's exemption from Section 12(g) of the Securities Exchange Act of 1934 (the "Act") pursuant to Rule 12g3-2(b) under the Act:

(1) The Company's circular regarding scrip dividend scheme in relation to the final dividend for the year ended March 31, 2006, dated September 18, 2006;

(2) The Company's announcement regarding voting results at the annual general meeting and the special general meeting both held on September 8, 2006, dated September 8, 2006, published (in English language) in The Standard and (in Chinese language) in Hong Kong Economic Journal, both on September 11, 2006;

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(3) The Company's supplemental circular to the circular to shareholders dated July 31, 2006 in respect of matters relating to, inter alia, re-election of retiring directors at the 2006 annual general meeting, dated August 25, 2006;

(4) The Company's circular regarding proposed grant of share options to deputy chairman and managing director, dated August 22, 2006;

(5) The Company's announcement regarding proposed grant of share options to deputy chairman and managing director, dated August 16, 2006, published (in English language) in The Standard and (in Chinese language) in Hong Kong Economic Journal, both on August 17, 2006;

(6) The Company's announcement regarding appointment of independent non-executive director, dated August 1, 2006, published (in English language) in The Standard and (in Chinese language) in Hong Kong Economic Journal, both on August 2, 2006;

(7) The Company's 2006 Annual Report, dated July 7, 2006;

(8) The Company's circular regarding notice of annual general meeting, proposals for re-election of retiring directors, remuneration of directors, general mandates to issue shares and to repurchase shares, refreshing of 10% limit on grant of options under the PYI share option scheme and refreshing of 10% limit on grant of options under the PYE share option scheme, dated July 31, 2006;

(9) The Company's announcement regarding notice of annual general meeting, dated July 31, 2006, published (in English language) in The Standard and (in Chinese language) in Hong Kong Economic Journal, both on July 31, 2006;

(10) The Company's announcement regarding results for the year ended March 31, 2006, dated July 7, 2006, published (in English language) in The Standard and (in Chinese language) in Hong Kong Economic Journal, both on July 10, 2006;

(11) The Company's announcement regarding results of election: special dividend by way of distribution of the value in GDI shares, dated June 16, 2006, published (in English language) in The Standard and (in Chinese language) in Hong Kong Economic Journal, both on June 19, 2006;

(12) The Company's circular regarding discloseable transaction: Acquisition of assets related to liquid bulk logistics business in Wuhan, PRC and issue of convertible note, dated June 2, 2006;

(13) The Company's announcement pursuant to rule 13.10 statement PYI in collaboration with PetroChina, dated May 30, 2006, published (in English language) in The Standard and (in Chinese language) in the Hong Kong Economic Journal, both on June 1, 2006;

(14) The Company's circular regarding special dividend by way of distribution of the value in GDI shares, dated May 29, 2006; and

(15) The Exhibit A for a list of the information required to be made public, filed or distributed to shareholders under the Hong Kong Companies Ordinance and relevant requirements imposed by the HKSX under the Rules Governing the Listing of Securities on the Main Board of the HKSX.

The parts of the enclosed documents that are in Chinese substantially restate the information appearing elsewhere in English.

We would appreciate your acknowledging receipt of the foregoing by stamping and returning the enclosed copy of this letter. A self-addressed, stamped envelope is enclosed for your convenience.

Very truly yours,

Simon Luk

Enc.

c.c. PYI Corporation Limited

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 498)

VOTING RESULTS AT THE ANNUAL GENERAL MEETING AND THE SPECIAL GENERAL MEETING BOTH HELD ON 8 SEPTEMBER 2006

PYI announces the voting results in respect of the resolutions proposed at its annual general meeting and special general meeting both held on 8 September 2006.

At the annual general meeting ("AGM") and the special general meeting ("SGM") of PYI Corporation Limited ("PYI" or the "Company") both held on 8 September 2006, voting on the proposed resolutions as set out in the notice of AGM dated 31 July 2006 and the notice of SGM dated 22 August 2006 was taken by poll. The Company's share registrars in Hong Kong, Secretaries Limited, was appointed as the scrutineer at the AGM and the SGM for the purpose of vote-taking. All resolutions were approved by shareholders of the Company and the poll results are as follows:

Poll results in respect of the resolutions passed at the AGM:

	Summary of Resolutions	No. of Votes (%)	
		For	Against
1.	To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2006	810,282,096 (100%)	0 (0%)
2.	To declare the final dividend for the year ended 31 March 2006	810,282,096 (100%)	0 (0%)
3.	(A) (i) To re-elect Dr Chan Kwok Keung, Charles as a director	810,282,096 (100%)	0 (0%)
	(ii) To re-elect Mr Kwok Shiu Keung, Ernest as a director	810,282,096 (100%)	0 (0%)
	(iii) To re-elect Mr Leung Po Wing, Bowen Joseph as a director	810,282,096 (100%)	0 (0%)
	(B) To fix the directors' remuneration	810,282,096 (100%)	0 (0%)
4.	To re-appoint auditors and to authorise the board of directors to fix their remuneration	810,282,096 (100%)	0 (0%)
5.	(A) To grant an unconditional mandate to the directors to allot shares	776,222,643 (100%)	0 (0%)
	(B) To grant an unconditional mandate to the directors to purchase the Company's shares	810,282,096 (100%)	0 (0%)
	(C) To extend the share issue mandate granted to the directors	810,282,096 (100%)	0 (0%)
	(D) To refresh the 10% limit on grant of options under the Company's share option scheme	776,222,643 (100%)	0 (0%)
	(E) To approve the refreshment of the 10% limit on grant of options under the share option scheme of Paul Y. Engineering Group Limited	776,222,643 (100%)	0 (0%)
All the above resolutions were duly passed as ordinary resolutions.			

Poll results in respect of the resolution passed at the SGM:

Summary of Resolution	No. of Votes (%)	
	For	Against
To grant share options to Deputy Chairman and Managing Director (the "MD Option")	829,383,579 (99.86%)	1,150,000 (0.14%)
The above resolution was duly passed as ordinary resolution.		

As at the date of the AGM and the SGM, the issued share capital of the Company was 1,462,609,910 shares. The total number of shares entitling the holders to attend and vote for or against the resolutions at the AGM and the SGM were 1,462,609,910 and 1,462,489,910 respectively. Save that Mr Lau Ko Yuen, Tom and his associates, being persons having a material interest in the MD Option, were required to abstain from voting in respect of the ordinary resolution to approve the MD Option, there was no restriction on the Company's shareholders to cast vote on any of the resolutions at the AGM and the SGM.

By Order of the Board
PYI Corporation Limited
Wong Lai Kin, Elsa
Company Secretary

Hong Kong, 8 September 2006

As at the date of this announcement, the directors of the Company are as follows:

Dr Chow Ming Kuen, Joseph *OBE, JP*	: *Chairman (Independent Non-Executive Director)*
Mr Lau Ko Yuen, Tom	: *Deputy Chairman & Managing Director*
Dr Chan Kwok Keung, Charles	: *Non-Executive Director*
Mr Kwok Shiu Keung, Ernest	: *Independent Non-Executive Director*
Mr Chan Shu Kin	: *Independent Non-Executive Director*
Mr Leung Po Wing, Bowen Joseph *GBS, JP*	: *Independent Non-Executive Director*

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

於二零零六年九月八日舉行之股東週年大會及股東特別大會投票結果

保華宣布其於二零零六年九月八日舉行之股東週年大會及股東特別大會上各項提呈議案之投票表決結果。

保華集團有限公司(「保華」或「本公司」)於二零零六年九月八日舉行股東週年大會(「股東週年大會」)及股東特別大會(「股東特別大會」)，載於二零零六年七月三十一日刊發之股東週年大會通告及二零零六年八月二十日刊發之股東特別大會通告所建議的決議案，均以投票表決方式表決。本公司之香港股份過戶登記處秘書商業服務有限公司獲委任為監票員，負責在股東週年大會及股東特別大會上處理點票事宜。所有決議案均獲本公司股東批准，有關的投票表決結果如下：

於股東週年大會上獲通過決議案之投票表決結果：

決議案摘要		票數(%)	
		贊成	反對
1.	省覽截至二零零六年三月三十一日止年度之經審核賬目及董事局報告書與核數師報告書	810,282,096 (100%)	0 (0%)
2.	宣派截至二零零六年三月三十一日止年度之末期股息	810,282,096 (100%)	0 (0%)
3.	(A) (i) 重選陳國強博士為董事	810,282,096 (100%)	0 (0%)
	(ii) 重選郭少強先生為董事	810,282,096 (100%)	0 (0%)
	(iii) 重選梁寶榮先生為董事	810,282,096 (100%)	0 (0%)
	(B) 釐定董事酬金	810,282,096 (100%)	0 (0%)
4.	續聘核數師，並授權董事局釐定其酬金	810,282,096 (100%)	0 (0%)
5.	(A) 無條件授予董事配發股份之權力	776,222,643 (100%)	0 (0%)
	(B) 無條件授予董事購回本公司股份之權力	810,282,096 (100%)	0 (0%)
	(C) 擴大授予董事發行股份之權力	810,282,096 (100%)	0 (0%)
	(D) 更新根據本公司購股權計劃授出購股權之10%限額	776,222,643 (100%)	0 (0%)
	(E) 批准更新根據保華建業集團有限公司購股權計劃授予購股權之10%限額	776,222,643 (100%)	0 (0%)
以上全部議案均已正式通過為普通決議案。			

於股東特別大會上獲通過決議案之投票表決結果：

決議案摘要	票數(%)	
	贊成	反對
向副主席兼董事總經理授予購股權(「董事總經理購股權」)	829,383,579 (99.86%)	1,150,000 (0.14%)
以上議案已正式通過為普通決議案。		

於股東週年大會及股東特別大會舉行日期，本公司之已發行股本為1,462,609,910股股份，而賦予持有人權利可出席股東週年大會及股東特別大會並於會上投票贊成或反對有關決議案之股份總數則分別為1,462,609,910股及1,462,489,910股。除劉高原先生及其聯繫人在董事總經理購股權有重大權益而須就批准董事總經理購股權之普通決議案放棄投票外，本公司股東於股東週年大會及股東特別大會上就任何決議案投票時毋須受任何限制。

承董事局命
保華集團有限公司
公司秘書
黃麗堅

香港，二零零六年九月八日

於本公布發表日期，本公司董事如下：

周明權博士 *OBE, JP* ：主席(獨立非執行董事)
劉高原先生 ：副主席兼董事總經理
陳國強博士 ：非執行董事
郭少強先生 ：獨立非執行董事
陳樹堅先生 ：獨立非執行董事
梁寶榮先生 *GBS, JP* ：獨立非執行董事

* 僅供識別

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Bowen Leung has been appointed an independent non-executive director of PYI effective on 1 August 2006.

The board of directors (the "Board") of PYI Corporation Limited ("PYI" or the "Company") is pleased to announce that Mr. Bowen Joseph Leung Po Wing *GBS, JP* has been appointed an independent non-executive director and a member of the Audit Committee and Remuneration Committee of PYI effective on 1 August 2006.

Mr. Leung, aged 56, previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administration Region in Beijing ("Beijing Office") in November 2005. Mr. Leung joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs) (April 1987 – September 1990); Deputy Secretary for Planning, Environment and Lands (September 1990 – December 1992); Private Secretary, Government House (December 1992 – March 1995); and Secretary for Planning, Environment and Lands (May 1995 – November 1998). He was appointed the Director of the Beijing Office in November 1998.

Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong on the Mainland, as well as fostering better understanding, establishing closer links and facilitating exchanges in various spheres between Hong Kong and the Mainland.

Mr. Leung did not hold any directorships in any listed public companies in the last three years, and he does not hold any positions with PYI or any member of PYI's group of companies other than acting as an independent non-executive director to two PRC project subsidiaries of PYI.

Mr. Leung is not connected with any directors, senior management or substantial and controlling shareholders of PYI, and he does not have any interests in the shares of PYI within the meaning of Part XV of the Securities and Futures Ordinance. He has not entered into any service contract with PYI and he is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company. Pursuant to the bye-laws of the Company, Mr. Leung will retire at the Company's 2006 annual general meeting and will be eligible for re-election at that meeting. He is entitled to a director's fee, currently being HK$300,000 per annum, for the performance of his duties as an independent non-executive director and an additional fee, currently being HK$20,000 per annum, for being a member of each of the Audit Committee and Remuneration Committee of the Company. Such level of remuneration, as determined by the Board pursuant to the authority and limit approved by shareholders at the Company's 2005 annual general meeting, has taken into account various factors including the prevailing market conditions, the nature of the Board works, workload and the requisite time spent by a director on the Board activities.

Save as disclosed above, Mr. Leung is not aware of any other matters that need to be brought to the attention of the shareholders of the Company nor is there any information to be disclosed by the Company pursuant to any of the requirements under the provisions of Rule 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board would like to extend its warmest welcome to Mr. Leung for joining PYI.

As at the date of this announcement, the composition of the Board is as follows:

Dr. Chow Ming Kuen, Joseph *OBE, JP*	: *Chairman (Independent Non-Executive Director)*
Mr. Lau Ko Yuen, Tom	: *Deputy Chairman and Managing Director*
Dr. Chan Kwok Keung, Charles	: *Non-Executive Director*
Mr. Kwok Shiu Keung, Ernest	: *Independent Non-Executive Director*
Mr. Chan Shu Kin	: *Independent Non-Executive Director*
Mr. Bowen Joseph Leung Po Wing *GBS, JP*	: *Independent Non-Executive Director*

By Order of the Board
PYI Corporation Limited
Wong Lai Kin, Elsa
Company Secretary

Hong Kong, 1 August 2006

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

委任獨立非執行董事

梁寶榮先生已於二零零六年八月一日起獲委任為保華之獨立非執行董事。

保華集團有限公司(「保華」或「本公司」)董事局(「董事局」)欣然宣佈，梁寶榮先生*OBE, JP*已於二零零六年八月一日起獲委任為保華之獨立非執行董事以及審核委員會及薪酬委員會成員。

梁先生，56歲，於二零零五年十一月退休前，為香港特別行政區政府駐北京辦事處(「駐京辦」)主任，服務香港政府逾三十二年。他於一九七三年六月加入香港政府政務職系，並於一九九六年六月晉升為首長級甲一級政務官。在政務職系服務期間，梁先生曾任職多個決策局和部門。梁先生所出任的高層職位包括：副政務司(後改稱民政事務局副秘書長)(一九八七年四月至一九九零年九月)、副規劃環境地政司(一九九零年九月至一九九二年十二月)、總督府私人秘書(一九九二年十二月至一九九五年三月)和規劃環境地政司(一九九五年五月至一九九八年十一月)。他於一九九八年十一月獲委任為駐京辦主任。

梁先生在企業領導及公共事務擁有豐富經驗。於擔任駐京辦主任期間，他致力在內地推廣香港，促進香港與內地的溝通，並建立兩地更緊密的聯繫和推動兩地在各領域上的交流，成績斐然。

梁先生於過去三年內並無擔任任何上市公司之董事，除擔任保華於中國的兩家項目附屬公司之獨立非執行董事外，他亦概無擔任保華或其任何附屬公司之任何其他職位。

梁先生與保華之任何董事、高級管理層或主要股東或控股股東概無任何關連，亦無持有任何證券及期貨條例第XV部所述之保華股份權益。他與保華並無訂立任何服務合約，惟須根據本公司之公司細則輪席退任及膺選連任。按照本公司之公司細則，梁先生將於本公司之二零零六年股東週年大會上退任，並將符合資格於該大會上膺選連任。他可就履行獨立非執行董事之職責有權收取董事袍金(現時為每年300,000港元)，另就身為本公司審核委員會及薪酬委員會成員而各增收額外袍金(現時每年20,000港元)。上述酬金水平乃董事局根據股東於本公司二零零五年股東週年大會上所批准的授權及上限而釐定，並考慮到現時之市場情況、董事局之工作性質、工作量及董事參與董事局事務所須時間。

除上述披露者外，梁先生並不知悉任何須知會股東之其他事項，或根據香港聯合交易所有限公司證券上市規則第13.51(2)(h)至13.51(2)(v)條之條文中任何規定本公司須予披露之任何資料。

董事會謹此衷心歡迎梁先生加入本公司。

於本通告日期，董事局成員包括：

周明權博士 *OBE, JP*	：	主席(獨立非執行董事)
劉高原先生	：	副主席兼董事總經理
陳國強博士	：	非執行董事
郭少強先生	：	獨立非執行董事
陳樹堅先生	：	獨立非執行董事
梁寶榮先生 *GBS, JP*	：	獨立非執行董事

承董事局命
保華集團有限公司
黃麗堅
公司秘書

香港，二零零六年八月一日

* 僅資識別

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

RESULTS OF ELECTION SPECIAL DIVIDEND BY WAY OF DISTRIBUTION OF THE VALUE IN GDI SHARES

- 311,232,201 PYI Shares (21%) opted for Hanny Shares plus cash
- 1,153,100,543 PYI Shares (79%) opted for Hanny Bonds
- Special Dividend will be satisfied in the following forms:
  - 4,979,616 Hanny Shares plus HK$8,963,308.8 in cash
  - Hanny Bonds in face value of HK$276,737,520
- HK$36.8 million undistributed Hanny Bonds will be retained by PYI
- Pay date: before end June 2006

Reference is made to the announcement and the circular (the "Circular") issued by PYI Corporation Limited ("PYI") dated 8 May 2006 and 29 May 2006 respectively regarding the payment of a special dividend (the "Special Dividend") by way of distribution of the value derived from shares of Group Dragon Investments Limited ("GDI") as held by PYI upon completion of the group reorganisation of China Strategic Holdings Limited. Terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

RESULTS OF ELECTION

The board of directors of PYI announces that as at 4:00 p.m. on 12 June 2006 (the "Closing Date"), being the latest time and date for return of the election form, election for Hanny Shares plus cash in respect of 311,232,201 PYI Shares, representing approximately 21.25% of PYI Shareholders entitled to the Special Dividend as at the Closing Date, had been received. In other words, approximately 78.75% PYI Shareholders, in respect of 1,153,100,543 PYI Shares entitled to the Special Dividend as at the Closing Date, have elected to and will receive the Special Dividend by way of Hanny Bonds.

Based on the abovementioned election of PYI Shareholders, PYI has accepted the GDI Offer (which closed on 16 June 2006) in respect of its entire shareholding in GDI and has elected to receive Option 1 consideration of the GDI Offer in respect of 24,898,080 GDI Shares and Option 2 consideration in respect of 104,511,817 GDI Shares. PYI will pay the Special Dividend equivalent to the value derived from 117,143,920 GDI Shares in the following forms:

1. An aggregate of 4,979,616 Hanny Shares plus a total of HK$8,963,308.8 in cash; and
2. Hanny Bonds in an aggregate face value of HK$276,737,520.

After satisfaction of payment of the Special Dividend to PYI Shareholders in full, PYI will still hold approximately HK$36.8 million in face value of undistributed Hanny Bonds which will be retained for PYI's own benefit.

Certificates in respect of the Hanny Shares or the Hanny Bonds and cheques in respect of the cash element of the Special Dividend are expected to be sent to PYI Shareholders by post at their risk before end June 2006.

GENERAL

As at the date of this announcement, the following are the directors of PYI:

Dr. Chow Ming Kuen, Joseph OBE, JP	: *Chairman (Independent Non-Executive Director)*
Mr. Lau Ko Yuen, Tom	: *Deputy Chairman and Managing Director*
Dr. Chan Kwok Keung, Charles	: *Non-Executive Director*
Mr. Kwok Shiu Keung, Ernest	: *Independent Non-Executive Director*
Mr. Chan Shu Kin	: *Independent Non-Executive Director*

By Order of the Board
PYI Corporation Limited
Wong Lai Kin, Elsa
Company Secretary

Hong Kong, 16 June 2006

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

以分派群龍股份價值之方式派付特別股息選擇結果

- 311,232,201股保華股份(21%)選取錦興股份另加現金
- 1,153,100,543股保華股份(79%)選取錦興債券
- 特別股息將以下述方式支付：
  - 4,979,616股錦興股份另加現金8,963,308.8港元
  - 276,737,520港元之錦興債券
- 36,800,000港元之不用派付錦興債券將由保華保留
- 支付日期：二零零六年六月下旬之前

謹此提述保華集團有限公司(「保華」)就透過分派保華於中策集團有限公司集團重組完成時持有群龍投資有限公司(「群龍」)股份所得價值之方式，派付特別股息(「特別股息」)，而分別於二零零六年五月八日及二零零六年五月二十九日刊發之公佈及通函(「該通函」)。除非文義另有所指，否則本公佈所用詞彙與該通函所用者具備相同涵義。

選擇結果

保華董事局宣佈於二零零六年六月十二日下午四時(「截止日期」，即接納選擇表格之最後日期及時間)，已接獲涉及311,232,201股保華股份(佔於截止日期有權享有特別股息之保華股東約21.25%)選取錦興股份另加現金。換言之，約78.75%保華股東(涉及於截止日期有權享有特別股息之1,153,100,543股保華股份)已選擇並將收取錦興債券作為特別股息。

按上文保華股東之選擇，保華已就其全部群龍股權接納群龍收購建議(該收購建議已於二零零六年六月十六日截止)，而就24,898,080股群龍股份選擇收取群龍收購建議之方案一代價，以及就104,511,817股群龍股份選擇收取方案二代價。保華將以下述方式支付相當於117,143,920股群龍股份所得價值之特別股息：

1. 合共4,979,616股錦興股份另加現金總額8,963,308.8港元；及
2. 總面值276,737,520港元之錦興債券。

當特別股息悉數支付予保華股東後，保華將仍持有約面值36,800,000港元之不用派付錦興債券，保留作為公司利益。

有關錦興股份或錦興債券之證書與涉及現金成份之特別股息支票預期於二零零六年六月下旬之前以郵遞方式寄予保華股東，如有郵誤，概由股東負責。

一般資料

於本公佈發表日期，下述人士為保華董事：

周明權博士OBE JP：主席(獨立非執行董事)
劉高原先生：副主席兼董事總經理
陳國強博士：非執行董事
郭少強先生：獨立非執行董事
陳樹堅先生：獨立非執行董事

承董事局命
保華集團有限公司
公司秘書
黃麗堅

香港，二零零六年六月十六日

* 僅供識別

The Standard

June 1, 2006

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

RULE 13.10 STATEMENT
PYI IN COLLABORATION WITH PETROCHINA

PYI has recently signed a collaboration agreement with PetroChina to conduct certain preliminary engineering works relating to the development of an LNG receiving station at PYI's Yangkou Port project in China.

The announcement is made at the request of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The directors of PYI Corporation Limited ("PYI") have noted the increase in the price of the ordinary shares of PYI on 30 May 2006 and wish to state the following:

PYI has recently signed a collaboration agreement with PetroChina Company Limited ("PetroChina"), to conduct certain preliminary engineering works relating to the development of an LNG receiving station at PYI's Yangkou Port project in China. Yangkou Port, located in Jiangsu Province, has been included in the National 11th 5-Year Plan as a site for the development of an LNG receiving station.

The preliminary engineering works that are jointly carried out by PYI and PetroChina involve the master planning of Yangkou Port to facilitate smooth operations of the LNG receiving station, as well as various technical aspects of detailed design, engineering and construction methodology for the development of the LNG receiving station.

Save as stated above and for such other matters as previously disclosed, the directors of PYI confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), neither is the board of directors of the PYI (the "Board") aware of any matter discloseable under the general obligation imposed by rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Made by the order of the Board of PYI the directors of which individually and jointly accept responsibility for the accuracy of this statement.

By Order of the Board
PYI Corporation Limited
Wong Lai Kin, Elsa
Company Secretary

Hong Kong, 30 May 2006

As at the date of this announcement, the composition of the Board is as follows:

Dr. Chow Ming Kuen, Joseph OBE, JP	: *Chairman (Independent Non-Executive)*
Mr. Lau Ko Yuen, Tom	: *Deputy Chairman and Managing Director*
Dr. Chan Kwok Keung, Charles	: *Non-Executive Director*
Mr. Kwok Shiu Keung, Ernest	: *Independent Non-Executive Director*
Mr. Chan Shu Kin	: *Independent Non-Executive Director*

信報

June 1, 2006

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

第13.10條之聲明
保華集團與中石油之合作

保華集團最近與中石油已簽訂一項合作協定，雙方同意在保華集團中國洋口港項目之人工島，展開若干有關發展液化天然氣接收站之工程前期工作。

本公佈乃應香港聯合交易所有限公司(「聯交所」)之要求而刊發。

保華集團有限公司(「保華集團」)之董事已知悉於二零零六年五月三十日保華集團之普通股股份價格上升，並謹此發表聲明如下：

保華集團最近與中國石油天然氣股份有限公司(「中石油」)簽訂一項合作協定，雙方同意在保華集團中國洋口港項目之人工島，展開若干有關發展液化天然氣接收站之工程前期工作。根據國家"十一五"規劃，洋口港已被列為江蘇省內可發展液化天然氣接收站之地點。

將由中石油與保華集團共同開展之工程前期工作，包括洋口港總設計規劃，確保液化天然氣接收站運作流暢，以及多方面的技術層面工作包括發展液化天然氣接收站工程之設計細詳、工程及建築方法等等。

除上述所述者及有關其他早前已作披露者外，保華集團董事確認，目前並無任何有關收購或變賣之商談或協議為根據聯交所證券上市規則(「上市規則」)第13.23條而須予公開者；保華集團董事局(「董事局」)亦不知悉有任何足以或可能影響價格之事宜為根據上市規則第13.09條所規定之一般責任而須予公開者。

上述聲明乃承保華集團董事局之命而作出；董事局各董事願就本聲明的準確性承擔個別及共同的責任。

承董事局命
保華集團有限公司
公司秘書
黃麗堅

香港，二零零六年五月三十日

於本公佈發表日期，董事局成員如下：

周明權博士OBE, JP	:	主席(獨立非執行)
劉高原先生	:	副主席兼董事總經理
陳國強博士	:	非執行董事
郭少強先生	:	獨立非執行董事
陳樹堅先生	:	獨立非執行董事

* 僅供識別

EXHIBIT A

PYI Corporation Limited (the "Company")

Disclosure/Reporting Requirements pursuant to the Hong Kong Companies Ordinance (Cap. 32) (the "CO")

EVENT REQUIRING PUBLIC FILING OR DISCLOSURE	TIMEFRAME	AUTHORITY
1. Establishment of a place of business in Hong Kong (i.e. registration under Part XI of the CO). The following documents must be delivered to the Registrar: (a) Certified copies of constitutional documents of the Company (e.g. memorandum of association and by-laws), (b) List of Directors and Secretary, (c) Memorandum of appointment or power of attorney by which the Company's authorized agent(s) in Hong Kong for service of process and notices is appointed, the address of the company's principal place of business in Hong Kong and its country of incorporation and the address of its registered office, or equivalent thereof, in its place of incorporation, (d) Certified copy of Company's certificate of incorporation, and	Within 1 month of establishment of a place of business in Hong Kong.	Section 333 - Part XI of the CO.

EVENT REQUIRING PUBLIC FILING OR DISCLOSURE	TIMEFRAME	AUTHORITY
(e) Certified copy of most recent financial statements as required by the law of the place of incorporation or as submitted to members of the Company.		
2. Alteration of any of the documents described in 1(a), 1(b) or 1(c) above.	21 days after the date of the alteration or 21 days after the date on which notice thereof could in due course of post and if dispatched with due diligence have been received in Hong Kong.	Section 335(1) - Part XI of the CO.
3. Change in the corporate name of the Company.	21 days after the date of the change or 21 days after the date on which notice thereof could in due course of post and if dispatched with due diligence have been received in Hong Kong.	Section 335(2) - Part XI of the CO.
4. (a) Certified copies of balance sheet, profit and loss account, group accounts if any, directors' report, and auditors' report of the Company, and	At least once every calendar year and at intervals of not more than 15 months.	Section 336(1) -Part XI of the CO.
(b) A return of the Company confirming no alteration in the documents and particulars delivered under Section 333 other than the alterations, if any, notified under Section 335.		

EVENT REQUIRING PUBLIC FILING OR DISCLOSURE	TIMEFRAME	AUTHORITY
5. Commencement of liquidation or appointment of liquidator for the Company	Within 7 days after the date on which notice of such event could, in due course of post and if dispatched with due diligence from the country in which the company is incorporated, have been received in Hong Kong.	Section 337A - Part XI of the CO.
6. Ceasing to have a place of business in Hong Kong.	Immediately.	Section 339 - Part XI of the CO.
7. Public offering in Hong Kong of securities - a dated prospectus containing inter alia the following particulars must be delivered to the Registrar for registration: (a) constitutional document(s) of the company, (b) the statutory provisions under which the incorporation of the company was effected, (c) Address where the documents referred to in (a) and (b) can be inspected, (d) the date and place of incorporation of the company, and (e) the address of the company's principal place of business in Hong Kong (if applicable).	Prior to the publication, circulation or distribution of the prospectus.	Section 342/342C - Part XI of the CO.

Disclosure/Reporting Requirements pursuant to the Stock Exchange Listing Rules ("Listing Rules")

EVENT REQUIRING PUBLIC FILING OR DISCLOSURE	TIMEFRAME	AUTHORITY
8. Information relating to the company and its subsidiaries, if any, which: (a) is necessary to enable the Stock Exchange of Hong Kong Limited (the "Exchange") and the public to evaluate the company and its subsidiaries, if any, (b) is necessary to avoid the establishment of a false market in the company's securities, and (c) could reasonably be expected to have a material effect on market activity in and the price of the company's securities.	Inform the Exchange and the holders of the listed debt securities as soon as reasonably practicable.	Paragraph 2(1), Part C, Appendix 7 of Listing Rules
9. Notifiable transactions in the following categories: (a) Reverse takeover, (b) very substantial acquisitions, (c) very substantial disposals, (d) share transactions, (e) major transactions, (f) discloseable transactions, or (g) connected transactions.	The company must (i) inform the Exchange as soon as possible after the terms of a transaction have been agreed; (ii) deliver a draft announcement in English for the Exchange's comments; (iii) deliver revised notice to the Exchange and cause it to be published in newspapers on the next business day; and (iv) for disclosable transactions, unless otherwise directed by the Exchange, send to shareholders a circular in English and Chinese within 21 days of the publication of the announcement.	Chapter 13, Chapter 14 and Chapter 14A, Listing Rules.

EVENT REQUIRING PUBLIC FILING OR DISCLOSURE	TIMEFRAME	AUTHORITY
10. Issuance of new securities or purchase by the company of its listed securities resulting in a change in the terms of conversion of any of its convertible securities or in the terms of exercise of any of its options, warrants or similar rights.	Announcement published prior to the new issuance or, if prior notice is impracticable, as soon as possible thereafter.	Section 13.27, Chapter 13, Listing Rules.
11. Closure of transfer books or register of members in respect of securities listed in Hong Kong.	Notify the Exchange in writing and publish in the newspapers a notice of closure at least 14 days prior to such closure.	Section 13.66, Chapter 13, Listing Rules.
12. Annual General Meeting ("AGM").	Notice must be published on at least one business day.	Section 13.37, Chapter 13, Listing Rules.
13. Meeting of holders of listed securities, including AGM and special meetings of shareholders.	Proxy forms shall be sent with the notice convening such meeting to all persons entitled to vote thereat. Proxy forms must be submitted for publication on the Exchange's Website as well.	Section 13.38, Chapter 13, Listing Rules.
14. Issuance of securities for cash under the authority of a general mandate granted to the directors by the shareholders in general meeting.	Notice must be published on the next business day following the date on which the directors approve of the issuance.	Section 13.28, Chapter 13, Listing Rules.

EVENT REQUIRING PUBLIC FILING OR DISCLOSURE	TIMEFRAME	AUTHORITY
15. Either (i) annual report including annual accounts or group accounts together with a copy of the auditor's report thereon or (ii) a summary of financial report.	Distribute to members and other holders of the company's listed securities, other than bearer securities, not less than 21 days before the date of the Annual General Meeting, but not later than 4 months after the end of the financial year; and Forward hard copies of prescribed quantity to the Exchange at the same time they are dispatched to holders of the Company's listed securities with registered address in Hong Kong.	Sections 13.46 and 13.54, Chapter 13, Listing Rules.
16. Either (i) interim report or (ii) a summary of interim report	Either send to any member of the issuer and every holder of its listed securities (not being bearer securities) not later than 3 months after financial period; and Forward hard copies of prescribed quantity to the Exchange at the same time they are dispatched to holders of the Company's listed securities with registered address in Hong Kong.	Sections 13.48 and 13.54, Chapter 13, Listing Rules.
17. Preliminary announcements of results – Full Financial Year	Publish press announcement of information, the next business day after board approval, but not later than 4 months after the end of the financial year; and Supply the Exchange immediately on publication with the names of the relevant newspapers and the date of publication.	Section 13.49, Chapter 13, Listing Rules.

EVENT REQUIRING PUBLIC FILING OR DISCLOSURE	TIMEFRAME	AUTHORITY
18. Preliminary announcements of results – First Half of the Financial Year	Publish press announcement of information, the next business day after board approval, but not later than 3 months after the end of the financial period; and Supply the Exchange immediately on publication with the names of the relevant newspapers and the date of publication.	Section 13.49, Chapter 13, Listing Rules.
19. Board meeting in respect of declaration, recommendation or payment of a dividend or announcement of the profits or losses.	Inform the Exchange at least 7 clear business days in advance of the date fixed for any board meeting.	Section 13.43, Chapter 13, Listing Rules.
20. Approval by or on behalf of the board of directors of: (a) any decision to declare, recommend or pay any dividend or to make any other distribution on its listed securities and the rate and amount thereof, (b) any decision not to declare, recommend or pay a dividend or distribution where such would otherwise have been expected in due course, (c) any preliminary announcement of profits or losses for any year, half year or other period, (d) any proposed change in the capital structure, including any redemption of its listed securities, and (e) any decision to change the general character or nature of the business of the company or group.	Inform the Exchange immediately after the board meetings.	Section 13.45, Chapter 13, Listing Rules.

EVENT REQUIRING PUBLIC FILING OR DISCLOSURE	TIMEFRAME	AUTHORITY
21. Decision made in regard to: (a) any proposed alteration of the issuer's memorandum of association, bye-laws or equivalent documents, (b) any changes in its directorate or supervisory committee, (c) any change in the rights attaching to any class of listed securities and any change in the rights attaching to any shares into which any listed debt securities are convertible or exchangeable, (d) any change in its auditors or financial year end, the reason(s) for the change and any other matters that need to be brought to the attention of holders of securities of the company, and (e) any change in its secretary or registered office or registered place of business in Hong Kong or where applicable, agent for the service of process in Hong Kong or registered office or registered place of business in Hong Kong.	Inform the Exchange immediately and publish an announcement in the newspapers as soon as practicable.	Section 13.51, Chapter 13, Listing Rules.
22. Basis of allotment of securities offered to the public for subscription or sale or an open offer and the result of any rights issue and, if applicable, the basis of any acceptance of excess applications.	Inform the Exchange not later than the morning of the next business day after the allotment letters or other relevant documents of title are posted.	Section 13.30, Chapter 13, Listing Rules.
23. Purchase, sale, drawing or redemption by the company or any member of the group of its listed securities, whether effected on the Exchange or otherwise.	Inform the Exchange as soon as possible after the event.	Section 13.31, Chapter 13, Listing Rules.

EVENT REQUIRING PUBLIC FILING OR DISCLOSURE			TIMEFRAME	AUTHORITY
24.	(a)	Winding up or liquidation, appointment of receiver/ manager, presentation of petition, adoption of resolution to wind up, etc., or	Inform the Exchange as soon as the same shall come to the attention of the company.	Section 13.25, Chapter 13, Listing Rules.
	(b)	entry into possession or sale by mortgagee, or the making of any final judgment, declaration or order which may adversely affect more than 15% of the consolidated net tangible assets of the group.		
25.	Primary listing is or is to be on the Exchange and the company becomes aware that the number of listed securities which are in the hands of the public has fallen below the relevant prescribed minimum percentage; and if any part of the securities of the company or any of its subsidiaries becomes listed or dealt in on any other stock exchange.		Inform the Exchange immediately.	Section 13.32, Chapter 13, Listing Rules.

Disclosure/Reporting Requirements pursuant to the Securities and Futures Ordinance (Cap. 571) (the "SFO")

EVENT REQUIRING PUBLIC FILING OR DISCLOSURE	TIMEFRAME	AUTHORITY
26. Any person, including spouse, minor child, corporations controlled by him and persons acquiring shares pursuant to agreement, interested or ceasing to be interested in 5% of the nominal value of share capital of the Company.	Notify the Exchange and the company at the same time or, if not practicable to do so, one immediately after the other within 3 business days after the day on which the relevant event arises or the day on which the occurrence of the relevant event comes to his knowledge.	Divisions 2-4, Part XV of the SFO.
27. Any person, including spouse, minor child, corporations controlled by him and persons acquiring shares pursuant to agreement, having a notifiable interest immediately after the relevant time when there is a reduction in the current 5% threshold made by regulations.	Notify the Exchange and the company at the same time or, if not practicable to do so, one immediately after the other within 10 business days after the day on which the relevant event arises or the day on which the occurrence of the relevant event comes to his knowledge.	Divisions 2-4, Part XV of the SFO.
28. Any person, including spouse, minor child, corporations controlled by him and persons having short positions in shares pursuant to agreement, interested or ceasing to be interested in short positions in shares comprised in the relevant share capital of the Company of not less than 1%.	Notify the Exchange and the company at the same time or, if not practicable to do so, one immediately after the other, within 3 business days after the day on which the relevant event arises or the day on which the occurrence of the relevant event comes to his knowledge.	Divisions 2-4, Part XV of the SFO.

	EVENT REQUIRING PUBLIC FILING OR DISCLOSURE	TIMEFRAME	AUTHORITY
9.	Any person, including spouse, minor child, corporations controlled by him and persons having short positions in shares pursuant to agreement, having short positions in shares comprised in the relevant share capital of the Company at the time there is a reduction in the current 1% threshold made by regulations, has duty.	Notify the Exchange and the company at the same time or, if not practicable to do so, one immediately after the other, within 10 business days after the day on which the relevant event arises or the day on which the occurrence of the relevant event comes to his knowledge.	Divisions 2-4, Part XV of the SFO.
0.	Director or chief executive of the company, including spouse and minor child, interested or ceasing to be interested in shares or debentures of the Company or any associated company of the Company.	Notify the Exchange and the company at the same time or, if it is not practicable to do so, one immediately after the other, within 3 business days after the day on which the relevant event arises or the day on which the occurrence of the relevant event comes to his knowledge.	Divisions 7-9, Part XV of the SFO.
1.	Director or chief executive of the company, including spouse and minor child, interested or ceasing to have any interest in shares in or debentures of, or short position in shares in the Company or any associated company of the Company.	Notify the Exchange and the company at the same time or, if it is not practicable to do so, one immediately after the other, within 10 business days after the day on which the relevant event arises or the day on which the occurrence of the relevant event comes to his knowledge.	Divisions 7-9, Part XV of the SFO.
2.	Whenever the Company receives information from a person given in pursuant to the SFO, the Company is under a duty to record in the Register of Interests in Shares and Short Positions against the person's name, the information received and the date of entry and make them available for public inspection.	Within 3 days following the day on which the duty arises.	Divisions 6 and 9, Part XV of the SFO.

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PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

PROPOSED GRANT OF SHARE OPTIONS TO DEPUTY CHAIRMAN AND MANAGING DIRECTOR

The Board proposes to, subject to approval by Independent Shareholders, grant share options to Lau Ko Yuen, Tom, Deputy Chairman and Managing Director of the Company, to subscribe for 13,800,000 Shares over a period of three years at an exercise price of HK$2.48 per Share.

A circular containing, among other things, details of the proposed grant of share options, will be despatched to Shareholders as soon as practicable.

INTRODUCTION

Since 2003, the Company has been repositioning its core business in the infrastructure investment in and operation of bulk cargo port and logistics facilities in the Yangtze River region in China. With its investments in the ports in Yangkou, Nantong and Wuhan, the Group is spearheading the development of a comprehensive and integrated trans-shipment network along the Yangtze River. The Group will continue to expand through its current operations and potential acquisitions in the future.

In alignment with and support of the Group's growth and plans to continue to expand, the Directors consider it important to continue to build up the Group's human capital through attracting, retaining and motivating people in a highly competitive market in the PRC and Hong Kong. The Company now has in place three reward vehicles, namely the Share Option Scheme, the Share Award Scheme and the Share Financing Plan, by which it could motivate its management team. With these reward vehicles available, the Board considers it important to appropriately and effectively deploy them to support the Group's business strategy. The Company has therefore engaged an independent human resources consultant to develop a reward strategy that defines the Group's reward philosophy, and to recommend reward mix and other equity-based reward features for implementation.

Based on the reward strategy proposed by the independent human resources consultant, the Board considers that the introduction of equity-based rewards under the Company's current schemes will be closely in line with the market's increasing push for linking executive reward to sustainable value creation and emphasis on "at-risk" reward that includes both short-term and long-term incentives. The reward mix for the Group's senior executives should therefore comprise a relatively higher equity-based element so as to strengthen their alignment with shareholder interests and commitment to the Group. To implement and give effect to such reward strategy, the Directors propose to grant the MD Option.

PROPOSED GRANT OF SHARE OPTIONS TO DEPUTY CHAIRMAN AND MANAGING DIRECTOR

Having considered the commitment, responsibilities and contribution of Tom Lau, the Deputy Chairman and Managing Director of the Company, the Board proposes that in addition to options already held by him, he be granted the MD Option for the subscription of 13,800,000 Shares at HK$2.48 per Share under the Share Option Scheme.

The proposed number of Shares for subscription under the MD Option is calculated based on the reward mix recommended by the independent human resources consultant under the reward strategy, and with reference to Tom Lau's annual salary level and the Company's total shareholder return for the year ended 31 March 2006 as benchmarked against the MSCI Hong Kong Small Cap Index (in which the Company has been included as a constituent since June 2006).

On 28 December 2004, options carrying the rights to subscribe for up to a total of 13,000,000 Shares were granted to Tom Lau under the Share Option Scheme. These options are exercisable for a period of 10 years from date of grant at exercise prices of HK$1.24 per Share (as to 6,500,000 options) and HK$1.50 per Share (as to 6,500,000 options). As at the date of this announcement, none of these options has been exercised.

In addition, pursuant to the Share Award Scheme, on 2 March 2006 Tom Lau was granted and currently holds 120,000 Shares.

On the basis of 1,464,609,910 Shares in issue as at the date of this announcement, the further grant of share options to Tom Lau would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to Tom Lau (including exercised, cancelled and outstanding options) in the 12-month period up to and including 8 August 2006, being the date of the board meeting approving the grant of the MD Option ("Date of Grant"), in aggregate exceeding 1% of the total number of Shares in issue. Accordingly, the MD Option must be separately approved by the Independent Shareholders at the SGM.

As at the date of this announcement, Tom Lau and his associates together control or are entitled to exercise control over 120,000 Shares, representing only about 0.008% of the voting rights in the Company. Tom Lau and his associates will abstain from voting on the grant of the MD Option under rule 17.04(1) and note 1 to rule 17.03(4) of the Listing Rules.

The exercise price of the MD Option at HK$2.48 per Share, pursuant to note 1 of rule 17.03(9) of the Listing Rules, is at least the higher of:–

(1) HK$2.48 per Share, being the closing price of the Shares on 8 August 2006, the Date of Grant; and

(2) HK$2.45 per Share, being the average closing price of the Shares for the five trading days immediately preceding the Date of Grant.

Upon the passing of the resolution for the grant of the MD Option to be proposed at the SGM, the total number of Shares to be issued upon the exercise of the MD Option, and percentage of total issued share capital of the Company, calculated based on the number of Shares in issue on the date of this announcement, is as follows:–

Name of the grantee	No. of Shares to be issued upon exercise of the MD Option	Percentage of total no. of Shares in issue
Tom Lau	13,800,000	0.94%

The shareholding structure of the Company before and after full exercise of the MD Option and existing share options held by Tom Lau is summarised as follows (calculated based on the number of Shares in issue on the date of this announcement):

Shareholders	No. of Shares before proposed grant of the MD Option	Percentage of total no. of Shares before proposed grant of the MD Option	No. of Shares after the exercise of the existing options and the MD Option	Percentage of total no. of Shares after the exercise of the existing options and the MD Option
Tom Lau	120,000	0.008%	26,920,000	1.81%
Connected persons	413,000,664	28.199%	413,000,664	27.69%
Public	1,051,489,246	71.793%	1,051,489,246	70.50%
Total	1,464,609,910	100%	1,491,409,910	100%

The terms of the MD Option shall follow the terms of the Share Option Scheme. The offer of the grant of MD Option may be accepted by Tom Lau within 30 days from the date of offer and no consideration is payable by him to the Company on acceptance of the offer. There is no performance target that must be achieved before the MD Option can be exercised, but to instil a long term retention element for the services of Tom Lau, the options are only exercisable in three tranches over the option period of 3 years from the Date of Grant as follows:

	Year 1 (12 months from date of approval by Shareholders and grant)	Year 2 (12 months following the 1st anniversary of approval by Shareholders and grant)	Year 3 (12 months following the 2nd anniversary of approval by Shareholders and grant)
Number of Shares in respect of options exercisable	4,600,000	4,600,000	4,600,000

The Shares to be allotted and issued upon the exercise of the MD Option will be subject to all the provisions of the Bye-Laws for the time being in force and will rank pari passu with the fully paid Shares in issue on the date the name of Tom Lau is registered on the register of members of the Company. Prior to Tom Lau being registered on the register of members of the Company, he shall not have any voting rights, or rights to participate in any dividends or distributions of any rights arising on a liquidation of the Company, in respect of the Shares to be issued upon the exercise of the MD Option.

The Directors consider that the grant of the MD Option is in the interests of the Group and the Shareholders as a whole as it enables the Company to reward and motivate Tom Lau, its Deputy Chairman and Managing Director who has contributed significantly to the growth of the Group, without imposing any financial burden on the Group. The grant of the MD Option to Tom Lau is in line with the purpose of the Share Option Scheme. For these reasons, the Directors will propose the passing of an ordinary resolution at the SGM for the grant of the MD Option. Pursuant to rule 13.39(4), the vote to approve the grant of the MD Option will be taken on a poll.

GENERAL

A circular containing, among other things, details of the MD Option will be despatched to Shareholders as soon as practicable after publication of this announcement.

DEFINITIONS

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

"associate(s)"	the meaning ascribed to it in the Listing Rules;
"Board"	the board of Directors;
"Bye-Laws"	the bye-laws of the Company;
"Company"	PYI Corporation Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;
"connected person"	the meaning ascribed to it in the Listing Rules;
"Directors"	the directors of the Company;
"Eligible Persons"	means any employee (whether full time or part time), executive or officer, director (including any executive, non-executive and independent non-executive director) of any member of the Group or any Invested Entity and any consultant, adviser or agent of any member of the Group or any Invested Entity, who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group or any Invested Entity; and "Selected Eligible Person" means an Eligible Person who has been selected to and does participate in the Share Financing Plan;
"Group"	the Company and its Subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Shareholders"	Shareholders other than Tom Lau and his associates;
"Invested Entity"	any entity in which a member of the Group holds an equity interest;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"MD Option"	the proposed grant of options to subscribe for 13,800,000 Shares at an exercise price of HK$2.48 per Share to Tom Lau as described herein;
"Plan Loans"	in respect of an Eligible Person who has been invited to apply for and has been issued new Shares under the Share Financing Plan, the sum(s) owed by him/her by way of subscription price for the relevant Shares;
"SGM"	a special general meeting of the Company to be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 8 September 2006 at 10:45 a.m. or so soon thereafter as the 2006 Annual General Meeting of the Company convened on the same day and at the same place at 10:30 a.m. shall have been concluded or adjourned;
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company;
"Share Award Scheme"	the share award scheme adopted by the Board on 23 February 2006 whereby awards of Shares may be made to Eligible Persons, particulars of which were set out in the circular of the Company dated 27 January 2006;
"Share Financing Plan"	the share financing plan adopted by the Board on 23 February 2006 whereby Selected Eligible Persons may be invited to apply for new Shares and offered the opportunity to finance their subscription by way of Plan Loans, particulars of which were set out in the circular of the Company dated 27 January 2006;
"Share Option Scheme"	the share option scheme of the Company adopted on 27 August, 2002;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiaries"	subsidiaries of the Company from time to time within the meaning of the Listing Rules;
"Tom Lau"	Mr. Lau Ko Yuen, Tom, a Director; and
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong.

By Order of the Board
PYI Corporation Limited
Wong Lai Kin, Elsa
Company Secretary

Hong Kong, 16 August 2006

As at the date of this announcement, the composition of the Board is as follows:

Dr. Chow Ming Kuen, Joseph *OBE, JP (Chairman and Independent Non-executive Director)*
Mr. Lau Ko Yuen, Tom *(Deputy Chairman and Managing Director)*
Dr. Chan Kwok Keung, Charles *(Non-executive Director)*
Mr. Kwok Shiu Keung, Ernest *(Independent Non-executive Director)*
Mr. Chan Shu Kin *(Independent Non-executive Director)*
Mr. Leung Po Wing, Bowen Joseph *OBS, JP (Independent Non-executive Director)*

香港聯合交易所有限公司對本公告之內容概不負責，對其準確性或完整性不發表任何聲明，並明確表示概不就因本公告全部或任何部分內容而產生或因倚賴該等內容而引致之任何損失承擔任何責任。

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

建議向副主席兼董事總經理授出購股權

董事局建議，待獨立股東批准後，向本公司之副主席兼董事總經理劉高原授出購股權，可按每股股份2.48港元之行使價於三年期間內認購13,800,000股股份。

載有(其中包括)建議授出購股權詳情之通函，將於實際可行情況下儘快寄發予股東。

緒言

自二零零三年以來，本公司已重新定位其核心業務在中國長江流域，從事大宗散貨及物流設施之基建投資及營運。隨著本集團於洋口、南通及武漢等地口作出之投資，本集團將朝向以長江流域發展一個全面綜合中轉網絡之目標邁發。本公司將會繼續透過其現有業務及日後之潛在收購項目擴展業務規模，...

為配合及支持本集團之業務增長及不斷擴充之計劃，董事認為於中國及香港競爭激烈之市場繼續透過吸引、挽留及推動人才以建立本集團之人力資本實屬至為重要。本公司目前設有三項長期激勵方式，分別為購股權計劃、股份長期計劃及股份融資計劃，藉此推動其管理隊伍；董事局認為適當及有效地調配該等現有長期激勵方式以配合本集團之業務策略實屬至為重要。因此，本公司已聘請獨立人力資源顧問制訂一套清晰界定本集團長期管華之長期策略，並就落實長期組合方式及其他以股份為基礎之長期方式提供建議。

根據獨立人力資源顧問建議之長期策略，董事局認為，按本公司之現有計劃引入以股份為基礎之長期方式，將緊貼市場上日益提倡行政人員之長期應與持續創造價值及強調「承擔風險」長期(包括短期及長期長期)聯繫在一起，因此，為本集團高級行政人員而設之長期組合應包括相對較高之以股份為基礎之部份，藉此加強配合股東利益及對本集團之承擔。為使該項長期策略落實及生效，董事建議授出董事總經理購股權。

建議向副主席兼董事總經理授出購股權

經考慮本公司副主席兼董事總經理劉高原之承擔、職責及貢獻後，董事局建議除其現時持有之購股權外，再根據購股權計劃向其授出可按每股股份2.48港元認購13,800,000股股份之董事總經理購股權。

董事總經理購股權所可供認購之建議股份數目，乃根據獨立人力資源顧問按照長期策略推薦之長期組合，及參考劉高原之年薪水平及截至二零零六年三月三十一日止年度之本公司股東回報總額(以原根士丹利香港小型股指數(本公司於二零零六年六月起已納入為其成份股)為指標)計算。

於二零零四年十二月二十八日，本公司根據購股權計劃向劉高原授出附帶可認購最多合計13,000,000股股份權利之購股權。該等購股權由授出日期起計十年期間內，可分別按每股股份1.24港元(就6,500,000份購股權而言)及每股股份1.50港元(就6,500,000份購股權而言)之行使價予以行使。於本公布日期，該等購股權均未獲行使。

此外，根據股份長期勵計劃，劉高原於二零零六年三月二日已獲授及現時持有120,000股股份。

根據於本公布日期之已發行股份1,464,609,910股股份計算，向劉高原進一步授出購股權將導致於截至二零零六年八月八日(即批准授出董事總經理購股權之董事局會議舉行當日(「授出日期」))(包括該日)止之12個月期間內，因授予及將授予劉高原之全部購股權(包括已行使、已註銷及尚未行使之購股權)獲行使而已發行及將予發行之股份，合計超出已發行股份總數之1%。因此，董事總經理購股權須經獨立股東於股東特別大會上另行批准。

於本公布日期，劉高原及其聯繫人士共同控制或有權對120,000股股份行使控制權，該等股份佔本公司投票權約0.008%。劉高原及其聯繫人士將根據上市規則第17.04(1)條及第17.03(4)條附註1就授出董事總經理購股權放棄投票。

根據上市規則第17.03(9)條附註1，董事總經理購股權之行使價每股股份2.48港元至少須為下列兩者中之較高者：

(1) 每股股份2.48港元，即股份於二零零六年八月八日(授出日期)之收市價；及

(2) 每股股份2.45港元，即股份於緊接授出日期前五個交易日之平均收市價。

待通過於股東特別大會上獲批授出董事總經理購股權之決議案後，根據於本公布日期之已發行股份數目計算，於董事總經理購股權獲行使時將發行之股份總數及佔本公司已發行經股本之百分比如下：

承授人姓名	於董事總經理購股權獲行使時將發行之股份數目	佔已發行股本總數之百分比
劉高原	15,800,000	0.94%

於董事總經理購股權及劉高原現時持有之所有購股權獲行使前及全面行使後之本公司股權架構概述如下(根據於本公布日期之已發行股份數目計算)：

股東	於建議授出董事總經理購股權前之股份數目	佔建議授出董事總經理購股權前之股份總數之百分比	於現有購股權及董事總經理購股權獲行使後之股份數目	佔於現有購股權及董事總經理購股權獲行使後之股份總數之百分比
劉高原	120,000	0.008%	26,920,000	1.81%
關連人士	413,000,664	28.199%	413,000,664	27.69%
公眾人士	1,051,489,246	71.793%	1,051,489,246	70.50%
合計	1,464,609,910	100%	1,491,409,910	100%

董事總經理購股權之條款應與購股權計劃之條款相同，授出董事總經理購股權之建議可供劉高原於授出建議日期起計30日內接納，而其於接納建議時毋須支付代價。董事總經理購股權獲行使前毋須達致任何表現目標，惟加入劉高原長期留任之元素，購股權只可於授出日期起計3年購股權期間內分批行使如下：

	第一年(股東批准及授出日期起計12個月)	第二年(股東批准及授出一週年後之12個月)	第三年(股東批准及授出兩週年後之12個月)
可供行使購股權之股份數目	4,600,000	4,600,000	4,600,000

於董事總經理購股權獲行使時將配發及發行之股份將受當時生效之公司細則之所有條文規限，並與於劉高原名列本公司股東名冊日期之已發行繳足股款股份在所有方面享有同等權益。於劉高原名列本公司股東名冊前，就董事總經理購股權獲行使將發行之股份而言，其並無任何投票權，亦無權享有任何股息或本公司於清盤時產生之任何分擔權利。

董事認為，授出董事總經理購股權符合本集團及股東之最佳利益；可讓本公司與共推動管為本集團業務發展作出貢獻之副主席兼董事總經理劉高原，而不會增加本集團之任何財務負擔；向劉高原授出董事總經理購股權符合購股權計劃之目的。基於上述原因，董事建議於股東特別大會上通過普通決議案以授出董事總經理購股權。根據第13.39(4)條，批准授出董事總經理購股權之表決將以點票方式進行。

一般資料

載有(其中包括)董事總經理購股權詳情之通函將於刊登本公布後，於實際可行情況下儘快寄發予股東。

釋義

在本公布內，除文義另有所指外，下列詞語具有以下涵義：

「聯繫人士」	指	具有上市規則賦予之涵義；
「董事局」	指	董事局；
「公司細則」	指	本公司之公司細則；
「本公司」	指	保華集團有限公司，一間於百慕達註冊成立之有限公司，其股份於聯交所上市；
「關連人士」	指	具有上市規則賦予之涵義；
「董事」	指	本公司之董事；
「合資格人士」	指	董事局全權酌情認為對本集團或任何投資機構之業務拓展及發展曾作出貢獻或可能會作出貢獻之本集團成員公司或任何投資機構之任何僱員(不論全職或兼職)、行政人員、主管人員、董事(包括任何執行、非執行及獨立非執行董事)及任何本集團成員公司或任何投資機構之任何諮詢人、顧問或代理；而「入選之合資格人士」指已獲挑選及落實參與股份融資計劃之合資格人士；
「本集團」	指	本公司及其附屬公司；
「香港」	指	中華人民共和國香港特別行政區；
「獨立股東」	指	劉高原及其聯繫人士以外之股東；
「投資機構」	指	本集團一間成員公司持有股權權益之任何機構；
「上市規則」	指	聯交所證券上市規則；
「董事總經理購股權」	指	如本公布所述建議向劉高原授出可按每股股份2.48港元之行使價認購13,800,000股股份之購股權；
「計劃貸款」	指	合資格人士根據股份融資計劃應邀申領並已獲發行新股份時，須支付相關股份認購價之結欠款項；
「股東特別大會」	指	本公司擬訂於二零零六年九月八日(星期五)上午十時四十五分假座香港金鐘道88號太古廣場香港JW萬豪酒店3樓宴會廳舉行之股東特別大會或緊隨於同日同地點於上午十時三十分召開之本公司二零零六年股東週年大會結束或續會後；
「股份」	指	本公司股本中每股面值0.10港元之普通股；
「股份獎勵計劃」	指	董事局於二零零六年二月二十三日採納之股份獎勵計劃，據此，可向合資格人士獎授股份(詳情載列於二零零六年一月二十七日刊發之本公司通函內)；
「股份融資計劃」	指	董事局於二零零六年二月二十三日採納之股份融資計劃，據此，入選之合資格人士可應邀申領新股份並有機會以計劃貸款方式履付認購款項(詳情載列於二零零六年一月二十七日刊發之本公司通函內)；
「購股權計劃」	指	本公司於二零零二年八月二十七日採納之購股權計劃；
「股東」	指	股份之持有人；
「聯交所」	指	香港聯合交易所有限公司；
「附屬公司」	指	符合上市規則不時所定義之本公司附屬公司；
「劉高原」	指	董事劉高原先生；及
「港元」	指	港元，香港之法定貨幣。

承董事局命
保華集團有限公司
黃麗盈
公司秘書

香港，二零零六年八月十六日

於本公布日期，董事局成員如下：

周明權博士 *OBE, JP*(主席兼執行董事)
劉高原先生(副主席兼董事總經理)
陳國強博士(非執行董事)
郭少強先生(獨立非執行董事)
陳樹堅先生(獨立非執行董事)
梁寶榮先生 *GBS, JP*(獨立非執行董事)

* 仅供識別

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of PYI Corporation Limited (the "Company") will be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 8 September 2006 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2006.
2. To declare the final dividend for the year ended 31 March 2006.
3. To re-elect retiring directors and to fix the directors' remuneration.
4. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if thought fit, to pass the following resolutions as ordinary resolutions of the Company:

(A) "THAT:

(i) subject to sub-paragraph (iii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws and the bye-laws of the Company, be and is hereby generally and unconditionally approved;

(ii) the approval in sub-paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;

(iii) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approvals in sub-paragraphs (i) and (ii) of this resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined) or an issue of shares of the Company under the share option scheme of the Company or an issue of shares upon exercise of subscription rights attached to warrants which may be issued by the Company or an issue of shares of the Company by way of any scrip dividend pursuant to bye-laws of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution, and the said approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

"Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or

(c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(B) "THAT:

(i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(ii) the approval in paragraph (i) shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company on behalf of the Company during the Relevant Period to procure the Company to purchase its securities at a price determined by the directors;

(iii) the aggregate nominal amount of the share capital of the Company which the directors of the Company are authorised to repurchase pursuant to the approval in sub-paragraphs (i) and (ii) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution, and the said approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

"Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or

(c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(C) "THAT conditional upon resolutions numbered 5(A) and 5(B) as set out in the notice convening this meeting being passed, the aggregate nominal amount of the issued shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company pursuant to and in accordance with the said resolution numbered 5(B) above shall be added to the aggregate nominal amount of the share capital that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the directors of the Company pursuant to and in accordance with the resolution numbered 5(A) as set out in the notice convening this meeting."

(D) "THAT subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the shares of HK$0.10 each in the capital of the Company (representing 10 per cent. of the shares of the Company in issue as at the date of passing this resolution) which may be issued pursuant to the exercise of options granted under the Company's share option scheme adopted on 27 August 2002 (the "Scheme"), the refreshing of the scheme limit in respect of the grant of options to subscribe for ordinary shares in the Company under the Scheme, provided that the total number of ordinary shares which may be allotted or issued pursuant to the grant or exercise of options under the Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Scheme) shall not exceed 10 per cent. of the shares of the Company in issue as at the date of passing this resolution (the "Refreshed Mandate Limit"), be and is hereby approved and the directors of the Company be and are hereby authorised to grant options under the Scheme up to the Refreshed Mandate Limit, to exercise all powers of the Company to allot, issue and deal with ordinary shares of the Company pursuant to the exercise of such options and to do such acts and execute such documents for or incidental to such purpose."

(E) "THAT the refreshing of the scheme limit on grant of options under the share option scheme adopted by Paul Y. Engineering Group Limited ("Paul Y. Engineering", the Company's subsidiary) on 7 September 2005 up to 10 per cent. of the shares of Paul Y. Engineering in issue as at the date of passing of the resolution for approving such refreshing by the shareholders of Paul Y. Engineering be and is hereby approved."

6. To transact any other ordinary business of the Company.

By Order of the Board
Wong Lai Kin, Elsa
Company Secretary

Hong Kong, 31 July 2006

Principal Place of Business:
31st Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares of the Company. A proxy need not be a member of the Company.
2. To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Company's principal place of business in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in the instrument purposes to vote.
3. The register of members of the Company will be closed during the period from 13 September 2006 to 15 September 2006, both dates inclusive, during which period no transfer of share(s) of the Company will be effected. In order to qualify for the final dividend, all transfer of share(s), accompanied by the relevant shares certificate(s) with the completed transfer form(s) overleaf or separately, must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 12 September 2006.

As at the date of this notice, the directors of the Company are:

Dr Chow Ming Kuen, Joseph *OBE, JP*
Chairman (Independent Non-Executive Director)
Mr Lau Ko Yuen, Tom
Deputy Chairman and Managing Director
Dr Chan Kwok Keung, Charles
Non-Executive Director
Mr Kwok Shiu Keung, Ernest
Independent Non-Executive Director
Mr Chan Shu Kin
Independent Non-Executive Director

保華集團有限公司*
PYI Corporation Limited

(在百慕達註冊成立之有限公司)
(股份代號：498)

股東週年大會通告

茲通告保華集團有限公司(「本公司」)訂於二零零六年九月八日星期五上午十時三十分，假座香港金鐘道88號太古廣場香港JW萬豪酒店3樓宴會廳舉行股東週年大會，藉以處理下列事項：

1. 省覽截至二零零六年三月三十一日止年度之經審核賬目、董事局報告書及核數師報告書。
2. 宣派截至二零零六年三月三十一日止年度之末期股息。
3. 重選退任董事並釐定董事酬金。
4. 續聘核數師並授權董事局釐定其酬金。
5. 作為特別事項，考慮及酌情通過下列決議案為本公司普通決議案：

(A) 「動議：

(i) 在本決議案(iii)分段之限制下，一般及無條件批准本公司董事在有關期間(如下文所定義)內根據一切適用法例及本公司之公司細則並在其規限下行使本公司所有權力，以配發、發行並處置本公司股本中之新股份，並作出或授予將會或可能須行使此等權力之售股建議、協議及購股權(包括可轉換為本公司股份之認股權證、債券及債權證)；

(ii) 本決議案(i)分段之批准授權本公司董事在有關期間內作出或授予將會或可能須於有關期間終止後行使此等權力之售股建議、協議及購股權(包括可轉換為本公司股份之認股權證、債券及債權證)；

(iii) 本公司董事依據本決議案(i)及(ii)分段獲批准配發或同意有條件或無條件配發(不論是否依據購股權或其他)及發行之本公司股本面值總額(惟根據供股(如下文所定義)或依據本公司之購股權計劃而發行本公司股份或本公司因認股權證隨附之認購權獲行使而發行股份或依據本公司不時生效之公司細則作出任何以股代息安排而發行本公司股份者除外)，不得超過本公司於本決議案日期之已發行股本面值總額百分之二十，而上述批准亦須受此數額限制；及

(iv) 就本決議案而言：

「有關期間」乃指由本決議案通過之日期至下列三項之最早日期止之期間：

(a) 本公司下屆股東週年大會結束；

(b) 依照本公司之公司細則或任何適用之百慕達法例規定須舉行下屆股東週年大會之期限屆滿時；或

(c) 本公司股東於股東大會通過普通決議案撤銷或修訂根據本決議案所授出之授權。

「供股」乃指本公司董事於指定期間向於指定記錄日期名列股東名冊之股份持有人按其當時持股比例發售新股(惟本公司董事有權在必須或權宜之情況下就零碎股權或香港以外任何地區之法律限制或責任或任何認可管制機構或證券交易所之規定而取消若干股東在此方面之權利或另作安排)。」

(B) 「動議：

(i) 在本決議案(ii)分段之限制下，一般及無條件批准本公司董事在有關期間(如下文所定義)內行使本公司所有權力，以根據一切適用法例及聯交所證券上市規則或任何其他證券交易之規定(以不時生效之版本為準)，在香港聯合交易所有限公司(「聯交所」)或本公司證券可能上市而就此而言獲證券及期貨事務監察委員會及聯交所認可之任何其他證券交易所上購回本公司已發行股本中之股份；

(ii) (i)段之批准應加上於向本公司董事授出之任何其他授權並應授權本公司董事代表本公司於有關期間促使本公司按董事釐定之價格購回其證券；

(iii) 本公司董事依據本決議案(i)及(ii)分段批准有關期間內購回之本公司股本面值總額，不得超過本公司於本決議案日期之已發行股本面值總額百分之十，而上述批准亦須受此數額限制；及

(iv) 就本決議案而言：

「有關期間」乃指由本決議案通過之日期至下列三項之最早日期止之期間：

(a) 本公司下屆股東週年大會結束；

(b) 依照本公司之公司細則或任何適用之百慕達法例規定須舉行下屆股東週年大會之期限屆滿時；或

(c) 本公司股東於股東大會通過普通決議案撤銷或修訂本決議案所授出之授權。」

(C) 「動議在召開本大會通告第5(A)及5(B)項決議案獲得通過之條件下，本公司依據本公司董事依據及按照上文第5(B)項決議案之授權而購回本公司已發行股本之面值總額，可計入本公司董事依據及按照召開本大會通告第5(A)項決議案可配發、發行及處理或同意有條件或無條件配發、發行及處理之股本面值總額內。」

(D) 「動議待香港聯合交易所有限公司上市委員會批准因行使根據本公司於二零零二年八月二十七日採納之購股權計劃(「該計劃」)可能授出之購股權而須予發行之本公司股本中每股面值0.10港元之股份(佔通過本決議案日期本公司已發行股本之10%)上市及買賣後，批准更新就該計劃所授出購股權認購之本公司普通股之計劃上限，惟因根據該計劃授出或行使購股權而可予配發及發行之普通股總數(不包括先前根據該計劃已授出、失行使、已註銷或已行使之購股權)不得超過通過本決議案之日期本公司已發行股本之10%(「更新授權限額」)，並授權本公司董事根據該計劃授出以更新授權限制為限之購股權；行使本公司所有權力以於有關購股權獲行使時配發、發行及處理本公司之普通股股份；以及作出就此而言所需或附帶之行動及簽立就此而言所需或附帶之文件。」

(B) 「動議批准保華建業集團有限公司(「保華建業」；本公司之附屬公司)根據於二零零五年九月七日採納之購股權計劃所授出購股權之計劃限額，更新至最多為保華建業股東批准有關更新而通過之決議案當日保華建業已發行股本之10%。」

6. 處理本公司任何其他普通事項。

承董事局命
公司秘書
賀展堅

香港，二零零六年七月三十一日

主要營業地點：
香港
九龍
觀塘
鴻圖道51號
保華企業中心31樓

註冊辦事處：
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

附註：

1. 凡有權出席本公司會議及於會上投票之股東有權委任一位代表代其出席大會及投票。股東可值就其持有之本公司股份中的某部份委任代表。受委代表毋須為本公司之股東。
2. 代表委任表格連同簽署人之授權書或其他授權文件(如有)或經由公證人簽署證明之授權書或其他授權文件副本，必須於代表委任表格所述之代表擬投票之大會或其任何續會指定召開時間48小時前送交本公司主要營業地點，地址為香港九龍觀塘鴻圖道51號保華企業中心31樓，方為有效。
3. 本公司將於二零零六年九月十三日至二零零六年九月十五日(包括首尾兩日)暫停辦理股東登記手續，期間將不會登記任何本公司股份之轉讓。如欲獲得末期股息，所有股份過戶文件連同有關股票及已填妥背頁或獨立之過戶表格，最遲須於二零零六年九月十二日下午四時正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。

於本通告日期，本公司董事局成員包括：

周明恒博士 *OBE, JP*	：	主席(獨立非執行董事)
劉高原先生	：	副主席兼董事總經理
陳國強博士	：	非執行董事
郭少強先生	：	獨立非執行董事
陳樹堅先生	：	獨立非執行董事

* 仅供識別

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2006

HIGHLIGHTS

	2006	2005
• Turnover	HK$3,540 million	HK$3,588 million
• Profit after tax	HK$310 million	HK$522 million
• Basic EPS	HK22.7 cents	HK38.5 cents
• Special dividend per share	HK70.0 cents	N/A
• Interim dividend per share	HK1.5 cents	HK1.5 cents
• Final dividend per share	HK1.5 cents	HK1.5 cents
• NAV per share	HK$1.86	HK$2.32
• Total shareholder return	+32%	+182%

RESULTS

The board of directors (the "Board") of PYI Corporation Limited ("PYI" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006, together with the comparative figures for the previous year, as follows:

		For the year ended 31 March	
	Notes	2006 *HK$'000*	2005 *HK$'000* (Restated)
Turnover	3	3,540,484	3,588,015
Cost of sales		(3,185,938)	(3,363,119)
Gross profit		354,546	224,896
Other income	4	123,237	84,107
Administrative expenses		(188,890)	(196,920)
Other expenses		(78,862)	(59,574)
Finance costs		(16,710)	(6,266)
Increase in fair value of investment properties		85,400	–
Gain on disposal of investment properties		–	1,129
Increase in fair value of derivative financial instruments		41,060	–
Discount on acquisition of additional interest in subsidiaries		8,461	–
Gain on disposal of subsidiaries		60,756	–
Gain on partial disposal of subsidiaries		–	67,968
Gain on disposal and dilution of interests in associates		–	519,873
Reversal (recognition) of impairment loss on interest in an associate		26,914	(182,087)
Share of results of associates	5	(17,184)	43,310
Share of results of jointly controlled entities		26	727
Profit before taxation	6	398,754	497,163
Taxation	7	(52,804)	23,772
Profit for the year		345,950	520,935
Attributable to:			
Equity holders of the Company		310,487	521,920
Minority interests		35,463	(985)
		345,950	520,935
Distribution	8	998,070	40,717
Earnings per share		*HK cents*	*HK cents*
Basic	9	22.7	38.5
Diluted		22.7	38.5

Notes:

1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates and jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. In addition, the adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Share-based payment

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005 (see Note 2 for the financial impact). In relation to share options granted before 1 April 2005, the Group chooses not to apply HKFRS 2 with respect to share options that had vested on or before 1 April 2005 in accordance with the relevant transitional provisions. During the year, the Company repriced its outstanding share options which were granted and vested before 1 April 2005 by a reduction of their exercise prices. The directors, after taking professional advice, considered that the modification did not result in an increase in fair value of the share options. Accordingly, no adjustment for the current and prior years has been required.

Business Combinations

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any agreement between the period from 1 January 2005 to 31 March 2005. On 1 April 2005, the Group has applied the transitional provisions of HKFRS 3. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions before 1 April 2005 was capitalised and amortized over its estimated useful life. In the current year, the Group has applied the relevant transitional provisions in HKFRS 3. On 1 April 2005, the Group has eliminated the related accumulated amortisation of HK$116,285,000 against the cost of such goodwill in the consolidated balance sheet. The Group has also discontinued amortising such goodwill from 1 April 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year (see Note 2 for the financial impact). Comparative figures have not been restated.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. Accordingly, discount on acquisition of additional interest in subsidiaries has been recognised in the consolidated income statement for the current year (see Note 2 for the financial impact).

Leasehold interest in land use rights

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to "prepaid lease payments" under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 2 for the financial impact).

Investment properties

In the current year, the Group has applied HKAS 40 "Investment Property" and has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the period in which they arise. In previous periods, investment properties under Statement of Standard Accounting Practice ("SSAP") 13 "Accounting for Investment Properties" were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and a revaluation increase subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. The adoption of HKAS 40 has had no material effect on the results for the current or prior periods. Accordingly, no prior period adjustment has been required.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting years. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of debt and equity securities

By 31 March 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of SSAP 24 "Accounting for Investments in Securities". Under SSAP 24, the Group's investments in debt and equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. From 1 April 2005 onwards, the Group has applied the relevant transitional provisions in HKAS 39 to classify and measure its investments in debt and equity securities. Under HKAS 39, the Group's investments in debt and equity securities are classified as "financial assets at fair value through profit or loss" or "available-for-sale financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in consolidated income statement and equity, respectively. On 1 April 2005, the Group's investment securities with carrying amount of HK$1,778,000 was reclassified to available-for-sale investments and was remeasured at fair value with an increase in fair value of HK$1,521,000 made to the Group's investment revaluation reserve as at 1 April 2005, which will be released to the consolidated income statement upon disposal or impairment of the relevant available-for-sale investments (see Note 2 for the financial impact).

Derivatives

From 1 April 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

As at 31 March 2004, the Group did not recognise the fair value of option to acquire additional interest in subsidiaries on the consolidated balance sheet. From 1 April 2005 onwards, the Group has applied the relevant transitional provisions in HKAS 39. As a result, the option to acquire additional interest in subsidiaries has been measured at fair value with a corresponding increase in the Group's accumulated profits as at 1 April 2005 (see Note 2 for the financial impact.). Comparative figures have not been restated.

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than investments in debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition. The adoption of HKAS 39 has had no material effect on the Group's financial assets and financial liabilities other than debts and equity securities and derivatives.

2. SUMMARY OF THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES

The financial effects of the changes in accounting policies described above are summarised as follows:

(a) Effects on the results for the current and prior years:

	2006 *HK$'000*	2005 *HK$'000*
Non-amortisation of goodwill	7,424	–
Recognition of discount on acquisition of additional interest in subsidiaries	8,461	–
Recognition of share-based payment as expense	(5,082)	–
Decrease in share of results of associates	(14,264)	(937)
Increase in fair value of derivative financial instruments	41,060	–
Increase (decrease) in profit for the year	37,599	(937)

Analysis by line items presented according to their function:

	2006 HK$'000	2005 HK$'000
Decrease in administrative expense	2,342	–
Increase in discount on acquisition of additional interest in subsidiaries	8,461	–
Increase in fair value of derivative financial instruments	41,060	–
Decrease in share of results of an associate	(14,264)	(937)
Increase (decrease) in profit for the year	37,599	(937)

In addition to the above, the share of tax of associates and jointly controlled entities has been reclassified and included in share of results of associates and jointly controlled entities, respectively. The effects by line items are as follows:

	2006 HK$'000	2005 HK$'000
Increase (decrease) in share of results of associates	1,440	(35,413)
Decrease in share of results of jointly controlled entities	–	(171)
(Increase) decrease in taxation	(1,440)	35,584
	–	–

(b) *Effects on the balance sheet as at 31 March 2005 and 1 April 2005:*

	As at 31.3.2005 HK$'000 (Originally stated)	Effect of HKAS 17 HK$'000	Share of effect of changes in accounting policies on an associate HK$'000 (Note)	As at 31.3.2005 HK$'000 (Restated)	Effect of HKAS 39 HK$'000	Share of effect of changes in accounting policies on an associate HK$'000 (Note)	As at 1.4.2005 HK$'000 (Restated)
Effects on assets and liabilities:							
Property, plant and equipment	372,044	(134,766)	–	237,278	–	–	237,278
Prepaid land lease payments							
– non-current	–	131,576	–	131,576	–	–	131,576
– current	–	3,190	–	3,190	–	–	3,190
Interests in associates	382,146	–	(937)	381,209	–	27,363	408,572
Investments in securities							
– non-current	1,778	–	–	1,778	(1,778)	–	–
– current	173,284	–	–	173,284	(173,284)	–	–
Available-for-sale investments	–	–	–	–	3,299	–	3,299
Derivative financial instruments held for trading	–	–	–	–	20,792	–	20,792
Investments held for trading	–	–	–	–	173,284	–	173,284
	929,252	–	(937)	928,315	22,313	27,363	977,991
Effects on equity:							
Investment revaluation reserve	–	–	–	–	991	–	991
Accumulated profits	253,898	–	(937)	252,961	20,792	27,363	301,116
Minority interests	535,895	–	–	535,895	530	–	536,425
	789,793	–	(937)	788,856	22,313	27,363	838,532

Note: The share of effect of changes in accounting policies arose from the adoption of INT 2 "The Appropriate Accounting Policies for Hotel Properties", HKAS 39 "Financial Instruments: Recognition and Measurement" and HKFRS 3 "Business Combinations" by the Group's associate.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group except for HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" which require all financial guarantee contracts to be initially measured at fair value. The directors consider the impact resulting from this amendment cannot be reasonably estimated as at the balance sheet date.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market: waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.
[5] Effective for annual periods beginning on or after 1 May 2006.
[6] Effective for annual periods beginning on or after 1 June 2006.

3. SEGMENTAL INFORMATION

Business segments:

For management purposes, the Group's operations are currently organised into seven operating divisions, namely building construction, civil engineering, project management, facilities management, port and infrastructure development, treasury investment, and property investment. These divisions form the basis on which the Group reports its primary segment information.

Analysis of the Group's turnover and profit before taxation by business segments are as follows:

Turnover:

	2006			2005		
	External HK$'000	Inter-segment HK$'000	Total HK$'000	External HK$'000 (Restated)	Inter-Segment HK$'000 (Restated)	Total HK$'000 (Restated)
Construction and other contracting businesses:						
Building construction	2,219,299	5,649	2,224,948	2,318,792	38,460	2,357,252
Civil engineering	856,572	60,662	917,234	925,121	62,325	987,446
Project management	26,776	–	26,776	3,770	–	3,770
Facilities management	5,516	1,471	6,987	–	–	–
	3,108,163	67,782	3,175,945	3,247,683	100,785	3,348,468
Port and infrastructure development	–	–	–	–	–	–
Treasury investment	386,831	3,481	390,312	271,260	–	271,260
Property investment	45,490	15,515	61,005	69,072	16,532	85,604
Elimination	–	(86,778)	(86,778)	–	(117,317)	(117,317)
	3,540,484	–	3,540,484	3,588,015	–	3,588,015

Profit before taxation:

	2006 HK$'000	2005 HK$'000 (Restated)
Construction and other contracting businesses:		
Building construction	89,916	83,087
Civil engineering	30,293	21,586
Project management	16,049	1,980
Facilities management	1,593	–
	137,851	106,653
Port and infrastructure development	–	–
Treasury investment	79,922	8,159
Property investment	12,161	22,889
Segment results	229,934	137,701
Interest income	26,996	52,236
Allowance for amounts due from associates	–	(40,504)
Increase in fair value of derivative financial instruments	41,060	–
Discount on acquisition of additional interest in subsidiaries	8,461	–
Increase in fair value of investment properties	85,400	–
Unallocated corporate expenses	(45,999)	(95,795)
Finance costs	(16,710)	(6,266)
Gain on disposal of subsidiaries	60,756	–
Gain on partial disposal of subsidiaries	–	67,968
Gain on disposal and dilution of interests in associates	–	519,873
Reversal (recognition) of impairment loss on interest in an associate	26,914	(182,087)
Share of results of associates	(17,184)	43,310
Share of results of jointly controlled entities	26	727
Profit before taxation	398,754	497,163

Inter-segment sales are charged at market price or, where no market price was available, at terms determined and agreed by both parties.

Geographical segments:

Analysis of the Group's turnover by geographical market is as follows:

	2006 HK$'000	2005 HK$'000 (Restated)
Hong Kong	3,113,854	3,477,040
People's Republic of China and Macau	426,630	110,975
	3,540,484	3,588,015

4. OTHER INCOME

	2006 HK$'000	2005 HK$'000 (Restated)
Interest income	25,921	52,236
Imputed interest income on deferred consideration receivable	175	–
Recovery of interest and legal expenses in connection with a court action against the vendor of a former associate	82,289	–
Write back of allowance for doubtful debts	14,173	–
Exchange gain on foreign currency	–	31,588
Increase in fair value of listed investments held for trading	636	–
Others	43	283
	123,237	84,107

5. SHARE OF RESULTS OF ASSOCIATES

China Strategic Holdings Limited ("China Strategic"), a company listed on The Stock Exchange of Hong Kong Limited with financial year ended 31 December, became a principal associate of the Group on 30 September 2003. Downer EDI Limited ("Downer"), which is listed on the Australian Stock Exchange and the New Zealand Stock Exchange with financial year ended 30 June, ceased to be a principal associate of the Group in December 2004. Since only published financial information of China Strategic and Downer was available and used by the Group for applying the equity method, the Group's share of results of China Strategic for the current and prior year is calculated based on the turnover and results of China Strategic for the year from 1 January 2005 to 31 December 2005 and from 1 January 2004 to 31 December 2004. The Group's share of results of Downer for the prior year is calculated based on turnover and results of Downer for the year from 1 January 2004 to 31 December 2004.

On 12 August 2005, the Group entered into agreements to participate into the assets reorganisation of Nantong Port Group Limited ("Nantong Port Group") which is a state-owned enterprise registered in the People's Republic of China ("PRC"). Nantong Port Group is principally engaged in providing cargo loading and off loading, storage, shipping agent, cargo agent, ship anchoring, ship repairing, port machinery, shipping logistics and ship piloting services in Nantong Port, Jiangsu Province, PRC. According to the agreements, the Group would inject approximately RMB435 million in cash into Nantong Port Group in return for a 45% interest in its registered capital. Details of the investment were set out in the Company's circular dated 22 August 2005. As at March 2006, the Group has paid approximately HK$160 million to Nantong Port Group, representing 22.7% of the equity interest of Nantong Port Group. The Group shall contribute the outstanding HK$274 million into Nantong Port Group upon the fulfilment of certain conditions as stated in the agreements. The fair value of the contracted commitment is considered insignificant.

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2006 HK$'000	2005 HK$'000 (Restated)
Release of prepaid land lease payments	2,677	3,190
Depreciation and amortisation:		
Property, plant and equipment (note below)	29,180	47,249
Goodwill (included in administrative expenses)	–	3,371
Note:		
Owned assets	34,591	49,394
Less: Amount capitalised in respect of contracts in progress and project under development	(5,411)	(2,145)
	29,180	47,249

7. TAXATION

	2006 HK$'000	2005 HK$'000 (Restated)
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	4,101	–
Underprovision in prior years	1,877	21
	5,978	21
Overseas taxation		
Current year	3,332	5,035
Underprovision in prior years	40,000	–
	43,332	5,035
Deferred taxation	3,494	(28,828)
Taxation attributable to the Company and its subsidiaries	52,804	(23,772)

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

(Page

8. DISTRIBUTION

	2006 HK$'000	2005 HK$'000
Dividends recognised as distributions to equity holders of the Company during the current year:		
Final dividend paid for 2005 – HK1.5 cents (2004: HK1.5 cents) per share	20,380	20,179
Special dividend paid – HK70 cents (2005: Nil) per share	957,177	–
Interim dividend paid for 2006 – HK1.5 cents (2005: HK1.5 cents) per share	20,513	20,538
	998,070	40,717

On 4 May 2006, the directors of the Company resolved to declare a special dividend by way of distribution of the value to be derived from the Group's divestment of China Strategic Holdings Limited ("China Strategic", an associate) to the Company's shareholders whose names appeared on the register of members of the Company on 26 May 2006 upon the completion of the group restructuring of China Strategic ("Group Restructuring").

On 19 May 2006, China Strategic completed the Group Restructuring which involved (1) the transfer of certain of its subsidiaries to Group Dragon Investments Limited ("GDI"); and (2) the distribution in specie of shares in GDI ("GDI Share") to its shareholders, including the Group, on the basis of one GDI Share for every China Strategic consolidated share held.

On 16 June 2006, the Company announced the payment of a special dividend equivalent to the value derived from 117,143,920 GDI Shares. Details of the special dividend were set out in the announcements of the Company dated 8 May 2006 and 16 June 2006. The directors consider that the fair value of each GDI Share is HK$2.78 by reference to the valuation on 19 May 2006 prepared by RHL Appraisal Ltd., an independent valuer not connected with the Company. As such, the special dividend is equivalent to about HK22.2 cents per PYI share.

The amount of the final dividend proposed for the year ended 31 March 2006, which will be in cash form with a scrip option, has been calculated by reference to the 1,464,579,910 shares in issue as at the date of this announcement.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2006 HK$'000	2005 HK$'000 (Restated)
Earnings:		
Earnings attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	310,487	521,920
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,367,759,328	1,355,352,439
Effect of dilutive potential ordinary shares: Share options	2,861,857	1,398,760
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,370,621,185	1,356,751,199

Pursuant to the adoption of new and revised accounting policies as described in note 1 above, the reported earnings per share for the current year and prior years has been affected. The following table summarises the impact on basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006 HK$	2005 HK$	2006 HK$	2005 HK$
Figures before adjustments	0.200	0.386	0.200	0.385
Adjustments arising from application of new and revised accounting policies	0.027	(0.001)	0.027	–
Reported	0.227	0.385	0.227	0.385

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK1.5 cents per share in cash with a scrip option for the year ended 31 March 2006 (2005: HK1.5 cents per share in scrip with a cash option) to shareholders whose names appear on PYI's register of members as at the close of business on 15 September 2006. The final dividend is subject to the approval of PYI shareholders in the 2006 Annual General Meeting to be held on 8 September 2006, and is expected to be paid to shareholders by post on or around 3 October 2006.

The final dividend will be paid in cash, with PYI shareholders being given an option to receive PYI shares in lieu of cash in respect of part or all of such dividend. The market value of the shares to be issued under the scrip dividend proposal will be fixed by reference to the average of the closing prices of PYI shares for the three consecutive trading days ending 15 September 2006 less a discount of five per cent. of such average price or the par value of shares, whichever is the higher. The proposed scrip dividend is conditional upon The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of, and permission to deal in, the new shares to be issued.

A circular giving full details of the scrip dividend proposal and a form of election will be sent to shareholders.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of PYI will be closed during the period from 13 September 2006 to 15 September 2006, both dates inclusive, during which period no transfer of share(s) of PYI will be effected. In order to qualify for the final dividend, all transfer of share(s), accompanied by the relevant share certificate(s) with the completed transfer form(s) with overleaf or separately, must be lodged with PYI's share registrars in Hong Kong, Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 12 September 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

For the year ended 31 March 2006, the Group recorded a consolidated turnover of approximately HK$3,540 million (2005: 3,588 million) which is similar to that of the last corresponding year.

The Group's gross profit rose encouragingly by 58% to some HK$355 million (2005: HK$225 million), representing a gross margin of approximately 10% of the consolidated turnover. With the remarkable contribution of profits from the operations and tight cost control, the Group attained a profit before tax of approximately HK$399 million (2005: HK$497 million).

The Group's profit before taxation comprised:

(i) net gain of approximately HK$138 million in construction and other contracting businesses (2005: HK$107 million);

(ii) net gain of approximately HK$12 million in property investment (2005: HK$23 million);

(iii) net gain of approximately HK$80 million in treasury investment (2005: HK$8 million);

(iv) interest income of approximately HK$26 million (2005: HK$52 million);

(v) increase in fair value of derivative financial instruments regarding options to acquire 15% equity interest in subsidiaries engaged in the development of Yangkou Port of approximately HK$41 million (2005: Nil);

(vi) discount on acquisition of additional interest in subsidiaries engaged in the development of Yangkou Port of approximately HK$9 million (2005: Nil);

(vii) increase in fair value of Paul Y. Centre of approximately HK$85 million (2005: Nil);

(viii) net gain on disposal of subsidiaries holding Paul Y. Centre and other non-core assets of approximately HK$61 million (2005: HK$68 million);

(ix) net corporate expenses of approximately HK$46 million (2005: HK$96 million);

(x) finance costs of approximately HK$17 million (2005: HK$6 million); and

(xi) net gain of approximately HK$10 million (2005: HK$341 million) from associates and jo controlled entities.

Profit for the year was approximately HK$346 million (2005: HK$521 million) and basic earn per share was HK22.7 cents (2005: HK38.5 cents).

When compared with the Group's financial position as at last year end, total assets decreased about 16% to some HK$5,982 million (2005: HK$7,110 million) and net current assets decreased about 38% to some HK$1,284 million (2005: HK$2,075 million), mainly due to the payment special cash dividend totalling approximately HK$957 million during the year. Consequently, cur assets decreased from 2.1 times to 1.7 times of current liabilities. After accounting for the net p of approximately HK$310 million net of dividends paid of approximately HK$998 million, eq attributable to shareholders of the Company decreased by 19% to some HK$2,571 million (2 HK$3,179 million), representing HK$1.86 per share as at 31 March 2006 (2005: HK$2.32 per sha

Net cash inflow from operations was about HK$23 million, and outflow in respect of investing financing activities was about HK$606 million, resulting in a net decrease in available cash and equivalents of about HK$583 million.

The total shareholder return for the year ended 31 March 2006, which is the increase in share p of the Company during the year plus dividends paid during the year, is approximately 32% (2005: 182

The Condensed Consolidated Balance Sheet as at 31 March 2006 is as follows:

	2006 HK$'000	2 HK$' (Restat
NON-CURRENT ASSETS		
Investment properties, property, plant and equipment	35,800	692,
Project under development	1,958,869	1,806,
Goodwill	61,646	61,
Interests in associates and jointly controlled entities	574,238	390,
Loans receivable	117,000	
Other non-current assets	43,047	152,
	2,790,600	3,103,
CURRENT ASSETS		
Amounts due from customers for contract works	163,379	185,
Properties held for sale	78,245	91,
Debtors, deposits and prepayments	1,415,407	1,586,
Investments held for trading	161,693	
Other investments	–	173,
Pledged bank deposits	118,622	
Short term bank deposits, bank balances and cash	666,038	1,254,
Loans receivable	498,520	672,
Other current assets	89,174	43,
	3,191,078	4,006,
CURRENT LIABILITIES		
Amounts due to customers for contract works	429,615	435,
Creditors and accrued expenses	899,829	1,076,
Amount due to a minority shareholder	4,638	104,
Loan from minority shareholders	123,439	
Bank and other borrowings – due within one year	400,158	289,
Other current liabilities	49,437	25,
	1,907,116	1,931,
NET CURRENT ASSETS	1,283,962	2,074,
TOTAL ASSETS LESS CURRENT LIABILITIES	4,074,562	5,178,
NON-CURRENT LIABILITIES		
Loan from minority shareholders	–	241,
Bank and other borrowings – due after one year	164,625	300,
Deferred tax liabilities	900,000	923,
	1,064,625	1,464,
	3,009,937	3,714,
CAPITAL AND RESERVES		
Share capital	137,880	136,
Reserves	2,432,752	3,041,
Equity attributable to equity holders of the Company	2,570,632	3,178,
Share options reserve of a subsidiary	137	
Minority interests	439,168	535,
TOTAL EQUITY	3,009,937	3,714,

The Condensed Consolidated Cash Flow Statement is as follows:

	2006 HK$'000	2005 HK$'000 (Restated)
Net cash from (used in) operating activities	22,862	(157,
Net cash from investing activities	645,087	889,
Net cash (used in) from financing activities	(1,250,933)	282,
Net (Decrease)/Increase in cash and cash equivalents	(582,984)	1,
Effect on foreign exchange rate changes	1,450	
Net cash and cash equivalents brought forward	1,247,572	233,
Net cash and cash equivalents carried forward	666,038	1,247,
Analysis of the balances of net cash and cash equivalents:		
Short term bank deposits, bank balances and cash	666,038	1,254,
Bank overdrafts	–	(6,
	666,038	1,247,

REVIEW OF OPERATIONS

Port and infrastructure development

The rapid economic growth of China together with booming international trade has resulted in an increasing demand on its port and logistics sector, now the Group's business focus.

The Group holds equity interests in Yangkou Port and Nantong Port, both located in Nantong, Jiangsu Province.

Yangkou Port

China's Eleventh Five-Year Plan is in general in favour of the port and logistics sector, and development of Yangkou Port is in line with such Plan.

The Group's Yangkou Port project was generally progressing well. Seawall for the reclamation of some 22 square kilometers of land was completed. Construction of Phase 1 of the Yellow Sea Crossing, which links up the Yangkou Port industrial and logistics park and the man-made island with berths, has commenced in September 2005. Master planning of the port and the industrial park was in progress. In addition, the Group established a property development subsidiary to engage in land and property development in Yangkou Port and its vicinity.

A collaboration agreement for preliminary engineering works was reached between the Group and PetroChina Company Limited ("PetroChina") in May 2006. Such preliminary engineering works, to be jointly carried out by PYI and PetroChina, involve the master planning of Yangkou Port to facilitate smooth operations of the LNG receiving station, as well as various technical aspects of detailed design, engineering and construction methodology for the development of the LNG receiving station. The collaboration with PetroChina signifies an important milestone for the Group's development in Yangkou Port.

(Page 4)

Given the satisfactory progress of the Yangkou Port project, in February 2006, PYI (through its 90.1% project subsidiary) exercised the option to acquire a further interest of 15% interest from the PRC partner at a cost of US$6.75 million and increased its effective interest in the Yangkou Port subsidiaries from 54.06% to 67.6%. This has not only enhanced PYI's share of benefit in the project but also simplified the financing structure in relation to its local PRC partner.

Subsequent to the year end, PYI further increased its stake to 75% by acquiring a 9.9% minority interest held by the strategic investor in the project special purpose vehicle at a consideration of 68.5 million new PYI shares at HK$2.45 per share.

Nantong Port

In August 2005, the Group entered into formal agreements to participate into the assets reorganisation of Nantong Port Group Limited ("Nantong Port Group"), a state owned enterprise incorporated in the PRC. Nantong Port Group is principally engaged in providing cargo loading and off loading, storage, shipping agent, cargo agent, ship anchoring, ship repairing, port machinery, shipping logistics and ship piloting services in Nantong Port, Jiangsu Province, China. Pursuant to the reorganisation, the Group would inject about RMB435 million in cash into Nantong Port Group in return for a 45% interest in its registered capital. Full details of the Group's participation and commitment in the said reorganisation were set out in PYI's circular to shareholders dated 22 August 2005.

The Group completed its initial injection of about HK$150 million into Nantong Port Group in late December 2005 and targets to complete all cash injection in July 2006.

The acquisition of Nantong Port Group serves as a spearhead for the Group's dry bulk operations in the PRC, setting its foothold in this business sector and for the future development of a network along the Yangtze River. Its close proximity to Yangkou Port will allow the Group to build an effective logistics network in the Yangtze Delta.

Construction and engineering businesses – Paul Y. Engineering

Through Paul Y. Engineering Group Limited ("Paul Y. Engineering") and its subsidiaries (the "Paul Y. Engineering Group"), the Group continues to engage in the construction and other engineering businesses including management contracting, project management and facilities management. During the year, about HK$138 million (2005: HK$107 million) of the operating profit was contributed from this business segment.

During the year, Paul Y. Engineering achieved a gross profit of some HK$230 million as compared with a corresponding gross profit of some HK$192 million for last year. Net profit after tax for the year was HK$101 million versus HK$80 million for last year. In addition, new construction contracts with an aggregate value of approximately HK$4,195 million were secured. As at the year end, value of contracts on hand was approximately HK$10,058 million and value of work remaining had increased by 33% to approximately HK$6,003 million.

Celebrating its 60th anniversary in 2006, Paul Y. Engineering will continue to expand its business to China, Macau, South East Asia and the Middle East, while moving up the value chain to offer value added design, construction and management solutions to it. The uptrend in Paul Y. Engineering's gross margin is expected to continue. With ongoing vigorous cost saving measures, performance of all business segments of the Paul Y. Engineering Group improves satisfactorily.

Property investment

In November 2005, the Group entered into a conditional sale and purchase agreement with a joint venture company effectively owned by Lehman Brothers Holdings Inc., Capital Strategic Investment Limited and Paul Y. Engineering for the disposal of Paul Y. Centre (through disposing 100% of the subsidiaries owning Paul Y. Centre) at an agreed gross value of HK$780 million. Such agreed value was derived from a yield rate of 6.28% based on the rental income of about HK$49 million for the year ended 31 March 2005. The disposal constituted a major transaction of the Company and was duly approved by PYI shareholders in a special general meeting held on 16 January 2006.

The disposal was completed in late January 2006. A net disposal gain of about HK$62 million was recognised by the Group. Taking into account the revaluation surplus of HK$85 million recorded at the interim period end, the Group realised a total gain of about HK$147 million.

During the year, apart from the abovementioned disposal gain and revaluation surplus of Paul Y. Centre, about HK$12 million (2005: HK$23 million) of the operating profit was contributed from the business of property investment.

Treasury investment

Total value of the Group's investment securities held for trading amounted to approximately HK$162 million (2005: HK$173 million) as at 31 March 2006, equivalent to about 3% (2005: 2%) of the total assets of the Group. Portfolio of high-yield loans receivable amounted to approximately HK$616 million (2005: HK$672 million) as at 31 March 2006, equivalent to about 10% (2005: 9%) of the total assets of the Group.

During the year, about HK$80 million (2005: HK$8 million) of the operating profit was contributed from this business segment.

Divestment in China Strategic

The disposal by the Group of a 15.4% interest in China Strategic at a cash consideration of HK$26 million was completed on 24 May 2006, whereupon China Strategic has ceased to be an associated company of PYI. The remaining 14.05% interest in China Strategic will be held by the Group as an investment.

As a result of the group reorganisation of China Strategic effected prior to completion of the aforesaid disposal, the Group was distributed with GDI Shares which were the subject of a voluntary general offer extended by Hanny Holdings Limited ("Hanny"). Under the Hanny offer, holders of GDI Shares were entitled to accept the offer and receive either Hanny shares plus cash or convertible bonds issued by Hanny.

On 8 May 2006, the Board declared a special dividend to PYI shareholders by way of distribution of the value derived from the GDI Shares held by it. The special dividend was paid to PYI shareholders, at their option, in the form of either Hanny shares plus cash or convertible bonds of Hanny. For every 500 PYI shares held, shareholders were given the choice to elect either (1) 8 Hanny shares plus HK$14.4 in cash; or (2) 8 Hanny bonds at a face value of HK$15 each. Full details of this special dividend were set out in PYI's circular to its shareholders dated 29 May 2006.

As announced by the Board on 16 June 2006, based on the election of PYI shareholders, PYI eventually paid the special dividend in the forms of (1) an aggregate of 4,979,616 Hanny shares plus about HK$8.9 million in cash; and (2) HK$276,737,520 Hanny bonds, equivalent to the total fair value of about HK$326 million (i.e. about HK22.2 cents per PYI share).

Following payment of such special dividend, the Group still holds undistributed Hanny bonds with a face value of about HK$36.8 million, which will be retained as an investment.

MATERIAL ACQUISITION AND DISPOSAL

Details of the Group's acquisition of a 45% equity interest in Nantong Port Group and disposal of Paul Y. Centre were set out in the paragraphs under the section of "REVIEW OF OPERATIONS" above.

MAJOR SUBSEQUENT EVENT

Hubei Minsheng LPG

To further pursue liquid bulk terminal opportunities and enhance its capabilities in this business sector, on 12 May 2006 the Group entered into an asset acquisition agreement to acquire assets related to liquid bulk logistics business in Wuhan, including LPG storage facilities, river terminal and jetty, filling stations and equipment. The consideration for the acquisition was RMB470 million, comprising RMB350 million in cash and RMB120 million in the form of a 3-year zero coupon convertible note to be issued by PYI to the vendor at a conversion price of HK$4.25 per share.

Full details of the acquisition were set out in PYI's circular to shareholders dated 2 June 2006.

OUTLOOK

Although crude-oil prices rose substantially during the first quarter, the world's major economies including China appeared to have absorbed this shock reasonably well, with inflation remaining low by historical standards.

In the latest edition of its biannual World Economic Outlook, published in April, the International Monetary Fund (IMF) revised its growth estimate for 2006 to 4.9% from the 4.3% forecast in September 2005. Its global growth estimate for 2007 is 4.7%, up from the earlier forecast of 4.4%. The IMF expects China's GDP to grow 9.5% in 2006, following the previous year's 9.9% achieved expansion rate.

While global economic conditions are likely to remain steady for the foreseeable future, the IMF cautioned that a high and volatile oil price might affect global expansion more strongly in the months ahead than in recent years.

Nonetheless, we believe that the fast and continuing growth of China's economy will continue to create a favorable environment for our ports and logistics business on the Mainland.

Recently, the PRC government set out its Eleventh Five-Year Plan targeting an average GDP annual growth rate of 7.5% for the national economy from 2006 to 2010. The latest 5-Year Plan also prioritizes accelerated development of the country's eastern region to stimulate expansion of the national economy. In addition, it encourages further development of inland ports along the Yangtze River for the handling of coal, crude oil, mineral ore and containerized cargo, as well as calling for comprehensive and coordinated development of seaports along the country's coastal regions.

With development, investment and operation of bulk-cargo ports along the Yangtze being the main thrust of the Group's business and strategic focus, we are optimistic about our business strategy. Our investments in Yangkou Port, Nantong Port, and the Wuhan LPG terminal have already formed a solid foundation for the implementation of our Yangtze strategy. In the coming year, we shall derive our earnings mainly from port and logistic operations. We also intend to accelerate our port investment along this great river, with a view to enhancing our critical mass and to further strengthening our dry and liquid bulk cargo handling capabilities.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

The Group continues to adopt a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities are maintained to meet its working capital requirements. The loans of the Group bear interest at market rates and are with terms of repayment ranging from one year to five years.

As at 31 March 2006, the Group's total borrowings amounted to approximately HK$688 million (2005: HK$831 million) with HK$523 million (2005: HK$290 million) repayable within one year and HK$165 million (2005: HK$543 million) repayable after one year. Cash balances at 31 March 2006 amounted to approximately HK$785 million (2005: HK$1,255 million) of which approximately HK$119 million has been pledged to banks to secure general credit facilities granted to the Group (2005: Nil).

As at 31 March 2006, HK$404 million (2005: HK$765 million) of the Group's borrowings bear interest at floating rates and are denominated in Hong Kong dollars, HK$142 million (2005: Nil) of the Group's borrowings bear interest at floating rates and are denominated in Reminbi and HK$142 million (2005: HK$66 million) of the Group's borrowings bear interest at a fixed rate and are denominated in Reminbi. The Group's gearing ratio was 0.27 (2005: 0.26) which is calculated based on the total borrowings of HK$688 million (2005: HK$831 million) and the Group's shareholders' funds of HK$2,571 million (2005: HK$3,179 million).

CONTINGENT LIABILITIES

As at 31 March 2006, the Group has contingent liabilities in respect of outstanding performance bonds on construction contracts of the Group's subsidiaries and guarantee given to a bank for banking facilities given to an associate of approximately HK$361 million (2005: HK$310 million) and HK$9 million (2005: Nil) respectively.

The Group has provided rental guarantee ("Rental Guarantee") in respect of properties held by certain former subsidiaries which were disposed of to an associate. Under the Rental Guarantee, the Group has guaranteed that the net rental for each of the three years commencing from 20 January 2006 ("Guaranteed Period") would not be less than HK$48 million. The Group is entitled to receive 30% of any excess of the net annual rental of the Guaranteed Period received over HK$48 million. In the opinion of the directors, the fair value of the Rental Guarantee arrangement is insignificant as at 31 March 2006.

PLEDGE OF ASSETS

As at 31 March 2006, certain of the Group's properties, bank deposits and investment held for trading with an aggregate value of approximately HK$319 million (2005: HK$753 million) and the issued shares of certain subsidiaries of the Company and its benefits under certain construction contracts, have been pledged to banks and financial institutions to secure general credit facilities granted to the Group.

COMMITMENTS

As at 31 March 2006, the Group has expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of certain property, plant and equipment and property under development in the amount of approximately HK$92 million (2005: HK$91 million).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year, PYI had purchased a total of 10,520,000 ordinary shares of PYI on the Stock Exchange at an aggregate price of HK$14,477,780, representing an average price of HK$1.38 paid for each share purchased. All of these shares were cancelled upon repurchase.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICES

PYI has, throughout the year ended 31 March 2006, complied with the code provisions and, where applicable, the recommended best practices of the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange except for the following deviation from code provision A.4.2 of the Code:

Under code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The rotation of PYI's directors at the annual general meeting of PYI held on 8 September 2005 was in accordance with PYI's previous bye-laws which stipulated, inter alia, that one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) should retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board and/or the Managing Director of the Company should not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. This deviated from the requirements of code provision A.4.2.

To fully comply with code provision A.4.2, relevant amendments to PYI's bye-laws were proposed and approved by the shareholders at the same aforesaid annual general meeting of PYI, pursuant to which every director shall now be subject to retirement by rotation.

REVIEW OF ACCOUNTS

The Group's results for the year ended 31 March 2006 has been reviewed by the Audit Committee. The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 March 2006 included in this preliminary results announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary results announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on PYI's corporate website at www.pyicorp.com and the website of the Stock Exchange. The Annual Report will be despatched to shareholders and available at the aforesaid websites in due course.

ANNUAL GENERAL MEETING

The 2006 Annual General Meeting of PYI is scheduled to be held on 8 September 2006. A circular containing the Notice of Annual General Meeting and information concerning, inter alia, re-election of retiring directors, general mandates to issue new shares and repurchase shares and refreshing of 10% scheme limit on share option scheme will be despatched to PYI shareholders in due course.

APPRECIATION

We would like to take this opportunity to express our appreciation to shareholders for their support, to the management and staff for their dedicated efforts and to our clients, consultants and partners for all their valuable assistance offered during this past year.

GENERAL

As at the date of this announcement, the composition of the Board is as follows:

Dr. Chow Ming Kuen, Joseph *OBE, JP*	:	*Chairman (Independent Non-Executive Director)*
Mr. Lau Ko Yuen, Tom	:	*Deputy Chairman and Managing Director*
Dr. Chan Kwok Keung, Charles	:	*Non-Executive Director*
Mr. Kwok Shiu Keung, Ernest	:	*Independent Non-Executive Director*
Mr. Chan Shu Kin	:	*Independent Non-Executive Director*

On behalf of the Board
Dr. Chow Ming Kuen, Joseph *OBE, JP*
Chairman

Hong Kong, 7 July 2006

保華集團有限公司*
PYI Corporation Limited

(在百慕達註冊成立之有限公司)
(股份代號：498)

截至二零零六年三月三十一日止年度之業績公佈

摘要

	二零零六年	二零零五年
• 營業額	3,540百萬港元	3,588百萬港元
• 除税後溢利	310百萬港元	522百萬港元
• 基本每股盈利	22.7港仙	38.5港仙
• 每股特別股息	70.0港仙	不適用
• 每股中期股息	1.5港仙	1.5港仙
• 每股末期股息	1.5港仙	1.5港仙
• 每股資產淨值	1.86港元	2.32港元
• 股東總回報	+32%	+182%

業績

保華集團有限公司(「保華」或「本公司」)之董事局(「董事局」)欣然宣佈本公司及其附屬公司(「本集團」)截至二零零六年三月三十一日止年度之經審核綜合業績連同往年同期之比較數字，載列如下：

	附註	截至三月三十一日止年度 二零零六年 千港元	二零零五年 千港元 (重新列賬)
營業額	3	3,540,484	3,588,015
銷售成本		(3,185,938)	(3,363,119)
毛利		354,546	224,896
其他收入	4	123,237	84,107
行政費用		(188,890)	(196,920)
其他費用		(78,862)	(59,574)
融資成本		(16,710)	(6,266)
投資物業之公平價值增加		85,400	–
出售投資物業之溢利		–	1,129
衍生金融工具公平價值增加		41,060	–
增購附屬公司權益之折讓		8,461	–
出售附屬公司之收益		60,756	–
出售附屬公司部份權益之收益		–	67,968
出售及攤薄聯營公司權益所致收益		–	519,873
聯營公司權益之減值虧損回撥(撥備)		26,914	(182,087)
應佔聯營公司業績	5	(17,184)	43,310
應佔共同控制機構業績		26	727
除税前溢利	6	398,754	497,163
税項	7	(52,804)	23,772
年度溢利		345,950	520,935
以下人士應佔：			
本公司之股權持有人		310,487	521,920
少數股東權益		35,463	(985)
		345,950	520,935
分派	8	998,070	40,717
每股盈利		港仙	港仙
基本	9	22.7	38.5
攤薄		22.7	38.5

附註：

1. 應用香港財務報告準則

於本年度，本集團首次採納由香港會計師公會頒佈，並於二零零五年一月一日或以後開始之會計期間生效之多項新訂香港財務報告準則(「香港財務報告準則」)、香港會計準則及詮

2. 會計政策更改之影響概要

上述會計政策更改之財務影響概述如下：

(a) 對本期間及過往期間之業績之影響：

	二零零六年 千港元	二零零五年 千港元
不獲銷商譽	7,424	–
確認增購附屬公司權益之折讓	8,461	–
確認以股份支付之款項為費用	(5,082)	–
應佔聯營公司業績減少	(14,264)	(937)
衍生金融工具之公平值增加	41,060	–
年度溢利增加(減少)	37,599	(937)

按以功能呈列之列賬項目所作分析：

	二零零六年 千港元	二零零五年 千港元
行政費用減少	2,342	–
增購附屬公司權益之折讓增加	8,461	–
衍生金融工具之公平值增加	41,060	–
應佔聯營公司業績減少	(14,264)	(937)
年度溢利增加(減少)	37,599	(937)

除上述者外，應佔聯營公司及共同控制機構之税項已予重新分類，並已分別列入應佔聯營公司及共同控制機構業績，按列賬項目界定之影響如下：

	二零零六年 千港元	二零零五年 千港元
應佔聯營公司業績增加(減少)	1,440	(35,413)
應佔共同控制機構業績減少	–	(171)
税項(增加)減少	(1,440)	35,584
	–	–

(b) 對於二零零五年三月三十一日及二零零五年四月一日之資產負債表之影響：

	附註	二零零五年三月三十一日 千港元	會計準則第17號之影響 千港元	會計準則第40號之影響 千港元	二零零五年四月一日 千港元	會計準則第40號之影響 千港元	會計政策更改之影響 千港元	二零零五年四月一日 千港元
		(原先列賬)		(經重列)	(重新列賬)		(經重列)	(重新列賬)
固定資產及負債之影響：								
物業、機械及設備		372,044	(134,766)	–	237,278	–	–	237,278
預付土地租賃款項								
– 非流動		–	131,576	–	131,576	–	–	131,576
– 流動		–	3,190	–	3,190	–	–	3,190
聯營公司權益		382,146	–	(937)	381,209	–	27,363	408,572
證券投資								
– 非流動		1,771	–	–	1,771	(1,771)	–	–
– 流動		173,254	–	–	173,254	(173,254)	–	–
可供出售投資		–	–	–	–	3,299	–	3,299
持作買賣衍生金融工具		–	–	–	–	20,792	–	20,792
持作買賣投資		–	–	–	–	173,254	–	173,254
		929,252	–	(937)	928,315	22,313	27,363	977,991
對股本之影響：								
股東應佔股權		–	–	–	–	991	–	991
累積盈利		253,898	–	(937)	252,961	20,792	27,363	301,116
少數股東權益		535,895	–	–	535,895	530	–	536,425
		789,793	–	(937)	788,856	22,313	27,363	838,532

附註：應佔會計政策更改之影響乃因本集團之聯營公司採納詮釋第2號「酒店物業之適

地區分部：

本集團營業額按地區市場劃分之分析如下：

	二零零六年 千港元	二零零五年 千港元 (重新列賬)
香港	3,113,854	3,477,040
中華人民共和國及澳門	426,630	110,975
	3,540,484	3,588,015

4. 其他收入

	二零零六年 千港元	二零零五年 千港元 (重新列賬)
利息收入	25,921	52,236
應收遞延代價之推算利息收入	175	–
收回有關針對前聯營公司之賣方 前提出之法庭訴訟之利息及法律費用	82,289	–
股回呆賬撥備	14,173	–
外幣匯兑收益	–	31,588
持作買賣之上市投資公平價值增加	636	–
其他	43	283
	123,237	84,107

5. 應佔聯營公司業績

中策集團有限公司(「中策」)(一間於香港聯合交易所有限公司上市之公司，其財政年度結束日期為十二月三十一日)於二零零三年九月三十日成為本集團之主要聯營公司。Downer EDI Limited(「Downer」)(一間於澳洲證券交易所及新西蘭證券交易所上市之公司，其財政年度結束日期為六月三十日)自二零零四年十二月起不再是本集團之主要聯營公司。由於本集團權益於採用權益法時僅可查閱及採用中策及Downer已刊發之財務資料，因此，本集團於本年度及上年度應佔中策之業績，乃分別根據中策於二零零五年一月一日至二零零五年十二月三十一日及二零零四年一月一日至二零零四年十二月三十一日之營業額及業績計算。本集團於往年應佔Downer之業績則根據二零零四年一月一日至二零零四年十二月三十一日之營業額及業績計算。

二零零五年八月十二日，本集團訂立協議，參與南通港口集團有限公司(「南通港口集團」)之資產重組計劃。南通港口集團是一家在中國成立之國有企業，主要從事在中國江蘇南通港提供貨物裝卸、堆存、貨運代理、理貨業務、港口船舶服務、船舶航修、港口機械修造、船舶供應服務及引航等業務。根據協議，本集團將以現金約435,000,000人民幣出資於南通港口集團，以換取其註冊資本中之45%權益。投資詳情載於本公司在二零零五年八月二十二日刊發的通函內。於二零零六年三月三十一日，本集團已向南通港口集團支付約160,000,000港元，即南通港口集團股本權益之22.7%。待達成有關協議列明之若干條件後，本集團將向南通港口集團注資未付之274,000,000港元。訂約承諾之公平價值屬數不足道。

6. 除税前溢利

除税前溢利已扣除：

	二零零六年 千港元	二零零五年 千港元 (重新列賬)
同期預付土地租賃款項	2,677	3,190
折舊及攤銷：		
物業、廠房及設備(見下文附註)	29,180	47,249
商譽(已計入行政費用)	–	3,371
附註：		
自置資產	34,591	49,394
減：撥作在建合約工程資本及發展中項目之數額	(5,411)	(2,145)
	29,180	47,249

7. 税項

	二零零六年 千港元	二零零五年 千港元 (重新列賬)
税項支出(抵免)包括：		
香港利得税		
本年度	4,101	–

採納聯營公司及共同控制實體財務報表之呈列方式作出修訂，概無呈列方式變動已追溯應用。此外，採納新訂香港財務報告準則導致本集團在以下範疇之會計政策出現變動，對現行及／或以往會計期間之業績編製及呈列方式構成影響：

以股份支付之款項

於本年度內，本集團已採納香港財務報告準則第2號「以股份支付之款項」，該準則規定本集團以股份或股權換購貨品或換取服務（「股本結算交易」）時，須將之確認為開支。香港財務報告準則第2號對本集團之主要影響乃就授出購股權下本集團董事及僱員當日，釐定在歸屬期內購股權之公平假值所涉及之開支，於採納香港財務報告準則第2號前，本集團只有在購股權獲行使時才確認其財務影響。本集團已就二零零五年四月一日或之後授出之購股權採用香港財務報告準則第2號（其財務影響見附註2）。就二零零五年四月一日前授出之購股權而言，根據相關過渡性條文，本集團選擇不就二零零五年四月一日或之前歸屬之購股權應用香港財務報告準則第2號。年內，本公司就其於二零零五年四月一日前授出及歸屬之未行使購股權重新定價，降低有關行使價。董事取得專業意見後，認為修改並無增加購股權公平值。因此，毋須作出本年度及往年調整。

業務合併

香港財務報告準則第3號「業務合併」應用於協議日期為二零零五年一月一日或以後之業務合併。本集團於二零零五年一月一日至二零零五年三月三十一日期間並無訂立任何協議。在二零零五年四月一日，本集團已應用香港財務報告準則第3號之過渡規定。應用香港財務報告準則第3號對本集團之主要影響概述如下：

商譽

於以往期間，因於二零零五年四月一日前進行收購而產生之商譽於其估計可使用年期內資本化及攤銷。於本年度，本集團已採用香港財務報告準則第3號之相關過渡性條文。本集團於二零零五年四月一日將相關累計攤銷之賬面值116,285,000港元以相應商譽成本抵銷。本集團由二零零五年四月一日起停止攤銷該商譽，以及最低限度每年對商譽進行一次減值評估。因於二零零五年一月一日後進行收購而產生之商譽於初次確認後乃按成本減累積減值虧損（如有）估量。由於會計政策之變動，本年度並無計入任何商譽攤銷（有關財務影響見附註2）。比較數字並無予以重列。

被本集團收購之公司之可識別資產、負債及或有負債之公平值高於成本值之差額（先前列作「負商譽」）

依據香港財務報告準則第3號，被本集團收購之公司之可識別資產、負債及或有負債之公平值若高於成本值之任何差額（「收購折讓」），將於該收購發生之會計年度即時確認損益。因此，本年度已於綜合收益表確認為附屬公司之收購折讓（有關財務影響見附註2）。

土地使用權之租賃預款

於以往期間，業主自用之租賃土地及樓宇均計入物業、樓械及設備，並以成本模式估量。於本年度，本集團已應用香港會計準則第17號「租賃」，根據香港會計準則第17號，土地及樓宇租賃之土地及樓宇部份應視乎租賃分類而獨立入賬，惟租賃款項若未能可靠地於土地及樓宇部份之間作出分配，則於此情況下整份租賃一概視為融資租賃。若租賃款項能可靠地於土地及樓宇部份之間作出分配，則於土地之租賃預款應重新分類為經營租賃下之「預付租賃土地款項」，並以成本入賬及按直線法於租賃期攤銷。此項會計政策變動已作出追溯應用（有關財務影響見附註2）。

投資物業

於本年度，本集團採用香港會計準則第40號「投資物業」，並已選擇採用公平價值模式處理其投資物業，據此須將投資物業公平價值變動產生之損益，直接在其所產生之期間於收益表內確認。於以往期間，在會計實務準則第13號「投資物業之會計處理方法」下之投資物業乃按公開市值估量，而重估盈餘或虧絀計入或在投資物業重估儲備內扣除，除非此一儲備項下之餘額不足以抵銷重估減值，在此情況下重估減值超出投資物業重估儲備餘額之部份在綜合收益表內扣除。倘以往曾在綜合收益表內扣除之減值撥其後出現重估升值，則以之前已扣除之減值為限將進賬計入綜合收益表。採用香港會計準則第40號對本期間或以往期間之業績並無任何重大影響。因此，毋須作出任何往期調整。

金融工具

於本年度，本集團已採用香港會計準則第32號「金融工具：披露及呈列」及香港會計準則第39號「金融工具：確認及估量」。香港會計準則第32號規定追溯應用。於二零零五年一月一日或以後開始之會計期間生效之香港會計準則第39號，一般不允許按追溯基準確認、不予確認或估量金融資產及負債。應用香港會計準則第32號對本期間或以往會計年度業績之呈列方式並無重大影響。採納香港會計準則第39號所導致之主要影響概述如下：

債務及股本證券之會計處理方法

於二零零五年三月三十一日前，本集團根據會計實務準則第24號「證券投資之會計處理方法」（「會計實務準則第24號」）之標準處理方法將其股本證券分類及估量。根據會計實務準則第24號，股本證券投資分類為「投資證券」或「其他投資」（如適用）。「投資證券」乃按成本扣除減值虧損（如有）列賬，而「其他投資」則按公平價值估量，未變現收益或虧損列入收益表。由二零零五年四月一日起，本集團已根據香港會計準則第39號將其股本證券分類及估量。根據香港會計準則第39號，金融資產分類為「按公平價值註入收益表之金融資產」或「可供出售之金融資產」。分類須視乎收購資產之目的而定。「按公平價值註入收益表之金融資產」及「可供出售之金融資產」乃按公平價值列賬，公平價值之變動分別於綜合收益表及權益中確認。於二零零五年四月一日，本集團對聯屬公司之1,778,000港元過往列作投資證券重新分類為可供出售之金融資產，並按公平價值重新估量，公平價值之增加1,521,000港元計入本集團於二零零五年四月一日之投資重估儲備，將於相關可供銷售投資出售或減值後撥入收益表（有關財務影響見附註2）。

衍生工具

自二零零五年四月一日開始，屬於香港會計準則第39號範圍內之所有衍生工具，不論作為交易用途或指定用作有效對沖工具者，均須於每個年結日以公平值列賬。根據香港會計準則第39條，衍生工具（包括從非衍生主體合約獨立列賬之附帶衍生工具），均視為持有作交易用途之財務資產或財務負債，惟合資格並被指定用作有效對沖工具者除外。對於視為持有作交易用途之衍生工具，該等衍生工具公平值之變動會在其產生之會計期間內確認為盈利或虧損。

至二零零四年三月三十一日止，本集團並無於綜合資產負債表確認收購附屬公司額外權益之期股權公平值。自二零零五年四月一日起，本集團已採用香港會計準則第39號之相關過渡性條文。因此，收購附屬公司額外權益之期股權已按公平值計量，並相應增加本集團於二零零五年四月一日之累計盈利（有關財務影響見附註2），並重呈列比較數字。

債務證券與股本證券以外之金融資產及金融負債

自二零零五年四月一日開始，本集團就於債務證券及股本證券之投資以外的金融資產及金融負債（以往不屬於會計實務準則第24號之範圍）按照香港會計準則第39號的規定進行分類及計量，根據香港會計準則第39號，金融資產乃分類為「按公平值列賬並在損益表內處理之金融資產」、「可供出售之金融資產」、「貸款及應收款項」或「持有至到期之金融資產」，金融負債基本上分類為「按公平值列賬並在損益表內處理之金融負債」或「其他金融負債」。「按公平值列賬並在損益表內處理之金融負債」按公平值計量，而公平值之變動則於損益表中直接確認。「其他金融負債」於初步確認後以實際利息法按攤銷成本計量。採納香港會計準則第32號及香港會計準則第39號對二零零五年四月一日之保留溢利及少數股東權益之影響概述如下：

	保留溢利 千港元	少數股東權益 千港元
於二零零五年四月一日之結餘，如前呈報	1,778,000	1,521,000
採納香港會計準則第32號及香港會計準則第39號之影響：		
重新分類聯營公司之投資	1,521,000	(1,521,000)
於二零零五年四月一日之重列結餘	3,299,000	–

本集團並無提早應用下列已頒佈惟尚未生效之新準則、修訂及詮釋。本公司董事估計，應用該等新準則、修訂及詮釋不會對本集團之財務報表有任何重大影響，惟香港會計準則第39號及香港財務報告準則第4號（經修訂）「財務擔保合同」規定所有財務擔保合同須初步按公平值計量，董事認為，因此項修訂所致之影響未能於結算日時作合理推測。

香港會計準則第1號（經修訂）	資本披露[1]
香港會計準則第19號（經修訂）	精算收益及虧損、集團計劃及披露[2]
香港會計準則第21號（經修訂）	外幣匯率變動之影響[3]
香港會計準則第39號（經修訂）	預測集團內部交易之現金流量對沖會計處理[2]
香港會計準則第39號（經修訂）	公平值期權[4]
香港會計準則第39號及香港財務報告準則第4號（經修訂）	財務擔保合同[5]
香港財務報告準則第6號	礦產資源之勘探及評估[3]
香港財務報告準則第7號	金融工具：披露[1]
香港（國際詮釋委員會）－詮釋第4號	釐定安排是否包括租賃[2]
香港（國際詮釋委員會）－詮釋第5號	解除退作、復原及環境修復基金所產生權益之權利[3]
香港（國際詮釋委員會）－詮釋第6號	參與特定市場－廢棄電力及電子設備產生之負債[3]
香港（國際詮釋委員會）－詮釋第7號	採用根據香港會計準則第29號惡性通脹經濟財務申報之重列處理法[4]
香港（國際詮釋委員會）－詮釋第8號	香港財務報告準則第2號之範疇[4]
香港（國際詮釋委員會）－詮釋第9號	重新評估附帶衍生工具[4]

[1] 由二零零七年一月一日或以後開始之全年期間有效。
[2] 由二零零六年一月一日或以後開始之全年期間有效。
[3] 由二零零五年十二月一日或以後開始之全年期間有效。
[4] 由二零零六年三月一日或以後開始之全年期間有效。
[5] 由二零零六年五月一日或以後開始之全年期間有效。
[6] 由二零零六年六月一日或以後開始之全年期間有效。

3. 分部資料

業務分類：

就管理方面而言，本集團之業務現分為七大營運部門，分別為樓宇建築、土木工程、項目管理、設施管理、港口及基建發展、庫務投資及物業投資。此等部門乃本集團釐報主要分部資料之基準。

本集團之營業額及除税前盈利按業務分部之分析如下：

營業額：

	二零零六年			二零零五年		
	對外 千港元	分部之間 千港元	總額 千港元	對外 千港元 (重新列賬)	分部之間 千港元 (重新列賬)	總額 千港元 (重新列賬)
建築及其他承包業務：						
樓宇建築	2,219,299	5,649	2,224,948	2,318,792	38,460	2,357,252
土木工程	856,572	60,662	917,234	925,121	62,325	987,446
項目管理	26,776	–	26,776	3,770	–	3,770
設施管理	5,516	1,471	6,987	–	–	–
	3,108,163	67,782	3,175,945	3,247,683	100,785	3,348,468
港口及基建發展	–	–	–	–	–	–
庫務投資	386,831	3,481	390,312	271,260	–	271,260
物業投資	45,490	15,515	61,005	69,072	16,532	85,604
對銷	–	(86,778)	(86,778)	–	(117,317)	(117,317)
	3,540,484	–	3,540,484	3,588,015	–	3,588,015

除税前盈利：

	二零零六年 千港元	二零零五年 千港元 (重新列賬)
建築及其他承包業務：		
樓宇建築	89,916	83,087
土木工程	30,293	21,586
項目管理	16,049	1,980
設施管理	1,593	–
	137,851	106,653
港口及基建發展	–	–
庫務投資	79,922	8,159
物業投資	12,161	22,889
分部業績	229,934	137,701
利息收入	26,096	52,236
應收聯營公司款項撥備	–	(40,504)
衍生金融工具之公平價值增加	41,060	–
增購附屬公司權益之折讓	8,461	–
投資物業之公平價值增加	85,400	–
未分配企業開支	(45,999)	(95,795)
融資成本	(16,710)	(6,266)
出售附屬公司之收益	60,756	–
出售附屬公司部份權益之收益	–	67,968
出售及攤薄聯營公司權益所致收益	–	519,873
聯營公司權益之減值虧損撥回（撥備）	26,914	(182,087)
應佔聯營公司業績	(17,184)	43,310
應佔共同控制實體業績	26	727
除税前盈利	398,754	497,163

	二零零六年 千港元	二零零五年 千港元
海外税項		
本年度	3,332	5,035
過往年度撥備不足	40,000	–
	43,332	5,035
遞延税項	3,494	(28,828)
本公司及其附屬公司應佔税項	52,804	(23,772)

香港利得税乃根據本年度之估計應課税盈利按税率17.5%（二零零五年：17.5%）計算。

海外税項根據有關司法管區適用之税率計算。

8. 分派

	二零零六年 千港元	二零零五年 千港元
於年內確認為向本公司權益持有人分派之股息：		
已付二零零五年末期股息－每股1.5港仙（二零零四年：1.5港仙）	20,386	20,179
已付特別股息－每股70港仙（二零零五年：無）	957,177	–
已付二零零六年中期股息－每股1.5港仙（二零零五年：1.5港仙）	20,513	20,538
	998,076	40,717

於二零零六年五月四日，本公司董事議決待中策集團有限公司（「中策」，一家聯營公司）集團重組（「集團重組」）完成後分派本集團從撥資於中策所得權益之方式宣派一項特別股息予二零零六年五月二十六日名列本公司股東名冊之本公司股東。

於二零零六年五月十九日，中策完成集團重組，包括(1)將彼其若干附屬公司予群益投資有限公司（「群益」）；及(2)按每持有一股中策合併股份獲發一股群益股份（「群益股份」）之基準，分派群益股份作實物股息予其股東（包括本集團）。

於二零零六年六月十六日，本公司宣佈已支付相等於117,143,920股群益股份所得權益之特別股息。特別股息之詳情已載於本公司於二零零六年五月八日及二零零六年六月十六日之公佈。經參考與本公司並無關連之獨立估值師永利行評值顧問有限公司於二零零六年五月十九日編製之估值，董事認為每股群益股份之公平價值為2.78港元，故此，特別股息相等於每股保華股份約22.2港仙。

截至二零零六年三月三十一日止年度建議之現金建同以股代息選擇權之末期股息之數額乃參照於本公佈日已發行股份1,464,579,910股計算。

9. 每股盈利

本年度每股基本及攤薄盈利乃根據以下數據計算：

	二零零六年 千港元	二零零五年 千港元 (重新列賬)
盈利：		
計算每股基本及攤薄盈利之本公司權益持有人應佔盈利	310,487	521,920
股份數目：		
計算每股基本盈利之普通股加權平均數	1,367,759,328	1,355,352,439
源自購股權普通股之效應：		
購股權	2,861,857	1,398,760
計算每股攤薄盈利之普通股加權平均數	1,370,621,185	1,356,751,199

根據上文附註1所述採納新訂及修訂會計政策，本年度及以往年度呈報之每股盈利受到影響。下表概述對本年度每股基本及攤薄盈利之影響：

	對每股基本盈利之影響		對每股攤薄盈利之影響	
	二零零六年 港元	二零零五年 港元	二零零六年 港元	二零零五年 港元
調整前數字	0.200	0.386	0.200	0.385
應用新訂及修訂會計政策產生之調整	0.027	(0.001)	0.027	–
呈報數字	0.227	0.385	0.227	0.385

末期股息

董事局已議決建議向於二零零六年九月十五日辦公時間結束時名列保華股東名冊之股東，以現金（附以股代息選擇權）宣派每股1.5港仙（二零零五年：每股1.5港仙，以股代息附現金選擇權），作為截至二零零六年三月三十一日止年度之末期股息。末期股息須待於二零零六年九月八日舉行之二零零六年股東週年大會上獲保華股東批准後方可作實，預期將於二零零六年十月三日或左右以郵寄方式支付予股東。

末期股息將以現金方式派發，保華股東可就部份或全部股息選擇收取保華股份代替現金。根據以股代息建議將予發行之股份之市值將參照保華股份於截至二零零六年九月十五日止連續三個交易日之平均收市價減按股平均價格之5%或股份面值（以較高者為準）計算之折讓而釐定。建議之以股代息須待香港聯合交易所有限公司（「聯交所」）批准將予發行新股份上市及買賣，方可作實。

本公司將向股東寄發載有有關以股代息建議詳情之通函及選擇表格。

暫停辦理股東登記手續

保華將於二零零六年九月十三日至二零零六年九月十五日（包括首尾兩日）暫停辦理股東登記手續，期間將不會登記任何保華股份之轉讓。如欲獲派末期股息，所有股份過戶文件連同有關股票及已填妥背頁或獨立之過戶表格，最遲須於二零零六年

管理層討論及分析

財務表現及狀況回顧

截至二零零六年三月三十一日止年度，本集團錄得綜合營業額3,540,000,000港元（二零零五年：3,588,000,000港元），與去年同期數字相若。

本集團之毛利上升58%至約355,000,000港元（二零零五年：225,000,000港元），毛利率約為綜合營業額之10%。在經營溢利及融資成本控制之可觀貢獻下，本集團之除稅前溢利約達399,000,000港元（二零零五年：497,000,000港元）。

本集團之經營溢利包括：

(i) 建築及其他承包業務之收益淨額約138,000,000港元（二零零五年：107,000,000港元）；

(ii) 物業投資之收益淨額約12,000,000港元（二零零五年：23,000,000港元）；

(iii) 庫務投資之收益淨額約80,000,000港元（二零零五年：8,000,000港元）；

(iv) 利息收入約26,000,000港元（二零零五年：52,000,000港元）；

(v) 收購發展洋口港附屬公司15%股本權益的期權之衍生金融工具公平價值增加約41,000,000港元（二零零五年：無）；

(vi) 增購發展洋口港之附屬公司權益之折讓約9,000,000港元（二零零五年：無）；

(vii) 保華企業中心之公平值增加約85,000,000港元（二零零五年：無）；

(viii) 出售持有保華企業中心及其他非核心資產之附屬公司產生之淨溢利約61,000,000港元（二零零五年：68,000,000港元）；

(ix) 企業開支淨額約46,000,000港元（二零零五年：96,000,000港元）；

(x) 融資成本約17,000,000港元（二零零五年：6,000,000港元）；及

(xi) 聯佔聯營公司及共同控制機構收益淨額約10,000,000港元（二零零五年：341,000,000港元）。

年度溢利約為346,000,000港元（二零零五年：521,000,000港元），每股基本盈利為22.7港仙（二零零五年：38.5港仙）。

與本集團對上一年度結束時之財政狀況相比，本集團之總資產減少了約16%至約5,982,000,000港元（二零零五年：7,110,000,000港元），而流動資產淨值則減少了約38%至約1,284,000,000港元（二零零五年：2,075,000,000港元），主要原因是支付特別現金股息合共約957,000,000港元。因此，流動資產由相當於流動負債之2.1倍減少至1.7倍。計及純利約310,000,000港元（扣除已派付股息約998,000,000港元）後，本公司股東應佔之權益減少19%至約2,571,000,000港元（二零零五年：3,179,000,000港元），於二零零六年三月三十一日為每股1.86港元（二零零五年：每股2.32港元）。

經營業務之現金流入淨額約為23,000,000港元，而投資業務及融資活動之現金流出則約為606,000,000港元，導致現金及現金等值項目淨額減少約583,000,000港元。

於截至二零零六年三月三十一日止年度之股東總回報（即本公司股價於年內之增長加年內派付之股息）約為32%（二零零五年：182%）。

於二零零六年三月三十一日之綜合資產負債表如下：

	二零零六年 千港元	二零零五年 千港元 (重新列賬)
非流動資產		
投資物業、物業、機械及設備	35,800	692,278
發展中項目	1,958,869	1,806,466
商譽	61,646	61,646
聯營公司及共同控制機構權益	574,238	390,753
應收貸款	117,000	–
其他非流動資產	43,047	152,802
	2,790,600	3,103,945
流動資產		
應收客戶合約工程款項	163,379	185,188
持作出售物業	78,245	91,278
應收賬款、訂金及預付款項	1,415,407	1,586,246
持作買賣投資	161,693	–
其他投資	–	173,284
已抵押銀行存款	118,622	–
短期銀行存款、銀行結存及現金	666,038	1,254,556
應收貸款	498,520	672,169
其他流動資產	89,174	43,713
	3,191,078	4,006,434
流動負債		
應付客戶合約工程款項	429,615	435,198
應付賬款及應計開支	899,829	1,076,195
應付少數股東款項	4,638	104,833
少數股東貸款	123,439	–
一年內到期之銀行貸款	400,158	289,960
其他流動負債	49,437	25,452

年內，保華建業記錄得毛利近230,000,000港元，相對上年度之毛利則為192,000,000港元。本年度之除稅後溢利淨額為101,000,000港元，對上年度則錄得80,000,000港元。此外，保華建業取得總價值約4,195,000,000港元之新建築合約，於年結日，持有工程價值約為10,058,000,000港元；餘下工程價值則上升33%至約6,003,000,000港元。

在二零零六年慶祝其成立六十四年之際，保華建業將繼續在國內、澳門、東南亞及中東伸展其業務版圖，同時提升其價值鏈至增值設計、建築及管理解決方案，保華建業的毛利可望持續改善。在不斷實行嚴控成本措施，保華建業集團之各種業務純略表現會得到理想改進。

物業投資

於二零零五年十一月，本集團與由Lehman Brothers Holdings Inc.、資本策略投資有限公司及保華建業實益擁有之合夥經營公司訂立一項有條件買賣協議，按780,000,000港元之協定總值，（透過全數出售擁有保華企業中心之附屬公司）出售保華企業中心。該筆協定價值乃以截至二零零五年三月三十一日止年度之租金收入約49,000,000港元為基準之6.28厘回報率釐定。出售事項構成本公司之主要交易，並已於二零零六年一月十六日舉行之股東特別大會上正式取得保華股東批准。

達成所有先決條件後，出售事項已於二零零六年一月底完成。出售事項之收益淨額約62,000,000港元已獲本集團確認。考慮到於中期期間末時錄得之85,000,000港元重估盈利，本集團最現總盈利約為147,000,000港元。

年內，除上述保華企業中心出售收益及重估盈餘外，經營溢利約12,000,000港元（二零零五年：23,000,000港元）來自物業投資業務。

庫務投資

於二零零六年三月三十一日，本集團之投資證券總值約達162,000,000港元（二零零五年：173,000,000港元），相當於本集團總資產約3%（二零零五年：2%）。於二零零六年三月三十一日，應收高收益貸款組合達約616,000,000港元（二零零五年：672,000,000港元），相當於本集團總資產約10%（二零零五年：9%）。

年內，約80,000,000港元（二零零五年：8,000,000港元）經營溢利乃來自庫務投資業務。

融資中策

本集團以現金代價26,000,000港元出售中策15.4%權益一事已於二零零六年五月二十四日完成，屆時中策不再為保華之聯營公司。於中策之其餘14.05%權益將由本集團持有，作為一項投資。

由於中策集團重組在上述出售完成前發生，故此本集團獲分派群益股份（乃錦興集團有限公司（「錦興」）所提出之自願全面收購建議之標的股份），根據錦興收購建議，群益股份持有人有權接納收購建議及收取錦興股份加現金或由錦興發行之可換股債券。

二零零六年五月八日，董事局以分派保華所持有群益股份價值之方式，向保華股東宣派特別股息。特別股息乃按保華股東之選擇，以錦興股份加現金或錦興可換股債券方式支付。持有每500股保華股份，股東可選擇收取(1)8股錦興股份另加現金14.4港元；或(2)8份面值為15港元錦興債券。此特別股息之詳情載於保華於二零零六年五月二十九日致股東之通函。

誠如董事局於二零零六年六月十六日宣佈，根據保華股東之選擇，保華發放以(1)合共4,979,616股錦興股份加約8,900,000港元現金；及(2)276,737,520港元之錦興債券（相等於總公平值約326,000,000港元，即每股保華股份22.2港仙）之方式派付特別股息。

派付特別股息後，本集團仍持有面值約36,800,000港元之不用分派錦興債券，將保留為投資。

重大收購及出售

本集團收購南通港口集團45%股本權益及出售保華企業中心之詳情載於上文「業務回顧」一節之段落內。

主要結算日後事項

期光民生石油液化氣

為進一步把握大宗商貨碼頭之商機，增強於此行業之能力，本集團於二零零六年五月十二日訂立資產收購協議，以收購於中國武漢與大宗商貨物流業務有關之資產，包括液化石油氣儲配設施、碼頭及接駁、加氣站及設備。收購代價為470,000,000人民幣，其中350,000,000人民幣以現金支付，而120,000,000人民幣則由保華按每股4.25港元之換股價發行可換股票據予賣方。

收購事項之詳情見保華於二零零六年六月二日致股東之通函。

展望

雖然原油價格在第一季度內顯著上升，世界的主要經濟體系包括中國已經開始消化升幅，致令通脹趨勢維持在歷史的低水平。

國際貨幣基金會在四月出版的半年刊全球經濟展望中修訂了其在去年九月發表對二零零六年全球經濟增長的預測，由4.3%提升至4.9%。而二零零七年的增長率預測則由4.4%升至4.7%。國際貨幣基金會又預計，中國將延續去年9.9%的升勢，於二零零六年可獲得9.5%的經濟增長。

雖然全球經濟狀況在可見的將來將趨穩定，國際貨幣基金警告，油價的高企及不穩定將對未來數月造成較近年來深遠的影響。

縱然如此，我們仍然相信中國經濟的快速及持續增長將繼續為我們的港口及物流業務創造有利環境。

中國政府在最近的第十一個五年規劃中，將二零零六至二零一零年國民生產總值的年度增長目標鎖定為7.5%。在新的五年規劃中，中國的東部地區的發展將作為首要目標以促進國家經濟增長。此外計劃亦鼓勵長江沿岸內河港口處理煤、原油、礦物和貨櫃之發展，亦呼籲全面和有統籌地發展國家沿海地區的港口。

隨著長江成為本集團的主要經營和策略中心，長江沿岸貨櫃碼頭的發展、投資及管理令

總資產減流動負債	4,074,562	5,178,741
非流動負債		
少數股東貸款	–	241,000
一年後到期之銀行及其他借款	164,625	300,000
遞延稅項負債	900,000	923,020
	1,064,625	1,464,020
	3,009,937	3,714,721
資本及儲備		
股本	137,880	136,920
儲備	2,432,752	3,041,906
本公司之股權持有人應佔權益	2,570,632	3,178,826
附屬公司之購股權儲備	137	–
少數股東權益	439,168	535,895
總權益	3,009,937	3,714,721

簡明綜合現金流量表如下：

	二零零六年 千港元	二零零五年 千港元 (重新列報)
來自(用於)經營業務之現金淨額	22,862	(157,147)
來自投資業務之現金淨額	645,087	889,151
(用於)來自融資活動之現金淨額	(1,250,933)	282,361
現金及與現金等值項目(減少)／增加淨額	(582,984)	1,014,365
匯率變動之影響	1,450	–
現金及與現金等值項目承前	1,247,572	233,207
現金及與現金等值項目結轉	666,038	1,247,572
現金及與現金等值項目結存分析：		
短期銀行存款、銀行結存及現金	666,038	1,254,556
銀行透支	–	(6,984)
	666,038	1,247,572

業務回顧

港口及基建發展

中國經濟迅速增長，加上隆勤的國際貿易，放港口及物流業之需求得以與日俱增，亦成為本集團之業務重心。

本集團現持有位於中國江蘇省南通市的洋口港及南通港的股本權益。

洋口港

中國第十一個五年規劃發證上對港口及物流界有利，發展洋口港與該規劃一致。

洋口港之發展進度理想。用於平整約22平方公里土地之防波堤經已竣工；黃海大橋第一期已於二零零五年九月動工興建，該大橋將洋口港區之工業及物流園連接到一座人工島及沿岸設施；港口及工業園之總設計規劃亦已展開。此外，本集團組建了一家物業發展附屬公司，專注負責洋口港區內及鄰近地區之地產發展項目。

本集團與中國石油天然氣股份有限公司(「中石油」)於二零零六年五月簽訂一項工程前期工作合作協訂，在洋口港共同展開若干有關發展液化天然氣接收站之工程前期工作，包括洋口港總設計規劃，確保液化天然氣接收站運作安協，以及多方面的技術層面工作包括發展液化天然氣接收站工程之詳細設計、工程及建築方法等等。與中石油之合作協訂當洋口港發展的一個里程碑。

由於發展洋口港項目進展理想，保寧於二零零六年二月透過當其時持有90.1%權益之附屬公司，行使股權權以6,750,000美元之代價向中國合夥公司收購洋口港項目額外的15%權益，使其在中國洋口港之附屬公司之實際權益由54.06%增至67.6%。此舉不僅可讓保寧有機會取得更多該項目所帶來的利益，更可簡化與當地中國合夥公司之資本架構。

於年結日後，有意於洋口港之可觀發展潛力，本集團透過收購由特定目的投資機構之策略投資者所持有之9.9%少數權益增加其權益至75%。收購之代價按每股股份2.45港元發行68,500,000股新保寧股份之方式支付。

南通港

二零零五年八月，本集團訂立正式協議，參與南通港口集團有限公司(「南通港口集團」)之資產重組計劃。南通港口集團是一家在中國成立之國有企業，主要從事在中國江蘇南通港提供貨物裝卸、堆存、貨運代理、理貨業務、港口船舶服務、船舶航修、港口機械修造、船舶供應服務及引航等業務。根據有關重組計劃，本集團將以現金約435,000,000人民幣出資於南通港口集團，以換取其註冊資本中之45%權益，該等投資構成保寧之須予披露交易。本集團參與上述重組計劃之詳情已於二零零五年八月二十二日透過通函方式向股東披露。

本集團已於二零零五年十二月底向南通港口集團作出首次注資約150,000,000港元，且訂定整個注資計劃可於二零零六年七月前完成。

本集團認為收購南通港口集團可為本集團在國內大宗乾散貨業務中扮演重要角色，並可強化本集團在長江建設全面性貨物中轉網絡的根基。南通港與洋口港位置貼近，亦可讓本集團在長江下游組建一個有效的物流網絡。

建築及工程業務 — 保華建業

透過保華建業集團有限公司(「保華建業」)及其附屬公司(「保華建業集團」)，本集團經營香港及其他承包業務，包括管理承包、項目管理及設施管理。年內，經營盈利約

流動資金、資本來源、資本結構及資本負債比率

本集團繼續就其發證業務管理採納審慎之資金及財務政策，設有多項信貸作為其所需之營運資金。本集團之貸款按市場息率計息，還款期為一至五年。

於二零零六年三月三十一日，本集團借款共達約688,000,000港元(二零零五年：831,000,000港元)，其中523,000,000港元(二零零五年：290,000,000港元)須於一年內償還，另165,000,000港元(二零零五年：541,000,000港元)須於一年後償還。於二零零六年三月三十一日之現金結餘約為785,000,000港元(二零零五年：1,255,000,000港元)，當中約119,000,000港元(二零零五年：無)已抵押予銀行以取得本集團所給予之一般信貸融資。

於二零零六年三月三十一日，本集團借款中有404,000,000港元(二零零五年：765,000,000港元)按浮動息率計息並以港元為單位，本集團借款中有142,000,000港元(二零零五年：無)按浮動利率計息並以人民幣為單位，另有142,000,000港元(二零零五年：66,000,000港元)按固定利率計息並以人民幣為單位。本集團之資本負債比率為0.27(二零零五年：0.26)，該項比率乃根據本集團688,000,000港元(二零零五年：831,000,000港元)之總借款及2,571,000,000港元(二零零五年：3,179,000,000港元)之股東資金計算。

或然負債

於二零零六年三月三十一日，本集團就其附屬公司仍然有效之建築合約履約擔保書及就聯營公司給予銀行之銀行信貸擔保，分別有約361,000,000港元(二零零五年：310,000,000港元)及約9,000,000港元(二零零五年：無)之或然負債。

本集團就已出售予聯營公司之若干前附屬公司所持物業提供租金擔保(「租金擔保」)。根據租金擔保，本集團擔保自二零零六年一月二十日起三年各年(「擔保期」)之淨租金將不少於48,000,000港元。本集團有權收取擔保期內收取淨年租金超逾48,000,000港元款額之30%。董事認為，於二零零六年三月三十一日，租金擔保安排中之公平值並不足道。

資產抵押

於二零零六年三月三十一日，本集團總值約319,000,000港元(二零零五年：753,000,000港元)之若干物業及持作買賣投資，與本公司若干附屬公司之已發行股本連同於若干建築合約之利益已抵押予銀行及財務機構，以取得對本集團所給予之一般信貸融資。

承擔

於二零零六年三月三十一日，本集團就收購若干物業、機械及設備以及發展中物業有約92,000,000港元(二零零五年：91,000,000港元)之已簽訂但並未於綜合財務報表撥備之開支。

購買、出售或贖回上市證券

年內，保寧於聯交所以14,477,780港元之總價格(即就購回每股股份支付之平均價格為1.38港元)購買合共10,520,000股保寧普通股，全部該等股份均已於購回後註銷。

遵守企業管治常規守則

保寧已於截至二零零六年三月三十一日止年度內一直遵守聯交所證券上市規則附錄十四所載之企業管治常規守則(「守則」)之守則條文及(如適用)建議最佳守則，惟對守則第A.4.2條守則條文有以下偏離：

根據守則第A.4.2條守則條文，每名董事(包括按特定任期委任之董事)應每三年最少輪值退任一次。

於二零零五年九月八日舉行之保寧股東週年大會上通行之董事輪值退任乃按照保寧之過往公司細則而進行，保寧之過往公司細則規定(其中包括)當時三分一(或如董事人數並非三(3)之倍數，則以最接近但不超逾三分一之數為準)之在任董事須輪值退任，惟不論本公司之過往公司細則所規定，本公司之董事局主席及／或董事總經理在任時毋須輪值退任或計入釐定每年須退任之董事人數內。此規定偏離第A.4.2條守則條文之規定。

為了完全遵守第A.4.2條守則條文，保寧已建議對公司細則作出有關修訂，並已獲股東於同一屆保寧股東週年大會上批准，據此日後每名保寧董事均須輪值退任。

審閱賬目

本集團截至二零零六年三月三十一日止年度之業績已經審核委員會審閱。此初步業績公佈內有關本集團截至二零零六年三月三十一日止年度之綜合資產負債表、綜合收益表以及相關附註之數字乃經本集團的核數師德勤·關黃陳方會計師行同意，等同本集團的年度經審核綜合財務報表所載。根據香港會計師公會頒佈的《香港核數準則》、《香港審閱應聘服務準則》或《香港保證應聘服務準則》，德勤·關黃陳方會計師行就此執行的工作並不構成保證應聘服務，因此，德勤·關黃陳方會計師行並不會就此初步業績公佈發表任何保證。

刊登末期業績及年報

本業績公佈已於保寧網站www.pyicorp.com及聯交所網頁刊登，年報將於可行情況下盡快寄發予股東及於上述網站內刊登。

股東週年大會

保寧之二零零六年股東週年大會已定於二零零六年九月八日舉行。載有股東週年大會通告及有關(其中包括)重選退任董事、發行新股及購回股份之一般授權及更新購股權計劃之10%計劃上限的資料之通函，將於可行情況下盡快寄發予保寧股東。

致謝

本人謹此感謝過去一年來股東之鼎力支持、管理層及全體員工之竭誠服務，以及本集團之客戶、顧問及業務夥伴之貢獻貢獻。

一般資料

於本公佈發表日期，董事局成員包括：

周明權博士 *OBE, JP* ： 主席(獨立非執行董事)
劉高原先生 ： 副主席兼董事總經理
陳國強博士 ： 非執行董事
郭少強先生 ： 獨立非執行董事
陳樹堅先生 ： 獨立非執行董事

代表董事局
主席
周明權博士 *OBE, JP*

香港，二零零六年七月七日

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 498)

Chow Ming Kuen, Joseph *OBE, JP*
(Chairman and Independent Non-Executive Director)
Lau Ko Yuen, Tom
(Deputy Chairman and Managing Director)
Chan Kwok Keung, Charles
(Non-Executive Director)
Kwok Shiu Keung, Ernest
(Independent Non-Executive Director)
Chan Shu Kin
(Independent Non-Executive Director)
Leung Po Wing, Bowen Joseph *GBS, JP*
(Independent Non-Executive Director)

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

Principal place of business in Hong Kong:
31st Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

18 September 2006

To the Shareholders

Dear Sir or Madam,

SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR THE YEAR ENDED 31 MARCH 2006

On 7 July 2006, it was announced that the board of directors of PYI Corporation Limited ("Company") recommended the payment of a final dividend of HK1.5 cents per share of HK$0.10 each in the capital of the Company ("Share") for the year ended 31 March 2006, such final dividend to be paid in cash with an option to elect for new Shares ("Scrip Shares") in lieu of cash, payable to shareholders of the Company ("Shareholders") whose names appeared on the register of members of the Company as at the close of business on 15 September 2006 ("Scrip Dividend Scheme"). The final dividend was approved at the annual general meeting of the Company held on 8 September 2006. The register of members of the Company was closed from 13 September 2006 to 15 September 2006, both dates inclusive, during which period no transfers of Shares were permitted to be effected. In order to qualify for the final dividend, all transfers of Shares together with the relevant share certificates must have been lodged with the Company's share registrars in Hong Kong, Secretaries Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong on 12 September 2006.

Particulars of the Scrip Dividend Scheme

Under the Scrip Dividend Scheme, each Shareholder has the choice of receiving:

(a) HK1.5 cents in cash for each existing Share held on 15 September 2006; or

(b) an allotment of Scrip Shares at 2.3908 per Scrip Share (as determined by the market value stated below) credited as fully paid in lieu of payment of the final dividend to which such Shareholder is entitled; or

(c) a combination partly of (a) and partly of (b) above.

As stated in the announcement of 7 July 2006, for the purpose of calculating the number of Scrip Shares to be allotted, the market value of Scrip Shares will be fixed by reference to the average of the closing prices of the Shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the three consecutive trading days ended 15 September 2006 less a discount of five per cent. of such average price or the par value of Shares, whichever is the higher. Since the average closing price of the Shares on the Stock Exchange for the three consecutive trading days ended 15 September 2006 was approximately HK$2.5167 ("Average Closing Price"), the entitlements of Shareholders who elect to receive Scrip Shares under the Scrip Dividend Scheme shall be determined based on the price of HK$2.3908 (which is higher than the par value of Shares), being the Average

Closing Price less a discount of five per cent. Accordingly, the number of Scrip Shares which each Shareholder will receive under the Scrip Dividend Scheme will be calculated by the following formula:

$$\text{Number of Scrip Shares to be received under the Scrip Dividend Scheme} = \text{Number of existing Shares held on 15 September 2006 for which the dividend is to be satisfied in Shares under the Scrip Dividend Scheme} \times \frac{0.015}{2.3908}$$

If all Shareholders elect to receive their entitlement in Scrip Shares, based on 1,462,609,910 Shares in issue as at 15 September 2006, not more than 9,176,488 Scrip Shares will be issued under the Scrip Dividend Scheme.

The number of Scrip Shares to be issued to each Shareholder will be rounded down to the nearest whole number. Fractional entitlements to Scrip Shares will not be allotted and the benefit thereof will accrue to the Company.

The Scrip Shares will rank pari passu in all respects with the Shares existing as at the date of issue save that they will not be entitled to the final dividend for the year ended 31 March 2006. The Scrip Shares will rank in full for all future dividends and distribution which may be declared, made or paid after the date of issue thereof.

Form of Election

A form of election is enclosed. **Any Shareholder who wishes to receive only cash in respect of his final dividend entitlement need not complete the form of election. Any Shareholder who wishes to receive Scrip Shares in lieu of cash in respect of his final dividend entitlement, whether in whole or in part, must complete the form of election and return it to Secretaries Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 3 October 2006. No acknowledgement of receipt of the said form will be issued.**

If you complete the form of election but do not specify the number of Shares in respect of which you elect to receive Scrip Shares, or if you elect to receive Scrip Shares in respect of a greater number of Shares than your registered holding on 15 September 2006, then in either case you will be deemed to have chosen to receive Scrip Shares in respect of all the Shares of which you were then registered as the holder(s).

Overseas Shareholders

Based on the register of members of the Company as at 15 September 2006 (being the record date for the purpose of determining the Shareholders entitled to the said final dividend), all of the Shareholders have registered addresses in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") save that there were one Shareholder in Macau, one Shareholder in Malaysia and one Shareholder in Taiwan.

The directors of the Company have made enquiries with legal advisers in the relevant jurisdictions, and have been advised that there are no restrictions or requirements on the issue of scrip dividend to such overseas Shareholders. Accordingly, these overseas Shareholders will be permitted to participate in the Scrip Dividend Scheme.

The participation in the Scrip Dividend Scheme by the Shareholders in any jurisdiction outside Hong Kong may be affected by laws of the relevant jurisdictions, so Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should inform themselves about, and observe, all applicable legal and regulatory requirements of their relevant jurisdictions. It is the responsibility of any Shareholder not resident in Hong Kong who wishes to participate in the Scrip Dividend Scheme to satisfy himself/herself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any government or other approval or consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in respect of such jurisdiction.

Stock Exchange Listing and Despatch of Share Certificates

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Scrip Shares. Application will be made to the Stock Exchange for listing of and permission to deal in the Scrip Shares. Certificates in respect of Scrip Shares and dividend warrants in respect of cash dividends are expected to be sent to Shareholders by post at their risk on or around 13 October 2006. You may deal in the Scrip Shares to be issued to you upon receipt of the relevant share certificate. In the unlikely event that the Scrip Shares are not admitted to listing before 13 October 2006, the form of election will be disregarded and the full cash dividend will be paid in the way as described above.

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

Dealings in Scrip Shares are expected to commence on 16 October 2006.

Advantage of the Scrip Dividend Scheme

The Scrip Dividend Scheme will give Shareholders the opportunity to increase their investments in the Company at a discount to market value as provided above, without incurring brokerage and stamp duty costs. The Scrip Dividend Scheme will also be to the advantage of the Company because, to the extent that Shareholders receive Scrip Shares, in whole or in part, in respect of the final dividend, such cash as would otherwise have been paid to Shareholders will be retained for use by the Company.

Recommendation

Whether or not it is to your advantage to elect to receive Scrip Shares in lieu of cash, in whole or in part, will depend upon your own individual circumstances and the decision in this regard, and all effects resulting therefrom, are the sole responsibility of each Shareholder. **IF YOU ARE IN ANY DOUBT AS TO WHAT TO DO, YOU SHOULD CONSULT A LICENSED SECURITIES DEALER, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS.**

Yours faithfully,
For and on behalf of
PYI Corporation Limited
Chow Ming Kuen, Joseph ***OBE, JP***
Chairman

此乃要件　請即處理

閣下如對本文件任何方面或應採取之行動**有任何疑問**，應諮詢　閣下之持牌證券交易商、銀行經理、律師、專業會計師或其他專業顧問。

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保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

周明權 *OBE, JP* (主席兼獨立非執行董事)
劉高原 (副主席兼董事總經理)
陳國強 (非執行董事)
郭少強 (獨立非執行董事)
陳樹堅 (獨立非執行董事)
梁寶榮 *GBS, JP* (獨立非執行董事)

註冊辦事處：
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

香港之主要營業地點：
香港
九龍
觀塘
鴻圖道51號
保華企業中心31樓

敬啟者：

與截至二零零六年三月三十一日止年度末期股息有關之以股代息計劃

根據二零零六年七月七日所公佈，保華集團有限公司(「本公司」)董事局已建議就本公司股本中每股面值0.10港元之股份(「股份」)，派發截至二零零六年三月三十一日止年度之每股0.015港元末期股息，予二零零六年九月十五日營業時間結束時名列本公司股東名冊之股東(「股東」)，派息將以現金方式支付，並附有收取新股份(「代息股份」)以代替現金之選擇權(「以股代息計劃」)。末期股息已於二零零六年九月八日本公司舉行之股東週年大會上批准。本公司已由二零零六年九月十三日至二零零六年九月十五日(包括首尾兩日)暫停辦理股份過戶登記手續，在上述期間不再登記股份之轉讓。為獲派末期股息，所有股份過戶文件，連同有關股票已按規定於二零零六年九月十二日送交本公司之香港股份過戶登記處秘書商業服務有限公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓。

以股代息計劃詳情

根據以股代息計劃，每名股東可選擇以下其中一種方式收取末期股息：

(a) 於二零零六年九月十五日每持有一股現有之股份獲付0.015港元之現金；或

(b) 按每股代息股份2.3908港元(按下文所述市值計算)獲配發入賬列為繳足之代息股份，以取代股東有權收取之末期股息款項；或

(c) 合併上文部份(a)與部份(b)之方式。

根據二零零六年七月七日發表公佈，決定應予配發之代息股份數目時，每股代息股份之市值乃參照截至二零零六年九月十五日止連續三個交易日每股股份於香港聯合交易所有限公司(「聯交所」)之平均收市價減以此每股平均價百分之五之折讓，或股份面值(兩者以較高者為準)而計算。由於截至二零零六年九月十五日止連續三個交易日每股股份在聯交所之平均收市價約為2.5167港元(「平均收市價」)，股東根據以股

* 僅資識別

代息計劃應得之代息股份按市值2.3908港元(較股份面值高)計算，即平均收市價減以百分之五之折讓。因此，每位股東根據以股代息計劃將可收取之代息股份數目，將按以下公式計算：

$$\text{根據以股代息計劃將收取之代息股份數目} = \text{於二零零六年九月十五日在以股代息計劃中選擇收取股份作為股息之現有股份數目} \times \frac{0.015}{2.3908}$$

假如所有股東選擇收取其應得之代息股份，根據於二零零六年九月十五日之1,462,609,910股已發行股份計算，則按以股代息計劃最多發行9,176,488股代息股份。

每名股東獲發行之代息股份數目將向下計至最接近之整數。零碎之代息股份將不予配發，而有關利益撥歸本公司所有。

代息股份將與於發行日期已有之股份享有同等權益，惟無權享有截至二零零六年三月三十一日止年度之末期股息。代息股份可全數收取於股份發行日期後所宣派或派付或作出之股息及分派。

選擇表格

茲隨附上選擇表格。**任何股東如欲全部以現金收取應得之末期股息，將毋須填寫選擇表格。任何股東如欲全部或部份收取代息股份以代替現金作為末期股息，須將選擇表格填妥，最遲須於二零零六年十月三日下午四時送達秘書商業服務有限公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓。收到上述表格後本公司不會發出收訖通知書。**

閣下如填妥選擇表格但未註明選擇收取代息股份之股數，又或選擇收取代息股份之股數較於二零零六年九月十五日　閣下名下登記持有者為多，則在此任何一種情況下，　閣下將被視作已選擇全部收取代息股份作為　閣下當時名下全部股份應得之末期股息。

海外股東

根據於二零零六年九月十五日(為記錄日期以決定可收取末期股息之股東)本公司之股東名冊所載，本公司股東之登記地址，除一名位於澳門、一名位於馬來西亞及一名位於台灣外，其餘所有股東之登記地址均位於中華人民共和國香港特別行政區(「香港」)。

本公司董事經諮詢各有關司法權區之法律顧問之意見後，獲悉並不存在向該等海外股東發行代息股份之限制或規定，因此，該等海外股東將獲准參與以股代息計劃。

在香港以外司法權區之股東參與以股代息計劃，可能會受到有關司法權區之法例影響。倘股東為香港以外司法權區之公民、居民或國民，應自行了解及遵守有關司法權區之任何適用法例及規例之規定。非香港居民之股東如欲參與以股代息計劃，須自行完全遵守有關司法權區在此方面之所有適用法例及規例，包括獲得任何可能需要之政府或其他批准或同意或辦理其他必需之手續，並支付該司法權區之任何發行或過戶費用或其他應繳稅項。

聯交所上市及寄發股票

以股代息計劃之條件為聯交所上市委員會批准代息股份上市買賣。本公司將向聯交所申請批准代息股份上市買賣。末期股息之代息股份股票及現金股息之股息單預期於二零零六年十月十三日或左右以郵遞方式寄予各股東，如有郵誤，概由股東負責。當　閣下收到將予發行代息股份之有關股票後，可以買賣。倘於二零零六年十月十三日前代息股份並未獲准上市(儘管此情況不大可能出現)，選擇表格將不予理會，而全數之現金股息將按上述方式派付。

並無本公司之股本或債務證券在任何其他證券交易所上市或買賣，現時亦無申請或建議申請在任何其他證券交易所上市或買賣。

預期代息股份將於二零零六年十月十六日開始買賣。

以股代息計劃之優點

以股代息計劃將使股東有機會依據上述規定按低於市值之價格，增加在本公司之投資，且毋須支付經紀佣金及印花稅。以股代息計劃亦對本公司有利，因為倘若股東全部或部份選擇收取代息股份作為末期股息，原應派發予股東之現金將可留待本公司使用。

推薦意見

選擇全部或部份收取代息股份以代替現金是否對　閣下有利，將視乎　閣下本身之情況而定，就此而作出之決定及由此而引致之後果均須由各股東自負責任。　**閣下如對應採取之行動有任何疑問，應立即諮詢　閣下之持牌證券交易商、銀行經理、律師、專業會計師及其他專業顧問。**

此致

本公司列位股東　台照

代表
保華集團有限公司
主席
周明權*OBE, JP*
謹啟

二零零六年九月十八日

THIS SUPPLEMENTAL CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this supplemental circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this supplemental circular.

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

If you have sold or transferred all your shares in **PYI Corporation Limited** (the "Company"), you should at once hand this supplemental circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

SUPPLEMENTAL CIRCULAR
TO
THE CIRCULAR TO SHAREHOLDERS DATED 31 JULY 2006 IN RESPECT OF MATTERS RELATING TO, INTER ALIA, RE-ELECTION OF RETIRING DIRECTORS AT THE 2006 ANNUAL GENERAL MEETING

This supplemental circular should be read together with the circular to shareholders dated 31 July 2006 (the "Circular"). The notice of annual general meeting of the Company to be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 8 September 2006 at 10:30 a.m. is set out on page 13 to 16 of the Circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed new form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the new proxy form shall not preclude you from attending and voting in person at the Company's 2006 annual general meeting or at any adjourned meeting should you so wish.

25 August 2006

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

Chow Ming Kuen, Joseph *OBE, JP*
(Chairman and Independent Non-Executive Director)
Lau Ko Yuen, Tom
(Deputy Chairman and Managing Director)
Chan Kwok Keung, Charles
(Non-Executive Director)
Kwok Shiu Keung, Ernest
(Independent Non-Executive Director)
Chan Shu Kin
(Independent Non-Executive Director)
Leung Po Wing, Bowen Joseph *GBS, JP*
(Independent Non-Executive Director)

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

Principal place of business in Hong Kong:
31st Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

25 August 2006

To the Shareholders

Dear Sir or Madam,

RE-ELECTION OF RETIRING DIRECTORS

INTRODUCTION

This supplemental circular should be read together with the circular of Company dated 31 July 2006 (the "Circular") which carries information on, inter alia, the re-election of retiring Directors at the 2006 AGM.

In this supplemental circular, terms used shall have the same meanings as ascribed thereto in the Circular, unless the context requires otherwise.

On 1 August 2006, the Company announced the appointment of Mr Leung Po Wing, Bowen Joseph as an independent non-executive Director and that Mr Leung will be subject to retirement under bye-law 86(2) of the Bye-laws. The purpose of this supplemental circular is to provide you with further information relating to the re-election of Directors, including Mr Leung Po Wing, Bowen Joseph, at the 2006 AGM.

RE-ELECTION OF RETIRING DIRECTORS

As explained in the Circular, the terms of office of two Directors, Dr Chan Kwok Keung, Charles and Mr Kwok Shiu Keung, Ernest, will expire at the conclusion of the 2006 AGM but both of them are eligible for re-election. The Nomination Committee has nominated and the Board has recommended both Dr Chan and Mr Kwok to stand for re-election at the 2006 AGM. The biographical details of Dr Chan and Mr Kwok were included in the Circular.

Mr Leung Po Wing, Bowen Joseph, being Director appointed by the Board on 1 August 2006, will retire under bye-law 86(2) of the Bye-laws and, being eligible, will offer himself for re-election. The biographical and other details of Mr Leung are set out below for Shareholders' consideration:

Mr Leung Po Wing, Bowen Joseph, aged 56, is an independent non-executive Director and a member of the Company's Audit Committee and Remuneration Committee. Mr Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administration Region in Beijing ("Beijing Office") in November 2005. He joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr Leung had served in various policy bureaux and departments. Senior positions held by Mr Leung included: Deputy Secretary

for District Administration (later retitled as Deputy Secretary for Home Affairs) (April 1987 – September 1990); Deputy Secretary for Planning, Environment and Lands (September 1990 – December 1992); Private Secretary, Government House (December 1992 – March 1995); and Secretary for Planning, Environment and Lands (May 1995 – November 1998). He was appointed the Director of the Beijing Office in November 1998.

Mr Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong on the Mainland, as well as fostering better understanding, establishing closer links and facilitating exchanges in various spheres between Hong Kong and the Mainland.

Mr Leung did not hold any directorships in any listed public companies in the last three years, and he does not hold any positions with PYI or any member of the Group other than acting as an independent non-executive director to two PRC project subsidiaries of PYI.

Mr Leung did not have any interest in the Shares or underlying Shares which are discloseable under Part XV of the SFO, nor did he have any relationship with any Directors or senior management or substantial shareholder or controlling shareholder of PYI. He has not entered into any service contract with PYI and is subject to retirement by rotation at least once every three years. Mr Leung is entitled to an annual director's fee of HK$300,000 for the performance of his duties as an independent non-executive Director and an additional fee of HK$20,000 per annum (and a pro rata portion thereof if the appointment has been less than a period of 12 months) for being a member of each of the Audit Committee and Remuneration Committee of PYI. Such remuneration is determined with reference to the prevailing market conditions and having regard to the nature of the Board's work, workload and the requisite time spent by Mr Leung on the Board's activities.

Save as disclosed above, Mr Leung is not aware of any other matters that need to be brought to the attention of the Shareholders of the Company nor is there any information to be disclosed by the Company pursuant to any of the requirements under the provisions of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Including Mr Leung, there are a total of three retiring Directors standing for re-election as Directors at the 2006 AGM. Shareholders are advised to read this supplemental circular together with the Circular for information of the voting arrangements.

SECOND PROXY FORM

Since the form of proxy (the "First Proxy Form") sent together with the Circular and 2006 Annual Report of the Company does not contain the proposed resolution for the re-election of Mr Leung Po Wing, Bowen Joseph as retiring Director as set out in this supplemental circular, a new form of proxy (the "Second Proxy Form") has been prepared and is enclosed with this supplemental circular.

You are requested to complete the Second Proxy Form in accordance with the instructions printed thereon and return it to the office of the principal place of business of the Company in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the 2006 AGM, i.e. 10:30 a.m. on Wednesday, 6 September 2006 (the "Closing Time").

If you have appointed or intend to appoint proxies to attend the 2006 AGM, you are requested to pay particular attention to the special arrangements set out below.

If you have not yet lodged the First Proxy Form with the Company, you are requested to lodge the Second Proxy Form if you wish to appoint proxies to attend the AGM on your behalf. In this case, the First Proxy Form should **not** be lodged with the Company.

If you have already lodged the First Proxy Form with the Company, you should note that:

(i) If no Second Proxy Form is lodged with the Company, the First Proxy Form will be treated as a valid proxy form lodged by you, if correctly completed. The proxy so appointed by you will be entitled to vote at his discretion or abstain from voting on any resolution properly put to the 2006 AGM other than those referred to in the notice convening the 2006 AGM and the First Proxy Form, including a resolution for the re-election of an additional retiring Director set out in this supplemental circular.

(ii) If the Second Proxy Form is lodged with the Company before the Closing Time, the Second Proxy Form will revoke and supersede the First Proxy Form previously lodged by you. The Second Proxy Form will be treated as a valid proxy form lodged by you, if correctly completed.

(iii) If the Second Proxy Form is lodged with the Company after the Closing Time, the Second Proxy Form will be invalid. However, it will revoke the First Proxy Form previously lodged by you, and any vote that may be cast by the purported proxy (whether appointed under the First Proxy Form or the Second Proxy Form) will not be counted in any poll which may be taken on a proposed resolution. Accordingly, you are advised not to lodge the Second Proxy Form after the Closing Time. If you wish to vote at the 2006 AGM, you will have to attend in person and vote at the 2006 AGM yourselves.

You are reminded that completion and delivery of the First Proxy Form and/or the Second Proxy Form will not preclude you from attending and voting in person at the 2006 AGM or at any adjourned meeting should you so wish.

RESPONSIBILITY STATEMENT

This supplemental circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this supplemental circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATION

The Directors consider that the re-election of Mr Leung Po Wing, Bowen Joseph as an independent non-executive Director is beneficial to and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that you vote in favour of the resolution to be proposed at the 2006 AGM in relation to the re-election of Mr Leung.

Yours faithfully,
By Order of the Board
PYI Corporation Limited
Wong Lai Kin, Elsa
Company Secretary

(iii) 若　閣下在截止時間之後才向本公司交回第二張代表委任表格，則第二張代表委任表格將告無效，但也同時撤銷　閣下之前交回的第一張代表委任表格，而　閣下原來計劃委任的代表(不論是第一張代表委任表格或第二張代表委任表格所委任者)於任何投票表決之建議決議案所行使的表決權將不予計算。因此，　閣下不宜在截止時間後交回第二張代表委任表格。　閣下若擬在二零零六年股東週年大會上表決，屆時將需要親身出席及表決。

閣下敬請注意，填妥及交回第一張代表委任表格及／或第二張代表委任表格後，　閣下仍可親身出席二零零六年股東週年大會或其任何續會，並於會上投票。

責任聲明

本補充通函之資料乃遵照上市規則而刊載，旨在提供有關本公司之資料。各董事願就本補充通函所載資料之準確性共同及個別地承擔全部責任，並於作出一切合理查詢後，確認就彼等所知及所信，本補充通函並無遺漏任何事實，足以令致本補充通函所載任何陳述產生誤導。

推薦意見

董事認為重選梁寶榮先生為獨立非執行董事符合本公司及其股東整體之最佳利益，故建議閣下投票贊成將於二零零六年股東週年大會上提呈之有關重選梁先生的決議案。

此致

列位股東　台照

承董事局命
保華集團有限公司
公司秘書
黃麗堅
謹啟

二零零六年年八月二十五日

層職位包括：副政務司(後改稱民政事務局副秘書長)(一九八七年四月至一九九零年九月)、副規劃環境地政司(一九九零年九月至一九九二年十二月)、總督府私人秘書(一九九二年十二月至一九九五年三月)和規劃環境地政司(一九九五年五月至一九九八年十一月)。梁先生於一九九八年十一月獲委任為駐京辦主任。

梁先生在企業領導及公共事務擁有豐富經驗，於擔任駐京辦主任期間，他致力在內地推廣香港，促進香港與內地的溝通，並建立兩地更緊密的聯繫和推動兩地在各領域上的交流，成績斐然。

梁先生於過去三年內並無擔任任何上市公司之董事，除擔任保華於中國的兩家項目附屬公司之獨立非執行董事外，他亦概無擔任保華或任何本集團成員公司之任何其他職位。

梁先生並無持有按照證券及期貨條例第XV部須予披露之任何股份或相關股份之權益，另與保華之任何董事、高級管理層或主要股東或控股股東並無任何關係。他與保華並無訂立任何服務合約，惟須每三年最少輪席退任一次。梁先生可就履行獨立非執行董事之職責獲取每年300,000港元之董事袍金，另就身為保華審核委員會及薪酬委員會成員而各增收每年20,000港元袍金(若任期少於12個月，則按比例計算)。上述酬金乃參考現時之市場情況，並考慮到董事局之工作性質、工作量及梁先生參與董事局事務所須時間後釐定。

除上述披露者外，梁先生並不知悉任何須知會股東之其他事項，或根據上市規則第13.51(2)(h)至13.51(2)(v)條之條文中任何規定本公司須予披露之任何資料。

包括梁先生在內，二零零六年股東週年大會上共有三名退任董事膺選連任。股東宜將本補充通函與通函一併閱讀，以便了解投票安排。

第二張代表委任表格

由於連同通函及本公司二零零六年年報一併發送的代表委任表格(「第一張代表委任表格」)並無包括載於本補充通函內有關重選退任董事梁寶榮先生之動議，因此已印備新的代表委任表格(「第二張代表委任表格」)並隨附於本補充通函。

務請　閣下儘快按表格所印備之指示填妥第二張代表委任表格，且無論如何須儘快於大會指定舉行時間48小時前，即二零零六年九月六日星期三上午十時三十分(「截止時間」)，將表格交回本公司在香港之主要營業地點，地址為香港九龍觀塘鴻圖道51號保華企業中心31樓。

倘　閣下已委派或擬委派代表出席二零零六年股東週年大會，須特別留意下述之特別安排。

閣下如擬委派代表代其出席二零零六年股東週年大會，又尚未將第一張代表委任表格交回本公司，　閣下只須交回第二張代表委任表格，而**毋須**將第一張代表委任表格交回本公司。

如　閣下已向本公司交回第一張代表委任表格，則務須留意：

(i) 若　閣下沒有向本公司交回第二張代表委任表格，已交回之第一張代表委任表格(若填寫正確無誤)即視作　閣下交回的有效代表委任表格。　閣下所委派的代表將有權對二零零六年股東週年大會上任何恰當提呈的決議案，包括重選本補充通函所載的新增退任董事之決議案(二零零六年股東週年大會通告及第一張代表委任表格上提及的決議案除外)自行酌情表決或放棄表決。

(ii) 若　閣下在截止時間前向本公司交回第二張代表委任表格，則將撤銷及取替　閣下之前交回的第一張代表委任表格，而第二張代表委任表格(若填寫正確無誤)即視作　閣下交回的有效代表委任表格。

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

周明權 *OBE, JP*
(主席兼獨立非執行董事)
劉高原
(副主席兼董事總經理)
陳國強
(非執行董事)
郭少強
(獨立非執行董事)
陳樹堅
(獨立非執行董事)
梁寶榮 *GBS, JP*
(獨立非執行董事)

註冊辦事處：
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

香港之主要營業地點：
香港
九龍
觀塘
鴻圖道51號
保華企業中心31樓

敬啟者：

重選退任董事

緒言

本補充通函應與本公司於二零零六年七月三十一日(其中)載有在二零零六年股東週年大會上重選退任董事事宜所刊發之通函(「通函」)一併閱讀。

在本補充通函內，除非文義別有所指，否則在此所用之詞彙與通函所用者具有相同涵義。

於二零零六年八月一日，本公司公布委任梁寶榮先生為獨立非執行董事，而梁先生將須按公司細則第86(2)條退任。本補充通函旨在向　閣下提供有關於二零零六年股東週年大會重選退任董事(包括梁寶榮先生)事宜的進一步資料。

重選退任董事

誠如通函所闡釋，陳國強博士及郭少強先生兩位董事的任期將於二零零六年股東週年大會完結時屆滿，但二人有資格膺選連任。提名委員會已提名及董事局已舉薦陳博士及郭先生二人在二零零六年股東週年大會上膺選連任。陳博士及郭先生之簡歷詳情已載於通函內。

梁寶榮先生乃由董事局於二零零六年八月一日所委任之董事，將須按公司細則第86(2)條退任，並將符合資格膺選連任。梁先生之簡歷及其他詳情載列如下供股東參酌：

梁寶榮先生，56歲，為獨立非執行董事，亦為本公司審核委員會及薪酬委員會成員。梁先生於二零零五年十一月退休前，為香港特別行政區政府駐北京辦事處(「駐京辦」)主任，服務香港政府逾三十二年。他於一九七三年六月加入香港政府政務職系，並於一九九六年六月晉升為首長級甲一級政務官。在政務職系服務期間，梁先生曾任職多個決策局和部門，其所出任的高

* 僅資識別

此補充通函為重要文件　請即處理

香港聯合交易所有限公司對本補充通函之內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不就因本補充通函全部或任何部份內容而產生或因倚賴該等內容而引致之任何損失承擔任何責任。

閣下如對本補充通函任何方面或應採取之行動**有任何疑問**，應諮詢　閣下之持牌證券交易商、銀行經理、律師、專業會計師或其他專業顧問。

閣下如已出售或轉讓名下所有**保華集團有限公司**(「本公司」)之股份，應立即將本補充通函連同隨附之代表委任表格送交買主或承讓人或經手買賣或轉讓之銀行經理、持牌證券交易商或其他代理商，以便轉交買主或承讓人。

保華集團有限公司*

PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

就一份於二零零六年七月三十一日刊發之股東通函
(其中)有關於二零零六年股東週年大會
重選退任董事事宜之
補充通函

本補充通函應與二零零六年七月三十一日所刊發之股東通函(「通函」)一併閱讀。本公司謹訂於二零零六年九月八日星期五上午十時三十分假座香港金鐘道88號太古廣場香港JW萬豪酒店3樓宴會廳舉行股東週年大會，大會通告載於通函第十三至十六頁。

無論　閣下能否出席大會，務請按照隨附之新代表委任表格所印備之指示將委任表格填妥，且無論如何須儘快於大會指定舉行時間48小時前將表格交回本公司在香港之主要營業地點，地址為香港九龍觀塘鴻圖道51號保華企業中心31樓。在填妥及交回新代表委任表格後，　閣下仍可親身出席本公司二零零六年股東週年大會或其任何續會，並於會上投票。

*　僅資識別

二零零六年八月二十五日

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

If you have sold or transferred all your shares in PYI Corporation Limited (the "Company") you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

PROPOSED GRANT OF SHARE OPTIONS

TO DEPUTY CHAIRMAN AND MANAGING DIRECTOR

A letter from the Company's board of directors is set out on pages 3 to 7 of this circular. A letter from the independent board committee of the Company containing its recommendation to independent shareholders in connection with the MD Option (as defined herein) is set out on page 8 of this circular.

A notice convening a special general meeting of PYI Corporation Limited to be held at 10:45 a.m. on Friday, 8 September 2006 at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 9 and 10 of this circular. Whether or not you are able to attend the special general meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the special general meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting, or any adjournment thereof, should you so wish.

22 August 2006

CONTENTS

Page

DEFINITIONS 1

LETTER FROM THE BOARD

Introduction 3

Proposed Grant of Share Options to Deputy Chairman and Managing Director 4

Material Interest in a Transaction 6

Recommendation 6

Procedure for Demanding a Poll 6

SGM 6

Responsibility Statement 7

LETTER FROM THE INDEPENDENT BOARD COMMITTEE 8

NOTICE OF SPECIAL GENERAL MEETING 9

DEFINITIONS

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

"associate(s)"	the meaning ascribed to it in the Listing Rules;
"Board"	the board of Directors;
"Bye-laws"	the bye-laws of the Company;
"Company"	PYI Corporation Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;
"Directors"	the directors of the Company;
"Eligible Persons"	means any employee (whether full time or part time), executive or officer, director (including any executive, non-executive and independent non-executive director) of a member of the Group or any Invested Entity and any consultant, adviser or agent of any member of the Group Company or any Invested Entity, who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group or any Invested Entity; and "Selected Eligible Person" means an Eligible Person who has been so selected accordingly;
"Group"	the Company and its Subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	independent board committee of the Company constituted by all the independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, Mr. Kwok Shiu Keung, Ernest, Mr. Chan Shu Kin and Mr. Leung Po Wing, Bowen Joseph;
"Independent Shareholders"	Shareholders other than Tom Lau and his associates;
"Invested Entity"	any entity in which a member of the Group holds an equity interest;
"Latest Practicable Date"	18 August 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"MD Option"	the proposed grant of options to subscribe for 13,800,000 Shares to Tom Lau as described herein;
"Plan Loans"	in respect of an Eligible Person who has been invited to apply for and has been issued new Shares under the Share Financing Plan, the sum(s) owed by him/her by way of subscription price for the relevant Shares;
"SGM"	the special general meeting of the Company to be held at 10:45 a.m. on Friday, 8 September 2006 at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong;
"SGM Notice"	the notice convening the SGM set out on pages 9 and 10 of this circular;

"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Share Award Scheme"	the share award scheme adopted by the Board on 23 February 2006 whereby awards of Shares may be made to Eligible Persons, particulars of which were set out in the circular of the Company dated 27 January 2006;
"Share Financing Plan"	the share financing plan adopted by the Board on 14 February 2006 whereby Selected Eligible Persons may be invited to apply for new Shares and offered the opportunity to finance their subscription by way of Plan Loans, particulars of which were set out in the circular of the Company dated 27 January 2006;
"Share Option Scheme"	the share option scheme of the Company adopted on 27 August 2002;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiaries"	subsidiaries of the Company from time to time within the meaning of the Listing Rules;
"Tom Lau"	Mr. Lau Ko Yuen, Tom, a Director; and
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong.

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

Chow Ming Kuen, Joseph *OBE, JP*
(Chairman and Independent Non-Executive Director)
Lau Ko Yuen, Tom
(Deputy Chairman and Managing Director)
Chan Kwok Keung, Charles
(Non-Executive Director)
Kwok Shiu Keung, Ernest
(Independent Non-Executive Director)
Chan Shu Kin
(Independent Non-Executive Director)
Leung Po Wing, Bowen Joseph *GBS, JP*
(Independent Non-Executive Director)

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

Principal place of business in Hong Kong:
31st Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

22 August 2006

To the Shareholders

Dear Sir or Madam,

PROPOSED GRANT OF SHARE OPTIONS

TO DEPUTY CHAIRMAN AND MANAGING DIRECTOR

INTRODUCTION

Since 2003, the Company has been repositioning its core business in the infrastructure investment in and operation of bulk cargo port and logistics facilities in the Yangtze River region in China. With its investments in the ports in Yangkou, Nantong and Wuhan, the Group is spearheading the development of a comprehensive and integrated trans-shipment network along the Yangtze River. The Group will continue to expand through its current operations and potential acquisitions in the future.

In alignment with and support of the Group's growth and plans to continue to expand, the Directors consider it important to continue to build up the Group's human capital through attracting, retaining and motivating people in a highly competitive market in the PRC and Hong Kong. The Company now has in place three reward vehicles, namely the Share Option Scheme, the Share Award Scheme and the Share Financing Plan, by which it could motivate its management team. With these reward vehicles available, the Board considers it important to appropriately and effectively deploy them to support the Group's business strategy. The Company has therefore engaged an independent human resources consultant to develop a reward strategy that defines the Group's reward philosophy, and to recommend reward mix and other equity-based reward features for implementation.

Based on the reward strategy proposed by the independent human resources consultant, the Board considers that the introduction of equity-based rewards under the Company's current schemes will be closely in line with the market's increasing push for linking executive reward to sustainable value creation and emphasis on "at-risk" reward that includes both short-term and long-term incentives. The reward mix for the Group's senior executives should therefore comprise a relatively higher equity-based element so as to strengthen their alignment with shareholder interests and commitment to the Group. To implement and give effect to such reward strategy, the Directors propose to grant the MD Option.

The purpose of this circular is to provide you with details of the proposed grant of the MD Option.

PROPOSED GRANT OF SHARE OPTIONS TO DEPUTY CHAIRMAN AND MANAGING DIRECTOR

Having considered the commitment, responsibilities and contribution of Tom Lau, the Deputy Chairman and Managing Director of the Company, the Board proposes that in addition to options already held by him, he be granted the MD Option for the subscription of 13,800,000 Shares at HK$2.48 per Share under the Share Option Scheme.

The proposed number of Shares for subscription under the MD Option is calculated based on the reward mix recommended by the independent human resources consultant under the reward strategy, and with reference to Tom Lau's annual salary level and the Company's total shareholder return for the year ended 31 March 2006 as benchmarked against the MSCI Hong Kong Small Cap Index (in which the Company has been included as a constituent stock since June 2006).

On 28 December 2004, options carrying the rights to subscribe for up to a total of 13,000,000 Shares were granted to Tom Lau under the Share Option Scheme. These options are exercisable for a period of 10 years from date of grant at exercise prices of HK$1.24 per Share (as to 6,500,000 options) and HK$1.50 per Share (as to 6,500,000 options). As at the Latest Practicable Date, none of these options has been exercised.

In addition, pursuant to the Share Award Scheme, on 2 March 2006 Tom Lau was granted and currently holds 120,000 Shares.

On the basis of 1,464,609,910 Shares in issue as at the Latest Practicable Date, the further grant of share options to Tom Lau would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to Tom Lau (including exercised, cancelled and outstanding options) in the 12-month period up to and including 8 August 2006, being the date of the board meeting approving the grant of the MD Option ("Date of Grant"), in aggregate over 1% of the total number of Shares in issue. Accordingly, the MD Option must be separately approved by the Independent Shareholders at the SGM.

As at the Latest Practicable Date, Tom Lau and his associates together control or are entitled to exercise control over 120,000 Shares, representing only about 0.008% of the voting rights in the Company. Tom Lau and his associates will abstain from voting on the grant of the MD Option under rule 17.04(1) and note 1 to rule 17.03(4) of the Listing Rules.

The exercise price of the MD Option at HK$2.48 per Share, pursuant to note 1 of rule 17.03(9) of the Listing Rules, is at least the higher of:

(1) HK$2.48 per Share, being the closing price of the Shares on 8 August 2006, the Date of Grant; and

(2) HK$2.45 per Share, being the average closing price of the Shares for the five trading days immediately preceding the Date of Grant.

Upon the passing of the resolution for the grant of the MD Option to be proposed at the SGM, the total number of Shares to be issued upon the exercise of the MD Option, and percentage of total issued share capital of the Company, calculated based on the number of Shares in issue as at the Latest Practicable Date, is as follows:

Name of the grantee	No. of Shares to be issued upon exercise of the MD Option	Percentage of total no. of shares in issue
Tom Lau	13,800,000	0.94%

The shareholding structure of the Company before and after full exercise of the MD Option and existing share options held by Tom Lau is summarised as follows (calculated based on the number of Shares in issue as at the Latest Practicable Date):

Shareholders	No. of Shares before proposed grant of the MD Option	Percentage of total no. of Shares before proposed grant of the MD Option	No. of Shares after the exercise of the existing options and the MD Option	Percentage of total no. of Shares after the exercise of the existing options and the MD Option
Tom Lau	120,000	0.008%	26,920,000	1.81%
Connected persons	413,000,664	28.199%	413,000,664	27.69%
Public	1,051,489,246	71.793%	1,051,489,246	70.50%
Total	1,464,609,910	100%	1,491,409,910	100%

The terms of the MD Option shall follow the terms of the Share Option Scheme. The offer of the grant of MD Option may be accepted by Tom Lau within 30 days from the date of offer and no consideration is payable by him to the Company on acceptance of the offer. There is no performance target that must be achieved before the MD Option can be exercised, but to instil a long term retention element for the services of Tom Lau, the options are only exercisable in three tranches over the option period of 3 years from the Date of Grant as follows:

	Year 1 (12 months from date of approval by Shareholders and grant)	Year 2 (12 months following the 1st anniversary of approval by Shareholders and grant)	Year 3 (12 months following the 2nd anniversary of approval by Shareholders and grant)
Number of Shares in respect of options exercisable	4,600,000	4,600,000	4,600,000

The Shares to be allotted and issued upon the exercise of the MD Option will be subject to all the provisions of the Bye-laws for the time being in force and will rank pari passu with the fully paid Shares in issue on the date the name of Tom Lau is registered on the register of members of the Company. Prior to Tom Lau being registered on the register of members of the Company, he shall not have any voting rights, or rights to participate in any dividends or distributions of any rights arising on a liquidation of the Company, in respect of the Shares to be issued upon the exercise of the MD Option.

The Directors consider that the grant of the MD Option is in the interests of the Group and the Shareholders as a whole as it enables the Company to reward and motivate Tom Lau, its Deputy Chairman and Managing Director who has contributed significantly to the growth of the Group, without imposing any financial burden on the Group. The grant of the MD Option to Tom Lau is in line with the purpose of the Share Option Scheme. For these reasons, the Directors will propose the passing of an ordinary resolution at the SGM for the grant of the MD Option. Pursuant to rule 13.39(4), the vote to approve the grant of the MD Option will be taken on a poll.

A letter from the Independent Board Committee to the Independent Shareholders as to voting under rule 17.04(3)(b) can be found in page 8 of this circular.

MATERIAL INTEREST IN A TRANSACTION

As at the Latest Practicable Date, there is, to the extent that the Directors are aware having made all reasonable enquiries (i) no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon Tom Lau as at the date of this circular; or (ii) any obligation or entitlement of Tom Lau as at the date of this circular whereby he has or may have temporarily or permanently passed control over the exercise of voting right in respect of the Shares owned by him beneficially to a third party.

Assuming Tom Lau does not acquire further Shares between the Latest Practicable Date and the date of the SGM, there is no discrepancy between each of his beneficial shareholding interest in the Company as disclosed above and the number of Shares in respect of which he will control or will be entitled to exercise control over the voting right at the SGM.

RECOMMENDATION

The Directors consider that the grant of the MD Option is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the grant of the MD Option.

PROCEDURE FOR DEMANDING A POLL

Pursuant to bye-law 66 of the Bye-laws, a resolution put to the vote of a general meeting shall be decided by poll if a poll is demanded:

(i) by the chairman of such meeting; or

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

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

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

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

A demand for poll must be made before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll.

In accordance with the requirements of the Listing Rules, the results of the poll will be published by way of an announcement in the local newspapers on the business day following the meeting.

SGM

A notice convening the SGM to be held at 10:45 a.m. on Friday, 8 September 2006 at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 9 and 10 of this circular for the purpose of considering and, if thought fit, passing the resolution set out therein.

You will find enclosed a form of proxy for use at the SGM. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjournment thereof, should you so wish.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

Yours faithfully,
For and on behalf of the Board
PYI Corporation Limited
Chow Ming Kuen, Joseph *OBE, JP*
Chairman

The following is the text of a letter received from the Independent Non-Executive Directors setting out their advice to the Independent Shareholders for the purpose of inclusion in this circular.

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

22 August 2006

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 22 August 2006 (the "Circular"), of which this letter forms part. Terms defined herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We, being the independent non-executive Directors appointed as members of the Independent Board Committee, hereby advise you as to whether the proposed grant of the MD Option is fair and reasonable insofar as the Independent Shareholders are concerned.

We wish to draw your attention to the letter from the Board, which is set out on pages 3 to 7 of the Circular.

Having considered the terms of the proposed grant of the MD Option, we are of opinion that the proposed grant of the MD Option is fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the proposed grant of the MD Option.

Yours faithfully,
For and on behalf of the
Independent Board Committee
PYI Corporation Limited

Chow Ming Kuen, Joseph *OBE, JP*
Chairman and Independent Non-Executive Director

Kwok Shiu Keung, Ernest
Independent Non-Executive Director

Chan Shu Kin
Independent Non-Executive Director

Leung Po Wing, Bowen Joseph *GBS, JP*
Independent Non-Executive Director

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

NOTICE IS HEREBY GIVEN that a special general meeting of PYI Corporation Limited (the "Company") will be held at 10:45 a.m. on Friday, 8 September 2006 at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the following purpose:

As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the grant of further share options to Mr. Lau Ko Yuen, Tom (details of which are included in the circular to shareholders dated 22 August 2006), entitling him to subscribe for 13,800,000 shares of HK$0.10 each in the share capital of the Company (the "Share(s)") at HK$2.48 per Share under the share option scheme of the Company adopted on 27 August 2002, together with all options granted or to be granted to Mr. Lau Ko Yuen, Tom (including exercised, cancelled and outstanding options) in the 12-month period up to and including 8 August 2006 being in excess of 1% of the Shares in issue as at the date of the passing of this resolution be and is hereby approved, and the directors of the Company be and are hereby authorised to issue and allot Shares to him pursuant to the exercise of such options and to do such things and acts as may be necessary or expedient in the opinion of the directors of the Company in order to give full effect to such grant of options."

By Order of the Board
Wong Lai Kin, Elsa
Company Secretary

Hong Kong, 22 August 2006

Principal place of business in Hong Kong:
31st Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. A form of proxy for the meeting is enclosed.

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

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

4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the principal place of business of the Company in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date.

5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

As at the date of this notice, the board of directors of the Company are as follows:–

Dr. Chow Ming Kuen, Joseph *OBE, JP*	:	*Chairman (Independent Non-Executive Director)*
Mr. Lau Ko Yuen, Tom	:	*Deputy Chairman & Managing Director*
Dr. Chan Kwok Keung, Charles	:	*Non-Executive Director*
Mr. Kwok Shiu Keung, Ernest	:	*Independent Non-Executive Director*
Mr. Chan Shu Kin	:	*Independent Non-Executive Director*
Mr. Leung Po Wing, Bowen Joseph *GBS, JP*	:	*Independent Non-Executive Director*

本通函乃要件　請即處理

香港聯合交易所有限公司對本通函之內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不就因本通函全部或任何部份內容而產生或因倚賴該等內容而引致之任何損失承擔任何責任。

閣下如對本通函任何方面或應採取之行動**有任何疑問**，應諮詢　閣下之持牌證券交易商、銀行經理、律師、專業會計師或其他專業顧問。

閣下如已出售或轉讓名下所有保華集團有限公司(「本公司」)之股份，應立即將本通函連同隨附之代表委任表格送交買主或承讓人或經手買賣或轉讓之銀行、持牌證券交易商或其他代理商，以便轉交買主或承讓人。

保華集團有限公司*

PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

建議向副主席兼董事總經理

授出購股權

本公司董事局函件載於本通函第3至7頁。載有本公司獨立董事局委員會就董事總經理購股權(定義見本通函)之推薦建議而向獨立股東發出之函件載於本通函第8頁。

保華集團有限公司謹訂於二零零六年九月八日星期五上午十時四十五分假座香港金鐘道88號太古廣場香港JW萬豪酒店3樓宴會廳舉行股東特別大會，大會通告載於本通函第9及第10頁。無論　閣下能否親身出席股東特別大會，務請按照隨附之代表委任表格列印之指示將其填妥，且無論如何須儘快於股東特別大會指定舉行時間48小時前將表格交回本公司在香港之主要營業地點，地址為香港九龍觀塘鴻圖道51號保華企業中心31樓。填妥及交回代表委任表格，　閣下仍可依願親身出席股東特別大會或其任何續會，並於會上投票。

*　僅資識別

二零零六年八月二十二日

目　錄

頁次

釋義 1

董事局函件

緒言 3

建議向副主席兼董事總經理授出購股權 4

於交易之重大權益 6

推薦意見 6

要求以投票方式表決之程序 6

股東特別大會 6

責任聲明 7

獨立董事局委員會函件 8

股東特別大會通告 9

釋義

除非文義別有所指，否則本通函內，下列詞語具有下列涵義：

「聯繫人士」	指	具有上市規則賦予之涵義；
「董事局」	指	董事局；
「公司細則」	指	本公司之公司細則；
「本公司」	指	保華集團有限公司，一間於百慕達註冊成立之有限公司，其股份於聯交所上市；
「董事」	指	本公司之董事；
「合資格人士」	指	董事局全權酌情認為對本集團或任何投資機構之業務拓展及發展曾作出貢獻或可能會作出貢獻之本集團成員公司或任何投資機構之任何僱員(不論全職或兼職)、行政人員、主管人員、董事(包括任何執行、非執行及獨立非執行董事)及任何本集團成員公司或任何投資機構之任何諮詢人、顧問或代理；而「入選之合資格人士」指據此已獲挑選之合資格人士；
「本集團」	指	本公司及其附屬公司；
「香港」	指	中華人民共和國香港特別行政區；
「獨立董事局委員會」	指	由全體獨立非執行董事(分別為周明權博士、郭少強先生、陳樹堅先生及梁寶榮先生)組成之本公司獨立董事局委員會；
「獨立股東」	指	劉高原及其聯繫人士以外之股東；
「投資機構」	指	本集團成員公司持有股權權益之任何機構；
「最後實際可行日期」	指	二零零六年八月十八日，即本通函付印前可確定若干資料之最後實際可行日期；
「上市規則」	指	聯交所證券上市規則；
「董事總經理購股權」	指	如本通函所述建議向劉高原授出可認購13,800,000股股份之購股權；
「計劃貸款」	指	合資格人士根據股份融資計劃應邀申領並已獲發行新股份時，須支付相關股份認購價之結欠款項；
「股東特別大會」	指	本公司謹訂於二零零六年九月八日(星期五)上午十時四十五分假座香港金鐘道88號太古廣場香港JW萬豪酒店3樓宴會廳舉行之股東特別大會；
「股東特別大會通告」	指	本通函第9及第10頁所載召開股東特別大會之通告；

「股份」	指	本公司股本中每股面值0.10港元之普通股；
「股東」	指	股份之持有人；
「股份獎勵計劃」	指	董事局於二零零六年二月二十三日採納之股份獎勵計劃，據此，可向合資格人士獎授股份(詳情載列於二零零六年一月二十七日刊發之本公司通函內)；
「股份融資計劃」	指	董事局於二零零六年二月十四日採納之股份融資計劃，據此，入選之合資格人士可應邀申領新股份並有機會以計劃貸款方式撥付認購款項(詳情載列於二零零六年一月二十七日刊發之本公司通函內)；
「購股權計劃」	指	本公司於二零零二年八月二十七日採納之購股權計劃；
「聯交所」	指	香港聯合交易所有限公司；
「附屬公司」	指	符合上市規則不時所定涵義之本公司附屬公司；
「劉高原」	指	董事劉高原先生；及
「港元」	指	港元，香港之法定貨幣。

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

周明權 *OBE, JP* (主席兼獨立非執行董事)
劉高原(副主席兼董事總經理)
陳國強(非執行董事)
郭少強(獨立非執行董事)
陳樹堅(獨立非執行董事)
梁寶榮 *GBS, JP*(獨立非執行董事)

註冊辦事處：
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

香港之主要營業地點：
香港
九龍
觀塘
鴻圖道51號
保華企業中心31樓

敬啟者：

建議向副主席兼董事總經理

授出購股權

緒言

自二零零三年以來，本公司已重新定位其核心業務在中國長江流域，從事大宗散貨及物流設施之基建投資及營運。隨著本集團於洋口、南通及武漢等港口作出之投資，本集團將朝向沿長江流域發展一個全面綜合中轉網絡之目標進發。本公司將會繼續透過其現有業務及日後之潛在收購項目擴展業務規模。

為配合及支持本集團之業務增長及不斷擴充之計劃，董事認為於中國及香港競爭激烈之市場繼續透過吸引、挽留及推動人才以建立本集團之人力資本實屬至為重要。本公司目前設有三項獎勵方式，分別為購股權計劃、股份獎勵計劃及股份融資計劃，藉此推動其管理隊伍，董事局認為適當及有效地調配該等現有獎勵方式以配合本集團之業務策略實屬至為重要。因此，本公司已聘請獨立人力資源顧問制訂一套清晰界定本集團獎勵哲學之獎勵策略，並就落實獎勵組合方式及其他以股份為基礎之獎勵方式提供建議。

根據獨立人力資源顧問建議之獎勵策略，董事局認為，按本公司之現有計劃引入以股份為基礎之獎勵方式，將緊貼市場上日益提倡行政人員之獎勵應與持續創造價值及強調「承擔風險」獎勵(包括短期及長期獎勵)聯繫在一起。因此，為本集團高級行政人員而設之獎勵組合應包括相對較高之以股份為基礎之部份，藉此加強配合股東利益及對本集團之承擔。為使該項獎勵策略落實及生效，董事建議授出董事總經理購股權。

本通函旨在向　閣下提供建議授出董事總經理購股權之詳細資料。

* 僅資識別

建議向副主席兼董事總經理授出購股權

經考慮本公司副主席兼董事總經理劉高原之承擔、職責及貢獻後，董事局建議除其現時持有之購股權外，再根據購股權計劃向其授出可按每股股份2.48港元認購13,800,000股股份之董事總經理購股權。

董事總經理購股權所可供認購之建議股份數目，乃根據獨立人力資源顧問按照獎勵策略推薦之獎勵組合，及參考劉高原之年薪水平及截至二零零六年三月三十一日止年度之本公司股東回報總額(以摩根士丹利香港小型股指數(本公司於二零零六年六月起已納入為其成份股)為指標)計算。

於二零零四年十二月二十八日，本公司根據購股權計劃向劉高原授出附帶可認購最多合計13,000,000股股份權利之購股權。該等購股權由授出日期起計十年期間內，可分別按每股股份1.24港元(就6,500,000份購股權而言)及每股股份1.50港元(就6,500,000份購股權而言)之行使價予以行使。於最後實際可行日期，該等購股權均未獲行使。

此外，根據股份獎勵計劃，劉高原於二零零六年三月二日已獲授及現時持有120,000股股份。

根據於最後實際可行日期之已發行股份1,464,609,910股股份計算，向劉高原進一步授出購股權將導致於截至二零零六年八月八日(即批准授出董事總經理購股權之董事局會議舉行當日(「授出日期」))(包括該日)止之12個月期間內，因授予及將授予劉高原之全部購股權(包括已行使、已註銷及尚未行使之購股權)獲行使而已發行及將予發行之股份，合計超出已發行股份總數之1%。因此，董事總經理購股權須經獨立股東於股東特別大會上另行批准。

於最後實際可行日期，劉高原及其聯繫人士共同控制或有權對120,000股股份行使控制權，該等股份僅佔本公司投票權約0.008%。劉高原及其聯繫人士將根據上市規則第17.04(1)條及第17.03(4)條附註1就授出董事總經理購股權放棄投票。

根據上市規則第17.03(9)條附註1，董事總經理購股權之行使價按每股股份2.48港元至少須為下列兩者中之較高者：

(1) 每股股份2.48港元，即股份於二零零六年八月八日(授出日期)之收市價；及

(2) 每股股份2.45港元，即股份於緊接授出日期前五個交易日之平均收市價。

待通過於股東特別大會上提呈授出董事總經理購股權之決議案後，根據於最後實際可行日期之已發行股份數目計算，於董事總經理購股權獲行使時將發行之股份總數及佔本公司已發行總股本之百分比如下：

承授人姓名	於董事總經理購股權獲行使時將發行之股份數目	佔已發行股本總數之百分比
劉高原	13,800,000	0.94%

於董事總經理購股權及劉高原現時持有之所有購股權獲行使前及全面行使後之本公司股權架構概述如下(根據於最後實際可行日期之已發行股份數目計算):

股東	於建議授出董事總經理購股權前之股份數目	佔於建議授出董事總經理購股權前股份總數之百分比	於現有購股權及董事總經理購股權獲行使後之股份數目	佔於現有購股權及董事總經理購股權獲行使後股份總數之百分比
劉高原	120,000	0.008%	26,920,000	1.81%
關連人士	413,000,664	28.199%	413,000,664	27.69%
公眾人士	1,051,489,246	71.793%	1,051,489,246	70.50%
合計	1,464,609,910	100%	1,491,409,910	100%

董事總經理購股權之條款應與購股權計劃之條款相同。授出董事總經理購股權之建議可供劉高原於授出建議日期起計30日內接納,而其於接納建議時毋須支付代價。董事總經理購股權獲行使前毋須達致任何表現目標,惟加入劉高原長期留任之元素,購股權只可於授出日期起計3年購股權期間內分批行使如下:

	第一年(股東批准及授出日期起計12個月)	第二年(股東批准及授出一週年後之12個月)	第三年(股東批准及授出兩週年後之12個月)
可供行使購股權之股份數目	4,600,000	4,600,000	4,600,000

於董事總經理購股權獲行使時將配發及發行之股份將受當時生效之公司細則之所有條文規限,並與於劉高原名列本公司股東名冊日期之已發行繳足股款股份在所有方面享有同等權益。於劉高原名列本公司股東名冊前,就董事總經理購股權獲行使將發行之股份而言,其並無任何投票權,亦無權享有任何股息或本公司於清盤時產生之任何分派權利。

董事認為,授出董事總經理購股權符合本集團及股東之整體利益,可讓本公司獎勵及推動曾為本集團業務發展作出重大貢獻之副主席兼董事總經理劉高原,而不會增加本集團之任何財務負擔;向劉高原授出董事總經理購股權符合購股權計劃之目的。基於上述原因,董事建議於股東特別大會上通過普通決議案以授出董事總經理購股權。根據第13.39(4)條,批准授出董事總經理購股權之表決將以點票方式進行。

根據第17.04(3)(b)條,獨立董事局委員會就表決事項致獨立股東之函件載於本通函第8頁。

於交易之重大權益

於最後實際可行日期，就董事於作出一切合理查詢後所知(i)劉高原於本通函日期並無訂立投票信託或其他協議或安排或諒解(不包括直接出售)或受其約束；或(ii)劉高原於本通函日期概無任何責任或享有任何權利，據此其已經或可能已經暫時或永久地將其實益擁有之股份之行使投票權之控制權轉讓予第三者。

假設劉高原並無於最後實際可行日期至股東特別大會日期之間進一步收購股份，則於上文述其各自於本公司之實益股權權益與其於股東特別大會上將會控制或將會有權行使控制投票權之股份數目將並無差異。

推薦意見

董事認為，授出董事總經理購股權符合本公司及股東之整體利益。因此，董事建議股東投票贊成將於股東特別大會上提呈之有關決議案以批准授出董事總經理購股權。

要求以投票方式表決之程序

根據公司細則第66條，若下列人士要求以投票方式表決，於股東大會上提呈表決之決議案須以投票方式表決：

(i) 大會主席；或

(ii) 至少三名親自或(倘股東為一家公司)其正式授權之代表或委任代表出席並有權投票之股東；或

(iii) 一名或多名親自或(倘股東為一家公司)其正式授權之代表或委任代表出席而佔不少於全部有權在大會上投票之股東十分之一的總投票權之股東；或

(iv) 一名或多名親自或(倘股東為一家公司)其正式授權之代表或委任代表出席且擁有本公司股份並有權在大會上投票之股東，而其股份之已繳股本總和相等於不少於全部有權在大會上投票之股份十分之一的已繳股本；或

(v) 如聯交所之規則有所規定，則任何一名或以上之董事個別或共同持有委任代表投票權佔該會上總投票權百分之五(5%)或以上之股份可於會上要求以投票方式表決，同時，如以舉手方式表決時，表決結果與該等委任代表表格所指示者相反，但如以持有之總代表權而言，以投票方式表決顯然不會推翻舉手表決之結果，則有關董事毋須要求以投票方式表決。

以投票方式表決之要求須於公布以舉手方式投票之結果時或之前，或撤回任何其他以投票方式表決之要求時提出。

根據上市規則之規定，投票表決結果將以公布形式於大會舉行後之營業日在本地報章刊登。

股東特別大會

本公司謹訂於二零零六年九月八日星期五上午十時四十五分假座香港金鐘道88號太古廣場香港JW萬豪酒店3樓宴會廳舉行股東特別大會，大會通告載於本通函第9及第10頁，以供考慮及酌情通過通告所載之決議案。

本通函隨附股東特別大會上使用之代表委任表格。無論　閣下能否親身出席股東特別大會，務請按照隨附之代表委任表格列印之指示將其填妥，且無論如何須儘快於股東特別大會指定舉行時間48小時前將表格交回本公司在香港之主要營業地點，地址為香港九龍觀塘鴻圖道51號保華企業中心31樓。填妥及交回代表委任表格，　閣下仍可依願親身出席股東特別大會或其任何續會，並於會上投票。

責任聲明

本通函之資料乃遵照上市規則而刊載，旨在提供有關本公司之資料。各董事願就本通函所載資料之準確性共同及個別地承擔全部責任，並於作出一切合理查詢後，確認就彼等所知及所信，本通函並無遺漏其他事實，足以令致本通函所載任何陳述產生誤導。

此致

列位股東　台照

代表
保華集團有限公司
主席
周明權 *OBE, JP*
謹啟

二零零六年八月二十二日

以下為獨立非執行董事發出之函件全文，其中載列獨立非執行董事致獨立股東之意見，以供載入本通函。

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

敬啟者：

吾等謹提述於二零零六年八月二十二日刊發之本公司通函(「通函」)，本函件為通函一部份。除非文義別有所指，否則本函件內界定之詞彙與通函所界定者具有相同涵義。

吾等作為獨立非執行董事獲委任為獨立董事局委員會之成員，謹就董事總經理購股權對獨立股東而言是否公平合理向　閣下提供意見。

吾等謹請　閣下垂注本通函第3至第7頁之董事局函件。

經考慮建議授出董事總經理購股權之條款，吾等認為建議授出董事總經理購股權對獨立股東而言乃公平合理，並符合本公司及股東之整體利益。因此，吾等推薦獨立股東投票贊成將於股東特別大會上提呈之決議案以批准建議授出董事總經理購股權。

此致

列位獨立股東　台照

代表
保華集團有限公司
獨立董事局委員會

周明權 *OBE, JP*
主席兼獨立非執行董事

郭少強
獨立非執行董事

陳樹堅
獨立非執行董事

梁寶榮 *GBS, JP*
獨立非執行董事

謹啟

二零零六年八月二十二日

* 僅資識別

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

茲通告保華集團有限公司(「本公司」)訂於二零零六年九月八日星期五上午十時四十五分，假座香港金鐘道88號太古廣場香港JW萬豪酒店3樓宴會廳舉行股東特別大會，藉以處理下列事項：

考慮及酌情通過(不論有否修訂)下列作為特別事項而將提呈為本公司普通決議案之決議案：

普通決議案

「**動議**批准進一步授出購股權予劉高原先生(有關詳情載於二零零六年八月二十二日寄發予股東之通函內)，以供其根據於二零零二年八月二十七日採納之本公司購股權計劃，按每股股份2.48港元認購本公司股本中每股面值0.10港元13,800,000股股份(「股份」)(連同於截至二零零六年八月八日(包括該日)止十二個月期間已授予或將授予劉高原之所有購股權(包括已行使、註銷及尚未行使之購股權)，即超過本決議案通過當日已發行股份之1%)，並授權本公司董事按照該等購股權獲行使時向其發行及配發股份，以便在本公司董事認為可能屬必須或權宜之情況下進行一切事宜及事項，使授出該等購股權得以全面付諸執行。」

承董事局命
公司秘書
黃麗堅

香港，二零零六年八月二十二日

香港之主要營業地點：
香港
九龍
觀塘
鴻圖道51號
保華企業中心31樓

註冊辦事處：
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

附註：

1. 隨附大會之代表委任表格。

2. 任何有權出席大會並於會上投票之本公司股東有權委任另一名人士作為其代表其出席大會並於會上投票。作為兩股或以上股份持有人之股東可委任超過一名受委代表出席本公司股東大會或類別會議並於會上投票。受委代表毋須為股東。此外，代表個人或公司之一名或多名受委代表將有權行使其或彼等所代表股東可行使之相同權力。

3. 代表委任文件須由委任人或獲委任人以書面正式授權之授權人親筆簽署，如委任人為公司，則須加蓋公司印鑑或由公司負責人或獲正式授權之授權人或其他人士親筆簽署。如代表委任文件聲稱由一名公司負責人代表一家公司簽署，則除非出現相反證明，否則假設該負責人已獲正式授權代表該公司簽署該代表委任文件而毋須另行提供證明。

* 僅資識別

4. 代表委任文件連同已簽署之授權書或其他授權文件(如有)，或由公證人簽署證明之授權書或授權文件副本，最遲須於大會或任何續會(於此文件上提名人士建議投票)指定舉行時間四十八(48)小時前交回本公司在香港之主要營業地點，地址為香港九龍觀塘鴻圖道51號保華企業中心31樓，或如於大會或續會日期後進行投票表決之情況下，則最遲須於指定舉行投票表決之時間二十四(24)小時前交回，否則，於代表委任文件上所示簽署日期起計十二(12)個月屆滿後，代表委任文件將不視作有效，惟倘大會原於該日期起計十二(12)個月內舉行，則續會或於大會或續會上要求進行之投票表決除外。

5. 交回代表委任文件後，股東仍可親身出席所召開大會及於會上投票，而在該情況下，代表委任文件將視作撤銷論。

6. 代表委任文件將視作賦予權力要求或參與要求投票表決以及受委代表可酌情就於大會上提呈之任何決議案修訂作出投票。除非其中另有指明，否則代表委任文件於大會之任何續會具有效力，猶如適用於其相關之大會。

於本通告日期，本公司董事局成員如下：

周明權博士 *OBE, JP* ： 主席(獨立非執行董事)
劉高原先生 ： 副主席兼董事總經理
陳國強博士 ： 非執行董事
郭少強先生 ： 獨立非執行董事
陳樹堅先生 ： 獨立非執行董事
梁寶榮先生 *GBS, JP* ： 獨立非執行董事

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

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

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

NOTICE OF ANNUAL GENERAL MEETING

PROPOSALS FOR RE-ELECTION OF RETIRING DIRECTORS, REMUNERATION OF DIRECTORS, GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES, REFRESHING OF 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYI SHARE OPTION SCHEME AND REFRESHING OF 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYE SHARE OPTION SCHEME

A notice convening the annual general meeting of the Company to be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 8 September 2006 at 10:30 a.m. is set out on pages 13 and 16 of this circular. If you are not able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

31 July 2006

CONTENTS

	Page
Definitions	1
Letter from the Board	
Introduction	3
Re-election of Retiring Directors	3
Remuneration of Directors	5
General Mandates to Issue Shares and to Repurchase Shares	6
Refreshing of the 10% Limit on Grant of Options under the PYI Share Option Scheme	6
Refreshing of the 10% Limit on Grant of Options under the PYE Share Option Scheme	7
Annual General Meeting	7
Procedure for Demanding a Poll	8
Responsibility Statement	8
Recommendation	8
Appendix I – Particulars of Retiring Directors Standing for Re-election	9
Appendix II – Explanatory Statement on Securities Repurchase Mandate	11
Notice of Annual General Meeting	13

DEFINITIONS

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

"2005 AGM"	the annual general meeting of PYI held on 8 September 2005
"2006 AGM"	the annual general meeting of PYI to be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 8 September 2006 at 10:30 a.m., notice of which is set out on pages 13 and 16 of this circular
"Board"	the board of Directors
"Bye-laws"	the bye-laws of the Company
"Company" or "PYI"	PYI Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Director(s)"	director(s) of the Company
"Eligible Person(s)"	any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Group or any Invested Entity and any celebrity, consultant, adviser or agent of any member of the Group or any Invested Entity, who, in the sole discretion of the Board, have contributed or will contribute to the growth and development of the Group or any Invested Entity
"General Mandates"	the general mandate to issue Shares and Securities Repurchase Mandate to be sought at the 2006 AGM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Invested Entity"	any entity in which the Group holds an equity interest
"Latest Practicable Date"	28 July 2006, being the latest practicable date for ascertaining certain information in this circular prior to its publication
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Paul Y. Engineering"	Paul Y. Engineering Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"PYE 2006 AGM"	the annual general meeting of Paul Y. Engineering to be held at 7/F, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 6 September 2006 at 11:00 a.m.
"PYE Refreshment"	Proposal by Paul Y. Engineering for refreshing of the 10% limit on grant of options under the PYE Share Option Scheme and all other share option scheme(s) of Paul Y. Engineering
"PYE Share Option Scheme"	the share option scheme adopted by Paul Y. Engineering on 7 September 2005
"PYI Share Option Scheme"	the share option scheme of the Company adopted on 27 August 2002

"Securities Repurchase Mandate"	the proposed new general mandate to be sought at the 2006 AGM to authorise the Directors to repurchase the Shares in the manner as set out in the notice of the 2006 AGM
"Scheme Mandate Limit"	10% of the issued Share Capital as at the date of adoption of the Share Option Scheme/date of approval of the refreshing of the scheme mandate limit (as the case may be) which may be issued upon exercise of all options granted/to be granted under the Share Option Scheme and any other scheme(s) of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Capital"	the aggregate nominal amount of the share capital of the Company
"Share(s)"	ordinary share(s) of HK$0.10 each in the Share Capital
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

Chow Ming Kuen, Joseph *OBE, JP*
(Chairman and Independent Non-Executive Director)
Lau Ko Yuen, Tom
(Deputy Chairman and Managing Director)
Chan Kwok Keung, Charles
(Non-Executive Director)
Kwok Shiu Keung, Ernest
(Independent Non-Executive Director)
Chan Shu Kin
(Independent Non-Executive Director)

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

Principal place of business in Hong Kong:
31st Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

31 July 2006

To the Shareholders and, for information only, holders of share options of PYI

Dear Sir or Madam,

NOTICE OF ANNUAL GENERAL MEETING

PROPOSALS FOR RE-ELECTION OF RETIRING DIRECTORS, REMUNERATION OF DIRECTORS, GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES, REFRESHING OF 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYI SHARE OPTION SCHEME AND REFRESHING OF 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYE SHARE OPTION SCHEME

INTRODUCTION

The purpose of this circular is to give you notice of the 2006 AGM, and information on matters to be dealt with at the 2006 AGM. They are: (a) re-election of the retiring Directors; (b) remuneration of Directors (c); grant of the General Mandates; (d) refreshing of the Scheme Mandate Limit; and (e) the PYE Refreshment.

RE-ELECTION OF RETIRING DIRECTORS

The Board currently consists of five Directors, including:

(i) Managing Director, Mr Lau Ko Yuen, Tom. He will hold office until the conclusion of the Company's annual general meeting to be held in 2007;

(ii) a non-executive Director, Dr Chan Kwok Keung, Charles. His term of office will expire at the conclusion of the 2006 AGM; and

(iii) three independent non-executive Directors, namely Dr Chow Ming Kuen, Joseph, Mr Kwok Shiu Keung, Ernest and Mr Chan Shu Kin. The term of office of Mr Kwok Shiu Keung, Ernest will expire at the conclusion of the 2006 AGM while Dr Chow Ming Kuen, Joseph and Mr Chan Shu Kin will hold office until the conclusion of the Company's annual general meeting to be held in 2008.

Pursuant to bye-laws 87(1) and 87(2) of the Bye-laws, Dr Chan Kwok Keung, Charles and Mr Kwok Shiu Keung, Ernest are eligible for re-election to hold office until the conclusion of the Company's annual general meeting to be held in 2009.

Bye-law 88 of the Bye-laws provides that no person other than a Director retiring at the meeting) shall be eligible for election as a Director at any general meeting unless:

(i) he is recommended by the Directors; or

(ii) a notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election as Director and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the registered office or at the head office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served on the Company, namely (i) his notice of intention to propose a resolution; and (ii) a notice executed by the nominated candidate of his willingness to be elected together with (A) the candidate's information required to be disclosed under Rule 13.51(2) of the Listing Rules and other information, as referred to under the heading "Requisite information of the candidate(s) nominated by Shareholders" below; and (B) the candidate's written consent to the publication of his personal data.

In order to ensure that Shareholders have sufficient time to receive and consider the particulars of the nominated candidate(s), Shareholders are urged to submit their proposals as early as practicable, preferably before Thursday, 24 August 2006 so that a supplementary circular containing particulars of the candidate(s) proposed by Shareholders can be despatched to Shareholders, and an announcement can be placed in the newspapers on or about 25 August 2006.

Requisite information of the candidate(s) nominated by Shareholders

In order to enable Shareholders to make an informed decision on their election of Directors, the said notice of intention to propose a resolution by a Shareholder should be accompanied by the following information of the nominated candidate:

(a) full name and age;

(b) positions held with PYI and/or other members of PYI group (if any);

(c) previous experience including other directorships in listed public companies in the last three years and other major appointments and qualifications;

(d) current employment and such other information (which may include business experience and professional qualifications and educational background) of which Shareholders should be aware, pertaining to the ability or integrity of the candidate;

(e) length or proposed length of service with PYI (if any);

(f) relationships with any Directors or senior management of PYI, or an appropriate negative statement;

(g) interests in shares of PYI within the meaning of Part XV of the SFO, or an appropriate negative statement;

(h) contact details; and

(i) a declaration made by the nominated candidate in respect of the information required under Rule 13.51(2)(h) to (w) of the Listing Rules, or an appropriate negative statement to that effect where there is no information to be disclosed pursuant to any of such requirements.

Recommendations of the Nomination Committee

The Nomination Committee, comprising three members, namely Dr Chow Ming Kuen, Joseph, Mr Lau Ko Yuen, Tom and Mr Kwok Shiu Keung, Ernest, held a meeting on 7 July 2006 to nominate the re-election of retiring Directors in the 2006 AGM. Mr Kwok Shiu Keung, Ernest, being a retiring Director, abstained from voting on the relevant resolution of the Nomination Committee regarding his re-election. The Nomination Committee, with the aforesaid abstention of Mr. Kwok, has nominated and recommended to the Board that Dr Chan Kwok Keung, Charles and Mr Kwok Shiu Keung, Ernest, both being eligible, be re-elected as Directors at the 2006 AGM. In addition, both Dr Chan Kwok Keung, Charles and Mr Kwok Shiu Keung, Ernest had abstained from voting at the Board meeting when their nominations were considered and approved by the Board for recommendation to Shareholders for approval.

The biographical details of both Dr Chan and Mr Kwok are set out in Appendix I of this circular.

The Nomination Committee is also responsible for, inter alia, assessing the independence of independent non-executive Directors. In doing so, the Nomination Committee has reviewed the individual Director's annual confirmation of independence declared pursuant to Rule 3.13 of the Listing Rules. As a good corporate governance practice, every Committee member has abstained from participating in the assessment of his own independence.

Mr Kwok Shiu Keung, Ernest, an independent non-executive Director, is eligible and will stand for re-election at the 2006 AGM. Mr Kwok has served the Board for more than nine years, having been appointed in August 1993. Despite this length of service, there is no evidence that the independence of Mr Kwok, especially in terms of exercising independent judgment and objective challenges to the management, has been or will be in any way compromised or affected. The Board is confident that Mr Kwok, as a reputable professional with profound experience, will continue to make valuable contribution to the Company by providing his balanced and objective views to the Board. Mr Kwok has also provided an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee is fully satisfied that Mr Kwok meets the independence guidelines set out in Rule 3.13 of the Listing Rules and continues to be independent. The Board therefore comes to the view that Mr Kwok should be re-elected for a further term at the 2006 AGM.

REMUNERATION OF DIRECTORS

At the 2005 AGM, Shareholders approved the directors' fees for an aggregate amount of not exceeding HK$3,000,000 per annum to be paid to all Directors and be divided amongst the Directors as the Board may agree. Based on this approval, the Board resolved the following allocation: (i) a director's fee of HK$300,000 per annum be paid to each Director; (ii) an additional fee of HK$300,000 per annum be paid to the Chairman; and (iii) an additional fee of HK$20,000 per annum be paid to each Director for being a member of any board committee for their services rendered to the Company during the period from the conclusion of the 2005 AGM to the conclusion of the 2006 AGM. A Director who has not served the entire period will receive payment in proportion to his period of service.

The Remuneration Committee had, at its meeting held on 7 July 2006, reviewed the current scale of directors' fees and considered that they were reasonable under the current market environment and having regard to the nature of the Board's work, workload and the requisite time spent by the Directors on the board activities. The Remuneration Committee recommended that the existing aggregate amount of directors' fee of not exceeding HK$3,000,000 per annum for all Directors shall remain unchanged for the coming year.

Bye-law 96 of the Bye-laws provides that the ordinary remuneration of Directors shall from time to time be determined by the Company in general meeting. Accordingly, an ordinary resolution will be proposed at the 2006 AGM for Shareholders to consider and, if thought fit, approve the paying of an aggregate amount of not exceeding HK$3,000,000 per annum to all Directors and that the Board be authorised to divide this amount amongst the Directors. If approved by Shareholders, the proposed directors' fees will be effective from 8 September 2006. Payment will be made in proportion to the period of service in the case of a Director who has not served the entire period.

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

At the 2005 AGM, ordinary resolutions were passed to grant the general mandates to the Directors to issue Shares and to repurchase Shares. Such general mandates will expire at the conclusion of the 2006 AGM. Ordinary resolutions will be proposed at the 2006 AGM to grant to the Directors a new general mandate, inter alia, (a) to allot and issue Shares not exceeding 20% of the issued Share Capital as at the date of the passing of such resolution; (b) to repurchase Shares not exceeding 10% of the issued Share Capital as at the date of the passing of such resolution; and (c) to extend the general mandate to issue Shares by the number of Shares purchased under the Securities Repurchase Mandate.

The Directors believe that it is in the interests of the Company and the Shareholders as a whole if the General Mandates are granted at the 2006 AGM. The General Mandates provide Directors with flexibility to issue Shares especially in the context of a fund raising exercise or a transaction involving an acquisition by the Company where Shares are to be issued as consideration and which has to be completed speedily. However, the Directors currently have no intention of any acquisition by the Company nor any plan for raising capital by issuing new Shares.

An explanatory statement providing all the information required under the Listing Rules concerning the Securities Repurchase Mandate is set out in Appendix II to this circular.

REFRESHING OF THE 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYI SHARE OPTION SCHEME

The existing Scheme Mandate Limit was refreshed on 8 September 2005, which enables the Directors to grant options to Eligible Persons under the PYI Share Option Scheme to subscribe for up to 135,867,543 Shares. From the date of refreshing of the existing Scheme Mandate Limit and up to the Latest Practicable Date, the Company has granted options entitling the holders thereof to subscribe for in aggregate 45,300,000 Shares, representing approximately 33.34% of the existing Scheme Mandate Limit. If the existing Scheme Mandate Limit is not refreshed, the Company would be allowed to grant options to subscribe for up to 90,567,543 Shares, representing approximately 6.18% of the Shares in issue as at the Latest Practicable Date. In order to provide the Company with more flexibility in providing incentives to those Eligible Persons by way of granting of options, the Board decides to seek the approval of the Shareholders to refresh the Scheme Mandate Limit so that the total number of the Shares which may be issued upon exercise of all options to be granted under the PYI Share Option Scheme and any other scheme(s) of the Company shall not exceed 10% of the Shares in issue as at the date of passing the relevant resolution at the 2006 AGM. Options previously granted under the Share Option Scheme and any other scheme(s) of the Company (including options outstanding, cancelled or lapsed in accordance with the relevant scheme rules and exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

As at the Latest Practicable Date, there were in issue 1,464,609,910 Shares and a total of 72,176,000 outstanding options granted under the PYI Share Option Scheme at exercise prices of HK$1.24 (as to 9,136,000 options), HK$1.50 (as to 19,450,000 options), HK$1.78 (as to 6,615,000 options), HK$2.325 (as to 3,000,000 options), HK$2.50 (as to 11,325,000 options), HK$3.00 (as to 11,325,000 options) and HK$3.50 (as to 11,325,000 options) per Share. Save and except for these outstanding options, there are no options granted under the PYI Share Option Scheme or any other share option scheme(s) of the Company which remained outstanding as at the Latest Practicable Date.

If the Scheme Mandate Limit is refreshed, on the basis of 1,464,609,910 Shares in issue as at the Latest Practicable Date and assuming no further issue or repurchase of Shares prior to the 2006 AGM, the Company may grant options entitling holders thereof to subscribe for a total of 146,460,991 Shares (representing 10% of the Shares in issue as at the date of the 2006 AGM approving the refreshing of the Scheme Mandate Limit).

Pursuant to the Listing Rules, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the PYI Share Option Scheme and any other scheme(s) of the Company at any time must not in aggregate exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company if this will result in the 30% limit being exceeded.

The purpose of the PYI Share Option Scheme is to provide incentive or reward to Eligible Persons for their contribution to and continuing efforts to promote the interests of the Company. The Directors consider that the refreshing of the Scheme Mandate Limit is in the interests of the Company and the Shareholders as a whole.

The refreshing of the Scheme Mandate Limit is conditional on:

(i) the passing of an ordinary resolution to approve the refreshing of the Scheme Mandate Limit by the Shareholders at the 2006 AGM; and

(ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares (representing 10% of the Shares in issue as at the date of the 2006 AGM approving the refreshing of the Scheme Mandate Limit) which may fall to be issued pursuant to the exercise of options under the Share Option Scheme and any other share option scheme(s) of the Company.

Application will be made to the Listing Committee of the Stock Exchange for approval of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options under the PYI Share Option Scheme and any other share option scheme(s) of the Company.

REFRESHING OF THE 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYE SHARE OPTION SCHEME

Paul Y. Engineering, a subsidiary of the Company, proposes the PYE Refreshment, subject to (i) the passing of an ordinary resolution by its shareholders to approve the PYE Refreshment at the PYE 2006 AGM; (ii) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the shares to be issued upon exercise of any options granted under the refreshed limit of the PYE Share Option Scheme; and (iii) in accordance with Rule 17.01(4) of the Listing Rules, the Shareholders passing an ordinary resolution to approve the PYE Refreshment at the 2006 AGM.

The PYE Refreshment will enable Paul Y. Engineering to grant further options to eligible participants, being employees, executives or officers, directors of Paul Y. Engineering and its subsidiaries or any entity in which Paul Y. Engineering or its subsidiaries hold an equity interest, and any consultant, adviser or agent of Paul Y. Engineering or its subsidiaries or any entity in which PYE or its subsidiaries hold an equity interest, who, in the sole discretion of the board of directors of Paul Y. Engineering, have contributed or will contribute to the growth and development of Paul Y. Engineering or its subsidiaries or any entity in which Paul Y. Engineering or its subsidiaries hold an equity interest.

The total number of options granted under PYE Share Option Scheme as at the Latest Practicable Date was 19,100,000 at exercise prices of HK$0.70 (as to 1,500,000 options), HK$0.85 (as to 1,500,000 options), HK$0.90 (as to 6,600,000 options) and HK$1.00 (as to 9,500,000 options).

If Paul Y. Engineering utilises in full the 10% limit on grant of options under such share option scheme, the Company's shareholding in Paul Y. Engineering will be reduced from approximately 64.58% to 58.71%. However, the purpose of the PYE Share Option Scheme is to provide incentive or reward to the aforesaid eligible participants for their contribution to and continuing efforts to promote the interests of Paul Y. Engineering which is a subsidiary of PYI. The Directors therefore consider that the PYE Refreshment is in the interest of the Company and the Shareholders.

An ordinary resolution will be proposed at the 2006 AGM to approve the PYE Refreshment.

ANNUAL GENERAL MEETING

A notice convening the 2006 AGM is set out on pages 13 and 16 of this circular at which resolutions will be proposed, inter alia, to approve (i) the re-election of retiring Directors; (ii) remuneration of Directors; (iii) the grant of the General Mandates; (iv) the refreshing of the Scheme Mandate Limit; and (v) the PYE refreshment.

A form of proxy for use by the Shareholders at the 2006 AGM is enclosed. If you do not intend to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

PROCEDURE FOR DEMANDING A POLL

Pursuant to bye-law 66 of the Bye-laws, a resolution put to the vote of a general meeting shall be decided by poll if a poll is demanded:

(i) by the chairman of the meeting; or;

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

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

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

(v) if required by the rules of the Stock Exchange by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting, and if on a show of hand a meeting votes in the opposite manner to that instructed in those proxies, provided that if it is approved from the total proxies held that a vote taken on a poll shall not reverse the vote taken on a show of hands, then the Director or Directors shall not be required to demand a poll. A demand for poll must be made before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll.

In accordance with the requirements of the Listing Rules, the results of the poll will be published by way of an announcement in the local newspapers on the business day following the meeting.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATION

The Board is pleased to recommend Dr Chan Kwok Keung, Charles and Mr Kwok Shiu Keung, Ernest to stand for re-election by Shareholders as Directors. Their biographies are set out in Appendix I for Shareholders' consideration. The Board also believes that the proposed remuneration of Directors, the grant of the General Mandates, the refreshing of the Scheme Mandate Limit and the PYE Refreshment are in the best interest of the Company and the Shareholders as a whole, and accordingly recommends the Shareholders to vote in favour of all resolutions to be proposed at the 2006 AGM.

Yours faithfully,
For and on behalf of
PYI Corporation Limited
Chow Ming Kuen, Joseph *OBE, JP*
Chairman

The biographical and other details of retiring Directors standing for re-election at the 2006 AGM are set out below:

NON-EXECUTIVE DIRECTOR

Chan Kwok Keung, Charles, aged 51, is a non-executive Director. Dr Chan holds an Honorary degree of Doctor of Laws and a Bachelor's degree in Civil Engineering and has over 26 years' international corporate management experience in the construction and property sectors as well as in strategic investments. He joined the Group in 1987 and was Chairman of the Company until July 2005. Dr Chan is the Chairman of ITC Corporation Limited (0372.HK) and Hanny Holdings Limited (0275.HK). He is the sole director of Chinaview International Limited ("Chinaview") and Galaxyway Investments Limited ("Galaxyway") which are substantial shareholders of the Company. Dr. Chan was the Chairman and Chief Executive Officer of China Strategic Holdings Limited (0235.HK) until 16 June 2006. He was also the Chairman of China Enterprises Limited (OTC: CSHEF), an executive director of Wing On Travel (Holdings) Limited (1189.HK) and Pacific Century Premium Developments Limited (0432.HK), and a non-executive director of Downer EDI Limited (DOW.AX) in the last three years. Save as disclosed above, he does not hold any positions with the Company or any of its subsidiaries.

As at the Latest Practicable Date, Dr Chan was, in aggregate, interested in 411,700,664 Shares in the Company (representing approximately 28.11% interest in the issued Share Capital) comprising a personal interest in 11,840,896 Shares and a corporate interest in 399,859,768 Shares by virtue of his shareholding in Chinaview. Galaxyway, a wholly-owned subsidiary of Chinaview, owned approximately 34.99% of the issued ordinary share capital of ITC Corporation Limited ("ITC") which in turn owned the entire issued share capital of ITC Investment Holdings Limited ("ITC Investment"). Hollyfield Group Limited, a wholly-owned subsidiary of ITC Investment, owned these shares. Save as disclosed above, Dr Chan did not have any interest in the Shares or underlying Shares which are discloseable under Part XV of the SFO, nor did he have any relationship with any Directors or senior management or substantial shareholder or controlling shareholder of the Company. He has not entered into any service contract with the Company and is subject to retirement by rotation at least once every three years and in accordance with the Bye-laws. For the period between September 2005 and September 2006, Dr Chan is entitled to an annual director's fee of HK$300,000 for the performance of his duties as a non-executive Director and an additional fee of HK$20,000 per annum (and a pro rata portion thereof if the appointment has been less than a period of 12 months) for being a member of the Nomination Committee of the Company (alternate to Mr Lau Ko Yuen, Tom). Such remuneration was determined with reference to the prevailing market conditions and having regard to the nature of the Board's work, workload and the requisite time spent by Dr Chan on the board activities.

The Listing Committee of the Stock Exchange (the "Listing Committee") made a public statement against Dr Chan on 17 December 1998 in respect of the sale (the "Sale") of shares in Nam Pei Hong (Holdings) Limited ("Nam Pei Hong") by G-Prop (Holdings) Limited (then known as International Tak Cheung Holdings Limited) and the Company to Victory Hunter Holdings Limited, a company then controlled by Mr Yau Wai Ming ("Mr Yau), in July 1997. The Listing Committee was of the view that Dr Chan, being a then member of the management of Nam Pei Hong, should have informed the Stock Exchange earlier of the meetings between Mr Yau and representatives of the Company prior to the Sale and of the Sale pursuant to the Listing Agreement. In addition, the Listing Committee found that Nam Pei Hong had been in breach of its obligations under the Listing Agreement and the then management of Nam Pei Hong, which included Dr Chan, had to be blamed for such breach.

On 15 November 2005, the Securities and Futures Commissions (the "SFC") criticised the board of directors of ITC for breaching Rule 21.3 of the Takeovers Code by dealing in securities of Hanny Holdings Limited during an offer period without the consent of the Executive Director of the Corporate Finance Division of the SFC. Dr Chan was a member of the board of directors of ITC at the material time.

Save as disclosed above, Dr Chan is not aware of any other matters that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under the provisions of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Kwok Shiu Keung, Ernest, aged 70, is an independent non-executive Directorand a member of the Company's Audit Committee, Remuneration Committee, Nomination Committee and Compliance Committee. Mr Kwok is a practising solicitor, a chartered civil engineer and a practising arbitrator. He was for more than 28 years a registered structural engineer and an authorised person (List II) under the Hong Kong Buildings Ordinance. Mr Kwok is a member of the Institution of Civil Engineers, United Kingdom, a fellow member of the Chartered Institute of Arbitrators, United Kingdom and a fellow member of the Hong Kong Institute of Arbitrators.

Mr Kwok has served the Board for more than 9 years, having been appointed in September 1993. Despite this length of service, there is no evidence that the independence of Mr Kwok, especially in terms of exercising independent judgment and objective challenges to the management, has been or will be in any way compromised or affected. The Board is confident that Mr Kwok, as a reputable professional, will continue to make valuable contribution to the Company by providing his balanced and objective views to the Board. Mr Kwok has also provided an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is fully satisfied that Mr Kwok meets the independence guidelines set out in Rule 3.13 of the Listing Rules and continues to be independent. The Board therefore comes to the view that Mr Kwok should be re-elected for a further term in the 2006 AGM.

As at the Latest Practicable Date, Mr Kwok hold a total of 1,300,000 outstanding options granted under the Share Option Scheme which entitle him to subscribe for a total of 1,300,000 Shares upon exercise (representing approximately 0.09% of the total issued share capital of Company) at exercise prices of HK$1.50 (as to 6,500,000 options) and HK$1.24 (as to 6,500,000 options) per Share. Save as disclosed above, Mr Kwok did not have any interest in the Shares or underlying Shares which are discloseable under Part XV of the SFO, nor did he have any relationship with any Directors or senior management or substantial shareholder or controlling shareholder of the Company. He has not entered into any service contract with the Company and is subject to retirement by rotation at least once every three years. Mr Kwok is entitled to an annual director's fee of HK$300,000 for the performance of his duties as an independent non-executive Director and an additional fee of HK$20,000 per annum (and a pro rata portion thereof if the appointment has been less than a period of 12 months) for being a member of each of the Audit Committee, Remuneration Committee, Nomination Committee and Compliance Committee of the Company. Such remuneration is determined with reference to the prevailing market conditions and having regard to the nature of the Board's work, workload and the requisite time spent by Mr Kwok on the board activities.

Save as disclosed above, Mr Kwok is not aware of any other matters that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under the provisions of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

This is the explanatory statement given to the Shareholders relating to a resolution authorising the Company to repurchase its own Shares which is proposed to be passed by the Shareholders by means of an ordinary resolution at the 2006 AGM.

This explanatory statement contains a summary of the information required pursuant to rule 10.06 of the Listing Rules which is set out as follows:

Share Capital

- As at the Latest Practicable Date, there were in issue a total of 1,464,609,910 Shares, all of which are fully paid.

- Assuming that no further Shares are issued or repurchased after the Latest Practicable Date and before the date of the 2006 AGM, there will be 1,464,609,910 Shares in issue, and exercise in full of the Securities Repurchase Mandate would result in up to a maximum of 146,460,991 Shares being repurchased by the Company during the relevant period referred to in ordinary resolution numbered 5B of the notice of the 2006 AGM.

Reasons for repurchases

- The Directors believe that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Directors to purchase the Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will benefit the Company and the Shareholders.

Funding of repurchases

- The repurchase of Shares shall be made with funds legally available for such purpose in accordance with its memorandum of association and the Bye-laws and the applicable laws of Bermuda. Under Bermuda law, repurchases may only be effected out of the capital paid up on the purchased Shares or out of funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose. Any premium payable on a purchase over the par value of the Shares to be purchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of the Company's share premium account before the Shares are repurchased. It is envisaged that the funds required for any repurchase would be derived from such sources.

- As compared to the financial position of the Company as at 31 March 2006 (being the date of the Company's latest audited accounts), the Directors consider that the repurchases of securities will have no material adverse impact on the working capital and the gearing position of the Company in the event that the Securities Repurchase Mandate were to be exercised in full during the proposed repurchase period. The Directors do not propose to exercise the Securities Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

Directors, their associates and connected persons

- None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates, as defined in the Listing Rules, has any present intention, in the event that the Securities Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

- No connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Securities Repurchase Mandate is approved by the Shareholders.

Undertaking of the Directors

- The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Securities Repurchase Mandate in accordance with the Listing Rules, the Bye-laws and the applicable laws of Bermuda.

Share repurchase made by the Company

- During the six months preceding the Latest Practicable Date, the Company had not purchased any of its Shares (whether on the Stock Exchange or otherwise).

GENERAL

If as a result of a repurchase of Shares a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. If the Company were to repurchase Shares up to the permitted maximum of 10% of the issued Share Capital, such parties may together with any other parties acting in concert with them become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Hollyfield Group Limited ("Hollyfield"), which is ultimately and beneficially owned by Dr Chan Kwok Keung, Charles ("Dr Chan"), held 399,859,768 Shares, representing approximately 27.30% of the issued Share Capital. Dr Chan was also personally interested in 11,840,896 Shares, representing approximately 0.81% of the issued Share Capital. On the basis that no further Shares are issued or repurchased and in the event that the Securities Repurchase Mandate is exercised in full and that there is no change in Hollyfield's and Dr Chan's shareholding in the Company, the shareholding of Hollyfield and Dr Chan would together be increased to approximately 31.23% of the issued Share Capital. Should such increase arise, it will trigger off the 30% general offer threshold under Rule 26 of the Takeovers Code, and Hollyfield and Dr Chan will be obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the Securities Repurchase Mandate to an extent which will result in Hollyfield being obliged to make a mandatory general offer under the Takeovers Code.

PRICES OF THE SHARES

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	Shares	
	Highest	**Lowest**
	HK$	*HK$*
2005		
July	1.570	1.060
August	1.420	1.170
September	1.680	1.370
October	1.520	1.380
November	1.480	1.320
December	1.500	1.330
2006		
January	1.680	1.440
February	2.500	1.650
March	2.850	2.200
April	3.450	2.700
May	3.400	2.400
June	3.300	2.350
July (up to the Latest Practicable Date)	2.875	2.550

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

NOTICE IS HEREBY GIVEN that the annual general meeting of PYI Corporation Limited (the "Company") will be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 8 September 2006 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2006.

2. To declare the final dividend for the year ended 31 March 2006.

3. To re-elect retiring directors and to fix the directors' remuneration.

4. To re-appoint auditors and to authorise the board of directors to fix their remuneration.

5. As special business, to consider and, if thought fit, to pass the following resolutions as ordinary resolutions of the Company:

   (A) "**THAT**:

   (i) subject to sub-paragraph (iii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws and the bye-laws of the Company, be and is hereby generally and unconditionally approved;

   (ii) the approval in sub-paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;

   (iii) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approvals in sub-paragraphs (i) and (ii) of this resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined) or an issue of shares of the Company under the share option scheme of the Company or an issue of shares upon exercise of subscription rights attached to warrants which may be issued by the Company or an issue of shares of the Company by way of any scrip dividend pursuant to bye-laws of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution, and the said approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

"Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or

(c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(B) "**THAT**:

(i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(ii) the approval in paragraph (i) shall be in addition to any other authorization given to the directors of the Company and shall authorise the directors of the Company on behalf of the Company during the Relevant Period to procure the Company to purchase its securities at a price determined by the Directors;

(iii) the aggregate nominal amount of the share capital of the Company which the directors of the Company are authorised to repurchase pursuant to the approval in sub-paragraphs (i) and (ii) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution, and the said approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

"Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or

(c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(C) "**THAT** conditional upon resolutions numbered 5(A) and 5(B) as set out in the notice convening this meeting being passed, the aggregate nominal amount of the issued shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company pursuant to and in accordance with the said resolution numbered 5(B) above shall be added to the aggregate nominal amount of the share capital that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the directors of the Company pursuant to and in accordance with the resolution numbered 5(A) as set out in the notice convening this meeting."

(D) "**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the shares of HK$0.10 each in the capital of the Company (representing 10 per cent. of the shares of the Company in issue as at the date of passing this resolution) which may be issued pursuant to the exercise of options granted under the Company's share option scheme adopted on 27 August 2002 (the "Scheme"), the refreshing of the scheme limit in respect of the grant of options to subscribe for ordinary shares in the Company under the Scheme, provided that the total number of ordinary shares which may be allotted or issued pursuant to the grant or exercise of options under the Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Scheme) shall not exceed 10 per cent. of the shares of the Company in issue as at the date of passing this resolution (the "Refreshed Mandate Limit"), be and is hereby approved and the directors of the Company be and are hereby authorised to grant options under the Scheme up to the Refreshed Mandate Limit, to exercise all powers of the Company to allot, issue and deal with ordinary shares of the Company pursuant to the exercise of such options and to do such acts and execute such documents for or incidental to such purpose."

(E) "**THAT** the refreshing of the scheme limit on grant of options under the share option scheme adopted by Paul Y. Engineering Group Limited ("Paul Y. Engineering", the Company's subsidiary) on 7 September 2005 up to 10 per cent. of the shares of Paul Y. Engineering in issue as at the date of passing of the resolution for approving such refreshing by the shareholders of Paul Y. Engineering be and is hereby approved."

6. To transact any other ordinary business of the Company.

By Order of the Board
Wong Lai Kin, Elsa
Company Secretary

Hong Kong, 31 July 2006

Principal Place of Business:
31st Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares of the Company. A proxy need not be a member of the Company.

2. A form of proxy for the meeting is enclosed. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Company's principal place of business in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in the instrument purposes to vote.

3. The register of members of the Company will be closed during the period from 13 September 2006 to 15 September 2006, both dates inclusive, during which period no transfer of share(s) of the Company will be effected. In order to qualify for the final dividend, all transfer of share(s), accompanied by the relevant share certificate(s) with the completed transfer form(s) overleaf or separately, must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 12 September 2006.

As at the date of this notice, the Directors of the Company are:

Dr Chow Ming Kuen, Joseph *OBE, JP*	:	*Chairman (Independent Non-Executive Director)*
Mr Lau Ko Yuen, Tom	:	*Deputy Chairman and Managing Director*
Dr Chan Kwok Keung, Charles	:	*Non-Executive Director*
Mr Kwok Shiu Keung, Ernest	:	*Independent Non-Executive Director*
Mr Chan Shu Kin	:	*Independent Non-Executive Director*

本通函乃要件　請即處理

香港聯合交易所有限公司對本通函之內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不就因本通函全部或任何部份內容而產生或因倚賴該等內容而引致之任何損失承擔任何責任。

閣下如對本通函任何方面或應採取之行動**有任何疑問**，應諮詢　閣下之持牌證券交易商、銀行經理、律師、專業會計師或其他專業顧問。

閣下如已出售或轉讓名下所有**保華集團有限公司**(「本公司」)之股份，應立即將本通函連同隨附之代表委任表格送交買主或承讓人或經手買賣或轉讓之銀行經理、持牌證券交易商或其他代理商，以便轉交買主或承讓人。

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

股東週年大會通告

建議
重選退任董事、
董事酬金、
發行股份及購回股份之一般授權、
更新根據保華購股權計劃授出購股權之10%限額
及
更新根據保華建業購股權計劃授出購股權之10%限額

本公司謹訂於二零零六年九月八日星期五上午十時三十分假座香港金鐘道88號太古廣場香港JW萬豪酒店3樓宴會廳舉行股東週年大會，大會通告載於本通函第十三至十六頁。無論　閣下能否出席大會，務請按照隨附之代表委任表格列印之指示將其填妥，且無論如何須儘快於大會或其續會(視情況而定)指定舉行時間48小時前將表格交回本公司在香港之主要營業地點，地址為香港九龍觀塘鴻圖道51號保華企業中心31樓。填妥及交回代表委任表格，　閣下仍可親身出席大會或其任何續會，並於會上投票。

*　僅資識別

二零零六年七月三十一日

目　錄

頁次

釋義 1

董事局函件

緒言 3

重選退任董事 3

董事酬金 5

發行股份及購回股份之一般授權 6

更新根據保華購股權計劃授出購股權之10%限額 6

更新根據保華建業購股權計劃授出購股權之10%限額 7

股東週年大會 7

要求以投票方式表決之程序 8

責任聲明 8

推薦意見 8

附錄一 － 重選連任之退任董事詳情 9

附錄二 － 購回證券授權之說明函件 11

股東週年大會通告 13

除非文義別有所指，否則本通函內，下列詞語具有下列涵義：

「二零零五年股東週年大會」	指	保華於二零零五年九月八日舉行之股東週年大會
「二零零六年股東週年大會」	指	保華將於二零零六年九月八日星期五上午十時三十分假座香港金鐘道88號太古廣場香港JW萬豪酒店3樓宴會廳舉行之股東週年大會，大會通告載於本通函第十三至十六頁
「董事局」	指	董事局
「公司細則」	指	本公司之公司細則
「本公司」或「保華」	指	保華集團有限公司，一間於百慕達註冊成立之有限公司，其股份在聯交所上市
「董事」	指	本公司董事
「合資格人士」	指	董事局全權釐定，任何曾對或將對本集團或任何投資機構之成長及發展作出貢獻之本集團任何成員或任何投資機構之僱員(不論全職或兼職)、行政人員或高級職員、董事(包括執行、非執行及獨立非執行董事)及本集團任何成員或任何投資機構之知名人士、諮詢人、顧問或代理人
「一般授權」	指	將於二零零六年股東週年大會上尋求股東批准之發行股份之一般授權及購回證券授權
「本集團」	指	本公司及其附屬公司
「港元」	指	香港法定貨幣港元
「香港」	指	中華人民共和國香港特別行政區
「投資機構」	指	本集團持有股權權益之任何機構
「最後實際可行日期」	指	二零零六年七月二十八日，即本通函付印前可確定若干資料之最後實際可行日期
「上市規則」	指	聯交所證券上市規則
「保華建業」	指	保華建業集團有限公司，一間在百慕達註冊成立之有限公司，其股份在聯交所上市
「保華建業二零零六年股東週年大會」	指	保華建業將於二零零六年九月六日星期三上午十一時正假座香港金鐘道88號太古廣場港麗酒店7樓舉行之股東週年大會
「保華建業更新」	指	保華建業建議按保華建業購股權計劃或保華建業任何其他購股權計劃更新授出購股權之10%限額
「保華建業購股權計劃」	指	保華建業於二零零五年九月七日採納之購股權計劃
「保華購股權計劃」	指	保華於二零零二年八月二十七日採納之購股權計劃

「購回證券授權」	指	將於二零零六年股東週年大會上尋求股東授權董事按二零零六年股東週年大會通告所述之方式購回股份之一般授權
「計劃授權限額」	指	於採納購股權計劃當日／批准更新計劃授權限額當日(視情況而定)已發行股本之10%，此即根據購股權計劃或本公司任何其他計劃授出／將予授出之全部購股權獲行使時可予發行之股份數目限額
「證券及期貨條例」	指	香港法例第571章證券及期貨條例
「股本」	指	本公司股本之總面額
「股份」	指	股本中每股面值0.10港元之普通股
「股東」	指	股份之持有人
「聯交所」	指	香港聯合交易所有限公司
「收購守則」	指	香港公司收購及合併守則

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

周明權 *OBE, JP*
(主席兼獨立非執行董事)
劉高原
(副主席兼董事總經理)
陳國強
(非執行董事)
郭少強
(獨立非執行董事)
陳樹堅
(獨立非執行董事)

註冊辦事處：
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

香港之主要營業地點：
香港
九龍
觀塘
鴻圖道51號
保華企業中心31樓

敬啟者：

股東週年大會通告

建議
重選退任董事、
董事酬金、
發行股份及購回股份之一般授權、
更新根據保華購股權計劃授出購股權之10%限額
及
更新根據保華建業購股權計劃授出購股權之10%限額

緒言

本通函旨在給予　閣下二零零六年股東週年大會通告，以及將於二零零六年股東週年大會上所處理事項之資料，包括：(a)重選退任董事；(b)董事酬金；(c)授出一般授權；(d)更新計劃授權限額；及(e)保華建業更新。

重選退任董事

董事局現時由五名董事組成，包括：

(i) 董事總經理劉高原先生，他將繼續出任董事直至本公司於二零零七年舉行之股東週年大會結束時屆滿；

* 僅資識別

(ii) 非執行董事陳國強博士，其任期將於二零零六年股東週年大會結束時屆滿；及

(iii) 三名獨立非執行董事，即周明權博士、郭少強先生及陳樹堅先生。郭少強先生之任期將於二零零六年股東週年大會結束時屆滿，而周明權博士及陳樹堅先生則將繼續出任董事直至本公司於二零零八年舉行之股東週年大會結束時屆滿。

根據公司細則第87(1)及87(2)條，陳國強博士及郭少強先生均符合資格膺選連任，以繼續出任董事直至本公司於二零零九年舉行之股東週年大會結束時屆滿。

公司細則第88條規定，除於股東大會上退任之董事外，其他人士概無資格於任何股東大會上競選董事，除非：

(i) 其由董事推薦參選；或

(ii) 由一名正式合資格出席大會及於會上投票之股東(獲提名人士除外)簽署一份通知表明有意提名該人士參選，而將被提名人士亦簽署一份通知表明願意參選並將該等通知送交註冊辦事處或總辦事處，惟發出有關通知之期限最少為七(7)日，而遞交有關通知之期限，最早須由寄發進行該等選舉之股東大會通告翌日起至最遲須於該股東大會舉行日期七(7)日前期間。

因此，股東若擬提名個別人士參選董事，須向本公司有效送達下述文件：(i)該股東擬提出決議案之意向通知，及(ii)經被提名人選簽署、以表示願意參選之通知，連同(A)下文「獲股東提名候選人須提交之資料」標題下所載就上市規則第13.51(2)條規定披露的候選人資料及其他資料，及(B)候選人同意公布其私人資料的同意書。

為確保股東有充足時間收取及考慮獲提名候選人的詳細資料，本公司促請股東儘早(宜於二零零六年八月二十四日(星期四)之前)遞交其提名建議，以便於二零零六年八月二十五日或前後向股東發出載有股東提名候選人詳情之補充通函及在報章刊登公布。

獲股東提名候選人須提交之資料

為了讓股東在選舉董事時可以作出有根據之決定，上述有關股東擬提出決議案之意向通知應附有獲提名人選之下列資料：

(a) 全名及年齡；

(b) 在保華及／或保華集團其他成員之職位(如有)；

(c) 以往經驗，包括過去三年在上市公司之其他董事職位及其他重要委任及資格；

(d) 候選人現時的工作以及股東須知的其他有關候選人能力及誠信之資料(包括業務經驗及專業資格和教育背景)；

(e) 服務保華或擬服務保華之時間長短(如有)；

(f) 與保華任何董事或高級管理人員之關係，或否定此等關係之合適聲明；

(g) 在保華之股份權益(符合證券及期貨條例第XV部的涵意)，或否定此等權益之合適聲明；

(h) 聯絡詳情；及

(i) 獲提名候選人就上市規則第13.51(2)(h)至(w)條規定提供之資料所作的聲明，或否定存有任何根據該等規定須披露之資料的合適聲明。

提名委員會之建議

由周明權博士、劉高原先生及郭少強先生三名成員組成之提名委員會已於二零零六年七月七日舉行會議，提名退任董事於二零零六年股東週年大會上重選。退任董事郭少強先生在提名委員會就考慮其重選之相關議案放棄投票。提名委員會在郭少強先生就其重選議案缺席之情況下，已向董事局提名及建議陳國強博士及郭少強先生均符合資格於二零零六年股東週年大會上重選為董事。另外，陳國強博士及郭少強先生亦已於董事局考慮及其後批准向股東建議批准二人提名的董事局會議上放棄投票。

陳博士及郭先生之履歷詳情載於本通函附錄一。

提名委員會亦有責任(其中包括)評估獨立非執行董事的獨立性，因此提名委員會已查核個別董事每年按上市規則第3.13條申報之獨立聲明。為奉行良好企業管治常規，每名委員會成員均沒有參與有關其本身獨立性之評核。

獨立非執行董事郭少強先生符合資格並將於二零零六年股東週年大會上膺選連任。郭先生於一九九三年八月獲委任，服務董事局已逾九年時間。縱然如此，惟並無證據顯示郭先生之獨立性(特別是在作出獨立判斷及對管理人員作出客觀意見方面)已受到或將受到任何方面之妥協或影響。董事局相信，郭先生身為經驗豐富而信譽昭著之專業人士，將繼續向本公司作出寶貴貢獻，向董事局提供持平客觀之觀點。郭先生已根據上市規則第3.13條提供年度獨立性確認函。提名委員會完全信納郭先生符合上市規則第3.13條所載獨立性指引，並繼續具備獨立身份。因此，董事局認為郭先生可於二零零六年股東週年大會上膺選連任。

董事酬金

於二零零五年股東週年大會上，股東批准將付予全體董事之董事袍金總額不超過每年3,000,000港元，並將按董事局協定之方式由各董事攤分。根據此批准，董事局議決按下列方式分配：(i)向每名董事每年支付300,000港元董事袍金；(ii)向主席支付每年300,000港元額外袍金；及(iii)向每一名出任任何董事局轄下委員會成員之董事，可就其於二零零五年股東週年大會結束後至二零零六年股東週年大會結束時期間向本公司提供之服務按每一職位支付每年20,000港元額外袍金。假如董事未有服務整段期間，酬金將依其服務時間按比例收取。

薪酬委員會已於二零零六年七月七日舉行之會議上，審閱董事袍金之現行水平，並認為按現時之市場環境，及在已考慮董事局工作之性質、工作量及董事參與董事局事務所須時間後，現時董事袍金乃屬合理。薪酬委員會建議，現時向全體董事支付總額不超過每年3,000,000港元之董事袍金，來年將維持不變。

公司細則第96條規定，董事之一般酬金須不時由本公司於股東大會上釐定。因此於二零零六年股東週年大會上將提呈一項普通決議案，供股東考慮及酌情批准向全體董事支付總額不超過每年3,000,000港元之董事袍金，並授權董事局向各董事分配該筆款項。若獲股東批准，建議董事袍金將由二零零六年九月八日起生效。倘若董事並非全期提供服務，則依其服務期間按比例收取酬金。

發行股份及購回股份之一般授權

於二零零五年股東週年大會上曾通過普通決議案，向董事授出發行股份及購回股份之一般授權。上述一般授權將於二零零六年股東週年大會結束時屆滿。於二零零六年股東週年大會上將提呈普通決議案授予董事新一般授權，以(其中包括)(a)配發及發行不超過有關決議案通過當日之已發行股本20%之股份；(b)購回不超過有關決議案通過當日之已發行股本10%之股份；及(c)藉加入按購回證券授權所購回之股份數目擴大發行股份之一般授權。

董事相信，倘於二零零六年股東週年大會上授出一般授權，對本公司及股東整體均有利。一般授權可以讓董事在處理股份發行事宜時更具彈性，特別是某些集資行動或涉及本公司以發行股份作為代價並且需要儘快完成之交易。惟董事現時無意由本公司進行任何收購，亦無計劃藉發行新股份集資。

本通函附錄二載有說明函件，提供所有上市規則有關購回證券授權所規定之資料。

更新根據保華購股權計劃授出購股權之10%限額

現行計劃授權限額曾於二零零五年九月八日更新，令董事可根據保華購股權計劃向合資格人士授出購股權，以認購最多135,867,543股股份。由更新現行計劃授權限額當日起，直至最後實際可行日期，本公司已授出購股權使持有人有權認購合共45,300,000股股份，佔現行計劃授權限額約33.34%。若不更新現行計劃授權限額，本公司可授出購股權以認購最多90,567,543股股份，佔最後實際可行日期已發行股份約6.18%。為使本公司在以授出購股權方式向合資格人士提供獎勵時更具靈活性，董事局現尋求股東批准更新計劃授權限額，使根據保華購股權計劃或本公司任何其他計劃將予授出之所有購股權獲行使時可予發行之股份總數不超逾於二零零六年股東週年大會通過相關決議案當日已發行股本總數之10%。凡之前根據購股權計劃或本公司任何其他計劃授出之購股權(包括根據有關計劃規則尚未行使、已註銷或已失效及已行使之購股權)將不計算在更新計劃授權限額之限額內。

於最後實際可行日期，已發行股份共1,464,609,910股，及根據保華購股權計劃授出而尚未行使購股權合共72,176,000份，每股行使價為1.24港元(就9,136,000份購股權而言)、1.50港元(就19,450,000份購股權而言)、1.78港元(就6,615,000份購股權而言)、2.325港元(就3,000,000份購股權而言)、2.50港元(就11,325,000份購股權而言)、3.00港元(就11,325,000份購股權而言)及3.50港元(就11,325,000份購股權而言)。除該等尚未行使購股權外，於最後實際可行日期概無根據保華購股權計劃或本公司任何其他購股權尚未行使。

倘計劃授權限額獲得更新，按於最後實際可行日期已發行1,464,609,910股股份為基準，並假設於二零零六年股東週年大會舉行前並無進一步發行或購回任何股份，本公司可授出購股權使持有人有權認購合共146,460,991股股份(即於二零零六年股東週年大會批准更新計劃授權限額當日已發行股本10%)。

根據上市規則，任何時間按保華購股權計劃及本公司任何其他計劃授出而尚未行使之購股權獲全數行使時可予發行之股份數目上限不得超逾不時已發行股本總數之30%。如授出購股權將導致超逾上述30%限額，則不得根據本公司任何計劃授出購股權。

保華購股權計劃之目的乃對本公司作出貢獻及提升本公司利益而努力不懈之合資格人士，提供激勵或報酬。董事認為更新計劃授權限額對本公司及股東整體有利。

更新計劃授權限額需待下列各項獲履行後，方可作實：

(i) 股東於二零零六年股東週年大會上通過更新計劃授權限額之普通決議案；及

(ii) 聯交所上市委員會批准按購股權計劃及本公司任何其他購股權計劃所授出之購股權獲行使而將予發行之股份(即於批准更新計劃授權限額之二零零六年股東週年大會當日已發行股本總數之10%)上市及買賣。

本公司將向聯交所上市委員會申請批准按保華購股權計劃及本公司任何其他購股權計劃所授出之購股權獲行使而將予發行之股份上市及買賣。

更新根據保華建業購股權計劃授出購股權之10%限額

本公司之附屬公司保華建業建議進行保華建業更新，惟須待(i)其股東於保華建業二零零六年股東週年大會上通過一項普通決議案批准保華建業更新；(ii)聯交所上市委員會批准因根據保華建業購股權計劃之更新限額授出之任何購股權獲行使而發行之股份上市及買賣；及(iii)按上市規則第17.01(4)條規定，獲股東於二零零六年股東週年大會上通過一項普通決議案批准保華建業更新後，方可作實。

保華建業更新可讓保華建業能夠向合資格參與人，包括保華建業及其附屬公司或保華建業或其附屬公司持有股本權益之任何實體之任何僱員、行政人員或管理人員或董事，以及保華建業或其附屬公司或保華建業或其附屬公司持有股本權益之任何實體之諮詢人、顧問或代理人，而在保華建業董事局全權決定下認為曾對或將會對保華建業或其附屬公司或保華建業或其附屬公司持有股本權益之任何實體作出貢獻者，進一步授出購股權。

於最後實際可行日期，根據保華建業購股權計劃授出之購股權總數為19,100,000份，行使價為0.70港元(就1,500,000份購股權而言)、0.85港元(就1,500,000份購股權而言)、0.90港元(就6,600,000份購股權而言)及1.00港元(就9,500,000份購股權而言)。

倘保華建業根據其購股權計劃授出購股權時動用全數10%限額，本公司於保華建業之股權將由約64.58%降至約58.71%。然而，保華建業購股權計劃之目的乃對上述合資格參與者就推動保華建業(其為保華之附屬公司)之利益而作出貢獻及持續努力，提供激勵或報酬。因此董事認為保華建業更新符合本公司及股東之權益。

二零零六年股東週年大會上將提呈一項普通決議案以批准保華建業更新。

股東週年大會

二零零六年股東週年大會通告載於本通函第十三至十六頁，將於大會上提呈決議案，以批准(其中包括)(i)重選退任董事；(ii)董事酬金；(iii)授出一般授權；(iv)更新計劃授權限額；及(v)保華建業更新。

本通函隨附一張於二零零六年股東週年大會上使用之代表委任表格。倘若　閣下無意出席大會，務請按照代表委任表格列印之指示將其填妥，且無論如何須儘快於大會或其續會(視情況而定)指定舉行時間48小時前將表格交回本公司在香港之主要營業地點，地址為香港九龍觀塘鴻圖道51號保華企業中心31樓。填妥及交回代表委任表格後，　閣下仍可親身出席大會或其任何續會，並於會上投票。

要求以投票方式表決之程序

根據公司細則第66條，若下列人士要求以投票方式表決，於股東大會上提呈表決之決議案須以投票方式表決：

(i) 大會主席；或

(ii) 至少三名親自或(倘股東為一家公司)其正式授權之代表或委任代表出席並有權投票之股東；或

(iii) 一名或多名親自或(倘股東為一家公司)其正式授權之代表或委任代表出席而佔不少於全部有權在大會上投票之股東十分之一的總投票權之股東；或

(iv) 一名或多名親自或(倘股東為一家公司)其正式授權之代表或委任代表出席且擁有本公司股份並有權在大會上投票之股東，而其股份之已繳股本總和相等於不少於全部有權在大會上投票之股份十分之一的已繳股本；或

(v) 如聯交所之規則有所規定，則任何一名或以上之董事個別或共同持有委任代表投票權佔該會上總投票權百分之五(5%)或以上之股份可於會上要求以投票方式表決，同時，如以舉手方式表決時，表決結果與該等委任代表表格所指示者相反，但如以持有之總代表權而言，以投票方式表決顯然不會推翻舉手表決之結果，則有關董事毋須要求以投票方式表決。以投票方式表決之要求須於公布以舉手方式投票之結果時或之前，或撤回任何其他以投票方式表決之要求時提出。

根據上市規則之規定，投票表決結果將以公布形式於大會舉行後之營業日在本地報章刊登。

責任聲明

本通函之資料乃遵照上市規則而刊載，旨在提供有關本公司之資料。各董事願就本通函所載資料之準確性共同及個別地承擔全部責任，並於作出一切合理查詢後，確認就彼等所知及所信，本通函並無遺漏任何事實，足以令致本通函所載任何陳述產生誤導。

推薦意見

董事局欣然向各位股東推薦陳國強博士及郭少強先生膺選連任董事職務。彼等之履歷載於附錄一以供股東考慮。董事亦相信，董事酬金、授出一般授權、更新計劃授權限額及保華建業更新等建議均符合本公司及其股東整體之最佳利益，故建議股東投票贊成將於二零零六年股東週年大會上提呈之所有決議案。

此致

列位股東　台照
及列位保華購股權持有人　參照

代表
保華集團有限公司
主席
周明權 *OBE, JP*
謹啟

二零零六年七月三十一日

於二零零六年股東週年大會上膺選連任之退任董事簡歷及其他詳情載列如下：

非執行董事

陳國強，51歲，非執行董事。陳博士持有法律榮譽博士學位及土木工程學士學位，在建築業、地產業及策略投資方面積逾二十六年國際企業管理經驗。他於一九八七年加入本集團，並曾擔任本公司主席直至二零零五年七月。陳博士為德祥企業集團有限公司(0372.HK)及錦興集團有限公司(0275.HK)之主席。他為Chinaview International Limited(「Chinaview」)及Galaxyway Investments Limited(「Galaxyway」)(該等公司為本公司之主要股東)之唯一董事。陳博士曾為中策集團有限公司(0235.HK)主席兼行政總裁直至二零零六年六月十六日。於過去三年內他亦曾擔任China Enterprises Limited(OTC：CSHEF)之主席、永安旅遊(控股)有限公司(1189.HK)及盈科大衍物業發展有限公司(0432.HK)執行董事，以及Downer EDI Limited(DOW.AX)非執行董事。除上述披露者外，陳博士概無於本公司或其任何附屬公司擔任任何職務。

於最後實際可行日期，陳博士合共持有本公司411,700,664股股份之權益(佔已發行股本約28.11%)，包括個人持有11,840,896股股份權益及因於Chinaview之股權而持有399,859,768股股份之公司權益。Chinaview之全資附屬公司Galaxyway擁有德祥企業集團有限公司(「德祥企業」)已發行普通股股本中約34.99%權益，而德祥企業則擁有ITC Investment Holdings Limited(「ITC Investment」)全部已發行股本，ITC Investment之全資附屬公司Hollyfield Group Limited擁有該等股份。除上文披露者外，陳博士概無於股份或相關股份中擁有任何根據證券及期貨條例第XV部須予披露之權益，另與本公司之任何董事、高級管理層或主要股東或控股股東並無任何關係。陳博士與本公司並無訂立任何服務合約，並須按照本公司之公司細則而每三年最少輪席退任一次。陳博士於二零零五年九月至二零零六年九月期間可就履行非執行董事之職責獲取每年300,000港元之董事袍金，另就身為本公司提名委員會成員(為劉高原先生之替任人)而增收每年20,000港元袍金(若任期少於12個月，則按比例計算)。上述酬金乃參考現時之市場情況，並考慮到董事局之工作、工作量及陳博士參與董事局事務所須時間後釐定。

聯交所上市委員會(「上市委員會」)於一九九八年十二月十七日對陳博士發出公開聲明，內容有關金匡企業有限公司(當時稱為國際德祥集團有限公司)及本公司於一九九七年七月向Victory Hunter Holdings Limited(當時由邱偉銘先生(「邱先生」)控制之公司)銷售(「銷售」)南北行(集團)有限公司(「南北行」)之股份。上市委員會認為，陳博士當時身為南北行管理層成員，應根據上市協議將邱先生與保華代表於銷售前較早時間之會面及銷售知會聯交所。此外，上市委員會發現，南北行違反其根據上市協議之責任，而南北行當時之管理層(包括陳博士)應就有關違反行為負責。

於二零零五年十一月十五日，證券及期貨事務監察委員會(「證監會」)批評德祥企業董事局就德祥企業在未有取得證監會企業融資部執行董事同意之情況下，於要約期內買賣錦興集團有限公司之證券，違反收購守則第21.3條之規定。陳博士當時為德祥企業之董事局成員。

除上述披露者外，陳博士並不知悉任何須知會股東之其他事項，或根據上市規則第13.51(2)(h)至13.51(2)(v)條之條文任何規定本公司須予披露之任何資料。

獨立非執行董事

郭少強，70歲，獨立非執行董事，亦為本公司審核委員會、薪酬委員會、提名委員會及法規委員會成員。郭先生為執業律師、特許土木工程師及執業仲裁人。彼為註冊結構工程師已逾二十八年，更名列香港建築物條例下之政府認可人士(第二名冊)。郭先生為英國土木工程師學會會員、英國特許仲裁員公會資深會士及香港仲裁員公會資深會士。

郭先生於一九九三年九月獲委任，服務董事局已逾九年時間。縱然如此，惟並無證據顯示郭先生之獨立身份(特別是在作出獨立判斷及對管理人員作出客觀意見方面)已受到或將受到任何方面之妥協或影響。董事局相信，郭先生身為經驗豐富而信譽昭著之專業人士，將繼續向本公司作出寶貴貢獻，向董事局提供持平客觀之觀點。郭先生已根據上市規則第3.13條提供年度獨立性確認函。董事局完全信納郭先生符合上市規則第3.13條所載獨立性指引，並繼續具備獨立身份。因此，董事局認為郭先生可於二零零六年股東週年大會上膺選連任。

於最後實際可行日期，郭先生持有根據購股權計劃獲授共1,300,000份尚未行使購股權，行使時他有權按每股股份1.50港元(涉及6,500,000份購股權)及1.24港元(涉及6,500,000份購股權)之行使價認購合共1,300,000股股份(佔本公司總已發行股本約0.09%)。除上文已披露者外，郭先生並無持有按照證券及期貨條例第XV部須予披露之任何股份或相關股份之權益，另與本公司之任何董事、高級管理層或主要股東或控股股東並無任何關係。他與本公司並無訂立任何服務合約，惟須每三年最少輪席退任一次。郭先生可就履行獨立非執行董事之職責獲取每年300,000港元之董事袍金，另就身為本公司審核委員會、薪酬委員會、提名委員會及法規委員會成員而各增收每年20,000港元袍金(若任期少於12個月，則按比例計算)。上述酬金乃參考現時之市場情況，並考慮到董事局之工作、工作量及郭先生參與董事局事務所須時間後釐定。

除上述披露者外，郭先生並不知悉任何須知會股東之其他事項，或根據上市規則第13.51(2)(h)至13.51(2)(v)條之條文任何規定本公司須予披露之任何資料。

此乃向股東提供有關批准本公司購回其股份之決議案之說明函件，該決議案將在二零零六年股東週年大會上由股東以普通決議案方式通過。

本說明函件載有根據上市規則第10.06條所規定之資料概要如下：

股本

- 截至最後實際可行日期，共有已發行股份1,464,609,910股，此等股份已經繳足股款。

- 假設最後實際可行日期起至二零零六年股東週年大會舉行前並無進一步發行或購回任何股份，本公司將有已發行股份1,464,609,910股，而全面行使購回證券授權將導致本公司於二零零六年股東週年大會通告第5B項普通決議案所指之有關期間內將購回股份最多達146,460,991股。

購回之原因

- 董事相信，股東授予董事一般權力讓董事在市場上購回股份，乃符合本公司及其全體股東之利益。購回股份(須視乎當時市況及融資安排而定)可提高本公司之資產淨值及／或其每股盈利，並將有利於本公司及其股東。

購回之資金來源

- 購回股份僅可從其公司組織章程大綱與公司細則以及百慕達適用法例可合法作此用途之營運資金中撥支。根據百慕達適用法例，本公司購回股份僅可從繳足股本、原可供派息或分派之本公司資金或為進行購回而發行新股份所得款項來撥付購回事項。購回該等股份時，任何超逾股份面值之溢價須在股份購回前由原可供派息或分派之本公司資金或本公司之股份溢價賬中支付。預期任何購回所需資金將由上述渠道撥支。

- 與本公司於二零零六年三月三十一日(本公司最近之經審核賬目之結算日)之財務狀況比較，董事認為，倘若購回證券授權於建議之購回期間獲全面行使，則購回股份將不會對本公司之營運資金及資產水平產生重大不利影響。倘董事認為行使購回證券授權會對他們所認為本公司不時適用之營運資金需求或資產負債水平造成重大不利影響，則不擬行使購回證券授權。

董事、他們之聯繫人士及關連人士

- 董事或(於作出一切合理查詢後據彼等所知)任何他們之聯繫人(定義見上市規則)現時概無意在本公司股東批准購回證券授權後出售股份予本公司。

- 本公司並無接獲任何關連人士(定義見上市規則)通知其目前有意在股東批准購回證券授權後，向本公司出售股份，或已承諾不會向本公司出售股份。

董事之承諾

- 董事已向聯交所作出承諾，只要有關規則及法例適用，他們將按照上市規則、公司細則及百慕達適用之法例行使購回證券授權。

本公司之股份購回

- 本公司於最後實際可行日期前六個月內概無購回任何股份(不論在聯交所或循其他途徑)。

一般規定

倘購回股份使股東於本公司之投票權之權益比例增加，則就收購守則而言，該項增加被視為一項收購事項。因此，股東或一群一致行動之股東(視乎股東權益增加水平)可取得或鞏固對本公司之控制權，便須根據收購守則第26條進行強制性收購。倘本公司購回至獲准最多10%已發行股本股份，則該等人士連同任何與他們一致行動之人士須根據收購守則第26之規定提出強制性收購建議。

於最後實際可行日期，Hollyfield Group Limited(「Hollyfield」，其由陳國強博士(「陳博士」)最終及實益擁有)持有399,859,768股已發行股份，佔已發行股本約27.0%。陳博士亦個人持有11,840,896股股份權益，佔已發行股本約0.81%。根據不進一步發行或購回任何股份之基準，倘全面行使購回證券授權及Hollyfield與陳博士所持有之本公司股權並無變動，則Hollyfield連同陳博士之持股量將增至佔已發行股本約31.23%。倘若出現上述增加之情況，即達到收購守則第26條所規定之30%觸發點，則Hollyfield與陳博士須根據收購守則第26條之規定提出強制性收購建議。董事目前無意行使購回證券授權以致Hollyfield或陳博士須根據收購守則提出強制性全面收購建議。

股份價格

股份於最後實際可行日期前十二個月每月在聯交所買賣之最高及最低成交價如下：

	股份	
	最高	最低
	港元	港元
二零零五年		
七月	1.570	1.060
八月	1.420	1.170
九月	1.680	1.370
十月	1.520	1.380
十一月	1.480	1.320
十二月	1.500	1.330
二零零六年		
一月	1.680	1.440
二月	2.500	1.650
三月	2.850	2.200
四月	3.450	2.700
五月	3.400	2.400
六月	3.300	2.350
七月(直至最後實際可行日期)	2.875	2.550

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

茲通告保華集團有限公司(「本公司」)訂於二零零六年九月八日星期五上午十時三十分，假座香港金鐘道88號太古廣場香港JW萬豪酒店3樓宴會廳舉行股東週年大會，藉以處理下列事項：

1. 省覽截至二零零六年三月三十一日止年度之經審核賬目、董事局報告書及核數師報告書。

2. 宣派截至二零零六年三月三十一日止年度之末期股息。

3. 重選退任董事並釐定董事酬金。

4. 續聘核數師並授權董事局釐定其酬金。

5. 作為特別事項，考慮及酌情通過下列決議案為本公司普通決議案：

(A) 「**動議**：

(i) 在本決議案(iii)分段之限制下，一般及無條件批准本公司董事在有關期間(如下文所定義)內根據一切適用法例及本公司之公司細則並在其規限下行使本公司所有權力，以配發、發行並處置本公司股本中之新股份，並作出或授予將會或可能須行使此等權力之售股建議、協議及購股權(包括可轉換為本公司股份之認股權證、債券及債權證)；

(ii) 本決議案(i)分段之批准授權本公司董事在有關期間內作出或授予將會或可能須於有關期間終止後行使此等權力之售股建議、協議及購股權(包括可轉換為本公司股份之認股權證、債券及債權證)；

(iii) 本公司董事依據本決議案(i)及(ii)分段獲批准配發或同意有條件或無條件配發(不論是否依據購股權或其他)及發行之本公司股本面值總額(惟根據供股(如下文所定義)或依據本公司之購股權計劃而發行本公司股份或本公司因認股權證隨附之認購權獲行使而發行股份或依據本公司不時生效之公司細則作出任何以股代息安排而發行本公司股份者除外)，不得超過本公司於本決議案日期之已發行股本面值總額百分之二十，而上述批准亦須受此數額限制；及

* 僅資識別

(iv) 就本決議案而言：

「有關期間」乃指由本決議案通過之日期至下列三項之最早日期止之期間：

(a) 本公司下屆股東週年大會結束；

(b) 依照本公司之公司細則或任何適用之百慕達法例規定須舉行下屆股東週年大會之期限屆滿時；或

(c) 本公司股東於股東大會通過普通決議案撤銷或修訂根據本決議案所授出之授權。

「供股」乃指本公司董事於指定期間向於指定記錄日期名列股東名冊之股份持有人按其當時持股比例發售新股(惟本公司董事有權在必須或權宜之情況下就零碎股權或香港以外任何地區之法律限制或責任及任何認可管制機構或證券交易所之規定而取消若干股東在此方面之權利或另作安排)。」

(B) 「**動議**：

(i) 在本決議案(ii)分段之限制下，一般及無條件批准本公司董事在有關期間(如下文所定義)內行使本公司所有權力，以根據一切適用法例及聯交所證券上市規則或任何其他證券交易之規定(以不時生效之版本為準)，在香港聯合交易所有限公司(「聯交所」)或本公司證券可能上市而就此而言獲證券及期貨事務監察委員會及聯交所認可之任何其他證券交易所上購回本公司已發行股本中之股份；

(ii) (i)段之批准應加上於向本公司董事授出之任何其他授權並應授權本公司董事代表本公司於有關期間促使本公司按董事釐定之價格購回其證券；

(iii) 本公司董事依據本決議案(i)及(ii)分段批准有關期間內購回之本公司股本面值總額，不得超過本公司於本決議案日期之已發行股本面值總額百分之十，而上述批准亦須受此數額限制；及

(iv) 就本決議案而言：

「有關期間」乃指由本決議案通過之日期至下列三項之最早日期止之期間：

(a) 本公司下屆股東週年大會結束；

(b) 依照本公司之公司細則或任何適用之百慕達法例規定須舉行下屆股東週年大會之期限屆滿時；或

(c) 本公司股東於股東大會通過普通決議案撤銷或修訂本決議案所授出之授權。」

(C) 「**動議**在召開本大會通告第5(A)及5(B)項決議案獲得通過之條件下，本公司依據本公司董事依據及按照上文第5(B)項決議案之授權而購回本公司已發行股本之面值總額，可計入本公司董事依據及按照召開本大會通告第5(A)項決議案可配發、發行及處理或同意有條件或無條件配發、發行及處理之股本面值總額內。」

(D) 「**動議**待香港聯合交易所有限公司上市委員會批准因行使根據本公司於二零零二年八月二十七日採納之購股權計劃(「該計劃」)可能授出之購股權而須予發行之本公司股本中每股面值0.10港元之股份(佔通過本決議案日期本公司已發行股本之10%)上市及買賣後，批准更新就按該計劃所授出購股權認購之本公司普通股之計劃上限，惟因根據該計劃授出或行使購股權而可予配發及發行之普通股總數(不包括先前根據該計劃已授出、未行使、已註銷或已行使之購股權)不得超逾通過本決議案之日期本公司已發行股本之10%(「更新授權限額」)，並授權本公司董事根據該計劃授出以更新授權限制為限之購股權；行使本公司所有權力以於有關購股權獲行使時配發、發行及處理本公司之普通股股份；以及作出就此而言所需或附帶之行動及簽立就此而言所需或附帶之文件。」

(E) 「**動議**批准保華建業集團有限公司(「保華建業」，本公司之附屬公司)根據於二零零五年九月七日採納之購股權計劃所授出購股權之計劃限額，更新至最多為保華建業股東批准有關更新而通過之決議案當日保華建業已發行股本之10%。」

6. 處理本公司任何其他普通事項。

承董事局命
公司秘書
黃麗堅

香港，二零零六年七月三十一日

主要營業地點：
香港
九龍
觀塘
鴻圖道51號
保華企業中心31樓

註冊辦事處：
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

附註：

1. 凡有權出席本公司會議及於會上投票之股東有權委任一位代表代其出席大會及投票。股東可僅就其持有之本公司股份中的某部份委任代表。受委代表毋須為本公司之股東。

2. 茲隨附大會之代表委任表格。代表委任表格連同簽署人之授權書或其他授權文件(如有)或經由公證人簽署證明之授權書或其他授權文件副本，必須於代表委任表格委任之代表擬投票之大會或其任何續會指定召開時間48小時前送交本公司主要營業地點，地址為香港九龍觀塘鴻圖道51號保華企業中心31樓，方為有效。

3. 本公司將於二零零六年九月十三日至二零零六年九月十五日(包括首尾兩日)暫停辦理股東登記手續，期間將不會登記任何本公司股份之轉讓。如欲獲派末期股息，所有股份過戶文件連同有關股票及已填妥背頁或獨立之過戶表格，最遲須於二零零六年九月十二日下午四時正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。

於本通告日期，本公司董事局成員包括：

周明權博士 *OBE, JP*	:	主席（獨立非執行董事）
劉高原先生	:	副主席兼董事總經理
陳國強博士	:	非執行董事
郭少強先生	:	獨立非執行董事
陳樹堅先生	:	獨立非執行董事

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in PYI Corporation Limited (the "Company"), you should at once hand this document to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 498)

Chow Ming Kuen, Joseph OBE, JP
(Independent Non-executive Chairman)
Lau Ko Yuen, Tom
(Deputy Chairman & Managing Director)
Chan Kwok Keung, Charles
(Non-executive Director)
Kwok Shiu Keung, Ernest
(Independent Non-executive Director)
Chan Shu Kin
(Independent Non-executive Director)

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

Principal place of business in Hong Kong:
31st Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

29 May 2006

To the shareholders of the Company

Dear Sir or Madam,

SPECIAL DIVIDEND
BY WAY OF DISTRIBUTION OF THE VALUE IN GDI SHARES

On 8 May 2006, it was announced that the board of directors of the Company (the "Board") resolved at a meeting held on 4 May 2006 to declare a special dividend (the "Special Dividend") to the shareholders of the Company (the "PYI Shareholders") by way of distribution of the value derived from its divestment of China Strategic Holdings Limited ("China Strategic").

China Strategic has recently completed a group reorganisation involving the distribution in specie of shares (the "GDI Shares") in Group Dragon Investments Limited ("GDI") to its shareholders whose names appeared on the register of members on 19 May 2006 on the basis of one GDI Share for every China Strategic consolidated share held (the "China Strategic Group Reorganisation"). As at that date, the Company held 129,409,897 consolidated shares in China Strategic and is therefore entitled to receive 129,409,897 GDI Shares. Hanny Holdings Limited ("Hanny") is currently making a voluntary general offer to the shareholders of GDI (the "GDI Offer") to acquire all the GDI Shares, other than those owned or agreed to be acquired by Well Orient Limited (a wholly-owned subsidiary of Hanny), its associates and parties acting in concert with it on the following basis:

Option 1:

For every five GDI Shares ..... one share in Hanny (each, a "Hanny Share") plus HK$1.8 in cash

Option 2:

For every five GDI Shares ..... one 2% 5-year convertible bond issued by Hanny with a face value of HK$15.0 (each, a "Hanny Bond")

The Company intends to accept the GDI Offer in respect of its entire entitlement in the GDI Shares resulting from the China Strategic Group Reorganisation. The Special Dividend involves the distribution of the value derived from the Company's acceptance of the GDI Offer (the "Distributed GDI Value") to the PYI Shareholders whose names appeared on the register of members of the Company on Friday, 26 May 2006 (the "Distribution Scheme"). For every 500 shares of the Company (each, a "PYI Share") held, the PYI Shareholders will be entitled to receive the Distributed GDI Value attributable to 40 GDI Shares. The register of members of the Company was closed from 24 May 2006 to 26 May 2006, both dates inclusive, during which period no transfers of shares were effected. In order to qualify for the Special Dividend,

all transfers of shares together with the relevant share certificates must have been 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 by 4:00 p.m. on 23 May 2006.

Particulars of the Distribution Scheme

Under the Distribution Scheme, for every 500 PYI Shares held, a PYI Shareholder will receive the value of 40 GDI Shares in the form of either:

(i) 8 Hanny Shares plus HK$14.4 in cash; or

(ii) 8 Hanny Bonds.

The PYI Shareholders can elect to accept one of the above choices or a combination of both (such combination being based on every 500 PYI Shares held).

Under the Distribution Scheme, holders of less than 500 PYI Shares shall not be entitled to receive the Distributed GDI Value. In addition, any PYI Shares held in excess of 500 or its multiple shall be rounded down and be disregarded for the purpose of computing the entitlement.

The composite offer and response document issued by Hanny and GDI in respect of the GDI Offer (the "GDI Document") is reproduced in appendix I to this circular for your information only so that you have further information on the GDI Offer. For the avoidance of doubt, neither the Company nor any of its directors takes any responsibility whatsoever for the contents of the GDI Document, which is issued by Hanny and GDI to holders of the GDI Shares under the Hong Kong Code on Takeovers and Mergers.

Election Form

An election form is enclosed. Any PYI Shareholder who wishes to receive only Hanny Bonds in respect of his/her Distributed GDI Value need not complete the election form. Any PYI Shareholder who wishes to receive Hanny Shares plus cash, or a combination of Hanny Shares plus cash and Hanny Bonds, must complete the election form and return it to the Company's share registrar in Hong Kong, Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, on or before 4:00 p.m. on Monday, 12 June 2006.

If any PYI Shareholder completes the election form but does not specify his/her choice, he/she will be deemed to have elected to receive the Distributed GDI Value in the form of Hanny Bonds in respect of all the PYI Shares of which he/she was then registered as the holder(s). If he/she elects to receive a combination of Hanny Bonds, Hanny Shares and cash in respect of a greater number of PYI Shares than his/her registered holding on 26 May 2006, he/she will be deemed to have exercised his/her election to receive the Distributed GDI Value in Hanny Bonds for such number of PYI Shares inserted in Box D of the election form and to receive Hanny Shares plus cash in respect of the remainder of his/her registered holding in PYI Shares (and the number of PYI Shares inserted in Box C of the election form will be deemed decreased accordingly).

Overseas Shareholders

Based on the register of members of the Company as at 26 May 2006 (being the record date for the purpose of determining the PYI Shareholders entitled to the Special Dividend), all of the PYI Shareholders have registered addresses in Hong Kong save that there was one PYI Shareholder in Macau, one PYI Shareholder in Malaysia and one PYI Shareholder in Taiwan.

The participation in the Distribution Scheme by the PYI Shareholders in any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. PYI Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should inform themselves about, and observe, all applicable legal and regulatory requirements of the relevant jurisdictions.

It is the responsibility of any PYI Shareholder not resident in Hong Kong who wishes to participate in the Distribution Scheme to satisfy himself/herself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any government or other approval or consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in respect of such jurisdiction.

Despatch of Documents of Title

Certificates in respect of the Hanny Shares or the Hanny Bonds and cheques in respect of the cash element of the Special Dividend are expected to be sent to the PYI Shareholders by post at the risk of such PYI Shareholders around end June 2006. You may deal in the Hanny Shares to be issued to you upon receipt of the relevant share certificate. The Hanny Bonds are not listed on or dealt in on the Stock Exchange or any other stock exchanges.

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

Stamp Duty

Stamp duty or any other transfer duty arising in connection with the Distribution Scheme will be borne by the Company.

Advantage of the Distribution Scheme

The Distribution Scheme will give PYI Shareholders the opportunity to realize their indirect investments in the China Strategic shares and reinvest into securities of Hanny, which is also a company listed on the Stock Exchange.

Recommendation

Whether or not it is to your advantage to elect to receive Hanny Shares plus cash or Hanny Bonds, in whole or in part, will depend upon your own individual circumstances and the decision in this regard, and all effects resulting therefrom, are the sole responsibility of each PYI Shareholder. **IF YOU ARE IN ANY DOUBT AS TO WHAT TO DO, YOU SHOULD CONSULT A LICENSED SECURITIES DEALER, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS.**

By Order of the Board
PYI Corporation Limited
Wong Lai Kin, Elsa
Company Secretary

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in PYI Corporation Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

DISCLOSEABLE TRANSACTION

ACQUISITION OF ASSETS RELATED TO LIQUID BULK LOGISTICS BUSINESS IN WUHAN, PRC AND ISSUE OF CONVERTIBLE NOTE

Financial Adviser
KPMG Corporate Finance Limited

2 June 2006

CONTENTS

Page

Definitions 1

Letter from the Board

Introduction 3

The Acquisition 3

Reasons for and benefits of the Acquisition 7

Listing Rules requirements 7

Additional information 7

Appendix – General information 8

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

"Acquisition"	the acquisition of the Assets pursuant to the Agreement
"Agreement"	the agreement dated 12 May 2006 entered into between the Purchaser and the Vendors in relation to the Acquisition
"Announcement"	the announcement of PYI dated 12 May 2006 in relation to the Acquisition
"Assets"	the assets comprised in the Acquisition as described in the paragraph headed "Assets to be acquired" in this circular
"Beijing Xinhua"	北京新華實業總公司(Beijing Xinhua Industry & Commerce Corp.*), an unincorporated entity established in the PRC
"connected person"	the meaning ascribed to it under the Listing Rules
"Convertible Note"	the zero coupon, 3-year convertible note of a principal amount denominated in HK$ to be issued by PYI for payment of the consideration of RMB120 million under the Agreement
"Conversion Share(s)"	Share(s) that may be issued upon conversion of the Convertible Note
"Deposit"	the deposit of RMB50 million (equivalent to about HK$48.5 million) paid as part of the consideration for the Acquisition
"Director(s)"	the directors of PYI
"Group"	PYI and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	a party which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is a third party independent of PYI and the connected persons of PYI
"Latest Practicable Date"	1 June 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LPG"	liquefied petroleum gas
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules
"Purchaser"	湖北民生石油液化氣有限公司(Hubei Minsheng Liquefied Petroleum Gas Limited*), a company incorporated in the PRC and an indirect wholly owned subsidiary of PYI
"Maturity Date"	the third anniversary of the date of issue of the Convertible Note
"PRC"	the People's Republic of China
"PYI"	PYI Corporation Limited
"RMB"	Renminbi, the lawful currency of the PRC

"SFO"	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of PYI
"Share Option Scheme"	the share option scheme of PYI adopted on 27 August 2002
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Wuhan Minsheng"	武漢民生石油液化氣有限公司(Wuhan Minsheng Liquefied Petroleum Gas Company Limited*), a company incorporated in the PRC with limited liability and an Independent Third Party
"Wuhan Jinwei"	武漢經緯液化氣船務有限公司(Wuhan Jinwei Liquefied Gas Shipping Company Limited*), a company incorporated in the PRC with limited liability and an Independent Third Party
"Wuhan Yangfan"	武漢揚帆經濟發展有限公司(Wuhan Yangfan Economic Development Limited*), a company incorporated in the PRC with limited liability and an Independent Third Party
"Vendors"	Wuhan Minsheng and Wuhan Jinwei

For the purpose of this circular, unless otherwise specified, the conversion of RMB into HK$ is based on the exchange rate of RMB1.03=HK$1.00

* *English transliteration for identification purpose only*

PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

Chow Ming Kuen, Joseph *OBE, JP*
(Independent Non-executive Chairman)
Lau Ko Yuen, Tom
(Deputy Chairman & Managing Director)
Chan Kwok Keung, Charles
(Non-executive Director)
Kwok Shiu Keung, Ernest
(Independent Non-executive Director)
Chan Shu Kin
(Independent Non-executive Director)

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31st Floor, Paul Y. Centre
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Hong Kong

2 June 2006

To the shareholders of PYI

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF ASSETS RELATED TO LIQUID BULK LOGISTICS BUSINESS IN WUHAN, PRC AND ISSUE OF CONVERTIBLE NOTE

INTRODUCTION

On 12 May 2006, PYI announced that its PRC indirect wholly-owned subsidiary entered into an asset acquisition agreement with independent third parties to acquire assets related to liquid bulk logistics business in Wuhan, PRC, including LPG storage facilities, terminal and jetty, filling stations and equipment.

THE ACQUISITION

Agreement date

12 May 2006

Parties

The Vendors: Wuhan Minsheng and Wuhan Jinwei, each a company established in the PRC with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors and their respective ultimate beneficial owners are Independent Third Parties.

Wuhan Minsheng's single largest shareholder is Beijing Xinhua. Another PRC incorporated company, Wuhan Yangfan, owns 32% of Wuhan Minsheng and 90% of Wuhan Jinwei.

The Purchaser: Hubei Minsheng Liquefied Petroleum Gas Limited, an indirect wholly owned subsidiary of PYI established in the PRC.

Assets to be acquired

A. The following items which are owned by Wuhan Minsheng:

(i) LPG storage facilities including 10 storage tanks of 2,000m^3 each, land use rights, buildings, equipment and tools;

(ii) LPG terminal and jetty (including ancillary facilities and electrical substation and equipment);

(iii) 13 LPG filling stations (including land use rights, buildings, equipment and tools);

(iv) assets employed in its contractual cooperative arrangement for the LPG cylinder business (including equipment and tools);

(v) 2 LPG tank trucks and other vehicles; and

(vi) all equipment, installation, apparatus and office equipment which are being used for the above operations;

B. One docking barge owned by Wuhan Jinwei at the LPG terminal; and

C. All intangible assets of Wuhan Minsheng required in the operation of the above assets and business, including trade names, models, business logos and signboards.

Consideration

RMB470 million (equivalent to about HK$456.3 million), which consists of RMB350 million in cash and RMB120 million by issue of the Convertible Note, shall be paid in stages as follows:

(i) RMB50 million (equivalent to about HK$48.5 million) as deposit (which has already been paid as at the Latest Practicable Date);

(ii) RMB57.5 million (equivalent to about HK$55.8 million) within 3 business days of completion of transfer to the Purchaser of those of the Assets which are now pledged to Industrial and Commercial Bank of China, being the land use rights and the buildings of the LPG storage facilities, free from such pledge and obtaining the Building Ownership Certificates and other relevant documentation from governmental land authorities;

(iii) RMB118.8 million (equivalent to about HK$115.3 million) on completion of transfer to the Purchaser of those of the Assets which are now pledged to China Construction Bank, including (1) the 10 storage tanks; (2) the docking barge; (3) the LPG jetty; and (4) part of the assets at the 13 LPG filling stations, free from such pledge;

(iv) RMB30 million (equivalent to about HK$29.1 million) within 3 business days of receipt from the relevant PRC authority of written notification for payment of taxes in relation to the transfer of the land use rights for the LPG storage facilities;

(v) RMB143.7 million (equivalent to about HK$139.5 million) less the Deposit (which shall now be applied as part payment of amount referred to in this item (v)) within 3 business days of the Purchaser having obtained all licences and permits required for the Assets; and

(vi) RMB120 million by way of the issue of the Convertible Note within 15 business days of the Purchaser either being transferred all rights under all leases in respect of the LPG filling stations with the consent of the landlords and/or having directly entered into leases with such landlords. In the event that the listing approval for the Conversion Shares is not granted by the Stock Exchange, the Purchaser shall pay an equivalent amount in cash.

The consideration was agreed after arm's length negotiations between the Vendors and the Purchaser by reference to the valuation of the Assets by an independent valuer, Hu Bei Liantai Accounts Business Co, Ltd. of about RMB494 million as shown in its report dated 22 March 2006.

The cash portion of the consideration will be financed by internal resources of the Group. However, the Group may also consider bank financing if favorable terms are available.

Financial effect of the acquisition

It is expected that the Acquisition will widen the earnings base and that it will not cause any material impact on the net assets value of the Group.

Performance guarantee

Beijing Xinhua, the single largest shareholder of Wuhan Minsheng holding 40% of its registered capital, has executed a performance guarantee in favour of the Purchaser in respect of the obligations of the Vendors under the Agreement.

PYI has also executed a performance guarantee in favour of the Vendors in respect of the obligations of the Purchaser under the Agreement.

Conditions and completion

The Acquisition will be proceeded according to the payment schedule as detailed under the section headed "Consideration" above. The Acquisition is not conditional upon approval for listing of the Conversion Shares and is not subject to any timing requirement within which the Acquisition must complete.

The Convertible Note

As set out in item (vi) under the section headed "Consideration" above, RMB120 million out of the consideration of RMB470 million will be settled by the issue of the Convertible Note. The principal terms of the Convertible Note are summarised below:

The issuer

PYI

The Convertible Note holder

A Hong Kong company to be nominated by the Vendors for taking up the Convertible Note, which shall be an Independent Third Party.

Principal amount

The HK$ equivalent of RMB120 million on the date of issue. Applying the exchange rate of RMB1.03 to HK$1.00, it will be about HK$116.5 million.

Currency Adjustment

In the event that, on the date PYI is required to make payment of the principal amount outstanding under the Convertible Note, the prevailing exchange rate between HK$ and RMB falls below that adopted for determining the principal amount in HK$ on the date of issue, PYI shall pay the holder the shortfall (including that on the premium payable) by reference to the then prevailing exchange rate. The adjustment mechanism will ensure that the principal amount of the Convertible Note will be equivalent to RMB120 million.

Interest

The Convertible Note will not bear any interest.

Maturity

The third anniversary of the date of issue of the Convertible Note.

Redemption

Unless previously converted and cancelled PYI shall redeem the Convertible Note on the Maturity Date at the redemption amount which is 114.167% of the principal amount of the Convertible Note outstanding. The effective yield to maturity of the Convertible Note is approximately 4.52% per annum.

Conversion

The holder may convert the whole or any part of the principal amount of the Convertible Note into new Shares at the then prevailing conversion price, on any business day commencing from the 15th day after the date of issue of the Convertible Note up to and including the date which is 15 days prior to the Maturity Date.

Conversion price

The conversion price is HK$4.25 per Share subject to the usual anti-dilution adjustments, including:

(i) share consolidation or subdivision;

(ii) capitalization of profits or reserves;

(iii) capital distribution; or

(iv) rights issue or a grant of options or warrants.

The initial conversion price of HK$4.25 per Share represents (i) a premium of approximately 42.86% over the closing price of HK$2.975 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (ii) a premium of approximately 30.77% over the closing price of HK$3.25 per Share as quoted on the Stock Exchange on 12 May 2006, being the date of the Announcement; (iii) a premium of approximately 29.57% over the average closing price of approximately HK$3.28 per Share for the last five trading days ended 11 May 2006, being the last trading day immediately prior to the date of the Agreement; and (iv) a premium of approximately 142.86% over the unaudited net asset value per Share of HK$1.75 as at 30 September 2005.

The initial conversion price of HK$4.25 was determined by the Group and the Vendors on arm's length basis with reference to the current market price of the Shares and the duration of the Convertible Note.

Conversion Shares

Assuming a principal amount of HK$116.5 million and there is an immediate exercise in full of the conversion right attached to the Convertible Note at the initial conversion price of HK$4.25 by the holder of the Convertible Note, PYI will issue an aggregate of 27,411,764 new Conversion Shares, representing approximately (i) 1.87% of the existing issued share capital of PYI; and (ii) 1.84% of the issued share capital of PYI as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares will be issued pursuant to the general mandate granted to the Directors by the Shareholders at the annual general meeting of PYI held on 8 September 2005.

The market value of the Conversion Shares (converted at the initial conversion price of HK$4.25) will be about HK$89.1 million based on the closing price of HK$3.25 per Share on 12 May 2006, being the date of the Agreement and the Announcement.

Ranking

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue at the date of the conversion notice.

Status of the Convertible Note

The Convertible Note constitutes a direct, general, unconditional and unsecured obligation of PYI and rank pari passu with all other present and future unsecured and unsubordinated obligations of PYI.

Transferability

The Convertible Note is freely transferable but may not be transferred to a connected person of PYI without the prior written consent of PYI and subject to the Listing Rules. PYI will notify the Stock Exchange if the Convertible Note is transferred to connected persons of PYI.

Voting Rights

The Convertible Note does not confer any voting rights at any meetings of PYI.

Listing

No application will be made for the listing of the Convertible Note. Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

PYI shareholding structure

The transaction will not result in a change of control of PYI. The following table shows the shareholding structure of PYI immediately before and after the conversion of the Convertible Note in full assuming conversion is made at the initial conversion price of HK$4.25 per Conversion Share based on the Shares in issue as at the Latest Practicable Date:

	Before conversion of the Convertible Note in full (approximate %)	**After conversion of the Convertible Note in full (approximate %)**
Substantial shareholder	27.31	26.80
Directors	0.90	0.88
The Convertible Note holder	0	1.84
Public	71.79	70.48
	100	100

Assuming a principal amount of HK$116.5 million of the Convertible Note and a conversion price of HK$4.25 per Conversion Share, 27,411,764 new Conversion Shares will fall to be issued upon conversion of the Convertible Note in full. As at the Latest Practicable Date, PYI has 1,464,379,910 Shares in issue. Save for share options over 72,406,000 Shares granted and outstanding pursuant to the Share Option Scheme, PYI has no outstanding convertible securities or any rights convertible into Shares.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the business of development and investment in port and other infrastructure projects, property investment, treasury investment and, through its subsidiary, construction and engineering, project management and facilities management.

The Group continues to expand its foothold in Central China by developing and investing in port and infrastructure businesses as a long-term strategic priority. The Directors consider that the Acquisition will strengthen PYI's liquid bulk cargo handling capability which complements its dry bulk cargo expertise. By gaining access to the oil and gas logistics sector in Central China, the Group's commitment to developing an integrated transshipment network along the Yangtze River will be reinforced. Together with its existing port and infrastructure network in Nantong, the Acquisition will generate a synergy for the Group by developing a sea-river logistics chain, both upstream and downstream of the Yangtze River.

The Agreement was negotiated on an arm's length basis and was agreed on normal commercial terms between the parties. The Directors consider that the terms of the Acquisition are fair and reasonable and in the interest of PYI and its shareholders as a whole.

LISTING RULES REQUIREMENTS

As the percentage ratio in respect of the consideration to be paid by the Group for the Acquisition exceeds 5% but is less than 25% of the applicable five tests under Chapter 14 of the Listing Rules, the Acquisition constitutes a discloseable transaction of PYI under the Listing Rules.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
PYI Corporation Limited
Lau Ko Yuen, Tom
Deputy Chairman and Managing Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts concerning the Group the omission of which would make any statement herein misleading.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of PYI in the Shares, underlying Shares and debentures of PYI or any associated corporation (within the meaning of Part XV of the SFO), which were required to be notified to PYI and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and the Model Code and which were required to be entered in the register kept by PYI pursuant to section 352 of the SFO, were as follows:

(A) Interest in Shares

Name of Director/ chief executive	Capacity	Long position/ short position	Number of Shares held	Approximate percentage of the existing issued share capital of PYI
Chan Kwok Keung, Charles	Interest of controlled corporation *(Note)*	Long position	399,859,768	27.3%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,840,896	0.81%
Chow Ming Kuen, Joseph	Beneficial owner	Long position	1,300,000	0.089%
Lau Ko Yuen, Tom	Beneficiary of a trust	Long position	120,000	0.008%

Note: Dr. Chan Kwok Keung, Charles was deemed to be interested in 399,859,768 Shares by virtue of his shareholding in Chinaview International Limited ("Chinaview"). Galaxyway Investments Limited ("Galaxyway"), a wholly-owned subsidiary of Chinaview, owned approximately 34.99% of the issued ordinary share capital of ITC Corporation Limited ("ITC") which in turn owned the entire issued share capital of ITC Investment Holdings Limited ("ITC Investment"). Hollyfield Group Limited ("Hollyfield"), a wholly-owned subsidiary of ITC Investment, owned these Shares.

(B) Options to subscribe for Shares

Name of Director/ chief executive	Date of grant	Exercisable period	Subscription price per Share *HK$*	Number of underlying Shares comprised in the options	Approximate percentage of the existing issued share capital of PYI
Lau Ko Yuen, Tom	28.12.2004	28.12.2004 to 26.08.2012	1.24	6,500,000	0.444%
	28.12.2004	28.12.2004 to 26.08.2012	1.50	6,500,000	0.444%
Kwok Shiu Keung, Ernest	28.12.2004	28.12.2004 to 26.08.2012	1.24	650,000	0.044%
	28.12.2004	28.12.2004 to 26.08.2012	1.50	650,000	0.044%
Chan Shu Kin	28.12.2004	28.12.2004 to 26.08.2012	1.24	650,000	0.044%
	28.12.2004	28.12.2004 to 26.08.2012	1.50	650,000	0.044%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of PYI had any interests or short positions in the Shares, underlying Shares or debentures of PYI or any associated corporation (within the meaning of Part XV of the SFO) as notified to PYI and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register kept by PYI pursuant to section 352 of the SFO or as otherwise notified to PYI and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interest kept by PYI under Section 336 of the SFO and so far as was known to the Directors and the chief executive of PYI, the following are details of the persons (other than a Director or chief executive of PYI) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to PYI under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meeting of any other member of the Group:

(A) PYI

(1) Substantial Shareholders

Name of Shareholder	Capacity	Long position/ short position	Number of Shares held	Approximate percentage of the existing issued share capital of PYI
Chan Kwok Keung, Charles	Interest of controlled corporation *(Note)*	Long position	399,859,768	27.3%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,840,896	0.81%
Ng Yuen Lan, Macy	Interest of spouse *(Note)*	Long position	411,700,664	28.11%
Chinaview	Interest of controlled corporation *(Note)*	Long position	399,859,768	27.3%
Galaxyway	Interest of controlled corporation *(Note)*	Long position	399,859,768	27.3%
ITC	Interest of controlled corporation *(Note)*	Long position	399,859,768	27.3%
ITC Investment	Interest of controlled corporation *(Note)*	Long position	399,859,768	27.3%
Hollyfield	Beneficial owner *(Note)*	Long position	399,859,768	27.3%

Note: Hollyfield, a wholly-owned subsidiary of ITC Investment (which was in turn a wholly-owned subsidiary of ITC), owned 399,859,768 Shares. Galaxyway, a wholly-owned subsidiary of Chinaview, owned 34.99% of the issued ordinary share capital of ITC. Dr. Chan Kwok Keung, Charles owned the entire issued share capital of Chinaview. Dr. Chan Kwok Keung, Charles, Chinaview, Galaxyway, ITC and ITC Investment were therefore all deemed to be interested in the said 399,859,768 Shares held by Hollyfield. Ms. Ng Yuen Lan, Macy, the spouse of Dr. Chan Kwok Keung, Charles, was deemed to be interested in the said 399,859,768 Shares held by Hollyfield and 11,840,896 Shares held directly by Dr. Chan Kwok Keung, Charles.

(2) Other Shareholders

Name of Shareholder	Capacity	Long position/ short position	Number of shares held	Approximate percentage of the existing issued share capital of PYI
Gandhara Advisors Asia Ltd a/c Gandhara Master Fund Ltd	Investment manager	Long position	122,617,997	8.37%
The Children's Investment Fund Management (UK) LLP	Investment manager *(Note)*	Long position	121,000,000	8.26%
The Children's Investment Master Fund	Beneficial owner *(Note)*	Long position	121,000,000	8.26%
Aeneas Capital Management LP	Investment manager	Long position	119,355,009	8.15%
OZ Management, L.L.C.	Investment manager	Long position	95,848,377	6.55%
Christian Emil Toggenburger	Beneficial owner	Long position	82,027,653	5.60%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long position	299,884	0.02%
Deutsche Bank Aktiengesellschaft	Investment manager	Long position	2,000,000	0.14%
Deutsche Bank Aktiengesellschaft	Security interest	Long position	68,367,151	4.67%

Note: The Children's Investment Master Fund is accustomed or obliged to act in accordance with the directions or instructions of The Children's Investment Fund Management (UK) LLP. Therefore, The Children's Investment Fund Management (UK) LLP is accordingly deemed to be having the same interests in the Shares as The Children's Investment Master Fund.

(B) Other members of the Group

Name of subsidiary	Name of shareholder	Approximate percentage of the existing issued share capital/ registered capital
Airfield Works Joint Venture	Downer and Company Limited	49.0%
Associate Marble Maintenance And Service Company Limited	Lam Shing Wing	40.0%
D & C Engineering (H.K.) Limited	Artery Construction Management Limited	45.0%
Jiangsu Wanhua Real Estate Development Co., Ltd	如東縣東泰社會發展投資有限責任公司 (Rudong County Dongtai Society Development Limited*)	40.0%
Jiangsu YangKou Port Development and Investment Co., Ltd	如東縣東泰社會發展投資有限責任公司 (Rudong County Dongtai Society Development Limited*)	25.0%
Jiangsu Yangtong Investment and Development Co., Ltd	如東縣東泰社會發展投資有限責任公司 (Rudong County Dongtai Society Development Limited*)	25.0%
Paul Y. – CCECC Joint Venture	China Civil Engineering Construction Corporation	40.0%
Paul Y. – CREC Engineering Co., Limited	China Railway Engineering Corporation	30.0%
Paul Y. – CREC Joint Venture	China Railway Engineering Corporation	30.0%
Paul Y. – CREC(HK) Joint Venture	China Railway Engineering Corporation	40.0%
Skynet Limited	Icon Master Enterprises Limited	18.1%

* *English transliteration for identification purpose only*

Save as disclosed above, the Directors and the chief executive of PYI are not aware that there is any party who, as at the Latest Practicable Date, had an interest or short positions in the Shares and underlying Shares which would fall to be disclosed to PYI under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such Shares.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, interests of the Directors in competing business which are required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the business of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Interest of the Director in the entity
Chan Kwok Keung, Charles	China Strategic Holdings Limited ("CSH") and its subsidiaries	Property development and investment in PRC	As the Chairman and chief executive officer of CSH
Chan Kwok Keung, Charles	Hanny Holdings Limited ("Hanny") and its subsidiaries	Property investment in Hong Kong	As the Chairman, an executive director and substantial shareholder of Hanny

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

MATERIAL CHANGE

There has been no material adverse change in the financial or trading position of the Group since 31 March 2005, being the date to which the latest audited consolidated financial statements of PYI were made up.

LITIGATION

The Group succeeded in its claim against an ex-shareholder of PYI under a guarantee to recover losses incurred by an associated company of PYI amounting to approximately HK$123,711,000. The Group was given judgment against the ex-shareholder on 18 July 2005 for these losses, together with interest and costs incurred, in the total sum of approximately HK$210 million. The ex-shareholder has made full payment, but has also lodged an appeal against the judgment. The appeal will be heard in October 2006.

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

MISCELLANEOUS

(i) The qualified accountant of PYI is Mr. Wong Yiu Hung, CPA, FCCA.

(ii) The secretary of PYI is Ms. Wong Lai Kin, Elsa, LL.B., LL.M., MCF, a solicitor qualified in Hong Kong and England and Wales.

(iii) The registered office of PYI is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of PYI in Hong Kong is at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

(iv) The principal share registrar and transfer office of PYI is Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda and the branch share registrar and transfer office of PYI in Hong Kong is Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(v) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

本通函乃要件　請即處理

閣下如對本通函任何方面或應採取之行動**有任何疑問**，應諮詢　閣下之持牌證券交易商、銀行經理、律師、專業會計師或其他專業顧問。

閣下如已將名下之保華集團有限公司之股份全部**售出或轉讓**，應立即將本通函送交買主或承讓人或經手買賣之銀行經理、持牌證券交易商或其他代理商，以便轉交買主或承讓人。

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保華集團有限公司*

PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

須予披露交易

收購於中國武漢
與大宗濕貨物流業務相關之資產
及
發行可換股票據

財務顧問
畢馬威企業財務有限公司

* 僅資識別

二零零六年六月二日

目　錄

頁次

釋義 1

董事局函件

緒言 3

收購事項 3

進行收購事項之理由及好處 7

上市規則之規定 7

其他資料 7

附錄 — 一般資料 8

除非文義別有所指，否則本通函內，下列詞語具有下列涵義：

「收購事項」	指	根據該協議所進行之資產收購
「該協議」	指	買方與賣方於二零零六年五月十二日就收購事項而訂立之協議
「該公佈」	指	保華於二零零六年五月十二日就收購事項刊發之公佈；
「資產」	指	收購事項涉及之資產，詳述於本通函「將予收購之資產」一段
「北京新華」	指	北京新華實業總公司，該公司為一家於中國成立之非屬法團企業
「關連人士」	指	具有上市規則賦予該詞之涵義
「可換股票據」	指	根據該協議，保華就支付120,000,000人民幣代價而將予發行本金額以港元為單位之三年期零票息可換股票據
「換股股份」	指	於可換股票據換股時可予發行之股份
「定金」	指	作為代價一部份而支付之50,000,000人民幣（約相等於48,500,000港元）定金
「董事」	指	保華董事
「本集團」	指	保華及其附屬公司
「港元」	指	港元，中國香港特別行政區法定貨幣
「獨立第三者」	指	就董事經作出一切合理查詢後所知、所悉及所信，為獨立於保華及保華之關連人士以外之第三者
「最後實際可行日期」	指	二零零六年六月一日，即本通函付印前可確定若干資料以供載入本通函之最後實際可行日期；
「上市規則」	指	聯交所證券上市規則
「液化石油氣」	指	液化石油氣
「標準守則」	指	載於上市規則附錄十之上市發行人董事進行證券交易的標準守則
「買方」	指	湖北民生石油液化氣有限公司，一家於中國註冊成立之公司及本公司之間接全資附屬公司
「到期日」	指	可換股票據發行日期後之第三週年
「中國」	指	中華人民共和國
「保華」	指	保華集團有限公司
「人民幣」	指	人民幣，中國法定貨幣

「證券及期貨條例」	指	香港法例第571章之證券及期貨條例；
「股份」	指	保華之已發行股本中每股面值0.10港元之普通股
「購股權計劃」	指	本公司於二零零二年八月二十七日採納之購股權計劃
「聯交所」	指	香港聯合交易所有限公司
「武漢民生」	指	武漢民生石油液化氣有限公司，一家於中國註冊成立之有限公司及獨立第三者
「武漢經緯」	指	武漢經緯液化氣船務有限公司，一家於中國註冊成立之有限公司及獨立第三者
「武漢揚帆」	指	武漢揚帆經濟發展有限公司，一家於中國註冊成立之有限公司及獨立第三者
「賣方」	指	武漢民生及武漢經緯

就本通函而言，除另有註明外，人民幣兑換為港元乃根據1.03人民幣兑1.00港元之匯率進行。

保華集團有限公司*
PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

周明權 OBE, JP(獨立非執行主席)
劉高原(副主席兼董事總經理)
陳國強(非執行董事)
郭少強(獨立非執行董事)
陳樹堅(獨立非執行董事)

註冊辦事處：
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

香港之主要營業地點：
香港
九龍
觀塘
鴻圖道51號
保華企業中心31樓

敬啟者：

須予披露交易
收購於中國武漢
與大宗濕貨物流業務相關之資產
及
發行可換股票據

緒言

於二零零六年五月十二日，保華公佈其中國間接全資附屬公司與獨立第三者訂立資產收購協議，以收購於中國武漢與大宗濕貨物流業務相關之資產，包括液化石油氣儲配設施、碼頭及棧橋、加氣站及設備。

收購事項

協議日期

二零零六年五月十二日

締約方

賣方：

武漢民生及武漢經緯，各自為一家於中國成立之有限公司。就董事經作出一切合理查詢後所知、所悉及所信，賣方及彼等各自之最終實益擁有人均為獨立第三者。

武漢民生之單一最大股東為北京新華。另一家在中國註冊成立之公司武漢揚帆擁有武漢民生32%權益及武漢經緯之90%權益。

* 僅資識別

買方： 湖北民生石油液化氣有限公司，保華之一家於中國成立之間接全資附屬公司。

將予收購之資產

A. 由武漢民生擁有之下列項目：

(i) 液化石油氣儲配設施，包括10個每個2,000立方米之儲配庫、土地使用權、房產、設備及工具；

(ii) 液化石油氣碼頭及棧橋(包括配套設施、分電站及設備)；

(iii) 13個液化石油氣加氣站(包括土地使用權、房產、設備及工具)；

(iv) 其在液化石油氣瓶裝氣業務之合約合作安排中所使用的資產(包括設備及工具)；

(v) 2輛液化石油氣槽車及其他車輛；及

(vi) 供上述業務使用之所有設備、裝置、儀器及辦公室設備，

B. 一艘由武漢經緯擁有位於液化石油氣碼頭之入塢躉船；及

C. 武漢民生為上述資產及業務營運所須之全部無形資產，包括商用名稱、模式、業務標誌及廣告牌。

代價

470,000,000人民幣(約相等於456,300,000港元)，包括以350,000,000人民幣之現金及發行120,000,000人民幣之可換股票據，將按下列方式分階段支付：

(i) 支付50,000,000人民幣(約相等於48,500,000港元)作為定金(該定金於最後實際可行日期已支付)；

(ii) 在向買方完成轉讓目前抵押予中國工商銀行之該等資產(即液化石油氣儲配設施之土地使用權及房產)(於解除該抵押及領取了政府土地管理部門發出之《房屋所有權證》及其他有關文件後)日期後之3個營業日內支付57,500,000人民幣(約相等於55,800,000港元)；

(iii) 在完成向買方轉讓目前抵押予中國建設銀行之該等資產(包括(1)10個儲配庫；(2)一艘入塢躉船；(3)液化石油氣棧橋；(4)13個液化石油氣加氣站之部份資產)(於解除該抵押後)時支付118,800,000人民幣(約相等於115,300,000港元)；

(iv) 在收到中國有關當局就轉讓液化石油氣儲配設施之土地使用權所支付稅項之書面通知後之3個營業日內支付30,000,000人民幣(約相等於29,100,000港元)；

(v) 143,700,000人民幣(約相等於139,500,000港元)於扣除定金(目前用作支付本項(v)所述之部份款項)後之餘款在買方已取得該等資產所須一切執照及許可證後之3個營業日內支付；及

(vi) 在買方得到業主同意轉讓液化石油氣加氣站所有租約之所有權利及／或與該等業主直接訂立租約後之15個營業日內，以發行可換股票據支付120,000,000人民幣。倘聯交所拒絕批准換股股份上市，則買方應以現金支付同等金額。

代價乃賣方與買方在參考由獨立估值師湖北聯泰會計師事務有限公司在其於二零零六年三月二十二日出具之報告書內所顯示對資產所作約494,000,000人民幣估值後，按公平原則協定。

代價之現金部份將由本集團之內部資源撥付。然而，倘若可取得有利條款，則本集團亦可能考慮銀行融資。

收購事項之財務影響

預期收購事項將擴闊盈利基礎，同時不會對本集團之資產淨值產生任何重大影響。

履約保證

北京新華(持有武漢民生註冊資本40%權益之單一最大股東)已就賣方於該協議之責任簽立一份以買方為受益人之履約保證。

保華亦已就買方於該協議之責任簽立一份以賣方為受益人之履約保證。

條件及完成

收購事項將按照上文「代價」一節詳述之付款時間表進行。收購事項毋須待換股股份獲准上市後，方可作實，且不受任何時效規定所限而必須於指定時間內完成收購事項。

可換股票據

誠如上文代價一節(vi)項所載，470,000,000人民幣代價當中之120,000,000人民幣將由本公司以發行可換股票據之方式支付。可換股票據之主要條款概列如下：

發行人

保華

可換股票據持有人

將由賣方指定以認購可換股票據之一家香港公司，其須為獨立第三者。

本金額

於發行日期等值120,000,000人民幣之港元，應用1.03人民幣兑1.00港元之匯率，其將約為116,500,000港元。

貨幣調整

倘於保華須根據可換股票據支付尚未償還本金額當日，港元兑人民幣通用匯率下跌至低於就釐定於發行日期之港元本金額所採用之匯率，則保華應參考通用匯率而向持有人支付有關差額(包括就應付溢價支付之金額)。調整機制將確保可換股票據之本金額將相等於人民幣120,000,000元。

利息

可換股票據將不計利息。

到期日

可換股票據發行日期起計之第三週年。

贖回

除先前已換股及註銷外，保華須於到期日按贖回額(即為尚未償還之可換股票據本金額之114.167%)贖回可換股票據。可換股票據之實際到期收益率約為每年4.52%。

換股

持有人可於可換股票據發行日期後第15日起至到期日前15日(包括該日)之日期止之任何營業日，按當時之通用換股價將可換股票據本金額之全部或任何部份轉換為新股份。

換股價

換股價為每股股份4.25港元，但可作一般反攤薄調整，包括：

(i) 股份合併或拆細；

(ii) 溢利或儲備撥充資本；

(iii) 股本分派；或

(iv) 供股或授出購股權或認股權證。

每股股份4.25港元之初步換股價，相當於(i)股份於最後實際可行日期在聯交所所報之每股2.975港元收市價溢價約42.86%；(ii)股份於二零零六年五月十二日(即該公佈日期)在聯交所所報之每股3.25港元收市價溢價約30.77%；(iii)股份於截至二零零六年五月十一日(即緊接該協議日期前之最後交易日)止最後五個交易日在聯交所所報之每股3.28港元平均收市價溢價約29.57%；及(iv)二零零五年九月三十日之每股1.75港元未經審核資產淨值溢價約142.86%。

4.25港元之初步換股價乃本集團與賣方在參考股份之現行市場價格及可換股票據之年期後按公平原則協定。

換股股份

假設本金額為116,500,000港元，以及可換股票據之持有人按4.25港元之初步換股價即時全面行使可換股票據附帶之換股權，則保華將發行合計27,411,764股新換股股份，相等於(i)保華現有已發行股本約1.87%；及(ii)經配發及發行換股股份擴大後之保華已發行股本約1.84%。換股股份將會根據於二零零五年九月八日舉行之保華股東週年大會上由股東授予董事之一般授權所發行。

根據股份於二零零六年五月十二日(即簽訂該協議及發表該公佈之日)之每股3.25港元收市價計算，換股股份(按4.25港元之初步換股價兑換)之市值將約為89,100,000港元。

權利

換股股份於配發及發行時，將與於換股通知日期之所有已發行現有股份在所有方面享有同等權益。

可換股票據之地位

可換股票據對保華構成直接、全面、無條件及無抵押之責任，並與保華之所有其他目前及未來無抵押及非後償責任享有同等權益。

轉讓權利

可換股票據可自由轉讓，但在未得到保華之預先書面同意前，不可轉讓予保華之關連人士，並須受上市規則所規限。倘若可換股票據乃轉讓予保華之關連人士，則保華將通知聯交所。

投票權

可換股票據並無賦予於保華任何大會上之任何投票權。

上市

保華不會申請可換股票據上市。保華已向聯交所上市委員會申請批准換股股份上市及買賣。

保華股權架構

該交易不會導致保華之控制權出現變動。下表顯示於緊接於可換股票據全面換股前及其後之保華股權架構(乃假設換股根據於最後實際可行日期之已發行股份按每股換股股份4.25港元之初步換股價進行):

	於可換股票據全面換股前(概約百分比)	於可換股票據全面換股後(概約百分比)
主要股東	27.31	26.80
董事	0.90	0.88
可換股票據持有人	0	1.84
公眾人士	71.79	70.48
	100	100

假設可換股票據之本金額為116,500,000港元及每股換股股份之換股價為4.25港元，於可換股票據獲全面換股時可能須予發行之新換股股份將為27,411,764股。於最後實際可行日期，保華有1,464,379,910股已發行股份。除根據保華之購股權計劃授出及尚未行使之涉及72,406,000股股份購股權外，保華並無尚未行使之可換股證券或可轉換為股份之任何權利。

進行收購事項之理由及好處

本集團主要從事港口發展與投資及其他基建項目、物業投資、庫務投資業務，並透過其附屬公司進行建築及工程、項目管理及設施管理業務。

本集團繼續透過發展及投資於港口及基建業務(作為長期優先發展策略)擴展其在華中之立足點。董事認為，收購事項將增強保華之大宗濕散貨處理能力，與其大宗乾散貨之專長互相配合。透過躋身華中地區之燃氣物流行業，本集團將進一步邁向發展長江沿岸綜合轉運網絡之承諾。連同本集團於南通之現有港口及基建網絡，收購事項將為本集團在長江上下游所發展之江海物流體系上，創造協同效益。

該協議乃按公平原則磋商後釐定，並由締約方按一般商務條款協定。董事認為，收購事項之條款乃屬公平合理，並符合保華及其股東之整體利益。

上市規則之規定

由於根據上市規則第14章之五項適用測試，本集團就收購事項將支付之代價的百分比率超過5%但少於25%，故此，收購事項構成上市規則所述之一項保華須予披露交易。

其他資料

懇請　閣下留意本通函附錄載列之其他資料。

此致

保華列位股東　台照

代表董事局
保華集團有限公司
副主席兼董事總經理
劉高原
謹啓

二零零六年六月二日

責任聲明

本通函所載資料乃遵照上市規則提供有關本集團之資料。董事願就本通函所載之資料之準確性共同及個別承擔全部責任，並於作出一切合理查詢後，確認就彼等所知及確信，本通函並無遺漏任何有關本集團之事實，致令本通函內之任何聲明有所誤導。

董事及主要行政人員之權益及淡倉

於最後實際可行日期，董事及保華主要行政人員於保華或任何證券及期貨條例第XV部所指的相聯法團之股份、相關股份及債券中持有根據證券及期貨條例第XV部第7與第8分部及標準守則必須向保華及聯交所申報及必須列入保華根據證券及期貨條例第352條予以存置之登記冊內之權益及淡倉(包括根據證券及期貨條例之有關規定被認為或被視作擁有之權益及淡倉)如下：

(A) 股份權益

董事／主要行政人員姓名	身份	好倉／淡倉	持有股份數目	佔保華現有已發行股本概約百分比
陳國強	受控制法團權益(附註)	好倉	399,859,768	27.3%
陳國強	實益擁有人	好倉	11,840,896	0.81%
周明權	實益擁有人	好倉	1,300,000	0.089%
劉高原	信託受益人	好倉	120,000	0.008%

附註： 陳國強博士由於擁有Chinaview International Limited(「Chinaview」)之股權而被視為擁有399,859,768股股份。Chinaview之全資附屬公司Galaxyway Investments Limited(「Galaxyway」)擁有德祥企業集團有限公司(「德祥企業」)已發行普通股股本約34.99%，而德祥企業繼而擁有ITC Investment Holdings Limited(「ITC Investment」)全部已發行股本。ITC Investment之全資附屬公司Hollyfield Group Limited(「Hollyfield」)則擁有該等股份。

(B) 認購股份之購股權

董事／主要行政人員姓名	授出日期	行使期	每股認購價港元	購股權涉及之相關股份數目	佔保華現有已發行股本概約百分比
劉高原	28.12.2004	28.12.2004 至 26.08.2012	1.24	6,500,000	0.444%
	28.12.2004	28.12.2004 至 26.08.2012	1.50	6,500,000	0.444%
郭少強	28.12.2004	28.12.2004 至 26.08.2012	1.24	650,000	0.044%
	28.12.2004	28.12.2004 至 26.08.2012	1.50	650,000	0.044%
陳樹堅	28.12.2004	28.12.2004 至 26.08.2012	1.24	650,000	0.044%
	28.12.2004	28.12.2004 至 26.08.2012	1.50	650,000	0.044%

除上文所披露者外，於最後實際可行日期，董事或保華主要行政人員概無根據證券及期貨條例第XV部第7及第8分部於保華或任何證券及期貨條例第XV部所指之相聯法團之股份、相關股份或債券中擁有必須向保華及聯交所申報之任何權益或淡倉，或任何必須列入保華根據證券及期貨條例第352條予以存置之登記冊內之任何權益或淡倉，或任何根據標準守則而必須向保華及聯交所申報之任何權益或淡倉。

股東之權益及淡倉

於最後實際可行日期，根據保華按照證券及期貨條例第336條存置之權益登記冊所載且就董事及保華主要行政人員所知，根據證券及期貨條例第XV部第2及第3分部之條文須向保華披露所擁有之股份及相關股份之權益或淡倉，或直接或間接擁有可於任何情況下在本集團任何其他成員公司之股東大會上具有投票權之任何類別股本(包括就該股本而設之任何購股權)面值10%或以上權益之人士(不包括董事或保華主要行政人員)之詳細資料如下：

(A) 保華

(1) 主要股東

股東姓名／名稱	身份	好倉／淡倉	持有股份數目	佔保華現有已發行股本概約百分比
陳國強	受控制法團權益(附註)	好倉	399,859,768	27.3%
陳國強	實益擁有人	好倉	11,840,896	0.81%
伍婉蘭	配偶權益(附註)	好倉	411,700,664	28.11%
Chinaview	受控制法團權益(附註)	好倉	399,859,768	27.3%
Galaxyway	受控制法團權益(附註)	好倉	399,859,768	27.3%
德祥企業	受控制法團權益(附註)	好倉	399,859,768	27.3%
ITC Investment	受控制法團權益(附註)	好倉	399,859,768	27.3%
Hollyfield	實益擁有人(附註)	好倉	399,859,768	27.3%

附註： ITC Investment之全資附屬公司Hollyfield擁有399,859,768股股份，而ITC Investment則為德祥企業之全資附屬公司。Chinaview之全資附屬公司Galaxyway擁有德祥企業已發行普通股股本34.99%。陳國強博士擁有Chinaview全部已發行股本。故此陳國強博士、Chinaview、Galaxyway、德祥企業及ITC Investment均被視作於上述Hollyfield所持有之399,859,768股股份中擁有權益。陳國強博士之配偶伍婉蘭女士被視作於上述Hollyfield所持有之399,859,768股股份及陳國強博士直接持有之11,840,896股股份中擁有權益。

(2) 其他股東

股東 姓名／名稱	身份	好倉／淡倉	持有 股份數目	佔保華現有 已發行股本 概約百分比
Gandhara Advisors Asia Ltd a/c Gandhara Master Fund Ltd	投資經理	好倉	122,617,997	8.37%
The Children's Investment Fund Management (UK) LLP	投資經理(附註)	好倉	121,000,000	8.26%
The Children's Investment Master Fund	實益擁有人(附註)	好倉	121,000,000	8.26%
Aeneas Capital Management LP	投資經理	好倉	119,355,009	8.15%
OZ Managment, L.L.C.	投資經理	好倉	95,848,377	6.55%
Christian Emil Toggenburger	實益擁有人	好倉	82,027,653	5.60%
德意志銀行	實益擁有人	好倉	299,884	0.02%
德意志銀行	投資經理	好倉	2,000,000	0.14%
德意志銀行	保證權益	好倉	68,367,151	4.67%

附註： The Children's Investment Master Fund通常乃根據The Children's Investment Fund Management (UK) LLP之指示或指導或在其幫助下行事。因此，The Children's Investment Fund Management (UK) LLP被視為於The Children's Investment Master Fund所擁有之股份中擁有相同之權益。

(B) 本集團其他成員公司

附屬公司名稱	股東姓名／名稱	佔現有已發行股本／註冊資本概約百分比
Airfield Works Joint Venture	Downer and Company Limited	49.0%
聯合雲石保養及維修工程有限公司	林盛榮	40.0%
朗成設計工程(香港)有限公司	傳藝工程策劃有限公司	45.0%
江蘇萬華房地產開發有限公司	如東縣東泰社會發展投資有限責任公司	40.0%
江蘇洋口港投資開發有限公司	如東縣東泰社會發展投資有限責任公司	25.0%
江蘇洋通開發投資有限公司	如東縣東泰社會發展投資有限責任公司	25.0%
Paul Y. - CCECC Joint Venture	中國土木工程集團公司	40.0%
保華中鐵工程有限公司	中國鐵路工程總公司	30.0%
Paul Y. - CREC Joint Venture	中國鐵路工程總公司	30.0%
Paul Y. - CREC(HK)Joint Venture	中國鐵路工程總公司	40.0%
Skynet Limited	Icon Master Enterprises Limited.	18.1%

除上文所披露者外，董事及保華主要行政人員並不知悉任何人士於最後實際可行日期，於股份及相關股份中擁有根據證券及期貨條例第XV部第2及第3分部之條文必須向保華披露之權益或淡倉，或直接或間接擁有面值10%或以上之任何類別股本(附有在一切情況下可於本集團任何其他成員公司之股東大會上投票之權利)或持有該等股份之任何購股權。

服務合約

於最後實際可行日期，董事概無與本集團任何成員公司訂立本集團不可於一年內免付補償(法定補償除外)而終止之服務合約。

董事於構成競爭業務之權益

於最後實際可行日期，各董事於構成競爭之業務中擁有而根據上市規則第8.10條須予以披露之權益如下：

董事姓名	業務被認為與本集團之業務構成競爭或可能構成競爭之實體之名稱	被認為與本集團之業務構成競爭或可能構成競爭之實體業務之概況	董事於該實體中之權益性質
陳國強	中策集團有限公司（「中策」）及其附屬公司	於中國發展及投資物業	作為中策之主席兼行政總裁
陳國強	錦興集團有限公司（「錦興」）及其附屬公司	在香港投資物業	作為錦興之主席、執行董事及主要股東

除上文所披露者外，於最後實際可行日期，除本集團之業務外，董事或其各自之聯繫人士概無於與本集團業務構成直接或間接競爭或可能構成直接或間接競爭之任何業務中擁有任何權益。

重大變動

自二零零五年三月三十一日（即保華最近期已刊發經審核綜合財務報表之結算日），本集團之財務或業務狀況概無任何重大不利變動。

訴訟

本集團根據一項擔保向保華一位前股東提出索償，已成功追回保華一間聯營公司所蒙受之虧損約共123,711,000港元，此等虧損連同就此引致之利息及支出合共約210,000,000港元而提出之有關索償已於二零零五年七月十八日獲法院裁定本集團勝訴。該前股東已全數還款，惟亦就該項裁決提出上訴，此項上訴已排期在二零零六年十月聆訊。

除上文披露者外，本集團旗下各成員公司於最後實際可行日期概無牽涉任何就本集團而言乃屬重大之訴訟或索償要求，而就董事所知，本集團各成員公司亦概無任何尚未了結或蒙受威脅而對本集團乃屬重大之訴訟或索償要求。

一般資料

(i) 保華之合資格會計師為黃耀雄先生CPA, FCCA。

(ii) 保華之公司秘書為黃麗堅小姐LL.B., LL.M., MCF，彼在香港、英格蘭及威爾斯為合資格執業之律師。

(iii) 保華之註冊辦事處位於Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda，而保華之香港主要營業地點位於香港九龍觀塘鴻圖道51號保華企業中心31樓。

(iv) 保華之股份過戶登記總處為Butterfield Fund Services (Bermuda) Limited，地址為Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda，而保華在香港之股份過戶登記分處則為秘書商業服務有限公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓。

(v) 本通函之中英文版本如有歧義，就解釋而言，概以英文版本為準。

APPENDIX I

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IMPORTANT

This offer is being made only outside the United States to non-U.S. persons. No U.S. person will be allowed to participate in such offer, and any purported tender of securities from a U.S. person or a U.S. address will not be accepted. Tendering shareholders will be required to certify that they are not U.S. persons or within the United States. This offer will also not be extended to persons whose addresses shown on the register of members of Group Dragon Investments Limited is in Malaysia.

If you are in doubt as to any aspect of this offer, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **GROUP DRAGON INVESTMENTS LIMITED**, you should at once hand this document and the accompanying form of acceptance and transfer to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

HANNY

VISIONS AHEAD

HANNY HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 275)

WELL ORIENT LIMITED
(Incorporated in Hong Kong with limited liability)

GROUP DRAGON INVESTMENTS LIMITED
(Incorporated in British Virgin Islands with limited liability)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE VOLUNTARY UNCONDITIONAL SECURITIES EXCHANGE OFFER BY SOMERLEY LIMITED ON BEHALF OF WELL ORIENT LIMITED (A WHOLLY-OWNED SUBSIDIARY OF HANNY HOLDINGS LIMITED) TO ACQUIRE ALL THE ISSUED SHARES IN GROUP DRAGON INVESTMENTS LIMITED OTHER THAN THOSE SHARES ALREADY OWNED BY WELL ORIENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT

Financial adviser to Hanny Holdings Limited and Well Orient Limited

Σ SOMERLEY LIMITED

Financial adviser to Group Dragon Investments Limited

道亨證券有限公司
DaoHengSecurities Ltd.
A Member of the Guoco Group

Independent financial adviser to the GDI Qualifying Shareholders

Hercules
Hercules Capital Limited

A letter of advice from Hercules Capital Limited, containing its independent advice to the GDI Qualifying Shareholders in respect of the GDI Offer, is set out on pages 19 to 54 of this document.

The procedure for acceptance and settlement of the GDI Offer are set out on pages 55 to 60 of this document and in the accompanying form of acceptance and transfer. Acceptance of the GDI Offer should be received by the Receiving Agent, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Friday, 16th June, 2006 (or such later time and/or date as the Offeror may announce in accordance with the requirements of the Takeovers Code).

26th May, 2006

THIS IS NOT AN OFFER. FOR INFORMATION ONLY.

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CONTENTS

			Page
EXPECTED TIMETABLE			ii
DEFINITIONS			1
LETTER FROM THE GDI BOARD			6
LETTER FROM SOMERLEY			11
LETTER OF ADVICE FROM HERCULES			19
APPENDIX I	—	**FURTHER TERMS OF THE GDI OFFER**	55
APPENDIX II	—	**FINANCIAL INFORMATION ON THE HANNY GROUP**	61
APPENDIX III	—	**FINANCIAL INFORMATION ON THE GDI GROUP**	175
APPENDIX IV	—	**UNAUDITED PRO FORMA FINANCIAL INFORMATION**	258
APPENDIX V	—	**ESTIMATED VALUE OF THE HANNY BONDS**	286
APPENDIX VI	—	**PROPERTY VALUATION OF THE GDI GROUP**	293
APPENDIX VII	—	**GENERAL INFORMATION RELATING TO THE HANNY GROUP**	301
APPENDIX VIII	—	**GENERAL INFORMATION RELATING TO THE GDI GROUP**	313
APPENDIX IX	—	**ADDITIONAL INFORMATION**	318

Accompanying document (except for recipients of this document whose addresses as shown in the register of members of GDI is situated in the United States or Malaysia):

— Form of acceptance and transfer

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2006

Commencement of the GDI Offer	Friday, 26th May
Latest time and date for acceptance of the GDI Offer *(Note 1)*	4:00 p.m. on Friday, 16th June
Closing Date *(Note 2)*	Friday, 16th June
Announcement of the results of the GDI Offer to be posted on the website of the Stock Exchange	7:00 p.m. on Friday, 16th June
Announcement of the results of the GDI Offer to be published in the newspapers	Monday, 19th June
Latest date for posting of remittances for the amounts due under the GDI Offer in respect of valid acceptances received thereunder *(Note 3)*	Monday, 26th June

Notes:

1. Acceptances of the GDI Offer shall be irrevocable and not be capable of being withdrawn subject to compliance by the Offeror with Rule 19 of the Takeovers Code.

2. The GDI Offer, which is unconditional, will close on Friday, 16th June, 2006 unless the Offeror revises or extends the GDI Offer in accordance with the Takeovers Code. The Offeror reserves the right to extend the GDI Offer until such date as it may determine. The Offeror will issue an announcement on the website of the Stock Exchange by 7:00 p.m. on the Closing Date as to whether the GDI Offer has expired, or in relation to any extension or revision of the GDI Offer to state either the next Closing Date or that the GDI Offer will remain open until further notice. Such announcement will be republished in the newspapers on the next Business Day thereafter. If the Offeror decides to extend or revise the GDI Offer and in the event that the aforesaid announcement in relation to the extension of the GDI Offer does not state the next Closing Date, at least 14 days' notice in writing will be given before the GDI Offer is closed to those GDI Qualifying Shareholders who have not accepted the GDI Offer.

3. Remittances in respect of the GDI Shares tendered under the GDI Offer will be posted to the relevant GDI Qualifying Shareholders by ordinary post at their own risk within 10 days of the date of receipt by the Receiving Agent of all the relevant documents which render the relevant acceptances under the GDI Offer complete and valid.

All time references contained in this document and the Form of Acceptance refer to Hong Kong time.

THIS IS NOT AN OFFER DOCUMENT. IMPORTANT

DEFINITIONS

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

"Apex"	Apex Quality Group Limited
"associates"	has the meaning as defined in the Listing Rules
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	the British Virgin Islands
"BVI Companies Act"	BVI Business Companies Act 2004
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CEL"	China Enterprises Limited, a company incorporated in Bermuda with limited liability, the shares of which are traded on the OTC (over-the-counter) Bulletin Board in the United States and is owned as to 55.22% effective equity interest and 88.8% effective interest of voting right by China Strategic
"China Strategic"	China Strategic Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"China Strategic Group"	China Strategic and its subsidiaries
"China Strategic Group Reorganisation"	the internal group reorganisation of China Strategic completed on 19th May, 2006 which resulted in (i) China Strategic continuing as a public listed company concentrating on the Remaining Business itself or through its subsidiaries (other than the GDI Group); (ii) GDI concentrating through its subsidiaries on the Distributed Business; and (iii) the China Strategic Shareholders receiving by way of distribution in specie of the GDI Shares on the basis of one GDI Share for one China Strategic Share
"China Strategic Offer"	the mandatory cash offer to acquire all the China Strategic Shares not already owned or agreed to be acquired by the China Strategic Offeror and parties acting in concert with it at a price of HK$0.386 per China Strategic Share in cash pursuant to the composite offer document dated 26th May, 2006 issued by China Strategic and Nation Field Limited
"China Strategic Offeror"	Nation Field Limited, a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Gao Yang
"China Strategic Share(s)"	ordinary share(s) of HK$0.10 each in the existing share capital of China Strategic
"China Strategic Shareholders(s)"	holder(s) of the China Strategic Shares
"Closing Date"	16th June, 2006 or if the GDI Offer is extended, the closing date of the GDI Offer as extended by the Offeror in accordance with the Takeovers Code

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"connected persons"	has the meaning as defined in the Listing Rules
"Conversion"	conversion of the Hanny Bond by its holder into Hanny Shares in accordance with the terms of the instrument constituting the Hanny Bond
"Conversion Shares"	new Hanny Shares to be allotted and issued by Hanny upon Conversion
"Dao Heng Securities"	Dao Heng Securities Limited, the financial adviser to China Strategic and GDI
"Deloitte"	Deloitte Touche Tohmatsu
"Distributed Business"	all businesses other than the Remaining Business which have been carried on by the GDI Group since completion of the China Strategic Group Reorganisation, which include property development, manufacturing and marketing of tires, business of providing package tour, travel and other related services and other investment holding business
"Enlarged Hanny Group"	the Hanny Group as enlarged by the GDI Group
"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
"Form of Acceptance"	the accompanying form of acceptance and transfer in respect of the GDI Offer
"GDI"	Group Dragon Investments Limited, a company incorporated in the BVI with limited liability
"GDI Board"	the board of directors of GDI
"GDI Group"	GDI and its subsidiaries upon completion of the China Strategic Group Reorganisation
"GDI Offer"	the voluntary unconditional offer being made by Somerley on behalf of the Offeror to acquire all the GDI Shares not already held by Well Orient and parties acting in concert with it, the terms of which are set out herein and in the Form of Acceptance
"GDI Qualifying Shareholder(s)"	shareholder(s) of GDI excluding (i) Well Orient, its associates and parties acting in concert with it (but including Paul Y and its subsidiaries); (ii) U.S. person(s) as defined in Regulation S of the U.S. Securities Act; and (iii) persons whose addresses shown on the register of members of GDI is in Malaysia
"GDI Share(s)"	ordinary share(s) of US$0.01 each currently in the issued share capital of GDI
"Hangzhou Zhongce"	杭州中策橡膠有限公司(Hangzhou Zhongce Rubber Co., Ltd.), a company established in the PRC and is principally engaged in the manufacturing and marketing of tires in the PRC and overseas

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"Hanny"	Hanny Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Hanny Board"	the board of Hanny Directors
"Hanny Bond(s)"	the convertible bond(s) to be issued by Hanny in denominations of HK$15.0 each under Option 2, which is convertible into Conversion Shares at an initial conversion price of HK$9.0 per Hanny Share at any time after its issue and up to the Maturity Date
"Hanny Directors"	directors of Hanny
"Hanny Group"	Hanny and its subsidiaries
"Hanny Sale Shares"	67,500,000 China Strategic Shares held by Well Orient, representing approximately 15.3% of the issued share capital of China Strategic
"Hanny Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of Hanny
"Hanny Shareholder(s)"	holder(s) of the Hanny Share(s)
"Hercules"	Hercules Capital Limited, the independent financial adviser to the GDI Qualifying Shareholders
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent China Strategic Shareholders"	China Strategic Shareholders other than Paul Y, Hanny and their respective associates and parties acting in concert with any of them as well as any parties who have a material interest in the making of the GDI Offer and the Share Sale Agreement
"Independent Hanny Shareholders"	Hanny Shareholders other than ITC, its associates including Paul Y, parties acting in concert with any of them, as well as any parties who have a material interest in the making of the GDI Offer and the Share Sale Agreement
"Initial Announcement"	the announcement dated 15th October, 2004 published by China Strategic in respect of a possible general offer for all the China Strategic Shares
"ITC"	ITC Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Joint Announcement"	the joint announcement dated 19th April, 2005 published by Hanny, Well Orient, China Strategic, GDI and the China Strategic Offeror in respect of, among other things, the GDI Offer
"Last Trading Day"	7th March, 2005, being the last day on which the Hanny Shares were traded on the Stock Exchange prior to the suspension of trading in the Hanny Shares pending the publication of the Joint Announcement

"Latest Practicable Date"	24th May, 2006, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maturity Date"	the fifth anniversary of the date of issue of the Hanny Bonds
"MRI"	MRI Holdings Limited, a 57.3% owned subsidiary of China Strategic and the shares of which are listed on the Australian Stock Exchange
"Norton"	Norton Appraisals Limited, an independent professional property valuer
"Option 1"	one (1) Hanny Share plus HK$1.8 in cash for every five (5) GDI Shares, being one of two types consideration being offered to the GDI Qualifying Shareholders under the GDI Offer
"Option 2"	one (1) Hanny Bond for every five (5) GDI Shares, being one of two types consideration being offered to the GDI Qualifying Shareholders under the GDI Offer
"Paul Y"	PYI Corporation Limited (formerly known as Paul Y. - ITC Construction Holdings Limited), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"PRC"	The People's Republic of China
"Receiving Agent" or "GDI Registrar" or "Transfer Agent"	Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Remaining Business"	the businesses remained in the China Strategic Group upon completion of the China Strategic Group Reorganisation, which include manufacturing and trading of battery products, investment in securities and property and investment in unlisted investments
"RHL"	RHL Appraisal Ltd., an independent professional valuer
"SCL"	See Corporation Limited (formerly known as Ruili Holdings Limited), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"SFC"	Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	a special general meeting of Hanny held on 7th October, 2005 approving, among other things, the making of the GDI Offer (including the allotment and issue of the new Hanny Shares under Option 1, and the issue of the Hanny Bonds and the allotment and issue of the Conversion Shares under Option 2)

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"Share Sale Agreement"	the sale and purchase agreement dated 10th March, 2005 entered into amongst the China Strategic Offeror, Paul Y and Hanny for the acquisition by the China Strategic Offeror of an aggregate of 270,000,000 then existing China Strategic shares from Paul Y and Hanny, which shares represented approximately 30.6% of the issued share capital of China Strategic as at the date of the Share Sale Agreement
"Somerley"	Somerley Limited, the financial adviser to Hanny and the Offeror
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended
"Well Orient" or "Offeror"	Well Orient Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Hanny
"Wing On"	Wing On Travel (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"AUD"	Australian dollars, the lawful currency of Australia
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"S$"	Singapore dollars, the lawful currency of Singapore
"US$"	United States dollars, the lawful currency of the United States
"U.S. person"	U.S. person as defined in Regulation S of the U.S. Securities Act
"United States"	The United States of America, its territories and possessions, any state in the United States, and the District of Columbia

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The following is the text of the letter from the GDI Board which has been prepared for the purpose of inclusion in this document:

GROUP DRAGON INVESTMENTS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

Directors:
Dr. Chan Kwok Keung, Charles
Dr. Yap, Allan
Ms. Chau Mei Wah, Rosanna
Ms. Chan Ling, Eva
Mr. Li Bo
Mr. Chan Kwok Hung
(alternate to Dr. Chan Kwok Keung, Charles)
Mr. Lui Siu Tsuen, Richard
(alternate to Dr. Yap, Allan)

Registered office:
P.O. Box 957,
Offshore Incorporations Centre,
Road Town,
Tortola,
British Virgin Islands

Correspondence address in Hong Kong:
8th Floor
Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

26th May, 2006

To the GDI Qualifying Shareholders

Dear Sir or Madam,

VOLUNTARY UNCONDITIONAL SECURITIES EXCHANGE OFFER BY SOMERLEY LIMITED ON BEHALF OF WELL ORIENT LIMITED (A WHOLLY-OWNED SUBSIDIARY OF HANNY HOLDINGS LIMITED) TO ACQUIRE ALL THE ISSUED SHARES IN GROUP DRAGON INVESTMENTS LIMITED OTHER THAN THOSE SHARES ALREADY OWNED BY WELL ORIENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT

INTRODUCTION

Hanny, China Strategic, GDI, Well Orient and the China Strategic Offeror jointly announced on 19th April, 2005, among others, that:

— the board of directors of China Strategic had been requested by Paul Y and Hanny, together the then controlling China Strategic Shareholders, to place before the China Strategic Shareholders the China Strategic Group Reorganisation resulting in the China Strategic Shareholders receiving GDI Shares on the basis of one GDI Share for one China Strategic Share based on their respective shareholdings in China Strategic on the record date for such purpose;

— Somerley, on behalf of Well Orient (an indirect wholly-owned subsidiary of Hanny), would make the GDI Offer to the GDI Qualifying Shareholders to acquire all the GDI Shares, other than those already owned by Well Orient, its associates and parties acting in concert with it (but the GDI Offer will be

extended to Paul Y), on the basis (as subsequently revised by Hanny, details of which are set out in the joint announcement of Hanny and the Offeror dated 8th May, 2006) of: (i) one Hanny Share plus HK$1.8 in cash for every five GDI Shares; and/or (ii) one Hanny Bond, which is convertible into one Conversion Share at the initial conversion price of HK$9.0 per Conversion Share, subject to usual anti-dilution adjustments as set out in the principal terms of the Hanny Bonds under sub-section headed "Option 2" in the letter from Somerley contained in this document, from time to time before the Maturity Date, with face value of HK$15.0 for every five GDI Shares;

— the board of directors of China Strategic had been informed by Hanny and Paul Y that they had entered into the Share Sale Agreement with the China Strategic Offeror on 10th March, 2005 pursuant to which the China Strategic Offeror agreed to acquire 67,500,000 China Strategic Shares from each of Hanny and Paul Y, which shares represent an aggregate of approximately 30.6% of China Strategic's issued share capital as at the date of the Share Sale Agreement, for an aggregate consideration of HK$52,110,000, equivalent to HK$0.386 per China Strategic Share; and

— upon completion of the Share Sale Agreement, Kingston Securities Limited would, on behalf of the China Strategic Offeror, make a mandatory unconditional cash offer to acquire all the China Strategic Shares, other than those held by the China Strategic Offeror and parties acting in concert with it, on the basis of HK$0.386 per China Strategic Share.

The Group Reorganisation was duly completed on 19th May, 2006, following which China Strategic remains a public listed company with its subsidiaries (other than the GDI Group) concentrating on the business of manufacturing and trading of battery products, investments in securities and property and investment in unlisted investments (being the Remaining Business). All other subsidiaries of China Strategic which are engaged in property development and/or which are investment holding entities, holding business and vessels for sand mining, and all other associated companies of the China Strategic Group carrying on manufacturing and marketing of tires and business of providing package tour, travel and other related services and hotel operations (together being the Distributed Business) have been grouped under GDI and continue to be run by the existing management of China Strategic. The GDI Shares were distributed in specie to the China Strategic Shareholders whose names appeared on the register of members of China Strategic on 19th May, 2006 on the basis of one GDI Share for one China Strategic Share then held, but the share certificates of GDI will only be posted to those China Strategic Shareholders who do not accept the GDI Offer after the close of the GDI Offer. Somerley, on behalf of Well Orient (an indirect wholly-owned subsidiary of Hanny) is making the GDI Offer to the GDI Qualifying Shareholders to acquire all the GDI Shares other than those already owned by Well Orient and parties acting in concert with it (but the GDI Offer is being extended to Paul Y), on the basis of (i) one Hanny Share plus HK$1.8 in cash for every five GDI Shares; and/or (ii) one Hanny Bond, which is convertible into one Conversion Share at the initial conversion price of HK$9.0 per Conversion Share, subject to usual anti-dilution adjustments, from time to time before the Maturity Date, with face value of HK$15.0 for every five GDI Shares.

The purpose of this document is to provide you with information in relation to the Hanny Group, the GDI Group and the GDI Offer, and the letter of advice from Hercules containing its advice to the GDI Qualifying Shareholders in respect of the GDI Offer.

INFORMATION ABOUT GDI

GDI's principal activities are investment holding and its subsidiaries are principally engaged in the following business:

(i) Property development

- Property interests in Jing An District, Shanghai, the PRC
- Property interests in Long Shan Industrial District, Doumen District, Zhuhai City, Guangdong, the PRC

(ii) Manufacturing and marketing of tires

- 14.4% effective interest, held through CEL, in Hangzhou Zhongce

(iii) Business of providing tour, travel and other related services

- 11.1% effective interest, held through CEL, in Wing On *(Note 1)*

(iv) Other businesses

- 55.22% effective equity interest in CEL *(Note 2)*
- 57.26% interest in MRI *(Note 3)*
- 9.8% interest in Apex *(Note 4)*
- 194 redeemable preference shares and 200 ordinary shares of Vertex Technology Fund (II) Ltd. *(Note 5)*
- 100% interest in 廣州耀陽實業有限公司 (Guangzhou Yao Yang Industrial Co., Ltd.) and 88% interest in 東莞市江海貿易有限公司 (Dongguan Shi Jiang Hai Trading Co., Ltd.) *(Note 6)*

Notes:

1. The shares of Wing On are listed on the main board of the Stock Exchange.

   Wing On, an associate of GDI, announced on 1st March, 2006 that Wing On had entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed to place, on a best effort basis, up to 175,000,000 new shares of Wing On to not less than six independent third parties of Wing On. Such placing agreement was completed on 25th April, 2006 and 175,000,000 new shares of Wing On have been issued on completion. According to the announcement of Wing On dated 1st March, 2006, the net proceeds from such placing exercise of approximately HK$119.7 million were intended to be used as general working capital for the Wing On group. Further details of such placing exercise were set out in the announcements of Wing On dated 1st March, 2006 and 25th April, 2006, respectively.

   Wing On and China Strategic jointly announced on 27th March, 2006 that Wing On had entered into certain conditional subscription agreements with 11 subscribers, pursuant to which Wing On agreed to issue 2% convertible exchangeable notes with an aggregate principal amount of HK$1,000 million to the subscribers. CEL, a subsidiary of GDI and (as of the date of the subscription agreements but not as of the Latest Practicable Date) a subsidiary of China Strategic, was one of the subscribers and had conditionally agreed to subscribe for the 2% convertible exchangeable notes with principal amount of HK$300 million. The subscription by CEL is subject to, among other things, the approval by the shareholders of China Strategic. An extraordinary general meeting of China Strategic will be held on 5th June, 2006 to consider and approve the related subscription agreement and the transactions contemplated thereunder. Further details of the 2% convertible exchangeable notes were set out in the announcement dated 27th March, 2006 jointly issued by Wing On and China Strategic and the circulars of Wing On and China Strategic dated 21st April, 2006 and 19th May, 2006 respectively.

2. The shares of CEL are listed on the OTC (over-the-counter) Bulletin Board in the United States and CEL is mainly engaged in investment holding activities.

3. The shares of MRI are listed on the Australian Stock Exchange and MRI is mainly engaged in investment holding activities.

4. Apex is an investment holding company which holds the "Rosedale" branded hotels in Hong Kong, Guangzhou and Beijing and Luoyang Golden Gulf Hotel in the PRC.

5. The principal business of Vertex Technology Fund (II) Ltd. is investment in emerging growth companies in selected industries in the United States, Europe and Asia.

6. The principal business of these companies is the holding of vessel for sand mining.

FINANCIAL INFORMATION ON THE GDI GROUP

The following table summarises the audited financial information of the GDI Group for each of the three years ended 31st December, 2005. Details of the audited combined income statement and the audited combined balance sheet of the GDI Group for each of the three years ended 31st December, 2005 are set out in Appendix III to this document.

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	—	—	5,298
(Loss)/ Profit for the year from continuing operations	(310,877)	91,601	(58,551)
Profit for the year from discontinued operations	104,075	1,511	—
(Loss)/ Profit for the year	(206,802)	93,112	(58,511)

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Net deficits before minority interest	(864,115)	(882,712)	(891,246)
Net tangible deficits before minority interest	(873,440)	(882,712)	(900,369)

PRO FORMA FINANCIAL INFORMATION OF THE GDI GROUP UPON COMPLETION OF THE CHINA STRATEGIC GROUP REORGANISATION

According to the unaudited pro forma balance sheet set out in Appendix IV to this document, the unaudited pro forma net assets before minority interest of the GDI Group upon completion of the China Strategic Group Reorganisation amounted to HK$1,124,126,000, representing approximately HK$2.55 per GDI Share. Details of the unaudited pro forma balance sheet of the GDI Group upon completion of the China Strategic Group Reorganisation are set out under the columns headed "The GDI Group as at 31st December, 2005", "Pro forma adjustments relating to China Strategic Group Reorganisation" and "The GDI Group after pro forma adjustments" in the paragraph headed "(I) The Unaudited Pro Forma Balance Sheet of the Enlarged Hanny Group" in Appendix IV to this document.

THE GDI OFFER

Upon completion of the China Strategic Group Reorganisation, (i) China Strategic had 440,797,543 China Strategic Shares in issue and on that basis, 440,797,543 GDI Shares had been distributed to the China Strategic Shareholders whose names appeared on the register of members of China Strategic on 19th May, 2006; (ii) each of Paul Y and Hanny was indirectly interested in a total of 129,409,897 GDI Shares, which represented approximately 29.4% of the issued share capital of GDI. As such, the aggregate GDI Shares which were indirectly owned by Hanny, Paul Y and their concert parties amounted to 258,819,794 GDI Shares, representing approximately 58.8% of the then issued share capital of GDI upon completion of the China Strategic Group Reorganisation.

Somerley, on behalf of Well Orient (an indirect wholly-owned subsidiary of Hanny), is making a voluntary offer to the GDI Qualifying Shareholders to acquire all the GDI Shares, other than those already owned by Well Orient, its associates and parties acting in concert with it (but the GDI Offer is extended to Paul Y) on the following basis:

Option 1:

For every five GDI Shares* ..... one Hanny Share plus HK$1.8 in cash

Option 2:

For every five GDI Shares* ..... one Hanny Bond with face value of HK$15.0

* *The GDI Shares were issued based on the number of the China Strategic Shares in issue on 19th May, 2006. The GDI Offer is being made for every five (5) GDI Shares held by the GDI Qualifying Shareholders and a pro rated portion of the consideration (to be calculated on the basis set out in Appendix I to this document) will be paid in respect of acceptances of the GDI Offer for any greater and lesser number of GDI Shares, except that no fraction of a Hanny Share or a Hanny Bond will be issued.*

GDI Qualifying Shareholders and Paul Y can either elect to receive Option 1 or Option 2 consideration, or a combination of both, in respect of their acceptances of the GDI Offer.

As at the Latest Practicable Date, GDI had no outstanding securities, options or warrants which are convertible into or which confer rights to require the issue of GDI Shares.

Details of Option 1 and Option 2 under the GDI Offer are set out in the letter from Somerley in this document.

The GDI Shares subject to the GDI Offer will be acquired with the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of the GDI Shares and free from all third party rights.

Since GDI is a company incorporated in the British Virgin Islands and its register of members is located there, no transfer duty is payable on any transfer of the GDI Shares.

Further terms and conditions of the GDI Offer, including the procedure for acceptance, are contained in the letter from Somerley set out on pages 11 to 18 of this document, Appendix I to this document and the Form of Acceptance.

RECOMMENDATION

Your attention is drawn to the letter from Hercules, the independent financial adviser to the GDI Qualifying Shareholders, which set out its recommendation in relation to the GDI Offer and the principal factors considered by it in arriving at its recommendation.

ADDITIONAL INFORMATION

In considering what action to take in connection with the GDI Offer, GDI Qualifying Shareholders should consider their own tax positions and, if they are in any doubt, they should consult their professional advisers.

GDI Qualifying Shareholders should read through this document and the accompanying Form of Acceptance for details of the GDI Offer.

Yours faithfully,
for and on behalf of the board of
GROUP DRAGON INVESTMENTS LIMITED
Dr. Chan Kwok Keung, Charles
Chairman

The following is the text of the letter from Somerley which has been prepared for the purpose of inclusion in this document:

SOMERLEY LIMITED
Suite 2201, 22nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

26th May, 2006

To the GDI Qualifying Shareholders

Dear Sir or Madam,

VOLUNTARY UNCONDITIONAL SECURITIES EXCHANGE OFFER BY SOMERLEY LIMITED ON BEHALF OF WELL ORIENT LIMITED (A WHOLLY-OWNED SUBSIDIARY OF HANNY HOLDINGS LIMITED) TO ACQUIRE ALL THE ISSUED SHARES IN GROUP DRAGON INVESTMENTS LIMITED OTHER THAN THOSE SHARES ALREADY OWNED BY WELL ORIENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT

INTRODUCTION

On 19th April, 2005, it was announced that Somerley would, on behalf of Well Orient, make the GDI Offer subject to the approval of the Independent Hanny Shareholders at the SGM and completion of the China Strategic Group Reorganisation. The making of the GDI Offer was approved by the Independent Hanny Shareholders at the SGM held on 7th October, 2005. Completion of the China Strategic Group Reorganisation took place on 19th May, 2006. Unless otherwise stated, terms used in this letter have the same meanings as those defined in the composite document dated 26th May, 2006 (the "Document") issued by the Offeror and GDI in respect of the GDI Offer. This letter, together with Appendix I to this Document and the accompanying Form of Acceptance, set out the terms of the GDI Offer.

THE GDI OFFER

Somerley Limited, on behalf of Well Orient, hereby offers to acquire all the GDI Shares owned by GDI Qualifying Shareholders on the following basis:—

Option 1:

For every five (5) GDI Shares ..... one (1) Hanny Share plus HK$1.8 in cash

Option 2:

For every five (5) GDI Shares ..... one (1) Hanny Bond with face value of HK$15.0

GDI Qualifying Shareholders can elect to receive Option 1 or Option 2 consideration, or a combination of both in respect of their acceptances of the GDI Offer.

The GDI Offer is being made for every five (5) GDI Shares held by the GDI Qualifying Shareholders and a pro rated portion of the consideration (to be calculated on the basis set out in Appendix I to this document) will be paid in respect of acceptances of the GDI Offer for any greater and lesser number of GDI Shares, except that no fraction of a Hanny Share or a Hanny Bond will be issued.

Option 1

The offer consideration for the GDI Shares under Option 1 has been determined after taking into account the estimated consolidated net asset value of GDI upon completion of the China Strategic Group Reorganisation and the market performance of the China Strategic Shares and the Hanny Shares prior to suspension in the trading of the Hanny Shares and the China Strategic Shares on the Stock Exchange on 8th March, 2005.

The new Hanny Shares to be delivered as Option 1 consideration, when fully paid or credited as fully paid and issued, will rank pari passu in all respects among themselves and with the Hanny Shares then in issue and be entitled to receive all dividends and other distributions thereafter declared, made or paid. Application has been made to the Stock Exchange for the listing of, and permission to deal in, the new Hanny Shares to be allotted and issued under Option 1.

The closing price per Hanny Share as quoted on the Stock Exchange on 14th October, 2004, being the last trading day on the Stock Exchange for Hanny Shares immediately before the date of the Initial Announcement, was HK$2.675. On the basis of five GDI Shares for one Hanny Share plus HK$1.8 in cash and the aforesaid closing price per Hanny Share, the implied value attaching to one GDI Share subject to the GDI Offer would be HK$0.895, representing a discount of approximately 64.9% to the unaudited pro forma net asset value per GDI Share of approximately HK$2.55 upon completion of the China Strategic Group Reorganisation.

On the Last Trading Day, the closing price per Hanny Share as quoted on the Stock Exchange was HK$3.70. On the basis of five GDI Shares for one Hanny Share plus HK$1.8 in cash and the aforesaid closing price per Hanny Share, the implied value attaching to one GDI Share subject to the GDI Offer would be HK$1.1, representing a discount of approximately 56.9% to the unaudited pro forma net asset value per GDI Share of approximately HK$2.55 upon completion of the China Strategic Group Reorganisation.

As at the Latest Practicable Date, the closing price per Hanny Share as quoted on the Stock Exchange was HK$4.075. On the basis of five GDI Shares for one Hanny Share plus HK$1.8 in cash and the aforesaid closing price per Hanny Share, the implied value attaching to one GDI Share subject to the GDI Offer would be HK$1.175, representing a discount of approximately 53.9% to the unaudited pro forma net asset value per GDI Share of approximately HK$2.55 upon completion of the China Strategic Group Reorganisation.

Option 2

Set out below are the principal terms of the Hanny Bond to be issued under Option 2:

Principal amount

The Hanny Bond will be issued in denominations of HK$15.0 each. The aggregate number and value of Hanny Bonds that will ultimately be issued by Hanny under the GDI Offer will be ascertained upon the close of the GDI Offer.

Maturity Date

The Hanny Bond will mature on the fifth anniversary from the date of issue. Save with the prior approval of the holders of Hanny Bonds holding 75% or more of the principal amount of the Hanny Bonds then outstanding, Hanny may not redeem any part of the Hanny Bond prior to the Maturity Date.

Unless previously converted, the Hanny Bond will be redeemed on the Maturity Date at 100% of the principal amount of the Hanny Bond outstanding with all accrued interest which has not been paid previously.

Transferability

The Hanny Bond shall be transferable at all times in the amount of HK$30,000 or integral multiples thereof, or if less as represents the entire holding of that transferor of the Hanny Bonds.

Listing

No application will be made for the listing of, or permission to deal in, the Hanny Bond on the Stock Exchange or any other stock exchange, but listing application has been made for the Conversion Shares to be allotted and issued pursuant to the Conversion.

THIS IS NOT AN OFFER

Voting

The holder of the Hanny Bond will not be entitled to attend or vote at any general meetings of Hanny by reason only of it being a holder of the Hanny Bond.

Interest

Unless otherwise redeemed, the Hanny Bond will bear interest from the date of the issue to and excluding the Maturity Date or (if earlier in respect of any converted Hanny Bond) the date of conversion notice given in respect of such conversion, at the rate of 2% per annum on the outstanding principal amount of the Hanny Bond. The interest will be payable by Hanny annually in arrears on each anniversary of the date of the issue. The first payment of interest shall be made on the first anniversary of the date of issue.

Conversion period

After the date of the issue, the holder of the Hanny Bond has the right to convert the whole or part of the principal amount of the Hanny Bond into Conversion Shares at any time up to and including the date falling 14 days prior to the Maturity Date. Fractions of Hanny Shares will not be issued and no payment in lieu thereof will be made on conversion.

Conversion price

The Hanny Bond can be converted into Conversion Shares at the initial conversion price of HK$9.0 per Conversion Share (subject to adjustments in accordance with the terms of the Hanny Bond) during the conversion period as stated above.

The initial conversion price of HK$9.0 per Conversion Share represents:

- a premium of 143.2% over the closing price of HK$3.7 per Hanny Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of 136.2% over the average closing price of HK$3.810 per Hanny Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- a premium of 129.4% over the average closing price of HK$3.923 per Hanny Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day;
- a premium of 120.9% over the closing price of HK$4.075 per Hanny Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- a premium of 21.5% over the audited consolidated net asset value of HK$7.41 per Hanny Share as at 31st December, 2005; and
- a discount of 10.9% to the pro forma consolidated net asset value of HK$10.10 per Hanny Share (calculated based on the audited consolidated net asset value of the Hanny Group as at 31st December, 2005 adjusted for the effects of the completion of the disposal by the Hanny Group of its business relating to the trading of computer related products and consumer electronic products, and the manufacturing, distribution and marketing of data storage media in April 2006 (as disclosed in the column headed "Pro Forma Remaining Hanny Group as at 31st December, 2005" contained in the unaudited pro forma balance sheets in Appendix IV to this document), and 226,143,697 Hanny Shares in issue as at 31st December, 2005).

The conversion price is subject to adjustments from time to time in accordance with the provisions set out in the Hanny Bond instrument including, among other things, (i) Hanny Shares having become of a different nominal amount by reason of any consolidation or subdivision; (ii) issue of new Hanny Shares by capitalisation of profit or reserves; (iii) capital distribution; (iv) rights issue; (v) grant of option or warrants to subscribe for new Hanny Shares; and (vi) certain other events which may have a dilutive effect on the interest of the holder of Hanny Bond.

Conversion Shares — The Conversion Shares to be issued upon Conversion will, when allotted and issued, rank pari passu in all respects with all Hanny Shares then in issue and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the conversion notice.

Certificates — Every GDI Qualifying Shareholder accepting the GDI Offer under Option 2 will receive one certificate representing his aggregate holding of the Hanny Bond to which he is entitled.

The offer consolidation for the GDI Shares under Option 2 has been determined after taking into account the estimated consolidated net asset value of the GDI Group upon completion of the China Strategic Group Reorganisation.

An announcement will be made by Hanny regarding the aggregate number and principal amount of Hanny Bonds (and the number of the Conversion Shares that will fall to be issued by Hanny on conversion of such Hanny Bonds at the initial conversion price) under the GDI Offer upon the close of the GDI Offer.

On the basis of five GDI Shares for one Hanny Bond with face value of HK$15.0, the implied value of the Hanny Bond attaching to each GDI Share subject to the GDI Offer would be HK$3.0, representing a premium of approximately 17.6% over the unaudited pro forma net asset value per GDI Share of HK$2.55 upon completion of the China Strategic Group Reorganisation.

Estimated value of Hanny Bond

In accordance with paragraph 30 of Schedule I of the Takeovers Code, RHL has advised the Hanny Directors that if a Hanny Bond were in issue as at 31st March, 2006, the estimated fair value of one Hanny Bond would be HK$14.10. Further details in respect of the estimated fair value of Hanny Bond is set out in Appendix V to this document.

TOTAL CONSIDERATION

On the basis that 440,797,543 GDI Shares were in issue upon completion of the China Strategic Group Reorganisation, the GDI Offer values the entire issued share capital of GDI at approximately HK$517.9 million under Option 1 (based on closing price of the Hanny Shares as at the Latest Practicable Date) and approximately HK$1,322.4 million under Option 2.

Based on 129,409,897 GDI Shares beneficially owned by the Offeror, 311,387,646 GDI Shares (representing approximately 70.6% of the share capital of GDI) will be subject to the GDI Offer and such GDI Shares are valued at approximately HK$365.9 million under Option 1 (based on the closing price of the Hanny Shares on the Latest Practicable Date) and approximately HK$934.2 million under Option 2.

CONDITIONS

The GDI Offer is unconditional. Except in the circumstances set out in Rule 19.2 of the Takeovers Code which is to the effect that if the Offeror is unable to comply with the requirements of making announcements relating to the GDI Offer, the Executive may require that the accepting GDI Qualifying Shareholders be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met. Save for the above, acceptances rendered by the GDI Qualifying Shareholders under the GDI Offer shall be irrevocable and cannot be withdrawn.

FINANCING FOR THE GDI OFFER

Hanny will finance the cash consideration in the aggregate amount of approximately HK$112.1 million under Option 1 by facilities granted by two securities houses, namely Tai Fook Securities Company Limited and Success Securities Limited (formerly known as Young Champion Securities Limited). It is not the intention of the Offeror that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the GDI Group.

Somerley is satisfied that sufficient financial resources are available to the Offeror to meet acceptances in full of the GDI Offer.

COMPULSORY ACQUISITION OR REDEMPTION

The Offeror does not intend to avail itself of any compulsory acquisition or redemption provisions under the applicable laws in the BVI, but reserves the right to do so. Further announcement will be made in the event that the Offeror decides to avail itself to such compulsory acquisition or redemption provisions.

INTENTIONS OF THE GDI QUALIFYING SHAREHOLDERS

Up to the Latest Practicable Date, neither the Offeror nor Hanny had received any indication or irrevocable commitment from either Paul Y or any other GDI Qualifying Shareholders to accept or reject the GDI Offer, or as regards their choice of receiving Option 1 or Option 2 consideration in respect of their acceptances. However, Paul Y announced on 8th May, 2006 that it has resolved to declare a special dividend to the shareholders of Paul Y by way of the distribution of the value derived from its divestment in China Strategic, i.e. the value in GDI Shares, to the shareholders of Paul Y and it intended to accept the GDI Offer in accordance with the choice of its shareholders.

REASONS FOR MAKING THE GDI OFFER

Hanny entered into the Share Sale Agreement with Paul Y and the China Strategic Offeror on 10th March, 2005 pursuant to which the China Strategic Offeror conditionally agreed to acquire 135,000,000 then existing China Strategic shares (equivalent to 67,500,000 China Strategic Shares) from each of Hanny and Paul Y for an aggregate cash consideration of HK$52,110,000 (HK$26,055,000 each for Hanny and Paul Y). One of the conditions precedent to the completion of the Share Sale Agreement is the implementation of the capital reorganisation of China Strategic and the China Strategic Group Reorganisation to the reasonable satisfaction of the China Strategic Offeror. Therefore, Hanny considered it to be beneficial to itself and the Hanny Shareholders for Hanny to put forward the proposal in respect of the China Strategic Group Reorganisation to the board of directors of China Strategic.

Given that the GDI Shares will not be listed on any stock exchange, the Hanny Directors considered it appropriate to provide the Independent China Strategic Shareholders (as holders of GDI Shares) with an opportunity to realise their investments in GDI by making the GDI Offer. In addition, upon completion of the China Strategic Group Reorganisation, two overseas listed companies, namely CEL and MRI, will become non wholly-owned subsidiaries of GDI. Hanny may as a result of the GDI Offer increase its stake in GDI to the extent that GDI becomes a subsidiary of Hanny. If this happens, Hanny will be in control of two overseas listed companies engaged in part of the Distributed Business. By the partial disposal of its interests in China Strategic pursuant to the Share Sale Agreement together with the making of the GDI Offer, the Hanny Directors believe that they will be able to streamline its existing listed group structure in a way that allows Hanny to manage its interests in or the operation of the Distributed Business more efficiently. The Hanny Directors believe that such streamlined group structure could allow Hanny's management to enhance the potential of the Distributed Business.

INTENTIONS OF HANNY REGARDING GDI

GDI was incorporated in the BVI with limited liability. GDI's principal activity is investment holding and its subsidiaries are principally engaged in the Distributed Business. Hanny intends that the GDI Group will not conduct any business other than the Distributed Business or hold any other assets other than those assets related to the Distributed Business acquired through the China Strategic Group Reorganisation. The GDI Board does not intend to dispose of any assets or redeploy any employees of the GDI Group upon completion of the GDI Offer. Hanny does not intend to inject any asset into GDI or to propose that the GDI Board authorises the disposal of any assets or to make changes to the principal business of the GDI Group.

No listing application is intended to be made for the GDI Shares on the Stock Exchange or any other stock exchange.

GDI BOARD

The GDI Board currently comprises all executive directors of China Strategic and their alternates, but none of the independent non-executive directors of China Strategic has been appointed as a director of GDI. Upon the close of the GDI Offer, the composition of the GDI Board may change. If GDI remains a public company upon the close of the GDI Offer, it will appoint three independent non-executive directors and be subject to the provisions of the Takeovers Code. Further announcement will be made in this regard as and when appropriate.

INFORMATION ON THE OFFEROR AND THE HANNY GROUP

The Offeror is an investment holding company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of Hanny. The Hanny Group is principally engaged in the trading of securities, property investment and trading and other strategic investments including investments in associated companies which are listed on the Stock Exchange and long-term convertible notes issued by companies listed on the Stock Exchange. Hanny itself is an investment holding company.

PROSPECTS OF THE ENLARGED HANNY GROUP

After completion of the disposal of the business of trading of computer related products and consumer electronic products, and the manufacturing, distribution and marketing of data storage media on 28th April, 2006, the Hanny Group has been concentrating on the trading of securities, property investment and trading and other strategic investments.

Hanny may as a result of the GDI Offer increase its stake in GDI to the extent that GDI becomes a subsidiary of Hanny. If this happens, Hanny will be in control of two overseas listed companies, namely CEL and MRI, engaged in part of the Distributed Business. The Hanny Directors consider that the streamlined structure of the Hanny Group after the partial disposal of its interests in China Strategic and the consolidation of Hanny's interests in GDI through the GDI Offer could enable the Hanny Group's management to manage and operate the Distributed Business more efficiently and allow them to enhance its potential.

CEL is a 55.2% owned subsidiary of GDI and will continue to hold a 26% equity interest in Hangzhou Zhongce which is principally engaged in the manufacturing and marketing of tires in the PRC and overseas. The business run by Hangzhou Zhongce was profitable in recent years. According to its audited financial statements for each of the three years ended 31st December, 2004, Hangzhou Zhongce recorded net profit of RMB118.0 million (equivalent to approximately HK$111.2 million), RMB85.5 million (equivalent to approximately HK$80.2 million) and approximately RMB107.1 million (equivalent to approximately HK$100.7 million) respectively. Based on the information published by the National Bureau of Statistics of China, the total number of motor vehicles produced in the PRC recorded an increasing trend from 1999 to 2003. In view of the profitable results of Hangzhou Zhongce for the past few years as well as the significant growth in the production of motor vehicles in the PRC in recent years, the Hanny Directors are confident about the business prospects of the manufacturing and marketing of tires to be engaged by the GDI Group in the future.

The principal activity of MRI is investment holding. As a publicly listed investment vehicle, the investment criteria of MRI are strictly determined by a shareholder approved investment mandate which allows investment in listed or unlisted securities or companies. However, the investment objectives do not include the exercise of control over the management of any entity of business in which MRI invests. MRI operates predominantly in Australia and Hong Kong. For the year ended 31st December, 2005, MRI recorded net loss of AUD120,932 (equivalent to approximately HK$0.7 million), compared to AUD790,833 (equivalent to approximately HK$4.6 million) for the year ended 31st December, 2004. MRI subscribed for a 8.4% interest in Zest Health Clubs Ltd. at a consideration of AUD4 million (equivalent to approximately HK$23.4 million) in January 2006. According to the annual report of MRI for the year ended 31st December, 2005, Zest Health Clubs Ltd. is one of the leading health and fitness companies in Australia. It had over 65,000 members and a market leading presence in Perth, Brisbane and Adelaide. MRI shares were suspended from trading on the Australian Stock Exchange

on 9th July, 2004 as a result of insufficient operations as well as the fact that more than half of the assets of MRI had been held in cash during a certain period immediately prior to the suspension. Following completion of the acquisition of Zest Health Clubs Ltd., trading in MRI shares resumed on 13th January, 2006. Following completion of the GDI Offer, the Hanny Directors, in conjunction with the management of the GDI Group, will seek to identify suitable investment opportunities for MRI and are optimistic about the prospects of MRI.

PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

Procedure for acceptance

To accept the GDI Offer, you should complete the accompanying Form of Acceptance in accordance with the instructions printed thereon and in Appendix 1 to the Document, which forms part of the terms of the GDI Offer.

Your completed Form of Acceptance should then be forwarded by post, by express mail or other similar courier services, or by hand to the Receiving Agent, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Friday, 16th June, 2006 (or such later time and date as the Offeror may announce in accordance with the requirements of the Takeovers Code).

No acknowledgement of receipt of any Form(s) of Acceptance in respect of your GDI Shares will be given.

Your attention is drawn to Appendix I to this document and the Form of Acceptance for further information about the procedures for acceptance.

Settlement

Provided that a valid Form of Acceptance is delivered in accordance with the terms of this document and the Form of Acceptance, the relevant banker's draft/cheque for the amount, and share certificates for the number of Hanny Shares, due to the accepting GDI Qualifying Shareholder in respect of the GDI Shares tendered by such shareholder for **Option 1 consideration**; **AND/OR** bond certificates for the number of Hanny Bonds due to the accepting GDI Qualifying Shareholder in respect of the GDI Shares tendered by such shareholder for **Option 2 consideration,** will be despatched to such accepting GDI Qualifying Shareholder by ordinary post at his own risk as soon as possible and in any event within 10 days of the date on which all relevant documents are received by the Receiving Agent to render such acceptance complete and valid. If such date is not a Business Day, then the day by which the aforesaid consideration will be despatched will be extended to the next Business Day thereafter.

If you hold your GDI Shares through a licensed securities dealer, custodian bank or other nominee, to accept the GDI Offer, it is essential that you provide instructions to your nominee agent of your intentions with regard to the GDI Offer. To ensure equality of treatment of all GDI Qualifying Shareholders, those registered shareholders who hold GDI Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately.

Overseas GDI Qualifying Shareholders

The making of the GDI Offer in, or to the GDI Qualifying Shareholders in, any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. GDI Qualifying Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should inform themselves about, and observe, all applicable legal and regulatory requirements of the relevant jurisdictions.

It is the responsibility of any GDI Qualifying Shareholder not resident in Hong Kong who wishes to accept the GDI Offer to satisfy himself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any government or other consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in respect of such jurisdiction.

With the consent of the Executive, (i) the GDI Offer will not be extended to U.S. persons and persons whose addresses shown on the register of members of GDI is in Malaysia and (ii) this document will be despatched for information only and without the accompanying Form of Acceptance to those persons whose names appear on the register of members of GDI and whose addresses shown on the register of members of GDI is in the United States or Malaysia.

The GDI Offer is being made only outside the United States to non-U.S. persons and outside Malaysia. No U.S. person will be allowed to participate in such offer, and any purported tender of securities from a U.S. person or a U.S. address will not be accepted.

Each accepting GDI Qualifying Shareholder shall be required to certify in the Form of Acceptance that (i) he did not receive this document or the Form of Acceptance in the United States nor will he send the completed Form of Acceptance from the United States or use any U.S. jurisdictional means to deliver the completed Form of Acceptance; (ii) he was not in the United States when the Form of Acceptance was delivered or at the time of accepting the GDI Offer; (iii) he is not a U.S. person; or (iv) he is not an agent or fiduciary acting on a non-discretionary basis for a principal in the United States.

FURTHER TERMS OF THE GDI OFFER

Further terms

Further terms of the GDI Offer (including the procedure for acceptance and the acceptance period, revisions and extensions of the GDI Offer) are set out in Appendix I to the Document and the Form of Acceptance.

GDI Shares

GDI Shares will be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid after the date of the issue of the GDI Shares.

Stamp duty

Since GDI is a company incorporated in the BVI and its register of members is located and maintained there, no Hong Kong stamp duty is payable on any transfer of GDI Shares.

Dealings in the Hanny Shares registered in Hanny's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Dealings in Hanny Bonds are required to be registered in Hanny's register of holders of the Hanny Bonds which will be located and maintained in Hong Kong and will therefore also be subject to Hong Kong stamp duty.

Taxation and independent advice

GDI Qualifying Shareholders should consult their own professional advisers if they are in doubt as to the taxation implications of accepting or rejecting the GDI Offer. It is emphasised that none of the Offeror, Hanny, Somerley, any of their respective directors or affiliates or any other person involved in the GDI Offer accepts responsibility for any tax or other effects on, or liabilities of, any person as a result of his acceptance or rejection of the GDI Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the expected timetable and the letters from the GDI Board and Hercules set out in this document and the additional information set out in the appendices to this document.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Mei H. Leung
Deputy Chairman

THIS IS NOT AN OFFER FOR SALE

The following is the text of the letter of advice from Hercules which has been prepared for the purpose of inclusion in this document:

Hercules
Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

26th May, 2006

To the GDI Qualifying Shareholders

Dear Sir or Madam,

VOLUNTARY UNCONDITIONAL SECURITIES EXCHANGE OFFER BY SOMERLEY LIMITED ON BEHALF OF WELL ORIENT LIMITED (A WHOLLY-OWNED SUBSIDIARY OF HANNY HOLDINGS LIMITED) TO ACQUIRE ALL THE ISSUED SHARES IN GROUP DRAGON INVESTMENTS LIMITED OTHER THAN THOSE SHARES ALREADY OWNED BY WELL ORIENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT

We refer to our appointment as the independent financial adviser to advise the GDI Qualifying Shareholders with respect to the terms of the GDI Offer, details of which are set out in the composite document dated 26th May, 2006 (the "Document") to the GDI Qualifying Shareholders, of which this letter forms part. The terms defined in the Document have the same meanings in this letter, unless the context requires otherwise.

As the GDI Board currently comprises all executive and alternate directors of China Strategic and no non-executive director has been appointed, an independent board committee could not be formed pursuant to Rule 2.8 of the Takeovers Code. Consequently, we have been appointed to act as the independent financial adviser to give our opinion to the GDI Qualifying Shareholders directly as to whether or not the terms of the GDI Offer are fair and reasonable so far as they are concerned.

In formulating our recommendations, we have reviewed, *inter alia*, the Document and certain related agreements and certain publicly available financial statements and other business and financial information relating to Hanny and GDI. We have also reviewed certain information provided by management of China Strategic relating to the operations, financial condition and prospects of GDI. We have considered the valuation of the Hanny Bonds prepared by RHL as at 31st March, 2006. We have also considered the terms of other cash offers made within a full eighteen month period prior to the Latest Practicable Date for companies listed on the main board of the Stock Exchange, as well as such other information, financial studies, analyses and investigations and financial, economic and market criteria which we deemed relevant. We have not, however, conducted an in-depth review of GDI or Hanny, their businesses, financial conditions and prospects.

The Hanny Directors and directors of the Offeror have jointly and severally accepted full responsibility for the accuracy of the information contained in the Document (other than that relating to GDI and the China Strategic Group) and the directors of GDI and China Strategic have jointly and severally accepted full responsibility for the accuracy of the information contained in the Document (other than that relating to the Hanny Group and the Offeror). The directors of Hanny, the Offeror, GDI and China Strategic have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Document (other than, in the case of Hanny Directors and the directors of the Offeror, those relating to the GDI Group and the China Strategic Group and, in the case of the GDI directors and the China Strategic directors, those relating to the Hanny Group and the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Document, the omission of which would make any statements in the Document misleading.

We have relied on, and assumed, without independent verification, the accuracy and completeness of the information reviewed by us for the purpose of this opinion. We have not, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses, financial conditions or affairs or the future prospects of the Hanny Group and the GDI Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

We have not considered the tax consequences on the GDI Qualifying Shareholders arising from the GDI Offer since these are particular to their individual circumstances. In particular, the GDI Qualifying Shareholders who are residents outside of Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their tax positions with regard to the GDI Offer and, if in any doubt, should consult their own professional advisers.

In addition, we refer you to the letter from the GDI Board and the letter from Somerley contained in this Document, which give full details of the GDI Offer, and the appendices to this Document which give further information on GDI and Hanny as required by the Takeovers Code. We advise that the GDI Qualifying Shareholders read carefully the Document before deciding what action they should take.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons that we have taken into consideration in assessing the GDI Offer and arriving at our opinion are set out below. In reaching our conclusion, we have considered all the factors and analyses in light of each other and ultimately reached our opinion based on the results of all the analyses taken as a whole.

(1) Background to the GDI Offer

GDI is an unlisted public company incorporated in the British Virgin Islands with limited liability and previously a wholly-owned subsidiary of China Strategic. Following completion of the China Strategic Group Reorganisation on 19th May, 2006, the GDI Shares were distributed in specie to the China Strategic Shareholders whose names appeared on the register of members of China Strategic on 19th May, 2006 on the basis of one GDI Shares for every China Strategic Share held.

On 19th April, 2005, Hanny, jointly with China Strategic, GDI, Well Orient and the China Strategic Offeror, announced that, *inter alia*, subject to completion of the China Strategic Group Reorganisation and approval by the Independent Hanny Shareholders of the GDI Offer, Somerley, on behalf of Well Orient, would make the GDI Offer to the GDI Qualifying Shareholders to acquire all the GDI Shares, other than those already owned by Well Orient, its associates and parties acting in concert with it (but such offer will be extended to Paul Y).

The making of the GDI Offer was approved by the Independent Shareholders at the special general meeting of Hanny held on 7th October, 2005 and completion of the China Strategic Group Reorganisation took place on 19th May, 2006.

Set out below are the terms of the GDI Offer (as subsequently revised by Hanny, details of which are set out in the joint announcement of Hanny and the Offeror dated 8th May, 2006):

Option 1:
For every five GDI Shares ..... one Hanny Share plus HK$1.8 in cash

Option 1 values each GDI Share at approximately HK$1.175 based on the closing price of HK$4.075 per Hanny Share on the Latest Practicable Date.

Option 2:
For every five GDI Shares ..... one Hanny Bond with face value of HK$15.0

The Hanny Bonds to be issued by Hanny under Option 2 will carry a fixed rate of interest of 2.0% per annum. The Hanny Bonds will be transferable at all times in the amount of HK$30,000 or integral multiples thereof, or if less as represents the entire holding of that transferor of the Hanny Bonds, and can be converted into Conversion Shares at the initial conversion price of HK$9.0 per Conversion Share during the conversion period. Based on the valuation of the Hanny Bonds prepared by RHL as at 31st March, 2006, the value of a Hanny Bond would have been HK$14.10. (Please refer to Appendix V — Estimated Value of the Hanny Bonds for details.)

GDI Qualifying Shareholders and Paul Y can either elect to receive Option 1 or Option 2 consideration, or a combination of both, in respect of their acceptances of the GDI Offer.

The GDI Offer is being made for every five (5) GDI Shares held by the GDI Qualifying Shareholders and a pro rated portion of the consideration (to be calculated on the basis set out in Appendix I to this Document) will be paid in respect of acceptances of the GDI Offer for any greater and lesser number of GDI Shares, except that no fraction of a Hanny Share or a Hanny Bond will be issued.

Further terms of the GDI Offer, including the procedures for acceptances, are set out in the letter from Somerley and Appendix I of the Document.

THIS IS NOT A FINAL VERSION

(2) Financial Performance of the GDI Group

Summarised in Table 1 below is the GDI Group's combined income statements extracted from Appendix III of the Document.

Table 1: Financial Performance of the GDI Group

	For the year ended 31st December,		
	2005	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	**5,298**	**—**	**—**
Gross profit	**841**	**—**	**—**
Gross profit margin	*15.9%*	—	—
Other income	33,622	52,660	55,879
Distribution costs	(1,365)	—	—
Administrative expenses	(33,802)	(9,852)	(35,639)
Other expenses	(23,030)	(9,020)	(40,782)
Allowances for loans and interest receivable	(31,116)	(32,419)	(50,645)
Change in fair value of conversion option of unlisted convertible note	(39,743)	76,959	—
Finance costs	—	(1,491)	(55)
Gain (loss) on disposal of interests in associates	(2,814)	57,542	—
Loss on deemed disposal of associate	—	—	(36,480)
Share of results of associates	43,103	(37,521)	(189,887)
Allowance on receivables advanced to an associate	—	—	(12,712)
Gain on disposal of interests in subsidiaries	—	—	11
Profit (loss) before taxation	**(54,304)**	**96,858**	**(310,310)**
Taxation	(4,247)	(5,257)	(567)
Profit (loss) for the year from continuing operations	(58,551)	91,601	(310,877)
Profit for the year from discontinued operations	—	1,511	104,075
Profit (loss) for the year	**(58,551)**	**93,112**	**(206,802)**
Profit (loss) attributable to:			
Equity holders of the parent	(54,259)	21,619	(216,323)
Minority interests	(4,292)	71,493	9,521
Profit (loss) for the year	**(58,551)**	**93,112**	**(206,802)**

Year ended 31st December, 2005 vs. year ended 31st December, 2004

For the financial year 2005, turnover amounted to approximately HK$5.3 million, which was generated from the sand mining business acquired in June 2005. As a result of the deconsolidation of subsidiaries engaged in manufacturing and marketing of tire products and the disposal of the pharmaceutical products operation in May 2004, no turnover from the continuing operations was recorded for the financial year 2004. The GDI Group's share of profits of associate companies amounted to approximately HK$43.1 million compared to a share of losses of associate companies of approximately HK$37.5 million for the financial year 2004, though a net loss of approximately HK$54.3 million was reported. The net loss was primarily attributable to (i) a 36.2% decrease in other income, which included interest income and other income; (ii) increased operating expenses; (iii) a decrease in fair value of conversion option of unlisted convertible note of approximately HK$39.7 million; and (iv) loss on disposal of interests in associate companies of approximately HK$2.8 million.

Year ended 31st December, 2004 vs. year ended 31st December, 2003

As a result of the deconsolidation of subsidiaries engaged in (i) manufacturing and trading of food products; (ii) manufacturing and trading of electronic products; (iii) manufacturing and trading of tractors and automobile related products; (iv) toll highway operation; and (v) hotel operation and property investment, and the disposal/dilution of interest in subsidiaries engaging in the manufacturing and trading of tire products, no turnover from the continuing operations was recorded for the financial year 2003. The GDI Group recorded a net profit of approximately HK$93.1 million in the financial year 2004, compared to a net loss of HK$206.8 million in the financial year 2003. The improvement was primarily attributable to (i) decreased operating expenses; (ii) an increase in fair value of conversion option of unlisted convertible note of approximately HK$77.0 million; (iii) a gain on disposal of interests in associate companies of approximately HK$57.5 million; (iv) a 80.2% reduction in share of losses of associated companies; and (v) a 36.0% decrease in allowances for loans and interests receivable.

(3) Pro Forma Consolidated Balance Sheet of the GDI Group

Summarised in Table 2 below is the GDI Group's unaudited pro forma balance sheet as set out in the column headed "The GDI Group after pro forma adjustments" under the section "(I) The unaudited pro forma balance sheet of the Enlarged Hanny Group" of Appendix IV of this Document and in appendix II of China Strategic's circular dated 10th September, 2005.

Table 2: Unaudited Pro Form Balance Sheet of the GDI Group

	As at	
	31st December, 2005	**30th April, 2005**
	HK$'000	*HK$'000*
Non-Current Assets		
Property, plant and equipment	109,811	794
Deposit paid for acquisition of interest in properties	55,716	54,524
Payment for acquisition of subsidiaries	—	40,000
Intangible assets	9,123	—
Interests in associates	558,738	575,995
Investment in securities at fair value through profit or loss	71,347	90,729
	804,735	762,042
Current Assets		
Other assets	229,288	229,287
Inventories	102	—
Amounts due from associates	151,206	61,526
Loan and interest receivables — due within one year	362,139	298,638
Trade and other receivables, deposit and prepayments	40,672	69,730
Tax recoverable	—	88
Bank balances and cash	103,494	415,588
	886,901	1,074,857
Current Liabilities		
Trade payables and other payables and accrued charges	(17,475)	(33,113)
Payables — due within one year	(583)	(196,499)
Amounts due to associates	(286)	(800)
Income and other taxes payable	(12,257)	(8,060)
Obligations under finance leases	—	(9)
Amounts due to related parties	(199,731)	—
	(230,332)	(238,481)
Net Current Assets	656,569	836,376
Non-current Liability		
Deferred tax liabilities	(21,175)	—
	1,440,129	**1,598,418**
Capital and Reserves		
Capital	10,777	10,777
Reserves	1,113,349	1,274,546
Equity attributable to equity holders of the parent	1,124,126	1,285,323
Minority Interests	316,003	313,095
	1,440,129	**1,598,418**
Current ratio (times)	3.9	4.5
Total liabilities/equity	17.5%	47.7%
Long term debt/equity	—	—

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Despite the increases in amount due from associates (by 145.8%) and loan and interest receivables (by 21.3%), current assets decreased by 17.5% to HK$886.9 million as at 31st December, 2005. The decrease was primarily attributable to a 75.1% reduction in cash and bank balances to HK$103.5 million.

Notwithstanding the increases in income and other taxes payable (by 52.1%), current liabilities decreased by 3.4% to HK$230.3 million as at 31st December, 2005. The decrease was mainly attributable to a 99.7% decrease in payables due within one year and a 47.2% reduction in trade payables, other payables and accrued charges.

Current ratio decreased to 3.9 times as at 31st December, 2005 compared to 4.5 times as at 30th April, 2005. Net current assets as at 31st December, 2005 decreased by 21.5% to approximately HK$656.6 million.

Non-current assets increased by 5.6% to HK$804.7 million as at 31st December, 2005 due to the significant increase in property, plant and equipment (by HK$109.0 million to HK$109.8 million).

Net assets at 31st December, 2005 decreased by 9.9% to approximately HK$1.4 billion. Total liabilities to equity ratio improved from 47.7% to 17.5% as at 31st December 2005.

(4) Future prospects and outlook of the GDI Group

We set out below an update of the analysis of prospects of the Distributed Business. This section should be read in conjunction with "Table 9: Outlook of the Distributed Business" set out on pages 74 to 78 of the circular of China Strategic dated 10th September, 2005.

Property development

- ***Property interests in Jingan District, Shanghai, the PRC***

  The GDI Group owns the entire interest in a property development project in respect of a building situated at Nos. 219 and 229, Jiangning Road, Jingan District, Shanghai, the PRC and the building being erected thereon comprises two levels of underground carparks and a 24-storey building. We have discussed with management of the GDI Group and note that the legal proceedings commenced in June 2005 is still in progress (Please also refer to Note 18 of the financial information on the GDI Group contained in Appendix III for details). As disclosed in Note 18 of the financial information on the GDI Group contained in Appendix III, the directors of the GDI Group are in discussion with the vendor for settlement of the matters; however, there can be no assurance that such matters can be resolved and settled eventually. We also noted from the aforesaid note that the GDI Group might have to settle the debts of the vendor owed to the three secured creditors and the main contractor in order to proceed with the acquisition of the properties, which in turn would reduce financial resources available for working capital or for further expansion of its businesses, and adversely affect its financial position. Nevertheless, the prospect of this development project is subject to the outcome of the litigation and/or results of the negotiations between the GDI Group and the vendor.

- ***Property interests in Long Shan Industrial District, Doumen District, Zhuhai City, Guangdong, the PRC***

  The GDI Group owns the entire property interest in a development site located at the junction of Zhugang Road and Huangyang Road in the Longshan Industrial District, Doumen District, Zhuhai City, Guangdong Province, the PRC. We have been advised by management of GDI that the construction works for site formation and provisions of servicing/utilities of part of the property are still in progress and the completion date for such construction works is not determinable as at the Latest Practicable Date. According to management of GDI, the GDI Group has appointed a property agent to negotiate with potential investors. It is expected that the property will be sold in 2007 and the sale will thus be subject to the market conditions prevailing at that time.

- *22.7% interest in China Velocity Group Limited ("China Velocity")*

  We have been advised by management of GDI that GDI disposed of its 22.65% interests in China Velocity in May 2006. An aggregate of 62,821,662 China Velocity shares were sold at a total consideration of HK$30,000,000 or approximately HK$0.4775 per China Velocity share.

Manufacturing and marketing of tires

- *14.4% effective interest, held through CEL, in Hangzhou Zhongce*

  We note in CEL's 2004 annual report that Hangzhou Zhongce continued to benefit from the growth in PRC's tire market and recorded significant improvement in turnover in the financial year 2004. Turnover increased by 32.9% to RMB5,131 million for the financial year 2004. However, the audited consolidated net profit for the financial year 2004 decreased to RMB105.3 million from RMB106.3 million for the financial year 2003. According to CEL's 2004 annual report, the net results of Hangzhou Zhongce improved to a lesser extent as compared to its turnover because of the significant increase in the price of raw materials.

  Hangzhou Zhongce's financial performance for the financial year 2005 was not publicly available as CEL had not filed its 2005 annual report with EDGAR as at the Latest Practicable Date.

Business of providing tour, travel and other related services

- *11.1% effective interest, held through CEL, in Wing On*

  In Wing On's 2005 annual report, certain comparative figures for the financial year 2004 have been restated as a result of the adoption of the newly effective Hong Kong Financial Reporting Standards. Subsequent to the restatement, net loss for the financial year 2004 amounted to HK$2.8 million, as compared to a net profit of HK$35.4 million prior to the restatement. For the financial year 2005, Wing On reported a net profit of HK$32.2 million. Such improvement was mainly attributable to (i) improved gross profit margin from 17.2% in the financial year 2004 to 19.1% in the financial year 2005; (ii) a realised gain on derivative financial instruments of HK$5.7 million; (iii) a reversal of impairment loss in respect of properties under construction of HK$900,000; and (iv) a share of results of an associate company in the hospitality industry in Macau, namely Kingsway Hotel Limited, of HK$8.0 million.

  We note in Wing On's 2005 annual report that Wing On has established a joint venture with Guangdong China Travel Service (Holdings) Ltd. with a view to providing ticket booking services for hotel, airline and other transportation and event services, the operation of call centers, and the marketing of such services and other travel related services in China. This joint venture is acting as a land operator for Wing On in the Guangdong Province to capture the surge in inbound travelers and online travel transactions in the PRC as well as the effect of the 2008 Olympic Games in Hong Kong and the proposed Shanghai Disney Theme Park to be completed in 2010.

  In addition, Wing On has strengthened its leisure section and actively negotiated with its vendors to provide discounted airfare, high quality accommodation, transportation and dining services to the free itinerary travel customers. Its inbound business is also expected to benefit from the opening of the Hong Kong Disneyland and the AsiaWorld-Expo in 2005, the Skyrail to Po Lin Monastery (Ngong Ping 360) and the Wetland Park in mid-2006, the "A Symphony of Lights" being listed on GUINNESS World Record in November 2005, the proposed new cruise terminal at the old Kai Tak airport site, and the effect of staging the equestrian events of the 2008 Olympic Games in Hong Kong. In view of the foregoing, the travel and related services of Wing On is expected to grow continually.

Wing On also provides hotel and leisure services through its 67.9% owned subsidiary, Apex Quality Group Limited, an investment holding company principally holding three "Rosedale" branded hotels in Hong Kong and the PRC and Luoyang Golden Gulf Hotel in the PRC. As noted in Wing On's 2005 annual report, the occupancy rate and room rates of the these hotels had largely benefited from the expansion of the Closer Economic Partnership Arrangement and the PRC Individual Visit Scheme to Hong Kong in 2005. The overall room rate and occupancy rate of these hotels were expected to be boosted by the opening of the Hong Kong Disneyland, the expansion of the Individual Visit Scheme to 44 PRC cities and the hosting of the 2008 Olympic Games.

In addition, following the concession by the United Nations Educational, Scientific and Cultural Organisation to add Macau onto the list of World Heritage Sites and the opening of the Fisherman's Wharf, the number of visitors to Macau is expected to grow significantly. Wing On could enlarge its market share through its branch network and Kingsway Hotel.

Other business and assets and liabilities

- ***55.2% interest in CEL***

CEL's 2004 annual report was filed on 14th March, 2006. CEL reported no turnover for the financial year 2004 following its disposal of a 25% equity interest in Hangzhou Zhongce in 2003. The financial results of CEL for the financial year 2004 comprised solely of Hanny's share of the results of its affiliates in the tire and travel businesses.

For the financial year 2004, CEL recorded a consolidated net profit of RMB181.9 million, compared to a net loss of RMB64.5 million for the financial year 2003. The profit for the financial year 2004 was primarily attributable to an increase in fair value of the call option associated with the convertible note of Wing On totaling RMB60.0 million and Hanny's share of profit of Hangzhou Zhongce and Wing On of RMB104.5 million.

The prospect of CEL would largely depend on the performance of its associate companies and the outcome of the litigation of the property development project in respect of the building situated at Nos. 219 and 229, Jiangning Road, Jingan District, Shanghai, the PRC. In addition, according to CEL's 2004 annual report, CEL intended to actively search for potential investments in the PRC with emphasis on achieving a diversified portfolio. The acquisition of new businesses carries substantial risks and uncertainties.

CEL had not filed its 2005 annual report with EDGAR as at the Latest Practicable Date.

However, as noted from the joint announcement of Wing On and the Company dated 27th March, 2006, CEL had conditionally agreed to subscribe for a 5-year convertible exchangeable note issued by Wing On with principal amount of HK$300 million. The convertible exchangeable note carries a coupon rate of 2% and is redeemable at maturity at 110%, giving a yield to maturity ("YTM") of approximately 3.85%. This transaction has not been completed as at the Latest Practicable Date.

- ***57.26% interest in MRI***

  For the financial year 2005, MRI reported net loss of approximately AUD120,900, compared to AUD790,833 (restated) for the financial year 2004. The improvement was primarily attributable to (i) a net exchange gain on foreign currency transactions of AUD143,833; (ii) a profit on disposal of investments of AUD 7,228; and (iii) reduction in fair value losses of non-current assets by AUD464,614.

  We note in MRI's 2005 annual report that MRI subscribed for 5 million shares, representing a 8.4% issued share capital in Zest Health Clubs Ltd ("Zest"), Australia's second largest health and fitness chain, and number one in market share in three of Australia's five largest fitness markets, at a consideration of AUD4 million in January 2006. According to MRI's 2005 annual report, Zest has over 65,000 members and a market leading presence in Perth, Brisbance and Adelaide. Zest was set up in fiscal 2002 and moved to a positive EBITDA for the year ended 30th June, 2005 of AUD434,000 based on sales revenue of AUD40.4 million. Zest was operating 29 clubs with further expansion targeted in the short term.

  Following completion of the acquisition of Zest, trading in MRI shares on the Australian Stock Exchange was resumed on 13th January, 2006.

- ***9.8% interest in Apex Quality Group Limited***

  As the Apex Quality Group Limited is owned as to 67.9% by Wing On, outlook of this investment is included in our analysis on the prospect of Wing On above.

- ***194 redeemable preference shares and 200 ordinary shares of Vertex Technology Fund(II) Ltd.***

  We have been advised by management of GDI that GDI has not received any dividend from this investment since the date of the China Strategic circular dated 10th September, 2005.

Sand mining

- ***88% interest in Dongguan Shi Jiang Hai Trading Co., Ltd.***
- ***100% interest in Guangzhou Yao Yang Industrial Co., Ltd.***

  Sand mining business contributed 100% of the turnover for the financial year 2005. According to management of GDI, Dongguan Shi Jiang Hai Trading Co., Ltd. and Guangzhou Yao Yang Industrial Co., Ltd. are principally sand dredging operators which own two sand vessels for sand dredging. Construction grade aggregates dredged from the riverbed of the PRC are sold for use in the construction industry of the PRC and Hong Kong. As the dredgers, they share profits arising from the sale of the aggregates with sand pits operators. Although the sand mining business has proved to be a profitable business since acquisition in June 2005, its operating results might be affected by the macroeconomic policies announced by Beijing in April 2006 to curb over-investment in the cement sector in the short to medium term. In mid-May 2006, the PRC Government announced that measures involving tax, credit and land supply policies will be used to steady the mainland property market and curb price rises in major cities. These measures might in turn affect the overall construction industry in the PRC.

As noted above, most of the GDI Group's businesses, namely the manufacturing and marketing of tires, business of providing tour, travel and other related services, and part of the property development business are engaged by associate companies of the GDI Group. As the GDI Group does not have full control over the board of its associate companies, any alternation to the business operations of its associate companies will affect the prospects of the GDI Group.

We have discussed with management of GDI and note that no listing application is intended to be made for the GDI Shares on the Stock Exchange and any other stock exchange. As such, holders of GDI Shares might not be able to sell their shares or find it difficult to sell them at a reasonable price. If they are unable to obtain capital gains, their income or return on investment might comprise solely of dividend income.

Based on the column headed "The GDI Group after pro forma adjustments" under the section headed "(I) The unaudited pro forma balance sheet of the Enlarged Hanny Group" of Appendix IV of this Document, the GDI Group's pro forma bank and cash balance amounted to HK$103.5 million assuming the China Strategic Group Reorganisation had taken place on 31st December, 2005. Upon completion of the subscription of the 5-year convertible exchangeable note issued by Wing On with principal amount of HK$300 million, there may or may not be sufficient cash available for future dividends. However, we have been advised by management of GDI that they intend to reserve its cash resources as working capital for further expansion of its businesses, and have no intention of declaring any dividend at least in the near future. As such, it might be difficult for the holders of GDI Shares to realise their returns, if any, on their investment by receiving dividends from GDI or selling their GDI Shares on a recognised stock exchange. We therefore consider that the GDI Offer represents a good opportunity for the GDI Qualifying Shareholders to realise their investments in GDI. If they elect Option 1, they would be able to exchange for cash together with the Hanny Shares with more liquidity. If they elect Option 2, they would be able to exchange for convertible bonds issued by a listed company that can be converted into Conversion Shares during the conversion period.

(5) Indicative valuation benchmarks

(a) Price/book multiple

Based on the column headed "The GDI Group after pro forma adjustments" under the section headed "(I) The unaudited pro forma balance sheet of the Enlarged Hanny Group" of Appendix IV of this Document, the net asset value ("NAV") per GDI Share amounted to approximately HK$2.55. Based on the closing price of HK$4.075 per Hanny Share on the Latest Practicable Date, the implied value of Option 1 for each GDI Share represents a discount of approximately 53.9% to the NAV per GDI Share and a P/B of approximately 0.5 times. The implied value of Option 2 for each GDI Share represents a premium of 10.6% to the NAV per GDI Share and a P/B of 1.1 times.

(b) Price/earnings multiple

We note from the column headed "The GDI Group for the year ended 31st December, 2005 after the Reversal Adjustments" under the section headed "(II) The unaudited pro forma income statement of the Enlarged Hanny Group" of Appendix IV to this Document, the GDI Group had a pro forma net loss of approximately HK$27.4 million for the year ended 31st December, 2005. In addition, as explained in the subsection headed "(1) Indicative Valuation Benchmarks" on pages 85 and 86 of the China Strategic circular dated 10th September, 2005, given (i) most of the revenue-generating subsidiaries of the GDI Group have been disposed of in the financial years 2002 to 2004; and (ii) the GDI Group recorded losses in the financial years 2002 and 2003, the use of price/earnings multiple, which is applicable for valuing the earnings potential of the underlying businesses as a going concern, as reference to assess the GDI Offer price is inappropriate.

(c) Dividend yield

In the absence of historical dividend payment record, the use of dividend yield as reference to assess the GDI Offer price is also not applicable.

(6) Comparable Company Analysis

For the financial year ended 31st December, 2005, GDI's turnover was mainly generated from the sand mining business which was acquired in the financial year 2005. In addition, GDI's revenue for each of the three financial years ended 31st December, 2005 comprised different businesses. As such, we do not consider it appropriate to compare the GDI Offer with the offers made for companies that are engaged in the sand mining business. As the GDI Offer comprises alternatives of a mixture of cash and share or convertible bonds, we consider a comparison with the share offers and convertible bond offers made by companies listed on the main board of the Stock Exchange as most appropriate to justify the fairness and reasonableness of the terms of the GDI Offer. However, according to the Stock Exchange website, in the eighteen full month period prior to the Latest Practicable Date, only the cash offer made by CCT Tech International Limited provided a convertible bond alternative and the cash offer made by CMSC Technologies Corporation provided a share alternative. In the absence of sufficient comparable share or convertible bond offers, we have compared the GDI Offer with all cash offers (the "Comparable Offers") made for companies that were listed on the main board of the Stock Exchange (the "Comparable Companies") within an eighteen full month period prior to the Latest Practicable Date in order to justify the fairness and reasonableness of Options 1 and 2.

Table 3: Comparable Offers

Company (stock code)	Principal activities	Market capitalisation *HK$'mil (Note 1)*	Date of announcement	Share offer price *HK$*	Net asset value per share *HK$ (Note 2)*	P/B *(times)*
renren Holdings Limited (59)	Provision of internet, telecommunication services and products, general trading, provision of financial advices and services, securities and properties investments	954.1	02-Nov-04	0.011	0.007	1.5
Capital Strategic Investment Limited (497)	Making of strategic, real estate and financial investments	964.5	15-Nov-04	0.480	1.850	0.3
Enerchina Holdings Limited (622)	Electricity generation and supply in the PRC	2,249.5	06-Dec-04	0.630	0.564	1.1
Chinese People Gas Holdings Company Limited (681)	Investment in the distribution and supply of piped natural gas business in the PRC and the holding and leasing of properties in the PRC	1,356.2	20-Dec-04	0.100	0.050	2.0
CCT Tech International Limited (261)	Sale, manufacture, design and development of telecom products and electronic products on an ODM and OEM basis	1,544.8	31-Jan-05	0.023 0.023 (based on convertible bond alternative)	0.015	1.5 1.5
Simsen International Corporation Limited (993)	Bullion, futures and securities broking and trading, the provision of margin and loan financing, shipment sales of metals and metal scraps and holding of investment properties	94.2	22-Feb-05	0.088	0.179	0.5
Zida Computer Technologies Limited (859)	Design, development, manufacture and sale of PC motherboards under TOMATOBOARD brandname and PC systems; trading of high quality PC components	183.8	01-Apr-05	0.420	0.103	4.1
Magnum International Holdings Limited (305)	Investment holding, property investment, securities dealing and brokerage, moneylending and margin finance	58.4	08-Apr-05	0.047	n.a.	n.a.

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Company (stock code)	Principal activities	Market capitalisation *HK$'mil (Note 1)*	Date of announcement	Share offer price *HK$*	Net asset value per share *HK$ (Note 2)*	P/B *(times)*
Wealthmark International (Holdings) Limited (39)	Manufacture and sale of handbag products and related accessories, the provision of subcontracting services and trading of raw materials used in the manufacture of handbags and related products	174.0	15-Apr-05	0.027	0.447	0.1
Swank International Manufacturing Company Limited (663)	Design, manufacture and marketing of frames, sunglasses and lenses	371.9	18-Apr-05	0.030	n.a.	n.a.
Geely Automobile Holdings Limited (175)	Manufacturing and trading of automobile parts and related automobile components in the PRC	3,296.2	10-May-05	0.090	0.159	0.6
Qingling Motors Company Limited (1122)	Manufacture and sale of light-duty trucks, multi-purposes vehicles, pick-up trucks, heavy duty trucks, other vehicles and automobile parts and accessories	2,755.3	20-May-05	1.920	2.729	0.7
Goldigit Atom-tech Holdings Limited (2362)	Sales and marketing of chemical pesticides	425.0	24-May-05	0.100	0.144	0.7
Greater China Holdings Limited (431)	Production and sales of organic fertilizers, property investment and investment holding	111.5	17-Jun-05	0.500	0.558	0.9
Sunday Communications Limited (866)	Sales of mobile phones and accessories, mobile services, international telecommunications and other services	1,584.7	22-Jun-05	0.650	0.235	2.8
The Hong Kong Building and Loan Agency Limited (145)	Investment holding, provision of mortgage finance and other related services and treasury investments	297.0	06-Jul-05	1.0932	0.975	1.1
China Investment Fund Company Limited (612)	Investment in listed and unlisted securities	72.0	05-Aug-05	0.1625	0.149	1.1
Wanji Pharmaceutical Holdings Limited (835)	Distribution of medical equipment and medicinal and winery products	183.2	12-Aug-05	0.100	0.012	8.2
New Spring Holdings Limited (690)	Manufacturing and trading of packaging products, paper gift items and promotional products and investment holding	993.6	01-Sep-05	0.497	0.420	1.2

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Company (stock code)	Principal activities	Market capitalisation *HK$'mil (Note 1)*	Date of announcement	Share offer price *HK$*	Net asset value per share *HK$ (Note 2)*	P/B *(times)*
UDL Holdings Limited (620)	Marine engineering and provision of miscellaneous engineering and management services	141.3	07-Sep-05	0.040	n.a.	n.a.
GeoMaxima Energy Holdings Limited (702)	Provision of crude oil transportation, storage and unloading services, operation of natural gas pipeline network and refilling stations supplying natural gas and liquefied petroleum gas ("LPG") for vehicle use and sale of LPG in cylinder	141.5	08-Sep-05	0.0362	0.116	0.3
Goldigit Atom-tech Holdings Limited (2362)	Sales and marketing of chemical pesticides	425.0	12-Sep-05	0.200	0.144	1.4
China National Resources Development Holdings Limited (661)	Securities trading and investments, property investment, property management and computer related service	237.2	14-Sep-05	0.033	0.021	1.6
China Resources Peoples Telephone Company Limited (331)	Provision of mobile voice and data communications services in Hong Kong	n.a. *(Note 6)*	20-Oct-05	4.550	1.402	3.2
MAXX Bioscience Holdings Limited (512)	Investment holding; manufacturing, trading and distribution of health products, health drinks and pharmaceutical products; research and development of drug products and bioscience related projects	101.0	16-Dec-05	0.075	0.089	0.8
China Motion Telecom International Limited (989)	The provision of international telecommunication services, mobile communications services and distribution and retail chain	99.8	12-Jan-06	0.069	0.209	0.3
China Nan Feng Group Limited (979)	Construction contractor and provision of management services	145.3	26-Jan-06	0.093	0.008	11.3
Chun Wo Holdings Limited (711)	Civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and property investment	610.5	22-Feb-06	0.840	1.034	0.8
Nority International Group Limited (660)	Manufactures and exports athletic and athletic-style leisure footwear and sports shoes	126.1	30-Mar-06	0.4700	0.751	0.6

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Company (stock code)	Principal activities	Market capitalisation *HK$'mil (Note 1)*	Date of announcement	Share offer price *HK$*	Net asset value per share *HK$ (Note 2)*	P/B *(times)*
Cross Harbour (Holdings) Limited (32)	Operation of driver training centres, operations of the Western Harbour Tunnel and electronic toll operation, and treasury	1,925.4	10-Apr-06	4.083	7.04	0.6
First Pacific Company Limited (142)	Telecommunications and consumer food products	10,523.2	28-Apr-06	2.200	0.94	2.3
					4.210 *(Note 4)*	0.5
CMSC Technologies Corporation (597)	Own and operate the open semiconductor foundries in China, provide manufacturing services for complementary metal oxide silicon logic, mixed signal, high voltage, non-volatile memory, electrically erasable programmable read-only memory integrated circuits, and double-diffused metal oxide silicon integrated circuits	1,096.9	12-May-06	0.420	0.457 *(Note 5)*	0.9
				0.430 (based on the share alternative)		0.9
Maximum						11.3
Minimum						0.1
Mean *(Note 3)*						**1.7**
GDI		517.9		Option 1 1.175	2.55	0.5
		1,243.0		Option 2 2.820		1.1

Source: Stock Exchange website

Notes:

1. *Market capitalisation of the Comparable Companies are quoted from Bloomberg and that of the Company is calculated as the GDI Offer price times 440,797,543 GDI Shares in issue as at the Latest Practicable Date.*

2. *Calculated as the audited/unaudited net assets divided by the number of shares in issue as at the latest balance sheet date prior to the respective date of announcement and n.a. denotes not applicable as these Comparable Companies recorded audited/unaudited net deficit as at their latest balance sheet date prior to the respective dates of announcement.*

3. *Excluding Qingling Motors Co. Ltd which is a partial offer under which there is an assured entitlement(s) of qualifying shareholders to sell to the offeror 30.45% of their H shares. If a qualifying shareholder accepts the partial offer in respect of H shares in excess of his assured entitlement, not all (or any) such excess H shares will be taken.*

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4. *Being the adjusted net asset value per share as disclosed in First Pacific Company Limited's annual report for the year ending 31st December, 2005.*

5. *Net asset value of approximately US$0.059 per share has been converted into HK$ at the exchange rate of US$1=HK$7.8.*

6. *n.a. denotes not applicable as listing of the shares of China Resources Peoples Telephone Company Limited was cancelled on 29th March, 2006.*

As illustrated in Table 3, the implied P/B Ratios of 0.5 times based on Option 1 and 1.1 times based on Option 2 are in line with the range of 0.1 times to 11.3 times based on the Comparable Companies. Based on the above, we are of the view that the GDI Offer price is fair and reasonable so far as the GDI Qualifying Shareholders are concerned.

(7) Considerations in Relation to Hanny

Those GDI Qualifying Shareholders who elect to accept the GDI Offer will become shareholders or creditors of Hanny. Hanny's business operations, financial performance, share price performance and dividend payment record, and the underlying investment risks and credit risks associated with the Hanny Shares and the Hanny Bond (as the case may be) are discussed below.

(a) Business Operations

GDI Qualifying Shareholders are advised to refer to the sections headed "Information on the Offeror and the Hanny Group" and "Prospects of the Enlarged Hanny Group" contained in the letter from Somerley for additional information on Hanny.

Hanny is an investment holding company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange. Following the disposal of the assets of Memorex International Inc., an indirect non wholly owned subsidiary of Hanny that engaged in the design, development, marketing, distribution and sale of hardware, media and accessories used for storage of electronic data (please refer to Hanny's announcement dated 26th January, 2006 and circular dated 10th April, 2006), the Hanny Group is now principally engaged in the trading of securities, property investment and trading and other strategic investments.

In addition, in March 2006, Hanny announced that it had conditionally agreed to acquire a property located at 31st Floor, Bank of America Tower and four car park spaces on the fourth floor of Bank of America Tower. Completion took place on 28th March, 2006. According to the announcement, half of the property will be used by Hanny for relocation of its head office and the remaining half will be held for rental purposes. It is expected that the property will provide Hanny with an ongoing income stream.

(b) Historical Financial Performance

Summarised in Table 4 are the consolidated financial results and the financial positions of the Hanny Group for the nine months ended 31st December, 2005 and for the three years ended 31st March, 2005.

Table 4: Financial Summary of the Hanny Group

	For the nine months ended 31st December,		For the year ended 31st March,		
	2005	**2004**	**2005**	**2004**	**2003**
	(audited)	*(unaudited)*	*(audited and restated)*	*(audited and restated)*	*(audited and restated)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**4,523,483**	**4,434,124**	**5,676,459**	**5,025,930**	**4,162,804**
Gross profit	**989,430**	**962,059**	**1,300,098**	**1,093,748**	**914,035**
Gross profit margin	*21.9%*	*21.7%*	*22.9%*	*21.8%*	*22.0%*
Other operating income	61,923	74,670	114,145	111,903	96,980
Distribution and selling expenses	(686,424)	(570,131)	(770,262)	(688,528)	(685,793)
Administrative expenses	(170,768)	(222,197)	(294,778)	(283,709)	(278,968)
Other operating expenses	(75,215)	—	(29,712)	(4,598)	(38,608)
Impairment loss on investment securities	—	—	—	—	(323,287)
Realisation of negative goodwill arising on acquisition of an additional interest in an associate	—	—	2,057	—	—
Finance costs	(50,952)	(14,224)	(18,198)	(26,440)	(31,669)
Share of losses of associates	(20,032)	(59,175)	(64,909)	(59,857)	(36,367)
Impairment loss on goodwill arising on acquisition of an associate	(14,391)	—	(177,446)	—	(104,585)
Impairment loss on trademark licenses	(164,667)	—	—	—	—
Amortisation of goodwill arising on acquisition of associates	—	(21,065)	(28,089)	(17,651)	(6,612)
Net (loss)/gain on disposal of subsidiaries and associates	10,778	(16,270)	(15,747)	10,377	25
Allowance for loans to associates	—	—	—	—	(79,595)
Profit (Loss) before taxation	**(120,318)**	**133,667**	**17,159**	**135,245**	**(574,444)**
Taxation	(61,074)	(90,428)	(117,397)	(25,469)	(32,200)
Net profit (loss) for the period	**(181,392)**	**43,239**	**(100,238)**	**109,776**	**(606,644)**
Net margin	—	*1.0%*	—	*2.2%*	—
Attributable to:					
Equity holders of the parent	**(127,102)**	**4,094**	**(161,862)**	**13,300**	**(648,620)**
Minority interests	**(54,290)**	**39,145**	**61,624**	**96,476**	**41,976**
	(181,392)	**43,239**	**(100,238)**	**109,776**	**(606,644)**
Basic earnings (loss) per Share *(HK$)*	**(0.57)**	**0.02**	**(0.82)**	**0.08**	**(4.05)**

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	As at 31st December,	As at 31st March,		
	2005	**2005**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited and restated)*	*(audited and restated)*	*(audited and restated)*
Total assets	**4,369,012**	**3,656,553**	**3,943,236**	**3,267,731**
Non-current assets	1,861,527	1,284,621	1,643,529	1,604,463
Current assets	2,507,485	2,371,932	2,299,707	1,663,268
Total liabilities	**2,291,130**	**1,400,562**	**1,664,898**	**1,363,566**
Current liabilities	2,283,671	1,240,452	1,653,951	1,185,858
Non-current liabilities	7,459	160,110	10,947	177,708
Net current assets	**223,814**	**1,131,480**	**645,756**	**477,410**
Total assets and liabilities	**2,077,882**	**2,255,991**	**2,278,338**	**1,904,165**
Total equity	**2,077,882**	**2,255,991**	**2,278,338**	**1,904,165**
Equity attributable to equity holders of the parent	1,676,233	1,806,374	1,873,181	1,729,567
Minority interests	401,649	449,617	405,157	174,598
Return on Equity (Note 1)	*n.a.*	*n.a.*	*0.7%*	*n.a.*
Current Ratio (times)	*1.1*	*1.9*	*1.4*	*1.4*
Interest coverage (times) (Note 2)	*n.a.*	*1.9*	*6.1*	*n.a.*
Total liabilities/equity	*136.7%*	*77.5%*	*88.9%*	*78.8%*
Long term debt/equity	*0.4%*	*8.7%*	*0.4%*	*10.1%*

Notes:

1. *n.a. denotes not applicable as Hanny reported losses and could not produce a return on equity ratio.*

2. *n.a. denotes not applicable as Hanny recorded losses before interest and tax and could not produce an interest coverage ratio.*

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Nine months ended 31st December, 2005

Revenue increased by 2.0% to HK$4.5 billion as a result of (i) a 8.3% increase in the trading of computer related products to HK$3.2 billion; (ii) a 44.6% increase in the trading of securities to HK$113.9 million; and (iii) the contribution by property development and trading of HK$118.8 million, which in aggregate offset the 22.4% decrease in the trading of consumer electronic products (from HK$1.4 billion in the same period last year to HK$1.1 billion). Gross profit increased by 2.8% to HK$989.4 million. Loss before taxation amounted to HK$120.3 million, compared to a net profit before taxation of HK$133.7 million for the same period last year. Loss before taxation was primarily attributable to (i) other operating expenses of HK$75.2 million, which included net unrealized holding loss on other investments of HK$26.5 million, write-off of long-term loan and interest receivable of HK$10.8 million and impairment loss on property, plant and equipment of HK$1.3 million; (ii) a 258.2% increase in finance costs to HK$51.0 million; (iii) an impairment loss on goodwill arising on acquisition of an associate of HK$14.4 million; and (iv) an impairment loss on trademark license of HK$164.7 million. A net loss of HK$181.4 million was reported, compared with a net profit of HK$43.2 million in the same period last year.

Net current assets as at 31st December, 2005 decreased by 80.2% to HK$223.8 million. The decrease was mainly attributable to a higher level of short-term borrowings (from HK$85.9 million as at 31st March, 2005 to HK$886.7 million as at 31st December, 2005) and trade and other payables (from HK$1.0 billion as at 31st March, 2005 to HK$1.3 billion as at 31st December, 2005), which resulted in the total liabilities to equity ratio increasing to 136.7%. The long term debt to equity ratio decreased to 0.4% as a result of a 95.4% decrease in long term borrowings.

Year ended 31st March, 2005

Revenue increased by 12.9% to HK$5.7 billion. The increase was mainly attributable to (i) a 11.4% increase in sales of computer related products and consumer electronic products to HK$5.5 billion as a result of expansion in new retail outlets and the distribution and launch of several new products; (ii) a 168.6% increases in securities trading to HK$93.9 million; and (iii) a 147.5% increase in sales of other assets to HK$39.6 million. Hanny recorded a net loss of HK$100.2 million for the year, which was primarily attributable to (i) a loss on disposal of investment securities of HK$29.7 million; (ii) an impairment loss on goodwill arising on acquisition of an associate of HK$177.4 million; (iii) a 8% increase in share of losses of associates to HK$64.9 million; (iv) a 59.1% increase in amortisation of goodwill arising on acquisition of associates to HK$28.1 million; and (v) a net loss on disposal of subsidiaries and associates of HK$15.7 million.

Net current assets as at 31st March, 2005 increased by 75.2% to HK$1,131.5 million. The increase was primarily attributable to (i) a lower level of short-term borrowings (from HK$373.4 million in 2004 to HK$133.3 million in 2005), (ii) an increase in bank balances, cash and pledged bank deposit (from HK$164.4 million in 2004 to HK$379.6 million in 2005); (iii) an increase in short-term loan receivables (from HK$208.5 million in 2004 to HK$336.0 million in 2005). Current ratio increased mildly to 1.9 times from 1.4 times. Interest coverage ratio and total debt to equity ratio improved to 1.9 times and 62.1% respectively. However, as a result of the significant increase in non-current borrowings, long term debt to equity ratio increased significantly to 8.7%.

Year ended 31st March, 2004

Revenue and gross profit achieved growth of 20.7% and 19.7% respectively. The significant growth was attributable to persistent efforts to control cost on inventory pricing, strong and extensive business network worldwide and promotional efforts made in the year. In the absence of significant impairment loss on goodwill arising on acquisition of associates, Hanny reported a net profit of HK$109.8 million for the year.

Net current assets as at 31st March, 2004 increased by 35.3% to HK$645.8 million. The increase was primarily attributable to the increase in (i) inventory level (from HK$505.2 million in 2003 to HK$877.4 million in 2004) as Hanny made bulk purchases to bargain for favourable prices in anticipation of an increasing sales trend in the coming years; (ii) trade and other receivables (from HK$486.6 million in 2003 to HK$738.8 million in 2004); and (iii) other assets of HK$145.1 million, which represented the cost incurred in connection with a land development project in the PRC. Total liabilities increased by 22.1% mainly due to the increase in trade and other payables. Accompanied by the surge in earnings before interest, tax, depreciation and amortisation, interest coverage ratio improved to 6.1 times. Long term debt to equity ratio also improved to 0.4%.

Year ended 31st March, 2003

Revenue generated from trading of computer and consumer related products and securities amounted to HK$4.2 billion. An impairment loss on investment securities of HK$323.3 million was recorded which effectively eroded the profits of Hanny. Net loss for the year deteriorated to HK$648.6 million as a result of significant impairment loss on goodwill arising on acquisition of an associate and substantial allowance for loans to associates.

As at 31st March, 2003, net current assets amounted to HK$477.4 million and the current ratio was 1.40 times. Hanny had significant amounts of long term debt which in aggregate totaled HK$174.6 million as at 31st March, 2003 and resulted in a relatively higher long term debt to equity ratio of 10.1%.

We have analysed Hanny's major financial ratios and valuation multiples relative to those of its comparable companies ("Industry Comparables"). In choosing appropriate Industry Comparables for Hanny, we have selected other companies that are listed on the main board of the Stock Exchange and are principally engaged in property investment, development and trading, and trading of securities, which are considered to be broadly comparable to Hanny.

Table 5: Financial Ratios of Hanny versus Selected Industry Comparables

Industry Comparables	Principal activities	Financial year end	Return on equity *(Note 4)*	Current ratio *(times)*	Interest coverage *(times) (Note 5)*	Total liabilities/ equity	Long term debt/equity
Buildmore International Limited (108)	Property development and trading, property investment	31-Jan-05	5.8%	25.4	12.5	9.4%	5.3%
Berjaya Holdings (HK) Limited (288)	Property investment, development and investment holding	30-Apr-05	n.a.	1.6	n.a.	103.0%	96.6%
Termbray Industrial International (Holdings) Limited (93)	Property development and investment	31-Mar-05	n.a.	44.0	0.0	2.1%	0.0%
Rivera (Holdings) Limited (281)	Property development and investment and securities trading	31-Dec-05	2.2%	2.7	0.0	0.0%	0.0%
WAH HA Realty Co (278)	Investment holding, property development and management and building contractor	31-Mar-05	4.5%	63.4	0.0	0.7%	0.0%
China National Resources Development Holdings Limited (661)	Securities trading and corporate investments, property investment and management consultancy	30-Apr-05	n.a.	3.3	n.a.	47.5%	25.6%
Frasers Property (China) Ltd. (535)	Property investment, development and management, business park development and management, infrastructure investment and securities	30-Sep-05 *(Note 3)*	7.4%	4.7	6.5	104.1%	57.8%
Dan Form Holdings Co. Ltd. (271)	Property investment & development, estate management and investment holding	31-Dec-05	9.8%	2.4	31.1	19.8%	0.0%
S E A Holdings Ltd. (251)	Property development, property investment, garment manufacturing and trading and investment in financial instruments	31-Dec-05	22.5%	2.6	13.6	70.1%	29.6%
Soundwill Holdings Ltd. (878)	Property development, investment, trading, management in HK and urban infrastructure development	31-Dec-05	25.2%	0.6	13.9	78.4%	45.3%
Capital Strategic Investment Ltd. (497)	Property investment and securities investment	31-Mar-05	7.8%	2.9	15.5	64.8%	41.0%
Maximum			**25.2%**	**63.4**	**31.1**	**104.1%**	**96.6%**
Minimum			**2.2%**	**0.6**	**0.0**	**0.0%**	**0.0%**
Mean			**10.6%**	**14.0**	**10.3**	**45.4%**	**27.4%**
Hanny	Trading of securities, property investment and trading and other strategic investments		33.0%	2.9	52.1	26.6%	0.2%

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Notes:

1. *Financial ratios of the Industry Comparables are calculated based on their respective latest published audited financial statements.*

2. *Financial ratios of Hanny are calculated based on the columns headed (i) "Pro forma Remaining Hanny Group for the year ended 31st March, 2005" under the section headed "(II) The unaudited pro forma income statement of the Enlarged Hanny Group"; and (ii) "Pro forma Remaining Hanny Group as at 31st December, 2005" under the section headed "(I) The unaudited pro forma balance sheet of the Enlarged Hanny Group", of Appendix IV of this Document.*

3. *Being the nine months results ended 30th September, 2005 due to a change in accounting year end date.*

4. *n.a. denotes not applicable as these Industry Comparables reported losses for their respective financial years.*

5. *n.a. denotes not applicable as these Industry Comparables reported losses for their respective financial years and could not produce a return on equity ratio.*

6. *n.a. denotes not applicable as these Industry Comparables recorded losses before interest and tax for their respective financial years and could not produce an interest coverage ratio.*

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As shown in Table 5, Hanny's current ratio, total liabilities to equity ratio and long term debt to equity ratio all fall within the range of the Industry Comparables and its return on equity ratio and interest coverage ratio are the highest amongst the Industry Comparables. The long term debt to equity ratio of Hanny is also well below the mean of the Industry Comparables. We consider that Hanny has a relatively lower level of long term debt and strong ability of servicing interest when compared to the selected market peers.

Table 6: Valuation Multiples of Hanny versus Selected Industry Comparables

Comparables	market capitalisation *(HK$'mil)*	P/E *(times)*	P/B *(times)*	Dividend Yield *(times)*
Buildmore International Limited (108)	**32.7**	10.0	0.6	n.a.
Berjaya Holdings (HK) Limited (288)	**59.1**	n.a.	1.0	n.a.
Termbray Industrial International (Holdings) Limited (93)	**998.8**	n.a.	1.3	n.a.
Rivera (Holdings) Limited (281)	**495.6**	26.4	0.6	n.a.
WAH HA Realty Co (278)	**183.9**	7.3	0.3	2.6
China National Resources Development Holdings Limited (661)	**237.2**	n.a.	4.0	n.a.
Frasers Property (China) Ltd. (535)	**802.9**	5.5	0.7	n.a.
Dan Form Holdings Co. Ltd. (271)	**533.7**	3.0	0.3	n.a.
S E A Holdings Ltd. (251)	**2,314.1**	2.1	0.5	2.4
Soundwill Holdings Ltd. (878)	**571.8**	0.7	0.2	1.5
Capital Strategic Investment Ltd. (497)	**964.9**	8.8	0.7	2.1
Maximum	**2,314.1**	**26.4**	**4.0**	**2.6**
Minimum	**32.7**	**0.7**	**0.2**	**1.5**
Mean	**648.6**	**8.0**	**0.9**	**2.2**
Hanny *(Note 2)*	**966.8**	**2.5**	**0.3**	**1.5**

Notes:

1. *The valuation multiples of the Industry Comparables are quoted from Bloomberg.*

2. *Trading multiples of Hanny are calculated based on (i) the closing price of the Hanny Shares; and (ii) the basic earnings per share stated in the columns headed "Pro forma Remaining Hanny Group for the year ended 31st March, 2005" under the section headed "(II) The unaudited pro forma income statement of the Enlarged Hanny Group"; and (iii) the net assets value per share based on the column headed "Pro forma Remaining Hanny Group as at 31st December, 2005" under the section "(I) The unaudited pro forma balance sheet of the Enlarged Hanny Group" of Appendix IV of this Document and 226,143,691 Hanny Shares in issue as at 31st December, 2005.*

As illustrated in Table 6, all Hanny's trading multiples are in line with the range of the Industry Comparables and its P/E ratio and dividend yield fall in the low end of the market range. Nevertheless, we note that out of eleven Industry Comparables seven of them could not produce a dividend yield as they declared no dividend for their respective financial years.

Each GDI Qualifying Shareholder will, if and to the extent that he accepts the GDI Offer, continue to have an indirect interest in GDI through his shareholding in Hanny. However, GDI Qualifying Shareholders should note that, by accepting the GDI Offer, their effective interest in GDI would be diluted. Table 7 below sets out the pro forma effects on the net profit and the net asset value of the Hanny Group in respect of the level of acceptance of the GDI Offer by the GDI Qualifying Shareholders under the two different scenarios. The pro forma financial effects below are a summary of the complete pro forma financial information as set out in Appendix IV to the Document. For the purpose of illustration the possible combinations of Option 1 and Option 2 are ignored.

Table 7: Pro Forma Effects on the Hanny Group In Respect Of the Level of Acceptance of the GDI Offer

	Before the GDI Offer *(Note 3)*	**After the GDI Offer** *(Note 4)*			
		100% Option 1	**% change**	**100% Option 2**	**% change**
Basic earnings per Share *(HK$) (Note 1)*	1.63	1.51	(7.4)%	1.43	(12.3)%
Diluted earnings per Share *(HK$) (Note 1)*	1.56	1.51	(3.2)%	1.43	(8.3)%
Net tangible asset value per Share *(HK$) (Note 2)*	9.92	9.26	(6.7)%	8.88	(10.5)%

Notes:

1. *Based on section headed "(II) The unedited pro forma income statement of the Enlarged Hanny Group" set out in Appendix IV to the Document.*

2. *Based on the section headed "(V) Unaudited pro forma statement of adjusted consolidated net tangible assets of the Enlarged Hanny Group" set out in Appendix IV to the Document.*

3. *Without taking into account the pro forma adjustments relating to (i) the distribution in specie of GDI Shares, (ii) the Reversal Adjustments (as defined in Appendix IV to the Document); and (iii) the disposal of the Hanny Sale Shares to the Offeror.*

4. *After taking into account the pro forma adjustments relating to (i) the distribution in specie of GDI Shares, (ii) the Reversal Adjustments (as defined in Appendix IV to the Document); and (iii) the disposal of the Hanny Sale Shares to the Offeror.*

(c) *Risk Profile*

In April 2006, the Hanny Group disposed of the assets of Memorex International Inc. that relate to the design, development, marketing, distribution and sale of hardware, media and accessories used for storage of electronic data. Following the disposal of these assets, the Hanny Group is no longer engaged in the trading of computer related products and consumer electronic products which contributed substantially to the Hanny Group's turnover and operating results since the mid 90's. As noted in the letter from the Hanny Board, the Hanny Group is now principally engaged in the trading of securities, property investment and trading and other strategic investments. We note from Hanny's annual reports that (i) the trading of computer related products and consumer electronic products was a more significant business for Hanny compared with the property development and trading business; (ii) the property development and trading business commenced in the financial year 2004 and was mainly conducted in the PRC; (iii) trading of securities comprised mainly Hong Kong stocks.

Although the property development and trading business has reported positive results since its commencement, there is no assurance that this business will remain profitable in the future in light of its relatively short operating history. We are of the view that this business is highly susceptible to the uncertainty of business risks. In addition, the prospects and operating performance of the businesses of trading of securities, property investment and trading and other strategic investments depend substantially on the general financial, economic and market conditions in Hong Kong and the PRC.

We note in Hanny's announcement dated 26th January, 2006 that the strategic investments included investments in associate companies that were listed on the Stock Exchange and long-term convertible notes issued by companies listed on the Stock Exchange. According to the aforesaid announcement, Hanny will actively explore other investment opportunities. Depending on the specific acquisition, there may be risks relating to the acquired business itself, risks relating to the industry in which the business operates, and risks relating to the company itself. Hanny may incur financial obligations or liabilities in connection with any acquisition or strategic investment. Also incur an increase in debt or other liabilities in connection with any acquisition or strategic investment. Also, future strategic investments may or may not be successful and may adversely affect its operating results.

We also note in the same announcement that the consideration for the disposal of the assets of Memorex International Inc. comprises, *inter alia*, an earnout amount which will be determined by reference to the EBITDA of the disposed business for each of the twelve-month periods ending on 31st March, 2007, 31st March, 2008 and 31st March, 2009, and the earnout amount shall have a cumulative minimum of US$5 million (equivalent to approximately HK$38,825,000) and a cumulative maximum of US$45 million (equivalent to approximatelyHK$349,25,000). As such, Hanny will receive further income in the coming three financial years. According to Hanny's circular dated 10th April, 2006, Hanny will record a gain on the disposal of HK$673.1 million.

We have compared the risk profile of GDI with Hanny. Save for Dongguan Shi Jiang Hai Trading Co., Ltd. and Guangzhou Yao Yang Industrial Co., Ltd., which were acquired in 2005 and are principally engaged in sand mining operations, GDI did not have any other operating subsidiary that contributed to its turnover for the financial year 2005. As discussed in the section headed "(4) Future prospects and outlook of the GDI Group" above, most of the GDI Group's businesses are engaged by its associate companies to which the GDI Group does not have full control over their operations. As such, any alternation to their businesses may affect the prospects of the GDI Group. In addition, GDI's share in the earnings of associate companies constitutes a material component in its income statement. GDI also relies on the ability of its associate companies to

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pay dividends. Any decline in the earnings of GDI's associate companies or its investments' ability to pay dividends would materially and adversely affect GDI's earnings and operating performance. Furthermore, as the track record of GDI's sand mining business is relatively short, such business is subject to the uncertainty of business risks and there is no certainty to its future operating performance.

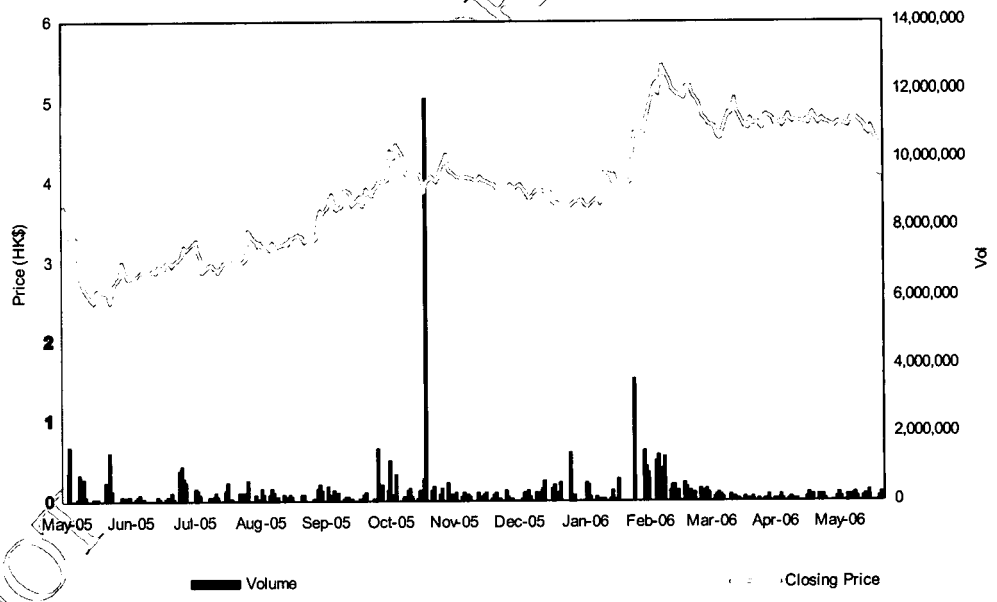
From a financial perspective, GDI reported losses for the operations of the Distributed Business for the financial year 2005 which may continue and there is no assurance that its losses would not increase in the future. In addition, we have been advised by management of GDI that GDI had no banking facilities as at the Latest Practicable Date. As such, it may not be able to obtain needed funding for its business operations, and the failure to obtain needed funding may materially and adversely affect its growth prospects and future profitability; any new borrowings could include terms that restrict its financial flexibility, payment of dividends or its ability to manage its business as it had intended.

Accordingly, the GDI Qualifying Shareholders should carefully consider the risks associated with holding an investment in the Hanny Shares or the Hanny Bonds.

(d) Trading Performance of the Hanny Shares

Set out below is a chart of the historical closing prices of the Hanny Shares for the twelve full calendar month period prior to the Latest Practicable Date (the "Review Period"):

Chart 1: Trading Performance of the Hanny Shares



Source: Stock Exchange website

Note: On market days when the Hanny Shares were not traded, closing price equals to that of the preceding trading day.

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During the Review Period, the Hanny Shares traded within a range between HK$2.475 to HK$5.450 and there were fluctuations in the trading volume of the Hanny Shares. We note that on 21st October, 2005, Hanny made an announcement to confirm that the Hanny Directors were not aware of any reasons for the increase in trading volume of the Hanny Shares save that Hanny was informed by Famex Investment Limited ("Famex"), a substantial shareholder of Hanny and an indirect wholly-owned subsidiary of ITC Corporation Limited, that Famex had acquired 11,000,000 shares of Hanny representing 93.65% of the total trading volume of the shares of Hanny from the market at a price of HK$4.00 per share, and the interest of Famex in Hanny increased from 20.61% to 25.48%. On 27th January, 2006, Hanny made an announcement to confirm that the Hanny Directors were not aware of any reasons for the increase in the price and the trading volume of the Hanny Shares and that except for an announcement dated 26th January, 2006 regarding the very substantial disposal of the assets of Memorex International Inc. that relate to the design, development, marketing, distribution and sale of hardware, media and accessories used for storage of electronic data, there were no negotiations or agreements relating to intended acquisitions or realisations which were discloseable under Rule 13.23 of the Listing Rule.

Table 8 below sets out the highest and lowest closing prices and the average daily closing price for each of the months during the Review Period.

Table 8 — Closing prices of the Hanny Shares

	Highest closing price *HK$*	**Lowest closing price** *HK$*	**Average daily closing price** *HK$*
2005			
May	3.700	2.475	2.876
June	3.200	2.775	2.924
July	3.400	2.850	3.025
August	3.525	3.150	3.266
September	4.000	3.600	3.806
October	4.475	3.875	4.145
November	4.175	3.925	4.023
December	3.975	3.700	3.836
2006			
January	4.625	3.700	3.932
February	5.450	4.625	5.100
March	5.050	4.550	4.754
April	4.875	4.700	4.769
May (up to the Latest Practicable Date)	4.800	4.075	4.631

Source: the Stock Exchange website

During the Review Period, the highest closing price of the Hanny Shares as quoted on the Stock Exchange was HK$5.45 on 10th February, 2006 and the lowest closing price of the Hanny Shares as quoted on the Stock Exchange was HK$2.475 on 18th May, 2005.

As shown in Table 8, the Hanny Shares have been generally in a steady uptrend since May 2005 where prices increased from HK$2.475 to HK$5.45 in February 2006. Subsequently, prices leveled off at HK$4.070 to HK$5.05. The average of the daily closing prices of the Hanny Shares as quoted on the Stock Exchange during the Review Period was approximately HK$3.91.

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The following table sets out the total trading volume and average daily trading volume of the Hanny Shares and the respective percentage of monthly trading volume compared to the issued share capital and the public float of the Hanny Shares during the Review Period.

Table 9 — Historical trading value and volume of the Hanny Shares

	Total trading volume *(Shares)*	**Average daily trading volume** *(Shares)*	**Total trading volume to total issue Shares** *(Note 1)*	**Total trading volume to public float** *(Note 2)*
2005				
May	9,010,040	450,502	3.8%	5.3%
June	4,427,893	201,268	1.9%	2.6%
July	3,749,253	187,463	1.6%	2.2%
August	3,269,830	142,167	1.4%	1.9%
September	5,136,578	244,599	2.2%	3.0%
October	17,925,023	896,251	7.6%	10.5%
November	2,957,224	1,234,419	1.2%	1.7%
December	5,668,510	283,426	2.4%	3.3%
2006				
January	6,111,725	321,670	2.6%	3.6%
February	12,622,773	631,139	5.3%	7.4%
March	2,901,542	126,154	1.2%	1.7%
April	1,903,981	111,999	0.8%	1.1%
May (up to the Latest Practicable Date)	2,205,398	137,857	0.9%	1.3%

Source: the Stock Exchange website

Notes:

1. *Based on 237,253,402 Shares in issue as at the Latest Practicable Date.*

2. *Based on 171,488,454 Shares held by the public as at the Latest Practicable Date.*

During the Review Period, the percentage of the monthly total trading volume to the total issued share capital of Hanny ranged from approximately 0.8% to 7.6% and that to the public float ranged from approximately 1.1% to 10.5%. Except for October 2005 and February 2006, the trading volume of the Hanny Shares was comparatively thin during the Review Period.

GDI Qualifying Shareholders should note that subject to their size of shareholding and the level of acceptance received in respect of Options 1 and 2, a sufficiently active market may or may not exist in the Hanny Shares to enable the GDI Qualifying Shareholders who intend to tender their GDI Shares to the GDI Offer and dispose of their Hanny Shares or Conversion Shares to do so in the short term and the market price of the Hanny Shares may or may not encounter a downward pressure.

In addition, as at the Latest Practicable Date, Hanny had 9,000,000 outstanding options granted entitling the holders thereof to subscribe for up to 9,000,000 Hanny Shares.

Nevertheless, compared to the GDI Shares, the Hanny Shares would be far more liquid as the GDI Shares are unlisted shares.

(e) Dividend payment record of Hanny

Table 10 below sets forth an update of the profit/(loss) attributable to the Hanny shareholders, dividend per Hanny Share and the dividend payout ratio of the Hanny Group:

Table 10: Dividend Payment Record of Hanny

	For the nine months ended 31st December, 2005	For the year ended 31st March, 2005	2004	2003
Profit (Loss) attributable to equity holders of the present *(HK$'000)*	(127,102)	(161,862)	13,300	(648,620)
Basic earnings (loss) per share *(HK$)*	(0.57)	(0.82)	0.08	(4.05)
Dividend per share *(HK$)*	0.06	0.06	0.07	—
Dividend payout ratio *(Note 1)*	n.a.	n.a.	87.5%	n.a.

Source: Hanny's annual and interim reports

Notes:

1. Dividend per share divided by earnings per share for the period.

2. n.a. denotes not applicable as Hanny recorded loss per Share.

For the period reviewed, Hanny declared dividends, regardless of its profitability, for each of the reporting period except for the financial year 2003. For the financial year 2004 in which Hanny made a net profit, Hanny's dividend pay-out ratio was 87.5%.

Nevertheless, GDI Qualifying Shareholders should be mindful that there can be no assurance that Hanny will maintain similar levels of dividend payment, or any at all, in future years. GDI Qualifying Shareholders seeking consistent income might find the Hanny Bonds a better alternative than the dividend payments the Hanny Shares may offer.

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(8) Intention of Hanny

As stated in the section headed "Intentions of Hanny regarding GDI" in the letter from Somerley in this Document, it is the intention of Hanny that the GDI Group will not conduct any business other than the Distributed Business or hold any other assets other than those assets relate to the Distributed Business which would be inherited from the China Strategic Group Reorganisation. The GDI Board intends not to dispose of any assets or redeploy any employees of the GDI Group upon completion of the GDI Offer. It is the intention of Hanny that it will not inject any asset into GDI or propose that the GDI Board authorises the disposal of any assets or make changes to the principal business of the GDI Group.

(9) Analysis of Options 1 and 2

Based on the closing price of HK$4.075 per Hanny Share on the Latest Practicable Date, Option 1 values each GDI Share at HK$1.175.

Based on the valuation of the Hanny Bonds prepared by RHL as at 31st March, 2006, the value of a Hanny Bond would be HK$14.10. As such, Option 2 values each GDI Share at approximately HK$2.82.

To assess the fairness and reasonableness of the valuation of the Hanny Bonds, we have discussed with RHL and reviewed the methodology, bases and key assumptions employed in the valuation. As noted in our discussion with RHL, the value of a Hanny Bond comprises two components, namely the liability component and the equity component. The liability component is estimated by discounting all future cash flows using the relevant spot rates (being the sum of the zero coupon rates stripped from the Hong Kong Sovereign Bonds and a risk premium determined by management of Hanny). As regards the risk premium which reflects the credit risks of the Hanny Bonds, RHL has also made reference to the past borrowing rates of the Hanny Group. The equity component of the Hanny Bond is equivalent to the Fair Value stipulated in HKAS39. When determining the equity component, RHL has taken into consideration the price volatility of the Hanny Shares. We understand that the liability component of the Hanny Bond will vary according to, *inter alia*, the credit ratings of Hanny, prevailing market interest rates and zero coupon bond yields, credit spreads etc. and the equity component of the Hanny Bonds will vary with the movements of the Hanny Share price. The valuation is based on the assumption that the Hanny Bonds were issued on 31st March, 2006 and full acceptance of all 311,387,646 GDI Shares subject to the GDI Offer was made under Option 2 of the GDI Offer and accordingly, 62,277,529 bonds were issued with face value of HK$15 each. Based on our discussions with RHL and review of the valuation report, we consider that the basis and assumptions have been made with due care and objectivity and they are fair, reasonable and adequate as they are made based on reasonable estimates of available market data, and therefore the valuation is fair and reasonable.

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However, the implied values of Options 1 and 2 will continually change in accordance with the market price movements of the Hanny Shares. Table 11 below illustrates the implied values of Options 1 and 2 at various price levels of the Hanny Shares, assuming all other factors (the credit ratings of Hanny, prevailing market interest rates and zero coupon bond yields etc.) being constant.

Table 11: Implied Values of Option 1 and Option 2

Hanny Share price *HK$*	**Implied value of Option 1** *HK$* *(Note 1)*	**Implied value of Option 2** *HK$* *(Note 2)*	**Premium (discount) of implied value of Option 2 over (to) implied value of Option 1**
1	2.8	12.2	336.2%
2	3.8	12.3	224.9%
3	4.8	12.6	162.5%
4	5.8	13.0	123.5%
5	6.8	13.4	97.2%
6	7.8	13.9	78.5%
7	8.8	14.5	64.7%
8	9.8	15.1	54.1%
9	10.8	15.8	45.9%
10	11.8	16.4	39.3%
15	16.8	20.2	20.1%
20	21.8	24.2	11.1%
25	26.8	28.4	6.1%
35	36.8	37.1	0.8%
50	51.8	50.4	(2.7)%
75	76.8	72.8	(5.2)%

Notes:

1. *Calculated as the sum of the Hanny Share price plus $1.8.*

2. *This column is provided by RHL and is calculated as the sum of (i) the liability component value of a Hanny Bond; and (ii) the equity component value of a Hanny Bond which is determined by the Black-Scholes Option Pricing Model at various levels of the Hanny Share price.*

As illustrated in Table 11, Option 2 is worth more than Option 1 for the Hanny Share price range of HK$1.0 to HK$35 and their difference decreases with increasing Hanny Share price. This illustrates that when the Hanny Share price rises, the implied values of the two Options converge, and when the Hanny Share price is above HK$35, the difference between the implied values of Options 1 and 2 reverses. However, in view of the current price level of the Hanny Shares, the Hanny Shares might not be able to achieve HK$35 before the close of the GDI Offer on 16th June, 2006.

Based on the closing price of the Hanny Share of HK$4.85 as of 31st March, 2006, Option 2 is worth almost double the implied value of Option 1. We are of the view that, as of the date hereof, from a financial perspective, we would recommend those GDI Qualifying Shareholders who wish to realise their investment in GDI and are seeking consistent income to consider electing Option 2, provided such GDI Qualifying Shareholders:

(i) have no immediate requirements for liquidity;

(ii) are confident of the business of the Hanny Group which includes the GDI Group and would like to have investment exposure to its businesses;

(iii) have a positive view on the Enlarged Hanny Group's future prospects;

(iv) are mindful that the conversion price of the Hanny Bonds has been set at HK$9.0, which represents a premium of 120.9% over the closing price of the Shares as at the Latest Practicable Date, and such high conversion premium indicates a lesser chance for the holders of the Hanny Bonds to convert the Hanny Bonds into Conversion Shares;

(v) are aware that the Hanny Bonds will not be listed on any stock exchange;

(vi) understand and accept the risks pertinent to an investment in the Hanny Bonds, in particular, Option 2 is subject to default risk;

(vii) have no better investment alternative for the cash; and

(viii) understand and accept that upon conversion of the Hanny Bonds, the monetary value that can be realised from the sale of the Conversion Shares in the future may be higher or lower than the current implied value per GDI Share under Option 1 of approximately HK$1.32.

However, for those GDI Qualifying Shareholders who wish to realise their investment in GDI and are seeking immediate liquidity, we would recommend them to consider electing Option 1, provided such GDI Qualifying Shareholders:

(i) are aware that subject to their size of shareholding and the level of acceptance received in respect of Options 1 and 2, a sufficiently active market may or may not exist in the Hanny Shares to enable them to dispose of their Hanny Shares in the short term and the market price of the Hanny Shares may or may not encounter a downward pressure;

(ii) are mindful that there can be no assurance that Hanny will maintain similar levels of dividend payment, or any at all, in future years; and

(iii) understand and accept that the monetary value that can be realised from Option 1 might be significantly lower than Option 2 in light of the current Hanny Share price level.

In addition, we would recommend those GDI Qualifying Shareholders who wish to realise their investment in GDI with partial immediate liquidity but at the same time maximize their return on investment to consider electing a combination of Option 1 and Option 2, provided such GDI Qualifying Shareholders:

(i) are confident of the business of the Hanny Group which includes the GDI Group and would like to have investment exposure to its businesses;

(ii) have a positive view on the Enlarged Hanny Group's future prospects;

(iii) are mindful that the conversion price of the Hanny Bonds has been set at HK$9.0, which represents a premium of 120.9% over the closing price of the Shares as at the Latest Practicable Date, and such high conversion premium indicates a lesser chance for the holders of the Hanny Bonds to convert the Hanny Bond into Conversion Shares;

(iv) are aware that the Hanny Bonds will not be listed on any stock exchange;

(v) understand and accept the risks pertinent to an investment in the Hanny Bonds, in particular, as contrast to Option 1 which is partially in cash, Option 2 is subject to default risk;

(vi) are mindful that there can be no assurance that Hanny will maintain similar levels of dividend payment, or any at all, in future years;

(vii) are aware that subject to their size of shareholding and the level of acceptance received in respect of Options 1 and 2, a sufficiently active market may or may not exist in the Hanny Shares to enable them to dispose of their Hanny Shares or Conversion Shares in the short to medium term and the market price of the Hanny Shares may or may not encounter a downward pressure; and

(viii) understand and accept that the monetary value that can be realised from a combination of Options 1 and 2 might be significantly lower than Option 2 in light of the current Hanny Share price level.

SUMMARY

Our opinion is based on the following principal considerations:

1. From a financial perspective, GDI has reported losses for the operations of the Distributed Business for the financial year 2005, there is no assurance that GDI could become profitable or its losses would not increase in the future.

2. As at the Latest Practicable Date, no listing application was intended to be made for the GDI Shares on the Stock Exchange or any other stock exchange, the cash resources of GDI were intended to be reserved as working capital for further expansion of its businesses and no dividend payment would be declared at least in the near future. Consequently, it might be difficult for the holders of GDI Shares to realise their returns, if any, on their investment by receiving dividends from GDI or selling their GDI Shares on a recognised stock exchange. The GDI Offer therefore represents a good opportunity for the GDI Qualifying Shareholders to realise their investments in GDI. If they elect Option 1, they could realise a portion of their investments in cash immediately and be able to exchange the rest for the Hanny Shares with far more liquidity. If they elect Option 2, they would be able to exchange their investments for interest carrying convertible bonds issued by a listed company that are convertible into Conversion Shares during the conversion period.

3. There are risks relating to GDI's businesses. As an unlisted public company, GDI might not be able to obtain funding for its business operations. In the event that a substantial amount of capital is required for its business operations, failure to obtain needed capital could materially and adversely affect its growth prospects and future profitability; any new borrowings could include terms that restrict its financial flexibility, payment of dividends or its ability to manage its business as it had intended.

4. The P/B ratios of GDI based on Options 1 and 2 of 0.5 times and 1.1 times respectively are in line with the range of 0.1 times to 11.3 times based on the Comparable Companies.

5. Compared to the GDI Shares, the Hanny Shares are far more liquid as the GDI Shares are unlisted shares.

6. Hanny's P/E ratio, P/B ratio and dividend yield are in line with the range of the Industry Comparables.

7. As illustrated in Table 5 — Financial Ratios of Hanny versus Selected Industry Comparables and discussed in the section headed "(7)b. Historical financial performance", Hanny has a relatively lower level of long term debt and strong ability of servicing interest when compared to the selected market peers.

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Having considered the foregoing, we are of the view that the GDI Offer represents a good opportunity for the GDI Qualifying Shareholders to realise their investments in GDI which are fairly valued based on the implied values of Options 1 and 2. Also, the GDI Offer in general is fair and reasonable so far as the GDI Qualifying Shareholders are concerned. We therefore recommend the GDI Qualifying Shareholders to accept the GDI Offer.

Given the choice between Options 1 and 2, we recommend that GDI Qualifying Shareholders should elect for Option 2 which values each GDI Share at approximately HK$2.82, as compared to the implied value per GDI Share of HK$1.175 under Option 1, based on the closing price of the Hanny Shares of HK$4.075 as at the Latest Practicable Date, provided such GDI Qualifying Shareholders:

(i) have no immediate requirements for liquidity;

(ii) are confident of the business of the Hanny Group which includes the GDI Group and would like to have investment exposure to its businesses;

(iii) have a positive view on the Enlarged Hanny Group's prospects;

(iv) are mindful that the conversion price of the Hanny Bonds has been set at HK$9.0, which represents a premium of 120.9% over the closing price of the Hanny Shares as at the Latest Practicable Date, and such high conversion premium indicates a lesser chance for the holders of the Hanny Bonds to convert the Hanny Bonds into Conversion Shares;

(v) are aware that the Hanny Bonds will not be listed on any stock exchange;

(vi) understand and accept the risks pertinent to an investment in the Hanny Bonds, in particular, Option 2 is subject to default risk;

(vii) have no better investment alternative for the cash; and

(viii) understand and accept that upon conversion of the Hanny Bonds, the monetary value that can be realised from the sale of the Conversion Shares in the future may be higher or lower than the current implied value per GDI Share under Option 1 of approximately HK$1.175.

However, for those GDI Qualifying Shareholders who wish to realise their investment in GDI and are seeking immediate liquidity, we would recommend them to consider electing Option 1, provided such GDI Qualifying Shareholders:

(i) are aware that subject to their size of shareholding and the level of acceptance received in respect of Options 1 and 2, a sufficiently active market may or may not exist in the Hanny Shares to enable them to dispose of their Hanny Shares in the short term and the market price of the Hanny Shares may or may not encounter a downward pressure;

(ii) are mindful that there can be no assurance that Hanny will maintain similar levels of dividend payment, or any at all, in future years; and

(iii) understand and accept that the monetary value that can be realised from Option 1 might be significantly lower than Option 2 in light of the current Hanny Share price level.

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In addition, we would recommend those GDI Qualifying Shareholders who wish to realise their investment in GDI with partial immediate liquidity but at the same time maximize their return on investment to consider electing a combination of Option 1 and Option 2, provided such GDI Qualifying Shareholders:

(i) are confident of the business of the Hanny Group which includes GDI Group and would like to have investment exposure to its businesses;

(ii) have a positive view on the Enlarged Hanny Group's future prospects;

(iii) are mindful that the conversion price of the Hanny Bond has been set at HK$9.0, which represents a premium of 120.9% over the closing price of the Shares as at the Latest Practicable Date, and such high conversion premium indicates a lesser chance for the holders of the Hanny Bonds to convert the Hanny Bond into Conversion Shares;

(iv) are aware that the Hanny Bonds will not be listed on any stock exchange;

(v) understand and accept the risks pertinent to an investment in the Hanny Bonds, in particular, as contrast to Option 1 which is partially in cash, Option 2 is subject to default risk;

(vi) are mindful that there can be no assurance that Hanny will maintain similar levels of dividend payment, or any at all, in future years;

(vii) are aware that subject to their size of shareholding and the level of acceptance received in respect of Options 1 and 2, a sufficiently active market may or may not exist in the Hanny Shares to enable them to dispose of their Hanny Shares or Conversion Shares in the short to medium term and the market price of the Hanny Shares may or may not encounter a downward pressure; and

(viii) understand and accept that the monetary value that can be realised from a combination of Options 1 and 2 might be significantly lower than Option 2 in light of the current Hanny Share price level.

Given that the implied values of Options 1 and 2 will continually change in accordance with the market price movements of the Hanny Shares and there is still a considerable lead time from the date of this letter to the closing date of the GDI Offer, GDI Qualifying Shareholders should be mindful of, inter alia, any changes in the Hong Kong and international stock markets, financial, economic, market and other conditions, and the latest developments in the operating environment, industry and prospect of the GDI Group and the Hanny Group before making a decision on which of Option 1 and Option 2, or a combination of both Options, to elect. GDI Qualifying Shareholders should consider the relative implied values of Option 1 and Option 2 closer to the closing date of the GDI Offer, before making their election, and may refer to Table 11 set out under the section headed "(9) Analysis of Options 1 and 2" in this letter.

GDI Qualifying Shareholders should read carefully the procedures for accepting the GDI Offer as detailed in Appendix I to the Document and are strongly advised that the decision to realise or hold their investment in the GDI Shares is subject to individual circumstances as well as their own investment objectives and tax positions. Furthermore, in considering whether to elect Option 1 or Option 2, or a combination of both, GDI Qualifying Shareholders should also take into account the market risks and transaction costs associated with disposing of the Hanny Shares or Conversion Shares. GDI Qualifying Shareholders should carefully consider their own circumstances.

Yours faithfully,
For and on behalf of
Hercules Capital Limited
Louis Koo
Managing Director

PROCEDURE FOR ACCEPTANCE

(i) The number of the GDI Shares registered in your name as at 19th May, 2006 and in respect of which you are entitled to tender for acceptance under the GDI Offer (assuming that you have not sold or otherwise transferred any of them) is set out in the Form of Acceptance accompanying this document. To accept the GDI Offer, you should complete the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the GDI Offer.

(ii) The completed Form of Acceptance in respect of the GDI Offer should then be forwarded by post, by express mail or other similar courier services, or by hand to the Receiving Agent, Standard Registrars Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as practicable after receipt of the Form of Acceptance and in any event so as to reach the Receiving Agent at the aforesaid address by no later than 4:00 p.m. on 16th June, 2006 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(iii) If your GDI Shares are held through CCASS through your licensed securities dealer or custodian bank or other nominee, you should instruct your licensed securities dealer or custodian bank or other nominee to authorise HKSCC Nominees Limited to accept the GDI Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer or custodian bank or other nominee for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer or custodian bank or other nominees as required by them.

(iv) If your GDI Shares are held through your Investor Participant Account with CCASS, you should issue your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

(v) Acceptance will be subject to validation before the GDI Offer consideration will be despatched to the persons entitled thereto. The consideration payable in respect of acceptances will be despatched as soon as possible and in any event no later than the tenth calendar day of the day on which all the relevant documents are received by the Receiving Agent to render acceptance of the GDI Offer complete and valid. If such date is not a Business Day, then the day by which the GDI Offer consideration will be despatched will be extended to the next Business Day thereafter.

(vi) A GDI Qualifying Shareholder who accepts the GDI Offer but who does not indicate clearly their choice of Option 1 consideration or Option 2 consideration in its Form of Acceptance will be deemed to have elected to receive Option 1 consideration in respect of all the GDI Shares to which its Form of Acceptance relates. The Form of Acceptance contains provisions regarding the calculation of the number of GDI Shares in respect of which you will receive Option 1 consideration or Option 2 consideration for your acceptance of the GDI Offer.

(a) If the number of GDI Shares you insert in Box D of the Form of Acceptance (for Option 2 consideration) is not 5 or an integral multiple of 5, you will be deemed to have elected:—

(i) to receive Option 2 consideration in respect of the number of GDI Shares inserted in Box D rounded down to 5 or the integral multiple of 5 nearest to the number you insert (and the number in the Box D will be deemed to be reduced accordingly); and

(ii) to receive Option 1 consideration in respect of the remainder of the GDI Shares (and the number in Box C will be deemed to be increased accordingly).

(b) If the aggregate number of GDI Shares you insert in Box C of the Form of Acceptance (for Option 1 consideration) and Box D of the Form of Acceptance (for Option 2 consideration) exceeds the number of GDI Shares registered in your name, the excess will first be deducted from the number inserted in Box D (which will be deemed to be reduced accordingly) and any excess remaining after that deduction will then be deducted from the number in Box C (which will be deemed to be reduced accordingly).

(c) If the number of GDI Shares in Box C (after alteration as a result of the provisions above, if applicable) is not 5 or an integral multiple of 5, then the difference between (i) that number and (ii) 5 or the integral multiple of 5 nearest to that number will be calculated and you will be paid in respect of the difference an amount calculated by applying the formula HK$1.8 x (the difference/ 5).

By way of illustration:—

If you complete the Form of Acceptance as follows:—

Number of GDI Shares tendered under **Option 1**	BOX C	FIGURES 9	WORDS NINE
Number of GDI Shares tendered under **Option 2**	BOX D	FIGURES 0	WORDS ZERO

then you will (assuming that you have the relevant number of GDI Shares registered in your name) be entitled to receive one (1) Hanny Share and HK$3.24 (being 1 Hanny Share and HK$1.80 for 5 GDI Shares + HK$1.80 x 4/5 for the remaining 4 GDI Shares).

OR

If you complete the Form of Acceptance as follows:—

Number of GDI Shares tendered under **Option 1**	BOX C	FIGURES 9	WORDS NINE
Number of GDI Shares tendered under **Option 2**	BOX D	FIGURES 8	WORDS EIGHT

then you will (assuming that you have the relevant number of GDI Shares registered in your name) be entitled to receive two (2) Hanny Shares, one (1) Hanny Bond and HK$4.32 (being two (2) Hanny Shares and HK$3.60 for 10 GDI Shares (as you will be deemed to have elected Option 1 consideration in respect of 3 GDI Shares in Box D, so that the total number of GDI Shares to be satisfied by Option 1 consideration is 12 GDI Shares) + HK$1.80 x 2/5 for the remaining 2 GDI Shares + one (1) Hanny Bond (in respect of 5 GDI Shares for which you have elected Option 2 consideration in Box D)).

(vii) Subject to the terms of the Takeovers Code, the Offeror reserves the right in its absolute discretion to treat as valid any acceptance of the GDI Offer which is not entirely in order.

(viii) No acknowledgement of receipt of any Form(s) of Acceptance, share certificate(s), transfer receipt(s), other document(s) of title and/or any indemnity or indemnities required in respect of your GDI Shares will be given.

ACCEPTANCE PERIOD, REVISIONS AND EXTENSIONS OF THE GDI OFFER

(i) The GDI Offer is being made on 26th May, 2006 and is capable of acceptance from and after this date.

(ii) Unless the GDI Offer has previously been extended or revised, the GDI Offer will close at 4:00 p.m. on the Closing Date. The Offeror reserves the right, subject to the Takeovers Code, to extend or revise the GDI Offer after the despatch of this document.

(iii) If the GDI Offer is extended or revised, the announcement of such extension or revision will either state the next Closing Date or that the GDI Offer will remain open until further notice (in the latter case at least 14 days' notice will be given before the GDI Offer is closed to those GDI Qualifying Shareholders who have not accepted the GDI Offer). If the GDI Offer is extended or revised, it will remain open for acceptance for a period of not less than 14 days and, unless previously extended or revised, shall be closed on the subsequent Closing Date. The latest time for acceptances on such Closing Date will be 4:00 p.m.

(iv) In any case where the GDI Offer is revised, the benefit of any revision of the GDI Offer will be available to all GDI Qualifying Shareholders who have previously accepted the GDI Offer. The execution and delivery to the Receiving Agent of any Form of Acceptance by or on behalf of any GDI Qualifying Shareholder who has accepted the GDI Offer before such revision shall be deemed to constitute acceptance of the revised GDI Offer, unless such GDI Qualifying Shareholder becomes entitled to withdraw his acceptance as set out in paragraphs headed "Right of Withdrawal" below and duly does so.

(v) If the Closing Date is extended, any reference in this document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date as so extended.

ANNOUNCEMENTS

(i) By 6:00 p.m. (or such later time as the Executive may in exceptional circumstances permit) on the Closing Date, the Offeror will inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the GDI Offer. The Offeror will publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the GDI Offer has been revised, extended or expired. Such announcement will be republished in accordance with Rule 12.2 of the Takeovers Code on the Business Day thereafter. The announcement will state the total number of GDI Shares and rights over GDI Shares:

— for which acceptances of the GDI Offer have been received;

— held, controlled or directed by the Offeror or persons acting in concert with it before the GDI Offer period; and

— acquired or agreed to be acquired during the GDI Offer period by the Offeror or any persons acting in concert with it.

The announcement will specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

(ii) The announcement will state the number of GDI Shares representing respectively valid acceptances of the GDI Offer and acceptances which are not in all aspects in order or are subject to verification.

(iii) As required under the Takeovers Code, all announcements in relation to the GDI Offer in respect of which the Executive and (if applicable) the Stock Exchange have confirmed that they have no further comments will be made in accordance with the Listing Rules.

RIGHT OF WITHDRAWAL

(i) Acceptances to the GDI Offer tendered by the GDI Qualifying Shareholders shall be irrevocable and cannot be withdrawn save as provided below.

(ii) If the Offeror is unable to comply with any of the requirements of making announcements relating to the GDI Offer under Rule 19 of the Takeovers Code (a summary of which has been set out in paragraphs (i) and (ii) in the section headed "Announcements" in this appendix), the Executive may require that accepting GDI Qualifying Shareholders be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements are satisfied.

OVERSEAS GDI QUALIFYING SHAREHOLDERS

(i) The making of the GDI Offer in, or to the GDI Qualifying Shareholders in, any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. GDI Qualifying Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should inform themselves about, and observe, all applicable legal and regulatory requirements of the relevant jurisdictions. With the consent of the Executive, (i) the GDI Offer will not be extended to U.S. persons and persons whose addresses shown on the register of members of GDI is in Malaysia and (ii) this document will be despatched for information only and without the accompanying Form of Acceptance to those persons whose names appear on the register of members of GDI and whose addresses shown on the register of members of GDI is in the United States or Malaysia. Subject to the Executive's consent being obtained, the Offeror reserves the right to make other arrangements in respect of the GDI Qualifying Shareholders not resident in Hong Kong in relation to the terms of the GDI Offer.

(ii) It is the responsibility of any overseas GDI Qualifying Shareholder who wishes to accept the GDI Offer to satisfy himself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any government or other consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in such jurisdiction.

(iii) No GDI Qualifying Shareholder who is a U.S. person will be permitted to accept the GDI Offer.

(iv) Each accepting GDI Qualifying Shareholder is required to represent and warrant to the Offeror and Somerley by entering "NO" in the relevant box in the Form of Acceptance that he:

- **did not receive this document or the Form of Acceptance in the United States nor will he send the completed Form of Acceptance from the United States or use any U.S. jurisdictional means to deliver the completed Form of Acceptance;**
- **was not in the United States when the Form of Acceptance was delivered or at the time of accepting the GDI Offer;**
- **is not a U.S. person; or**
- **is not an agent or fiduciary acting on a non-discretionary basis for a principal in the United States.**

(v) In the event that:

- **a GDI Qualifying Shareholder does not clearly mark the word "NO" in the relevant box in the Form of Acceptance and thereby does not give the representation and warranty set out in paragraph (iv) above;**

— **a GDI Qualifying Shareholder completes the relevant Form of Acceptance with an address in the United States or has a registered address in the United States and, in either case, he does not insert in the relevant Form of Acceptance the name and address of a personal agent outside the United States to whom he wishes the consideration to which he is entitled under the GDI Offer to be sent;**

— **a GDI Qualifying Shareholder inserts in the relevant Form of Acceptance the name and address of a person or agent in the United States to whom he wishes the consideration to which he is entitled under the GDI Offer to be sent; or**

— **the relevant Form of Acceptance received from a GDI Qualifying Shareholder is or are received in an envelope postmarked in, or which otherwise appears to the Offeror or its agents to have been sent from, the United States,**

his acceptance shall not be valid, subject to the right of the Offeror in its sole discretion to investigate the nature and residence of such shareholder further and to allow his acceptance to be valid if it is satisfied that such shareholder does not have any connection with the United States.

(vi) The Offeror further reserves the right to notify any matter (including, without limitation, the making or revision or extension of the GDI Offer) to the GDI Qualifying Shareholders not resident in Hong Kong by announcement in newspapers which may not be circulated in the jurisdictions at which such shareholders are resident. The notice being the subject matter of the announcement will be deemed to have been sufficiently given, notwithstanding any failure by such shareholders to receive or read that announcement.

(vii) Acceptances of the GDI Offer by any overseas GDI Qualifying Shareholder will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the GDI Offer, and any extension or revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

GENERAL

(i) Acceptance of the GDI Offer by any person will be deemed to constitute a warranty by such person or persons to the Offeror that the GDI Shares acquired under the GDI Offer are sold by such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and distributions declared, paid or made after the date of the issue of the GDI Shares.

(ii) Acceptance of the GDI Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of GDI Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of GDI Shares held by such nominee for such beneficial owners who are accepting the GDI Offer and in respect of which the GDI Offer is accepted.

(iii) All communications, notices, forms of acceptance, share or bond certificates, other documents of title (or indemnities in respect thereof) or remittances of any nature to be delivered by or sent to or from the GDI Qualifying Shareholders shall be delivered by or sent to or from the GDI Qualifying Shareholders, or their designated agents, at their own risk, and none of the Offeror, Somerley, GDI or the Receiving Agent accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.

(iv) If the GDI Offer is withdrawn as permitted by the Takeovers Code, the Form of Acceptance will be returned by post as soon as possible and in any event within 10 days of the GDI Offer being withdrawn or (as the case may be) within the period to be specified by the Offeror by announcement if accepting GDI Qualifying Shareholders were to be given the right to withdraw their acceptance (as required by

the Executive), in each case at the risk of the person entitled thereto, to the person or agent whose name and address is set forth in the Form of Acceptance. If no such name is set forth, to the first-named holder at his registered address.

(v) References to the GDI Offer in this document and in the Form of Acceptance shall include any extension and/or revision thereof.

(vi) The provisions set out in the Form of Acceptance form part of the terms of the GDI Offer.

(vii) The accidental omission to despatch this document and/or the Form of Acceptance to any person to whom the GDI Offer is made will not invalidate the GDI Offer in any way.

(viii) The GDI Offer and all acceptances of it, the Form of Acceptance, all contracts made in relation to the GDI Offer, and all actions taken or made or deemed to be taken or made pursuant to the terms of the GDI Offer, will be governed by and construed in all aspects in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of a GDI Qualifying Shareholder will constitute the submission by such shareholder in relation to all matters arising out of or in connection with the GDI Offer and the Form of Acceptance to the non-exclusive jurisdiction of the courts of Hong Kong.

(ix) Due execution of the Form of Acceptance will constitute an authority to the Offeror and/or Somerley, any director thereof or their respective agents to complete and execute, on behalf of the GDI Qualifying Shareholders who accept the GDI Offer, the Form of Acceptance and any other document and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as the Offeror shall direct, the GDI Shares which are the subject of such acceptance.

(x) In relation to any acceptance of the GDI Offer in respect of your GDI Shares which are held through CCASS, the Offeror reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance and transfer of the GDI Offer, whether in order to comply with the facilities or requirements of CCASS or otherwise, provided that such alterations, additions or modifications are consistent with the requirements of the Takeovers Code or are otherwise made with the Executive's consent.

(xi) The settlement of the consideration to which accepting GDI Qualifying Shareholders will be entitled under the GDI Offer will be implemented in full in accordance with the terms of the GDI Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such shareholders.

(xii) In making their decision, GDI Qualifying Shareholders must rely on their own examination of the Offeror and GDI and the terms of the GDI Offer, including the merits and risks involved. The contents of this document, including any general advice or recommendations contained herein, and the Form of Acceptance are not to be construed as legal or business advice. GDI Qualifying Shareholders could consult with their own lawyer or financial adviser for legal or financial advice. Additionally, this document does not include any information in respect of United States taxation. GDI Qualifying Shareholders who may be subject to tax in the United States are urged to consult their tax adviser regarding the U.S. federal, state, local and other tax consequences of owning and disposing of GDI Shares.

(xiii) The GDI Offer is being made by the issue and despatch of this document and the related Form of Acceptance on 26th May, 2006.

(xiv) The GDI Offer is made in accordance with the Takeovers Code.

THIS IS A PROOF ONLY

1. FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Hanny Group extracted from the circular issued by Hanny dated 10th April, 2006 is set out below:

Results

	Nine months ended 31st December,		Year ended 31st March,		
	2005	2004	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(unaudited)*	*(audited and restated)*	*(audited and restated)*	*(audited and restated)*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 2)*	*(Note 2)*
Revenue	4,523,483	4,434,124	5,676,459	5,025,930	4,162,804
(Loss) profit before income tax	(120,318)	133,667	17,159	135,245	(574,444)
Income tax expense	(61,074)	(90,428)	(117,397)	(25,469)	(32,200)
(Loss) profit for the year/period	(181,392)	43,239	(100,238)	109,776	(606,644)
Attributable to:					
Equity holders of the parent	(127,102)	4,094	(161,862)	13,300	(648,620)
Minority interests	(54,290)	39,145	61,624	96,476	41,976
	(181,392)	43,239	(100,238)	109,776	(606,644)
Dividends	22,463	11,193	11,193	11,221	—
(Loss) earnings per Hanny Share — basic	HK$(0.57)	HK$0.02	HK$(0.82)	HK$0.08	HK$(4.05)
Dividend per Hanny Share — Final, paid	HK$0.06	HK$0.06	HK$0.06	HK$0.02	—
— Interim, paid	—	—	—	HK$0.05	—

Assets and liabilities

	As at 31st December,	As at 31st March,		
	2005	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited and restated)*	*(audited)*	*(audited)*
Non-current assets	1,861,527	1,284,621	1,643,529	1,604,463
Current assets	2,507,485	2,371,932	2,299,707	1,663,268
	4,369,012	3,656,553	3,943,236	3,267,731
Current liabilities	2,283,671	1,240,452	1,653,951	1,185,858
Non-current liabilities	7,459	160,110	10,947	177,708
	2,291,130	1,400,562	1,664,898	1,363,566

THIS IS NOT AN OFFER OF SECURITIES FOR SALE

Notes:

1. Figures for the nine months ended 31st December, 2004 and 2005 were prepared under the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. Details of the application of the new HKFRSs are set out in note 2 to the accountants' report on the Hanny Group contained in the sub-section headed "Audited financial statements" in this appendix.

2. Figures for the three years ended 31st March, 2003, 2004 and 2005 were prepared under the new HKFRSs. Restatements have been made for figures published previously. Details of the effects of the new HKFRSs are set out in note 3 to the accountants' report on the Hanny Group contained in the sub-section headed "Audited financial statements" in this appendix.

3. No extraordinary or exceptional items were recorded in each of the three financial years ended 31st March, 2003, 2004 and 2005 and the nine-month periods ended 31st December, 2004 and 2005. No qualification was contained in the annual reports/accountants' report of the Hanny Group in the aforesaid financial years/periods.

THIS IS NOT AN OFFER. FOR ILLUSTRATION ONLY

2. AUDITED FINANCIAL STATEMENTS

Set out below is the accountants' report of the Hanny Group containing the audited consolidated financial statements of the Hanny Group together with accompanying notes as extracted from the circular of Hanny dated 10th April, 2006:

"

Deloitte.
德勤

德勤・關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

10 April 2006

The Directors
Hanny Holdings Limited
8th Floor, Paul Y. Centre
No. 51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Hanny Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2003, 2004 and 2005 and the nine months ended 31 December 2005 (the "Relevant Periods") for inclusion in the circular issued by the Company dated 10 April 2006 (the "Circular") in connection with the very substantial disposal transaction, whereby the Group (i) through its non-wholly owned subsidiary, Memorex International Inc. (the "Vendor"), will dispose of the Vendor's entire interest in Hanny Magnetics Europe Limited, Memorex Canada Ltd., Memorex Products Europe Limited, Memorex Products S.A.S., Memorex Products GmbH, Memorex Products (Taiwan) Inc. and Memorex Products, Inc. (the "Disposed Companies") and (ii) will dispose of Vendor's trademark license and other assets relating to the trading of computer related product business under the trade name "Memorex", which include the business of design, development, marketing, distribution and sale of hardware, media and accessories used for the storage of electronic data conducted by the Vendor and the Disposed Companies (the "Business", together with the Disposed Companies hereinafter collectively referred to as the "Disposed Assets"), pursuant to an agreement dated 19 January 2006 (the "Agreement") entered into between the Vendor, and Imation Corp. (the "Purchaser"), a company organized under the laws of the State of Delaware, the United States of America ("USA") and the shares of which are listed on the New York Stock Exchange (the "Disposal").

The Company was incorporated in Bermuda on 3 September 1991. The Company is an investment holding company.

As at the date of this report, the Company has the following subsidiaries, which all are private companies with limited liability:

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of share capital/ registered capital held by the Company		Equity interest held by the Group	Principal activities
			Directly	Indirectly		
Hanny Magnetics (B.V.I.) Limited *(note 1)*	British Virgin Islands ("B.V.I.") 22 May 1990	HK$40,000,000 ordinary shares HK$8,000,000 preference shares	100%	—	100%	Investment holding
Acropolis Investment Group Limited *(note 1)*	B.V.I. 11 July 2000	US$50,000	—	100%	100%	Investment holding
Best Position Limited *(note 1)*	B.V.I. 2 February 2006	US$1	—	100%	100%	Investment holding
Better Gain Investments Limited *(note 1)*	B.V.I. 2 June 1999	US$1	—	100%	100%	Investment holding
Billion Gold Limited *(note 2)*	Hong Kong 14 June 1999	HK$2	—	100%	100%	Investment holding
Bocane Enterprises Limited *(note 1)*	B.V.I. 7 January 2005	US$2	—	100%	100%	Investment holding
Central Top Group Limited	B.V.I 30 November 2005	US$1	—	100%	100%	Investment holding
Chancellor Global Limited *(note 1)*	B.V.I. 7 January 2005	US$1	—	100%	100%	Investment holding
Cobble Hill Holdings Limited *(note 1)*	B.V.I. 29 April 1997	US$1	—	100%	100%	Investment holding
Collegate Limited *(note 1)*	B.V.I. 4 January 2005	US$1	—	100%	100%	Investment holding
Cosmos Regent Ltd. *(note 1)*	B.V.I. 28 August 2000	US$1	—	100%	100%	Investment holding
Create Ahead Technology Limited (note 1)	B.V.I. 2 July 2002	US$10,000	—	95%	95%	Inactive
Createsuccess Limited ("Createsuccess") *(note 1)*	B.V.I. 3 December 2004	US$1	—	100%	100%	Investment holding
Cross Profit Capital Limited *(note 1)*	B.V.I. 22 July 2004	US$1	—	100%	100%	Investment holding
CU Resources Limited *(note 10)*	Hong Kong 23 May 1991	HK$12,500,000	—	100%	100%	Inactive

THIS IS NOT A PROSPECTUS FOR INFORMATION ONLY

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of share capital/ registered capital held by the Company Directly	Indirectly	Equity interest held by the Group	Principal activities
Cyber Generation Limited *(note 1)*	B.V.I. 5 July 2000	US$1	—	100%	100%	Investment holding
Digital Communications Limited *(note 1)*	B.V.I. 9 September 1999	US$10	—	60%	60%	Investment holding
Dynamic Way Technology Limited *(note 1)*	B.V.I. 8 February 2000	US$1	—	100%	100%	Investment holding
Dysan Magnetics Limited *(note 4)*	United Kingdom 8 January 1990	GBP100	—	68.68%	45.2%	Inactive
Dysan Products Europe Limited ("DPEL") *(note 4)*	United Kingdom 19 April 1994	GBP102 US$8,500,000	—	68.68%	45.2%	Trading and distribution of computer media products and audio and video products
Dysan.com Products Inc. *(note 9)*	Canada 7 April 2005	1 share with no par value	—	68.68%	45.2%	Inactive
E-Award Limited *(note 1)*	B.V.I. 18 May 2000	US$4	—	100%	100%	Investment holding
eMemorex Inc. *(note 1)*	USA 24 September 1999	US$1	—	60%	60%	Trading of computer media products
eMemorex.com Inc. *(note 1)*	Canada 23 November 1999	100 shares with no par value	—	60%	60%	Trading of computer media products
Genius Ideas Limited *(note 1)*	B.V.I. 18 February 1999	US$1	—	100%	100%	Investment holding
Gold Regent Limited *(note 1)*	B.V.I. 20 January 2000	US$1	—	100%	100%	Investment holding
Hackthorne Limited *(note 1)*	B.V.I. 31 October 1995	US$1	—	100%	100%	Investment holding
Hanny (Taishan) Property Investments Limited *(note 1)*	B.V.I. 4 January 2005	US$1	—	100%	100%	Inactive
Hanny Development Limited *(note 2)*	Hong Kong 26 November 2003	HK$2	—	100%	100%	Inactive
Hanny International, Inc. *(note 1)*	Cayman Islands 23 August 1991	US$1,000	—	100%	100%	Inactive

THIS IS NOT A PROSPECTUS - FOR INFORMATION ONLY

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of share capital/ registered capital held by the Company Directly	Indirectly	Equity interest held by the Group	Principal activities
Hanny Magnetics (Overseas) Limited *(note 1)*	B.V.I. 22 November 1991	US$1	—	100%	100%	Inactive
Hanny Magnetics (Zhuhai) Limited ("HMZ") *(note 7)*	People's Republic of China (the "PRC") 14 March 1988	US$45,740,000	—	100%	100%	Manufacturing of magnetic media products
Hanny Magnetics Europe Limited *(note 4)*	United Kingdom 12 November 1993	GBP2	—	68.68%	45.2%	Inactive
Hanny Magnetics Limited *(note 2)*	Hong Kong 27 April 1971	HK$1,100,000,200 Ordinary Share HK$6,000,000 5% non-voting deferred shares	—	100%	100%	Investment holding and trading and marketing of computer media products and related peripherals and accessories
Hanny Management Limited *(note 2)*	Hong Kong 3 September 1991	HK$2	—	100%	100%	Provision of secretarial and nominee services to the Group
Hanny Strategic Investment Limited *(note 2)*	Hong Kong 13 June 1996	HK$10,000,000	—	100%	100%	Investment holding
Hanny Zhuhai Limited *(note 2)*	Hong Kong 30 November 1995	HK$2	—	100%	100%	Inactive
Hemmant Holdings Limited *(note 1)*	B.V.I. 29 April 1997	US$1	—	100%	100%	Investment holding
Honest Goodwill Limited *(note 1)*	B.V.I. 6 April 2005	US$1	—	100%	100%	Inactive
Island Town Limited *(note 11)*	Hong Kong 9 February 1993	HK$100	—	100%	100%	Property investment
Jentop Limited *(note 2)*	Hong Kong 31 March 1999	HK$2	—	100%	100%	Investment holding
Kedleston Management Limited *(note 1)*	B.V.I. 2 July 2002	US$1	—	100%	100%	Inactive
Loyal Concept Limited *(note 1)*	B.V.I. 13 August 2001	US$1	—	100%	100%	Investment holding
Maximum Potential Limited *(note 1)*	B.V.I. 23 January 1997	US$1	—	100%	100%	Investment holding

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of share capital/ registered capital held by the Company Directly	Indirectly	Equity interest held by the Group	Principal activities
Memorex Canada Ltd. ("MCL") *(note 3)*	Canada 9 January 1990	CAD2	—	68.68%	45.2%	Distribution of computer media products and audio and video products
Memorex Holdings Limited *(note 2)*	Bermuda 3 November 2003	US$100,000	—	65%	65%	Investment holding
The Vendor *(note 2)*	B.V.I. 20 February 1997	US$1,000,000	—	68.68%	45.2%	Investment holding and holding of trademark licenses
Memorex Products Europe Limited ("MPEL") *(note 4)*	United Kingdom 6 October 1999	GBP2	—	68.68%	45.2%	Trading and distribution of computer media products and audio and video products
Memorex Products GmbH *(note 4)*	Germany 7 July 1998	DM100,000	—	68.68%	45.2%	Trading and distribution of computer media products and audio and video products
Memorex Products S.A.S. *(note 4)*	France 10 April 2000	Euro 50,000	—	68.68%	45.2%	Trading and distribution of computer media products and audio and video products
Memorex Products, Inc. ("MPI") *(note 5)*	USA 18 November 1993	US$79,001,000	—	68.68%	45.2%	Trading and distribution of computer media products and audio and video products
Memtek (Commercial Offshore De Macau) Limitada *(note 1)*	Macau 18 August 2004	MOP1	—	100%	100%	Inactive
Memtek Asia Limited *(note 2)*	Hong Kong 5 March 2003	HK$2	—	100%	100%	Investment holding
Metrorich Worldwide Ltd. *(note 11)*	B.V.I. 8 September 2004	US$1	—	100%	100%	Investment holding
Micro-Tech Ltd. *(note 1)*	B.V.I. 23 July 1999	US$1	—	100%	100%	Investment holding

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of share capital/ registered capital held by the Company Directly	Indirectly	Equity interest held by the Group	Principal activities
Multimedia Info-Duplication (Far East) Limited *(note 2)*	B.V.I. 9 January 1997	US$1	—	100%	100%	Inactive
Multimedia Technology (Far East) Limited *(note 1)*	B.V.I. 9 January 1997	US$1	—	100%	100%	Inactive
Multimedia Technology Overseas Limited *(note 1)*	B.V.I. 20 December 1996	US$2	—	100%	100%	Inactive
Next Prospect Inc. *(note 1)*	B.V.I. 30 March 2004	US$1	—	100%	100%	Investment holding
Pacernic Limited *(note 1)*	B.V.I. 7 January 2005	US$1	—	100%	100%	Investment holding
Pariet Tradings Limited *(note 1)*	B.V.I. 7 April 2004	US$1	—	100%	100%	Inactive
Powervote Technology Limited *(note 1)*	B.V.I. 18 July 2000	US$1	—	100%	100%	Investment holding
Pure Delight Assets Limited *(note 1)*	B.V.I. 12 March 1997	US$1	—	100%	100%	Investment holding
Rapid Growth Profits Limited *(note 11)*	B.V.I. 3 January 2001	US$1	—	100%	100%	Investment holding
Regal Wealth Ltd. *(note 1)*	B.V.I. 23 November 1999	US$1	—	100%	100%	Investment holding
Rich Life Holdings Pte Ltd. ("Rich Life") *(note 8)*	Singapore 19 March 2002	S$2	—	100%	100%	Investment holding
Sino Partner Holdings Limited ("Sino Partner") *(note 1)*	B.V.I. 3 September 2004	US$200	—	83%	83%	Investment holding
Strong Talent Technology Limited *(note 1)*	B.V.I. 2 July 2002	US$1	—	100%	100%	Inactive
Success Wealth Ltd. *(note 1)*	B.V.I. 12 January 2000	US$1	—	100%	100%	Investment holding
Tower Hill Profits Limited *(note 1)*	B.V.I. 8 July 1999	US$1	—	100%	100%	Investment holding
Trifame Limited *(note 1)*	B.V.I. 5 January 2005	US$1	—	100%	100%	Investment holding

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Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of share capital/ registered capital held by the Company Directly	Indirectly	Equity interest held by the Group	Principal activities
Ultimate Strategy Limited *(note 1)*	B.V.I. 28 August 2003	US$1	—	100%	100%	Investment holding
Wealthy Label International Limited *(note 1)*	B.V.I. 4 January 2005	US$1	—	100%	100%	Investment holding
Well Orient Limited *(note 2)*	Hong Kong 21 August 2000	HK$2	—	100%	100%	Investment holding
Zhuhai Hanny Property Investment Limited ("Zhuhai Hanny") *(note 1)*	B.V.I. 5 December 2002	US$1	—	100%	100%	Inactive
Memorex Products (Taiwan) Inc. *(note 6)*	Taiwan 16 September 2000	NT$4,000,000	—	68.68%	45.2%	Trading and distribution of computer media products and audio and video products
Memtek Products (Taiwan) Inc. *(note 6)*	Taiwan 11 September 2000	NT$4,000,000	—	100%	100%	Trading and distribution of computer media products and audio and video products

Note 1: No audited financial statements have been prepared for these companies, which were incorporated in a country where there were no statutory audit requirements.

Note 2: We have acted as auditors of these companies for each of the Relevant Periods or since their respective date of incorporation or acquisition, where this is a shorter period. Audited financial statements have been prepared in accordance with accounting policies generally accepted in Hong Kong for these companies for each of the three years ended 31 March 2005, or from their respective date of incorporation, where this is a shorter period.

Note 3: The statutory financial statements of MCL for the year ended 31 March 2003 were prepared in accordance with the relevant accounting principles and financial regulations applicable in Canada and were audited by Deloitte & Touche Canada, which is a member firm of Deloitte Touche Tohmatsu.

Note 4: The statutory financial statements of these companies for each of the Relevant Periods were audited by Deloitte & Touche, LLP United Kingdom, which is a member firm of Deloitte Touche Tohmatsu. The statutory financial statements of MPEL and DPEL for each of the three years ended 31 March 2003, 2004 and 2005 were prepared in accordance with the relevant accounting principles and financial regulations applicable in United Kingdom.

Note 5: The statutory financial statements of MPI for each of the Relevant Periods were audited by Deloitte & Touche United States, LLP, which is a member firm of Deloitte Touche Tohmatsu. The statutory financial statements of MPI for each of the three years ended 31 March 2003, 2004 and 2005 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the United States.

Note 6: The statutory financial statements of Memorex Products (Taiwan) Inc. and Memtek Products (Taiwan) Inc. for each of the Relevant Periods were audited by Deloitte & Touche Taiwan, which is a member firm of Deloitte Touche Tohmatsu. The statutory financial statements of Memorex Products (Taiwan) Inc. and Memtek Products (Taiwan) Inc. for each of the three years ended 31 March 2005 were prepared in accordance with the relevant accounting principles and financial regulations applicable in Taiwan.

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Note 7: The statutory financial statements of HMZ for each of the Relevant Periods were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by 珠海安德利聯合會計師事務所.

Note 8: The statutory financial statements of Rich Life for each of the Relevant Periods were audited by Deloitte & Touche Singapore, which is a member firm of Deloitte Touche Tohmatsu. The statutory financial statements were prepared in accordance with the relevant accounting principles and financial regulations applicable in Republic of Singapore.

Note 9: No audited financial statements have been prepared for this company as it is inactive since the date of incorporation.

Note 10: The statutory financial statements of CU Resources Limited for each of the Relevant Periods were audited by Union Alpha C.P.A. Limited. The statutory financial statements were prepared in accordance with the relevant accounting principles generally accepted in Hong Kong.

Note 11: These companies were acquired by the Group after 31 December 2005.

We have acted as auditors of the Company for each of the Relevant Periods. Audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong for each of the three years ended 31 March 2003, 2004 and 2005. For the purpose of this report, we have carried out independent audit procedures in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the consolidated financial statements of the Group for the nine months ended 31 December 2005, which was prepared in accordance with accounting principles generally accepted in Hong Kong.

We have examined the audited consolidated financial statements (the "Underlying Financial Statements") of the Group for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The consolidated income statements and consolidated cash flow of the Group for each of the Relevant Periods and consolidated balance sheets as at 31 March 2003, 2004, 2005 and 31 December 2005 as set out in this report have been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 March 2003, 2004 and 2005 and 31 December 2005 and of the consolidated results and cash flows of the Group for each of the three years ended 31 March 2005 and the nine months ended 31 December 2005.

The comparative consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the nine months ended 31 December 2004, together with the notes thereto (the "31 December 2004 Financial Information"), which were prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31 December 2004 Financial Information in accordance with SAS 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquiries of management and applying analytical procedures to the 31 December 2004 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 31 December 2004 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modification that should be made to the 31 December 2004 Financial Information.

I. FINANCIAL INFORMATION

Consolidated Income Statement

	Notes	Year ended 31 March 2003 HK$'000 (As restated)	2004 HK$'000 (As restated)	2005 HK$'000 (As restated)	Nine months ended 31 December 2004 HK$'000 (Unaudited)	2005 HK$'000
Revenue	8	4,162,804	5,025,930	5,676,459	4,434,124	4,523,483
Cost of sales		(3,248,769)	(3,932,182)	(4,376,361)	(3,472,065)	(3,534,053)
Gross profit		914,035	1,093,748	1,300,098	962,059	989,430
Other operating income	10	96,980	111,903	114,145	74,670	61,923
Distribution and selling expenses		(685,793)	(688,528)	(770,262)	(570,131)	(686,424)
Administrative expenses		(278,968)	(283,709)	(294,778)	(222,197)	(170,768)
Other operating expenses	11	(38,608)	(4,598)	(29,712)	—	(75,215)
Impairment loss on investment securities		(323,287)	—	—	—	—
Realization of negative goodwill arising on acquisition of additional interest in an associate		—		2,057	—	—
Finance costs	12	(31,669)	(26,440)	(18,198)	(14,224)	(50,952)
Share of losses of associates		(36,367)	(59,857)	(64,909)	(59,175)	(20,032)
Impairment loss on goodwill arising on acquisition of an associate	13	(104,585)	—	(177,446)	—	(14,391)
Impairment loss on trademark licenses		—	—	—	—	(164,667)
Amortization of goodwill arising on acquisition of associates		(6,612)	(17,651)	(28,089)	(21,065)	—
Net gain (loss) on disposal of subsidiaries and associates	14	25	10,377	(15,747)	(16,270)	10,778
Allowance for loans to associates		(79,595)	—	—	—	—
(Loss) profit before income tax		(574,444)	135,245	17,159	133,667	(120,318)
Income tax expense	15	(32,200)	(25,469)	(117,397)	(90,428)	(61,074)
(Loss) profit for the year/period	16	(606,644)	109,776	(100,238)	43,239	(181,392)
Attributable to:						
Equity holders of the parent		(648,620)	13,300	(161,862)	4,094	(127,102)
Minority interests		41,976	96,476	61,624	39,145	(54,290)
		(606,644)	109,776	(100,238)	43,239	(181,392)
Dividends	18	—	11,221	11,193	11,193	22,463
(Loss) earnings per share — basic	19	HK$(4.05)	HK$0.08	HK$(0.82)	HK$0.02	HK$(0.57)

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Consolidated Balance Sheets

	Notes	As at 31 March 2003 HK$'000 (As restated)	2004 HK$'000 (As restated)	2005 HK$'000 (As restated)	As at 31 December 2005 HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	20	84,112	79,503	70,557	72,996
Intangible assets	21	337,873	428,019	401,383	236,734
Interests in associates	22	271,362	906,409	635,729	637,783
Investments in securities	23	887,630	189,220	123,534	—
Available-for-sale investments	24	—	—	—	678,399
Long-term loan receivables	25	10,188	4,898	—	—
Deposits for acquisition of long-term investments	26	–	–	35,000	190,175
Deferred tax assets	37	13,298	35,480	18,418	45,440
		1,604,463	1,643,529	1,284,621	1,861,527
CURRENT ASSETS					
Other asset	27	—	145,085	108,000	—
Inventories	28	505,165	877,409	587,078	875,836
Trade and other receivables	29	486,609	738,820	766,277	1,067,761
Investments held for trading	30	—	—	—	128,894
Investments in securities	23	209,270	132,634	144,435	—
Short-term loan receivables	25	95,523	41,173	111,851	171,979
Short-term loan receivables from related companies	49	67,997	167,365	224,233	186,019
Margin loan receivables	31	51,095	32,373	30,586	24,682
Amounts due from associates	22A	—	—	—	5,260
Tax recoverable		3,810	488	19,855	5,047
Pledged bank deposit	32	19,226	—	20,014	20,591
Bank balances and cash		224,573	164,360	359,603	21,416
		1,663,268	2,299,707	2,371,932	2,507,485
CURRENT LIABILITIES					
Trade and other payables	33	890,572	1,272,283	1,011,814	1,299,327
Margin loan payables	31	1,609	840	253	152
Bills payable	31	2,481	4,939	3,644	—
Dividend payable		—	—	—	9,046
Amount due to an associate	22B	—	—	—	2,026
Tax payable		23,194	2,496	91,420	59,765
Borrowings – due within one year	34	244,473	349,059	85,881	886,692
Obligations under finance leases – due within one year	35	1,113	1,068	462	—
Bank overdrafts		22,416	23,266	46,978	26,663
		1,185,858	1,653,951	1,240,452	2,283,671
NET CURRENT ASSETS		477,410	645,756	1,131,480	223,814
TOTAL ASSETS LESS CURRENT LIABILITIES		2,081,873	2,289,285	2,416,101	2,085,341

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	Notes	As at 31 March 2003 HK$'000 (As restated)	2004 HK$'000 (As restated)	2005 HK$'000 (As restated)	31 December 2005 HK$'000
NON-CURRENT LIABILITIES					
Borrowings – due after one year	*34*	172,995	7,921	157,470	7,258
Obligations under finance leases – due after one year	*35*	1,557	462	—	—
Amount due to a minority shareholder	*36*	2,406	2,428	2,526	—
Deferred tax liabilities	*37*	750	136	114	201
		177,708	10,947	160,110	7,459
TOTAL ASSETS AND LIABILITIES		1,904,165	2,278,338	2,255,991	2,077,882
CAPITAL AND RESERVES					
Share capital	*38*	1,603	1,866	2,236	2,261
Reserves	*40*	1,727,964	1,871,315	1,804,138	1,673,972
Equity attributable to equity holders of the parent		1,729,567	1,873,181	1,806,374	1,676,233
Minority interests		174,598	405,157	449,617	401,649
TOTAL EQUITY		1,904,165	2,278,338	2,255,991	2,077,882

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Consolidated Statements of Changes in Equity

	Attributable to equity holders of the parent											
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note 40)	Contributed surplus HK$'000 (note 40)	Currency translation reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Other reserves HK$'000 (note 40)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2002												
— as originally stated	160,301	1,974,542	(138,749)	(69,936)	(18,387)	592	—	—	338,805	2,247,168	214,611	2,461,779
— effect of change in accounting policy (note 2)	—	—	—	—	—	—	—	—	6,616	6,616	6,218	12,834
— as restated	160,301	1,974,542	(138,749)	(69,936)	(18,387)	592	—	—	345,421	2,253,784	220,829	2,474,613
Currency realignment	—	—	—	—	19,793	—	—	—	—	19,793	(9,481)	10,312
Net income recognized directly in equity	—	—	—	—	19,793	—	—	—	—	19,793	(9,481)	10,312
Impairment loss on goodwill recognized in the consolidated income statement	—	—	104,585	—	—	—	—	—	—	104,585	—	104,585
(Loss) profit for the year	—	—	—	—	—	—	—	—	(648,620)	(648,620)	41,976	(606,644)
Total recognized income and expenses for the year	—	—	104,585	—	19,793	—	—	—	(648,620)	(524,242)	32,495	(491,747)
Arising on acquisition of further interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	(78,726)	(78,726)
Issue of shares	2	23	—	—	—	—	—	—	—	25	—	25
Reduction of nominal value of shares	(158,700)	—	—	158,700	—	—	—	—	—	—	—	—
Transfer	—	(1,974,565)	—	1,514,565	—	—	—	—	460,000	—	—	—
At 31 March 2003 and 1 April 2003	1,603	—	(34,164)	1,603,329	1,406	592	—	—	156,801	1,729,567	174,598	1,904,165
Currency realignment	—	—	—	—	15,236	—	—	—	—	15,236	(14,775)	461
Share of reserves of associates	—	—	—	—	—	—	—	14,448	—	14,448	—	14,448
Net income recognized directly in equity	—	—	—	—	15,236	—	—	14,448	—	29,684	(14,775)	14,909
Realized on partial disposal of interest in a subsidiary	—	—	12,027	—	—	—	—	—	—	12,027	148,858	160,885
Realized on disposal of a subsidiary	—	—	556	—	(216)	—	—	—	—	340	—	340
Profit for the year	—	—	—	—	—	—	—	—	13,300	13,300	96,476	109,776
Total recognized income and expenses for the year	—	—	12,583	—	15,020	—	—	14,448	13,300	55,351	230,559	285,910
Issue of shares	263	99,934	—	—	—	—	—	—	—	100,197	—	100,197
Share issue expenses	—	(713)	—	—	—	—	—	—	—	(713)	—	(713)
Dividends paid	—	—	—	—	—	—	—	—	(11,221)	(11,221)	—	(11,221)
At 31 March 2004 and 1 April 2004	1,866	99,221	(21,581)	1,603,329	16,426	592	—	14,448	158,880	1,873,181	405,157	2,278,338
Currency realignment	—	—	—	—	1,633	—	—	—	—	1,633	(3,006)	(1,373)
Share of reserves of associates	—	—	—	—	—	—	—	(14,249)	—	(14,249)	—	(14,249)

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	Attributable to equity holders of the parent											
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note 40)	Contributed surplus HK$'000 (note 40)	Currency translation reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Other reserves HK$'000 (note 40)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Net income (expense) recognized directly in equity	–	–	–	–	1,633	–	–	(14,249)	–	(12,616)	(3,006)	(15,622)
Realized on disposal of subsidiaries	–	–	(556)	–	7,842	–	–	(7,810)	–	(524)	–	(524)
Release upon disposal/ deemed disposal of interest in associates	–	–	–	–	–	–	–	(187)	–	(187)	–	(187)
Realised on liquidation of an associate	–	–	–	–	27	–	–	–	–	27	–	27
(Loss) profit for the period	–	–	–	–	–	–	–	–	4,094	4,094	39,145	43,239
Total recognised income and expense for the period	–	–	(556)	–	9,502	–	–	(22,246)	4,094	(9,206)	36,139	26,933
Issue of shares	370	118,976	–	–	–	–	–	–	–	119,346	–	119,346
Share issue expenses	–	(640)	–	–	–	–	–	–	–	(640)	–	(640)
Dividend paid	–	–	–	–	–	–	–	–	(11,193)	(11,193)	–	(11,193)
At 31 December 2004	2,236	217,557	(22,137)	1,603,329	25,928	592	–	(7,798)	151,781	1,971,488	441,296	2,412,784
Currency realignment	–	–	–	–	842	–	–	–	–	842	(1,267)	(425)
(Loss) profit for the period	–	–	–	–	–	–	–	–	(165,956)	(165,956)	22,479	(143,477)
Total recognised income and expense for the period	–	–	–	–	842	–	–	–	(165,956)	(165,114)	21,212	(143,902)
Arising on acquisition of further interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(12,891)	(12,891)
Transfer	–	–	–	(155,127)	–	–	–	–	155,127	–	–	–
At 31 March 2005, as restated	2,236	217,557	(22,137)	1,448,202	26,770	592	–	(7,798)	140,952	1,806,374	449,617	2,255,991
Effect of adoption of new accounting policies *(note 3)*	–	–	22,137	–	–	–	–	11,947	(6,494)	27,590	–	27,590
At 1 April 2005 – as restated	2,236	217,557	–	1,448,202	26,770	592	–	4,149	134,458	1,833,964	449,617	2,283,581
Currency realignment	–	–	–	–	(7,559)	–	–	–	–	(7,559)	5,482	(2,077)
Share of reserves of associate	–	–	–	–	–	–	(219)	5,781	–	5,562	–	5,562
Fair value change in available-for-sale investments	–	–	–	–	–	–	(15,221)	–	–	(15,221)	–	(15,221)
Net income (expense) recognized directly in equity	–	–	–	–	(7,559)	–	(15,440)	5,781	–	(17,218)	5,482	(11,736)
Arising on acquisition of further interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	560	560
Realized on disposal of subsidiaries	–	–	–	–	583	–	–	–	–	583	280	863
(Loss) for the period	–	–	–	–	–	–	–	–	(127,102)	(127,102)	(54,290)	(181,392)
Total recognized income and expense for the period	–	–	–	–	(6,976)	–	(15,440)	5,781	(127,102)	(143,737)	(47,968)	(191,705)
Issue of shares upon scrip dividend	25	8,444	–	–	–	–	–	–	–	8,469	–	8,469
Dividend paid	–	–	–	–	–	–	–	–	(22,463)	(22,463)	–	(22,463)
At 31 December 2005	2,261	226,001	–	1,448,202	19,794	592	(15,440)	9,930	(15,107)	1,676,233	401,649	2,077,882

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Consolidated Cash Flow Statements

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
OPERATING ACTIVITIES					
(Loss) profit before income tax	(574,444)	135,245	17,159	133,667	(120,318)
Adjustments for:					
Interest income	(38,646)	(22,728)	(22,651)	(15,456)	(32,722)
Finance costs	31,669	26,440	18,198	14,224	50,952
Share of results of associates	36,367	59,857	64,909	59,175	20,032
Impairment loss on goodwill arising on acquisition of an associate	104,585	—	177,446	—	14,391
Impairment loss on trademark licenses	—	—	—	—	164,667
Amortization of goodwill arising from acquisition of associates	6,612	17,651	28,089	21,065	—
Net (gain) loss on disposal of subsidiaries and associates	(25)	(10,377)	15,747	16,270	(10,778)
Allowance for loans to associates	79,595	–	–	–	—
Net unrealized holding loss (gain) on other investments	26,482	(16,829)	(17,223)	(11,471)	—
Decrease in fair value of investments held for trading	—	—	—	—	75,215
Allowance (reversal of allowance) for margin loan receivables	2,429	5,300	(2,387)	—	620
Realization of negative goodwill arising on acquisition of an associate	—	—	(8)	—	—
Amortization of intangible assets	14,338	44,137	51,066	38,300	605
Allowance for slow moving and obsolete inventories	12,277	24,679	25,588	3,084	19,449
Allowance for bad and doubtful debts	36,534	3,208	22,269	14,662	1,532
Depreciation and amortization of property, plant and equipment	21,271	19,632	19,785	13,807	9,422
Allowance for loan receivables	22,056	16,653	8,338	5,469	—
Loss (gain) on disposal of property, plant and equipment	3,373	696	1,098	(258)	108
Impairment loss on property, plant and equipment	1,305	—	—	—	—
Impairment loss on investment securities	323,287	—	—	—	—
Written off of long-term loan and interest receivables	10,821	—	—	—	—
Net (gain) loss on disposal of investment securities/ available-for-sale investments	—	(9,577)	29,712	—	—
Impairment loss on goodwill arising on acquisition of a subsidiary	—	4,598	—	—	—
Realization of negative goodwill arising on acquisition of additional interest in an associate	–	–	(2,057)	–	–

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		Year ended 31 March			Nine months ended 31 December	
		2003	2004	2005	2004	2005
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Operating cash flows before movements in working capital		119,886	298,585	435,078	292,538	193,175
(Increase) decrease in other asset		—	(11,085)	37,085	—	108,000
(Increase) decrease in inventories		(51,963)	(367,669)	262,639	311,663	(310,966)
Decrease (increase) in trade and other receivables		285,632	(552,508)	(36,899)	(311,114)	(455,306)
Decrease (increase) in other investments		73,089	38,877	13,623	29,724	(40,314)
Decrease (increase) in margin loan receivables		72,153	13,422	4,174	(2,575)	5,284
Increase (decrease) in trade and other payables		103,195	468,621	(260,297)	(282,588)	291,399
Decrease in margin loan payables		(20,502)	(769)	(587)	(372)	(101)
Increase (decrease) in bills payable		402	2,458	(1,295)	(4,403)	(3,644)
Cash generated from (used in) operations		581,892	(110,068)	453,521	32,873	(212,473)
Interest and finance charges paid		(36,451)	(14,155)	(8,369)	(7,168)	(41,234)
Overseas tax paid		(19,978)	(41,262)	(43,607)	(27,095)	(115,049)
Hong Kong Profits Tax (paid) refunded		(772)	104	386	386	—
NET CASH FROM (USED IN) OPERATING ACTIVITIES		524,691	(165,381)	401,931	(1,004)	(368,756)
INVESTING ACTIVITIES						
Repayment of short-term loan receivables		945,376	234,669	29,588	28,228	103,200
(Increase) decrease in pledged bank deposit		72,574	19,226	(20,014)	(20,014)	(577)
Interest received		33,353	21,093	18,123	15,274	29,623
Amounts repaid (advanced) by associates		19,006	19,797	14,256	(6,561)	(1,974)
Disposal of subsidiaries	*42*	1,998	(5)	7,353	7,118	2,821
Loans repaid by associates		1,949	6,496	—	—	—
Proceeds from disposal of property, plant and equipment		1,844	3,127	1,274	962	177
Increase in short-term loan receivables		(1,073,932)	(270,822)	(105,755)	(105,052)	(33,464)
Acquisition of interests in associates		(217,195)	(19,348)	(44,148)	(38,995)	(24,123)
Purchase of property, plant and equipment		(16,457)	(17,726)	(14,229)	(7,531)	(13,335)

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		Year ended 31 March			Nine months ended 31 December	
		2003	2004	2005	2004	2005
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Acquisition of investment securities/available-for-sale investments		(6,041)	—	(123,348)	—	(33,176)
Proceeds from disposal of investment securities		—	9,957	150,255	—	—
Repayment of short-term loan receivables from related companies		132,378	53,954	32,890	29,358	99,800
Proceeds from partial disposal of shareholding in a subsidiary		—	274,085	—	—	—
Dividend received from an associate		—	4,257	4,668	4,608	1,481
Increase in short-term loan receivables from related companies		(200,375)	(194,495)	(89,758)	(34,837)	(48,808)
Acquisition of subsidiaries	*41*	—	(130,508)	—	—	(3,351)
Acquisition of patent		—	(8,065)	—	—	—
Proceeds from disposal of an associate		—	—	10	—	1,750
Deposits for acquisition of long-term investments		—	—	(35,000)	—	(155,175)
Acquisition of an additional interest in a subsidiary		—	—	(37,320)	—	—
Acquisition of unlisted debt securities		—	—	(12,000)	(12,000)	(532,539)
Proceed from disposal of unlisted debt security		—	—	—	—	12,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(305,522)	5,692	(223,155)	(139,442)	(595,670)
FINANCING ACTIVITIES						
Bank loans raised		858,840	575,079	886,161	777,133	803,451
Other loans raised		326,185	94,396	10,000	10,000	746,520
Proceeds from issue of shares		25	99,484	118,500	118,500	—
Repayments of bank loans		(899,972)	(606,873)	(1,010,697)	(872,942)	(522,103)
Repayments of other loans		(443,185)	(56,239)	—	—	(376,632)
Repayments of obligations under finance leases		(3,417)	(1,137)	(1,070)	(796)	(462)
Repayments to a minority shareholder		(39)	—	(10)	(10)	—
Dividends paid		—	(11,221)	(10,987)	(10,987)	(4,949)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(161,563)	93,489	(8,103)	20,898	645,825

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	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,606	(66,200)	170,673	(119,548)	(318,601)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	141,269	202,157	141,094	141,094	312,625
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	3,282	5,137	858	645	729
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	202,157	141,094	312,625	22,191	(5,247)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Bank balances and cash	224,573	164,360	359,603	40,627	21,416
Bank overdrafts	(22,416)	(23,266)	(46,978)	(18,436)	(26,663)
	202,157	141,094	312,625	22,191	(5,247)

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Notes to the financial information

1. GENERAL

The Company was incorporated in Bermuda on 3 September 1991 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the address of the principal place of business of the Company is 8th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

During the Relevant Periods, the Group is principally engaged in trading of computer related products, consumer electronic products and securities and property development and trading.

The financial information are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. CHANGES IN ACCOUNTING POLICIES/APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In 2004, the Group has adopted, for the first time, the Statement of Standard Accounting Practice ("SSAP") No. 12 Income Taxes ("SSAP 12 (Revised)") issued by the HKICPA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the revised accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly.

As a result of this change in policy, the balance of retained profits and minority interests at 1 April 2002 has been increased by HK$6,616,000 and HK$6,218,000, respectively representing the cumulative effect of the change in policy on the results for the periods prior to 1 April 2002. The change has resulted in an increase in loss for the year ended 31 March 2003 of HK$148,000 and an increase in the profit for the year ended 31 March 2004 of HK$8,877,000.

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2. CHANGES IN ACCOUNTING POLICIES/APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

For the year ended 31 March 2005, the Group applied, for the first time, Hong Kong Financial Reporting Standards ("HKFRS") 3 "Business Combination", which is effective for business combinations for which the agreement is on or after 1 January 2005 to the accounting for business combinations for which the agreement date is on or after 1 January 2005. For business combinations which the agreement date was before 1 January 2005, goodwill arising is accounted for in accordance with the SSAP 30 "Business Combinations" ("SSAP 30") issued by the HKICPA. Under SSAP 30, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition and is stated at cost less accumulated amortization and accumulated impairment losses. Under SSAP 30, negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition and is presented as deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. HKFRS 3 requires goodwill arising from acquisitions to be determined as the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities on the date of acquisition. After initial recognition, HKFRS 3 requires goodwill to be carried at cost less accumulated impairment losses. HKFRS 3 prohibits the amortization of goodwill. 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 (referred to as "discount on acquisition") is recognized immediately in the income statement. The application of HKFRS 3 has resulted in the recognition of goodwill of HK$24,430,000 (Note 21(b)) which is not subject to amortization but, impairment reviews are required and HK$2,057,000 of discount on acquisition arising on acquisition of an additional interest in an associate was credited to income statement for the year ended 31 March 2005.

From 1 April 2005 onwards, the Group has applied, for the first time, a number of new HKFRSs, Hong Kong Accounting Standards "(HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed under HKAS 1 "Presentation of Financial Statements". The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented (see Note 3 for the financial impact).

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2. CHANGES IN ACCOUNTING POLICIES/APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

Business Combinations

From 1 April 2005 onwards, the Group has applied the transitional provision of HKFRS 3 and the principal effects are summarized below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and goodwill arising on acquisitions after 1 April 2001 was capitalized and amortized over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 (the "Transitional Provision"). Goodwill previously recognized in reserves has been transferred to the Group's retained profits on 1 April 2005. With respect to goodwill arising on acquisitions after 1 April 2001 which previously capitalized on the balance sheet and included in intangible assets or included in interests in associates, the Group has discontinued amortizing such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses after initial recognition (if any). As a result of this change in accounting policy, no amortization of goodwill has been charged for the nine months ended 31 December 2005. In accordance with the Transitional Provision, the Group has transferred goodwill previously held in capital reserve and other reserves of approximately HK$22,566,000 and HK$13,060,000 respectively to retained profits as at 1 April 2005 (see Note 3 for the financial impact).

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1 April 2001 of approximately HK$429,000 was held in capital reserve and negative goodwill arising on acquisitions after 1 April 2001 of approximately HK$225,000 was presented as a deduction from interest in associates and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the Transitional Provisions, the Group has derecognized all discount on acquisition as at 1 April 2005 of which negative goodwill of approximately HK$429,000 previously recorded in capital reserve, and approximately HK$225,000 previously presented as a deduction from interests in associates (see Note 3 for the financial impact).

Intangible assets are identified as having indefinite useful lives upon the application of HKAS 38 "Intangible Assets"

In previous periods, intangible assets were amortized over their estimated useful lives of ten to twenty years. For the period beginning on 1 April 2005, the Group applies, at the first time, HKAS 38 which requires intangible assets to be assessed at the individual asset level as having either finite or indefinite life. A finite-life intangible asset is amortised over its estimated useful life whereas an intangible asset with an indefinite useful life is carried at cost less accumulated impairment losses (if any). Intangible assets with indefinite lives are not subject to amortization but are tested for impairment annually or more frequently when there are indications of impairment. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful lives of its intangible assets on 1 April 2005 and concluded that certain trademark licenses with a total carrying amount of HK$226,687,000 recognized under the predecessor accounting standard have indefinite useful lives. The Group has applied the revised useful lives prospectively and discontinued amortizing intangible assets with indefinite useful lives from 1 April 2005. No amortization has been charged in relation to intangible assets with indefinite useful lives for the nine months ended 31 December 2005. As a result of this change in accounting estimate, amortization charge for the nine months ended 31 December 2005 has decreased by approximately HK$38,300,000. Comparative figures have not been restated.

2. CHANGES IN ACCOUNTING POLICIES/APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment measured using the revaluation model. In 2005, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortized over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively and has had no material effect on the Group's retained profits as at 1 April 2005 since no reliable allocation between the land and buildings elements can be made. The leasehold interests in land continue to be accounted for as property, plant and equipment.

Financial Instruments

In 2005, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The adoption of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effects on the Group as a result of implementation of HKAS 39 are summarized below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less any identified impairment losses while "other investments" are measured at fair value, with unrealized gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortized cost less any identified impairment losses. From 1 April 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit and loss", "available-for-sale investments", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit and loss" and "available-for-sale investments" are carried at fair value, with changes in fair values recognized in profit and loss and equity, respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortized cost using the effective interest method (see Note 3 for the financial impact).

2. **CHANGES IN ACCOUNTING POLICIES/APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS** *(Cont'd)*

Financial Instruments *(Cont'd)*

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Other financial liabilities are carried at amortized cost using the effective interest method. The adoption of HKAS 39 has had no material effect to the financial assets and financial liabilities other than debt and equity securities of the Group.

Investment in convertible notes

From 1 April 2005 onwards, the Group has applied HKAS 39 to the convertible notes it acquired during the period ended 31 December 2005. In accordance with HKAS 39, the conversion option element of the convertible note represents an embedded derivative instrument which is accounted for separately from the convertible note and, as such, to be measured at fair value when initially recorded and at subsequent reporting dates. The fair value of this conversion option, is estimated using a relevant option pricing model at the date of subscription of the convertible note, and as at subsequent reporting dates. Changes in fair value of the conversion option of the unlisted convertible note are recognized directly in profit or loss (see Note 3 for the financial impact).

Share-based payment

From 1 April 2005 onwards, the Group has applied HKFRS 2 "Share-based payment" which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company and its subsidiaries determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to shares granted on or after 1 April 2005. In relation to shares granted before 1 April 2005, the Group has not applied HKFRS 2 to shares granted on or before 7 November 2002 and shares granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions. The Group had no share granted after 7 November 2002 and had not yet vested on 1 April 2005, and accordingly, no retrospective restatement is required.

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2. CHANGES IN ACCOUNTING POLICIES/APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

Hotel properties

HK Interpretation 2 ("HK-Int 2") "The Appropriate Accounting Policies for Hotel Properties" clarifies the accounting policy for owner-operated hotel properties. In previous periods, the self-operated hotel properties of the Group's associate were carried at cost less impairment amounts and were not subject to depreciation. HK-Int 2 requires owner-operated properties to be classified as property, plant and equipment in accordance with HKAS 16, "Property, Plant and Equipment" and therefore be accounted for either using the cost model or the revaluation model. The Group's associate has resolved to account for these hotel properties using the cost model. In the absence of any specific transitional provisions in HK-Int 2, the new accounting policy has been applied retrospectively. Comparative figures have been restated. An adjustment of HK$937,000 has been made to decrease the share of net assets of associates and to decrease the profit and loss for the year ended 31 March 2005 respectively (see Note 3 for financial impact).

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in Note 2 on the results for the Relevant Periods and for the nine months ended 31 December 2004 are as follows:

(i) On results

For the year ended 31 March 2003

	HKAS 1 *HK$'000* *(Note 2)*	SSAP 12 *HK$'000* *(Note 2)*	Total effects *HK$'000*
Increase in share of losses of associates	(3,841)	—	(3,841)
Decrease (increase) in income tax expense	3,841	(148)	3,693
Increase in loss for the year	—	(148)	(148)

For the year ended 31 March 2004

	HKAS 1 *HK$'000* *(Note 2)*	SSAP 12 *HK$'000* *(Note 2)*	Total effects *HK$'000*
Increase in share of losses of associates	(2,377)	—	(2,377)
Decrease in income tax expense	2,377	8,877	11,254
Increase in profit for the year	—	8,877	8,877

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3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

For the year ended 31 March 2005

	HKAS 1 *HK$'000* *(Note 2)*	HK-INT 2 *HK$'000* *(Note 2)*	Total effects *HK$'000*
Increase in share of losses of associates	(4,247)	(937)	(5,184)
Decrease in income tax expense	4,247	—	4,247
Decrease in loss for the year	—	(937)	(937)

For the nine months ended 31 December 2005

	HKAS 1 *HK$'000* *(Note 2)*	HKAS 38 *HK$'000* *(Note 2)*	HKAS 39 *HK$'000* *(Note 2)*	HKFRS 3 *HK$'000* *(Note 2)*	Total effects *HK$'000*
Decrease in realization of negative goodwill arising on acquisition of an additional interest in an associate	—	—	—	(17)	(17)
Decrease in amortization of goodwill	—	—	—	18,891	18,891
Decrease in amortization of trademark licenses	—	38,300	—	17,716	56,016
Decrease in amortization of goodwill arising on acquisition of associates	—	—	—	5,522	5,522
Increase in share of losses of associates	(1,435)	—	—	—	(1,435)
Decrease in income tax expense	1,435	—	—	—	1,435
Change in fair value of conversion option of unlisted convertible notes	—	—	(51,813)	—	(51,813)
Increase (decrease) in profit for the period	—	38,300	(51,813)	42,112	28,599

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3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

For the nine months ended 31 December 2004

	HKAS 1 *HK$'000* *(Note 2)* (Unaudited)
Increase in share of losses of associates	(3,507)
Decrease in income tax expense	3,507
	—

(ii) **On income statement line items**

For the year ended 31 March 2003

	HKAS 1 *HK$'000* *(Note 2)*
Increase in share of losses of associates	(3,841)
Decrease in income tax expense	3,841
	—

For the year ended 31 March 2004

	HKAS 1 *HK$'000* *(Note 2)*
Increase in share of losses of associates	(2,377)
Decrease in income tax expenses	2,377
	—

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3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

For the year ended 31 March 2005

	HKAS 1 HK$'000 (Note 2)	HK-INT 2 HK$'000 (Note 2)	Total effects HK$'000
Increase in share of losses of associates	(4,247)	(937)	(5,184)
Decrease in income tax expense	4,247	—	4,247
Increase in loss for the year	—	(937)	(937)

For the nine months ended 31 December 2005

	HKAS 1 HK$'000 (Note 2)	HKAS 38 HK$'000 (Note 2)	HKAS 39 HK$'000 (Note 2)	HKFRS 3 HK$'000 (Note 2)	Total effects HK$'000
Decrease in administrative expenses	—	38,300	—	36,607	74,907
Decrease in realization of negative goodwill arising on acquisition of an additional interest in an associate	—	—	—	(17)	(17)
Decrease in amortization of goodwill arising on acquisition of associates	—	—	—	5,522	5,522
Increase in share of losses of associates	(1,435)	—	—	—	(1,435)
Decrease in income tax expense	1,435	—	—	—	1,435
Change in fair value of conversion option of unlisted convertible notes	—	—	(51,813)	—	(51,813)
	—	38,300	(51,813)	42,112	28,599

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3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

For the nine months ended 31 December 2004

	HKAS 1 *HK$'000* *(Note 2)* (Unaudited)
Increase in share of losses of associates	(3,507)
Decrease in income tax expense	3,507
	—

The cumulative effects of the new HKFRSs as at respective balance sheet dates are summarized below:

As at 31 March 2003

	As originally stated *HK$'000*	HKAS 1 *HK$'000*	As restated *HK$'000*
Total assets and liabilities	1,904,165	—	1,904,165
Share capital	1,603	—	1,603
Capital reserve	(34,164)	—	(34,164)
Other reserves	1,605,327	—	1,605,327
Retained profits	156,801	—	156,801
Minority interests	—	174,598	174,598
Total effects on equity	1,729,567	174,598	1,904,165
Minority interests	174,598	(174,598)	—

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3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

As at 31 March 2004

	As originally stated *HK$'000*	HKAS 1 *HK$'000*	As restated *HK$'000*
Total assets and liabilities	2,278,338	—	2,278,338
Share capital	1,866	—	1,866
Capital reserve	(21,581)	—	(21,581)
Other reserves	1,734,016	—	1,734,016
Retained profits	158,880	—	158,880
Minority interests	—	405,157	405,157
Total effects on equity	1,873,181	405,157	2,278,338
Minority interests	405,157	(405,157)	—

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3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

As at 31 March 2005

	As at 31 March 2005 (originally stated)	Retrospective adjustments		As at 31 March 2005 (restated)	Adjustments on 1 April 2005	As at 1 April 2005 (restated)
		HKAS 1	HK-INT 2		*(Note)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	70,557	—	—	70,557	—	70,557
Interests in associates	636,666	—	(937)	635,729	27,590	663,319
Investments in securities (non-current)	123,534	—	—	123,534	(123,534)	—
Available-for-sale investments	—	—	—	—	123,534	123,534
Investments in securities (current)	144,435	—	—	144,435	(144,435)	—
Investments held for trading	—	—	—	—	144,435	144,435
Other net assets	1,281,736	—	—	1,281,736	—	1,281,736
Total effects on assets and liabilities	2,256,928	—	(937)	2,255,991	27,590	2,283,581
Share capital	2,236	—	—	2,236	—	2,236
Capital reserve	(22,137)	—	—	(22,137)	22,137	—
Other reserves	1,685,323	—	—	1,685,323	11,947	1,697,270
Retained profits	141,889	—	(937)	140,952	(6,494)	134,458
Minority interests	—	449,617	—	449,617	—	449,617
Total effects on equity	1,807,311	449,617	(937)	2,255,991	27,590	2,283,581
Minority interests	449,617	(449,617)	—	—	—	—

Note: The adjustment of approximately HK$27,365,000 included in interests in associates represents the adoption of new HKFRSs by an associate of the Group. The other adjustments represent the adoption of HKAS 39 and HKFRS 3 by the Group. For details, please refer to Note 2.

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3. **SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES** *(Cont'd)*

The financial effects of the application of the new HKFRSs to the Group's equity as at 1 April 2002 are summarized below:

	As originally stated	SSAP 12	HKAS 1	As restated
	HK$'000	*HK$'000 (Note 2)*	*HK$'000 (Note 2)*	*HK$'000*
Share capital	160,301	—	—	160,301
Capital reserve	(138,749)	—	—	(138,749)
Other reserves	1,886,811	—	—	1,886,811
Retained profits	338,805	6,616	—	345,421
Minority interests	—	6,218	214,611	220,829
Total effects on equity	2,247,168	12,834	214,611	2,474,613

The Group has not early applied the following new Standards or Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no or any material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007.

[2] Effective for annual periods beginning on or after 1 January 2006.

[3] Effective for annual periods beginning on or after 1 December 2005.

[4] Effective for annual periods beginning on or after 1 March 2006.

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4. CHANGE OF ACCOUNTING ESTIMATES

Change of depreciation rate

Prior to 1 April 2004, certain furniture, fixtures and equipment were depreciated at 10% per annum. With effect from 1 April 2004, they are depreciated at 33% per annum which reflects the Group's previous experience of the useful lives of those assets. The change in depreciation rate has increased the depreciation charge for the year ended 31 March 2005 by HK$3,003,000. There was no other change of depreciation rate for the year ended 31 March 2003 and 2004 and for the nine months ended 31 December 2005.

5. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared under 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 financial information has been prepared in accordance with the principal accounting policies set out below which conform with HKASs and HKFRSs.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisition prior to 1 April 2001 continues to be held in reserves, and will be charged to the retained earnings at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit ("CGU") to which the goodwill relates becomes impaired.

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

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5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Goodwill arising on acquisition after 1 January 2005 is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

For the purpose of impairment testing, goodwill is allocated to each of the Group's CGU expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which an agreement date is on or after 1 January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognized immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate in the period in which the investment is acquired.

As explained in Note 2 above, all negative goodwill as at 1 April 2005 has been derecognized with a corresponding adjustment to the Group's retained earnings.

Trademark licenses

Prior to 31 March 2005, intangible assets were amortized over their estimated useful lives of ten to twenty years. For the period beginning on 1 April 2005, intangible assets with indefinite useful lives and trademark licenses not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any 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.

When 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.

Trademark licenses with finite-life are stated at cost less amortization and any identified impairment loss. Amortization is calculated to write off the cost of the trademark licenses over their estimated useful lives, using the straight line method.

Patent

The patent is measured initially at cost and amortized on a straight line basis over its estimated useful life.

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5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition

Sales of goods are recognized when goods are delivered and title has passed.

Sales of investments in securities are recognized on a trade-date basis when contracts are executed.

Sales of other asset are recognized upon the execution of a binding sale agreement.

Internet service income and royalty income are recognized when services are provided.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognized on a straight line basis over the period of the respective leases.

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

Investments in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity 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 recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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.

Impairment (other than goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use)

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

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5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

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 recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately. An impairment loss recognized for goodwill arising from business combinations for which the agreement date is on or after 1 January 2005 is not reversed in subsequent period.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and amortization and accumulated impairment losses.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, plant and equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995. Accordingly, no further revaluation of land and buildings will be carried out.

Depreciation and amortization are provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives, on a straight-line basis, at the following rates per annum:

Freehold land	Nil
Leasehold land and buildings	Over the period of the leases or 2.5% — 5%
Plant and machinery	10% — 20%
Moulds	25% — 33%
Furniture, fixtures and equipment	10% — 33%
Motor vehicles	20% — 25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

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5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Other asset

Other asset which represent interest on development right of land held for sale are stated at the lower of cost and net realisable value.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value 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 translation of monetary items, are recognized in profit or loss in the Relevant Periods in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

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5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Share-based payment

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 expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in share option reserve will continue to be held in share option reserve.

Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. 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 recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

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5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss. Any impairment losses on available-for-sale financial assets are recognized in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. 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.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

5. **SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Other financial liabilities

Other financial liabilities including trade and other payables, margin loan payables, dividend payable, amount due to an associate, amount due to a minority shareholder, borrowings, bills payables, obligations under finance leases and bank overdrafts are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derivative financial instruments and hedging

Derivatives of the Group that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognized directly in profit or loss.

Derecognition

Financial assets are derecognized 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 the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized 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.

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5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as expenses as they fall due.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 5, management has made the following judgment that have significant effect on the amounts recognized in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Depreciation and Amortization

The Group's net book value of property, plant and equipment as at 31 December 2005 was HK$72,996,000. The Group depreciates the plant and machinery on a straight-line basis over the estimated useful life of three to forty years, and after taking into account of their estimated residual value, using the straight-line method, at the rate 2.5% to 33% per annum, commencing from the date the equipment is placed into productive use. The estimated useful life and dates that the Group places the equipment into productive use reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment.

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and aged analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Allowances for inventories

The management of the Group reviews an aged analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for resale. The management estimates the net realizable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

Estimated impairment of goodwill and trademark licenses

Determining whether goodwill and trademark licenses are impaired requires an estimation of the value in use of the CGU to which goodwill and trademark licenses has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2005, the carrying amounts of goodwill and trademark licenses are HK$168,531,000 and HK$62,020,000 respectively. Details of the recoverable amount calculation are disclosed in note 21.

Income taxes

As at 31 December 2005, a deferred tax asset of HK$1,041,000 in relation to unused tax losses has been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal or further recognition takes place.

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7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity and debt investments, borrowings, trade and other receivables, short-term loan receivables, margin loans receivables and bank deposits or payables, trade and other payables and obligations under finance leases and bank deposits or payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. In order to mitigate the foreign currency risk, foreign currency forward contracts are entered into in respect of highly probable foreign currency forecast sales in accordance with the Group's risk management policies.

Certain trade receivables, short-term loan receivables and borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate and variable-rate bank borrowings (see Note 34 for details of these borrowings). In relation to these fixed-rate borrowings, the Group aims at keeping borrowings at variable rates.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Price risk

The Group's available-for-sale investments and investments held for trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

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8. REVENUE

Revenue represents the net amounts received and receivable for goods sold, securities traded by the Group, and sales of other asset to outside customers during the Relevant Periods and for the nine months ended 31 December 2004 and is analysed as follows:

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Sales of goods	4,084,798	4,974,981	5,542,975	4,355,280	4,290,687
Securities trading	78,006	34,949	93,884	78,844	113,996
Sale of other asset *(Note 27)*	—	16,000	39,600	—	118,800
	4,162,804	5,025,930	5,676,459	4,434,124	4,523,483

9. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

Business segments

The Group is organized into four business segments, namely trading of computer related products, consumer electronic products and securities and property development and trading.

Following a business reassessment in 2005, the Group considers the property development and trading business as the Group's forth core business and accordingly the relevant revenue is disclosed as revenue of the Group for the year ended 31 March 2005 and for the nine months ended 31 December 2005. Such activities were included in other revenue for the year ended 31 March 2004. Comparative figures have been restated to conform with the 2005 presentation.

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9. SEGMENT INFORMATION *(Cont'd)*

Segment information about these businesses is presented as below:

	Trading of computer related products *HK$'000*	Trading of consumer electronic products *HK$'000*	Trading of securities *HK$'000*	Property development and trading *HK$'000*	Consolidated *HK$'000* (As restated)
For the year ended 31 March 2003					
REVENUE					
External sales	2,975,181	1,109,617	78,006	—	4,162,804
SEGMENT RESULT	97,875	20,177	(110,408)	—	7,644
Interest income					38,646
Unallocated corporate expenses					(38,644)
Impairment loss on investment securities					(323,287)
Finance costs					(31,669)
Share of losses of associates					(36,367)
Impairment loss on goodwill arising on acquisition of an associate					(104,585)
Net gain on disposal of subsidiaries					25
Amortization of goodwill arising on acquisition of an associate					(6,612)
Allowance for loans to associates					(79,595)
Loss before income tax					(574,444)
Income tax expense					(32,200)
Loss for the year					(606,644)

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9. SEGMENT INFORMATION *(Cont'd)*

	Trading of computer related products *HK$'000*	Trading of consumer electronic products *HK$'000*	Trading of securities *HK$'000*	Property development and trading *HK$'000*	Consolidated *HK$'000* (As restated)
Assets and liabilities at 31 March 2003					
ASSETS					
Segment assets	1,395,363	983	193,920	—	1,590,266
Interests in associates					271,362
Investment securities					902,980
Unallocated corporate assets					503,123
Consolidated total assets					3,267,731
LIABILITIES					
Segment liabilities	880,683	—	3,161	—	883,844
Borrowings					417,468
Unallocated corporate liabilities					62,254
Consolidated total liabilities					1,363,566

	Trading of computer related products *HK$'000*	Corporate *HK$'000*	Consolidated *HK$'000* (As restated)
Other information			
For the year ended 31 March 2003			
Addition of goodwill arising on acquisition of additional interest in a subsidiary	199,590	—	199,590
Capital expenditure	15,810	3,637	19,447
Depreciation and amortization	33,657	1,952	35,609
Impairment loss on investment securities	—	323,287	323,287
Impairment loss on property, plant and equipment	—	1,305	1,305
Other non-cash expenses	76,669	5,706	82,375

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9. **SEGMENT INFORMATION** *(Cont'd)*

	Trading of computer related products *HK$'000*	Trading of consumer electronic products *HK$'000*	Trading of securities *HK$'000*	Property development and trading *HK$'000*	Consolidated *HK$'000* (As restated)
For the year ended 31 March 2004					
REVENUE					
External sales	3,737,278	1,237,703	34,949	16,000	5,025,930
SEGMENT RESULT	206,695	21,881	20,804	5,656	255,036
Interest income					22,728
Unallocated corporate expenses					(48,948)
Finance costs					(26,440)
Share of losses of associates					(59,857)
Amortization of goodwill arising on acquisition of associates					(17,651)
Net gain on disposal of subsidiaries and associates					10,377
Profit before income tax					135,245
Income tax expense					(25,469)
Profit for the year					109,776

	Trading of computer related products *HK$'000*	Trading of consumer electronic products *HK$'000*	Trading of securities *HK$'000*	Property development and trading *HK$'000*	Consolidated *HK$'000* (As restated)
Assets and liabilities at 31 March 2004					
ASSETS					
Segment assets	2,109,537	1,561	132,964	145,085	2,389,147
Interests in associates					906,409
Unallocated corporate assets					647,680
Consolidated total assets					3,943,236
LIABILITIES					
Segment liabilities	1,105,559	—	4,467	1,512	1,111,538
Borrowings					356,980
Unallocated corporate liabilities					196,380
Consolidated total liabilities					1,664,898

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9. **SEGMENT INFORMATION** *(Cont'd)*

	Trading of computer related products *HK$'000*	Corporate *HK$'000*	Consolidated *HK$'000* (As restated)
Other information			
For the year ended 31 March 2004			
Addition of goodwill arising on acquisition of an associate	—	208,760	208,760
Addition of intangible assets other than goodwill arising on acquisition of a subsidiary	198,065	—	198,065
Capital expenditure	16,946	780	17,726
Depreciation and amortization	61,640	2,129	63,769
Impairment loss on goodwill arising on acquisition of a subsidiary	—	4,598	4,598
Other non-cash expenses	42,651	24,820	67,471

	Trading of computer related products *HK$'000*	Trading of consumer electronic products *HK$'000*	Trading of securities *HK$'000*	Property development and trading *HK$'000*	Consolidated *HK$'000* (As restated)
For the year ended 31 March 2005					
REVENUE					
External sales	3,977,713	1,565,262	93,884	39,600	5,676,459
SEGMENT RESULT	256,558	24,847	77,263	2,105	360,773
Interest income					22,651
Unallocated corporate expenses					(63,933)
Realization of negative goodwill arising on acquisition of additional interest in an associate					2,057
Finance costs					(18,198)
Share of losses of associates					(64,909)
Impairment loss on goodwill arising on acquisition of an associate					(177,446)
Amortization of goodwill arising on acquisition of associates					(28,089)
Net loss on disposal of subsidiaries and associates					(15,747)
Profit before income tax					17,159
Income tax expense					(117,397)
Loss for the year					(100,238)

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9. **SEGMENT INFORMATION** *(Cont'd)*

	Trading of computer related products *HK$'000*	Trading of consumer electronic products *HK$'000*	Trading of securities *HK$'000*	Property development and trading *HK$'000*	Consolidated *HK$'000* (As restated)
Assets and liabilities at 31 March 2005					
ASSETS					
Segment assets	1,784,675	3,792	144,621	108,000	2,041,088
Interests in associates					635,729
Unallocated corporate assets					979,736
Consolidated total assets					3,656,553
LIABILITIES					
Segment liabilities	872,534		103	1,512	874,149
Borrowings					243,351
Unallocated corporate liabilities					283,062
Consolidated total liabilities					1,400,562

	Trading of computer related products *HK$'000*	Corporate *HK$'000*	Consolidated *HK$'000*
Other information For the year ended 31 March 2005			
Goodwill arising on acquisition of an additional interest in a subsidiary after 1 January 2005	24,430	—	24,430
Capital expenditure	13,758	471	14,229
Depreciation and amortization	69,290	1,561	70,851
Impairment loss on goodwill arising on acquisition of an associate	—	177,446	177,446
Other non-cash expenses	42,876	31,280	74,156

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9. **SEGMENT INFORMATION** *(Cont'd)*

	Trading of computer related products *HK$'000*	Trading of consumer electronic products *HK$'000*	Trading of securities *HK$'000*	Property development and trading *HK$'000*	Consolidated *HK$'000*
For the nine months ended 31 December 2005					
REVENUE					
External sales	3,210,121	1,080,566	113,996	118,800	4,523,483
SEGMENT RESULT	105,185	20,189	(53,566)	12,307	84,115
Interest income					32,722
Unallocated corporate income, net					2,109
Finance costs					(50,952)
Share of results of associates					(20,032)
Impairment loss on goodwill arising on acquisition of an associate					(14,391)
Net gain on disposal of subsidiaries and associates					10,778
Impairment loss on trademark licenses					(164,667)
Loss before income tax					(120,318)
Income tax expense					(61,074)
Loss for the period					(181,392)

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9. **SEGMENT INFORMATION** *(Cont'd)*

	Trading of computer related products *HK$'000*	Trading of consumer electronic products *HK$'000*	Trading of securities *HK$'000*	Property development and trading *HK$'000*	Consolidated *HK$'000*
Assets and liabilities at 31 December 2005					
ASSETS					
Segment assets	2,179,160	1,079	128,894	—	2,309,133
Interests in associates					637,783
Unallocated corporate assets					1,422,096
Consolidated total assets					4,369,012
LIABILITIES					
Segment liabilities	1,237,316	—	1,255	—	1,238,571
Borrowings					893,950
Unallocated corporate liabilities					158,609
Consolidated total liabilities					2,291,130

	Trading of computer related products *HK$'000*	Trading of securities *HK$'000*	Corporate *HK$'000*	Consolidated *HK$'000*
Other information For the nine months ended 31 December 2005				
Capital expenditure	13,335	—	—	13,335
Depreciation and amortization	9,887	—	140	10,027
Impairment loss on trademark licenses	164,667	—	—	164,667
Impairment loss on goodwill arising on acquisition of interest in an associate	—	—	14,391	14,391

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9. **SEGMENT INFORMATION** *(Cont'd)*

	Trading of computer related products *HK$'000*	Trading of consumer electronic products *HK$'000*	Trading of securities *HK$'000*	Property development and trading *HK$'000*	Consolidated *HK$'000*
For the nine months ended 31 December 2004 (unaudited)					
REVENUE					
External sales	2,962,703	1,392,577	78,844	—	4,434,124
SEGMENT RESULT	164,604	20,807	57,025	—	242,436
Interest income					15,456
Unallocated corporate expenses					(13,491)
Finance costs					(14,224)
Share of loss of associates					(59,175)
Amortization of goodwill arising on acquisition of associates					(21,065)
Net loss on disposal of subsidiaries and associates					(16,270)
Profit before income tax					133,667
Income tax expense					(90,428)
Profit for the period					43,239

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9. **SEGMENT INFORMATION** *(Cont'd)*

	Trading of computer related products *HK$'000*	Corporate *HK$'000*	Consolidated *HK$'000*
Other information			
For the nine months ended 31 December 2004 (unaudited)			
Capital expenditure	7,519	12	7,531
Depreciation and amortization	49,960	2,145	52,105

Geographical segments

The Group's trading of computer related products is mainly located in North America and Europe. The trading of consumer electronic products is mainly located in North America, the trading of securities is mainly located in Hong Kong and the property development and trading is mainly in the PRC.

The following table provides an analysis of the Group's sales revenue by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market				
	Year ended 31 March			Nine months ended 31 December	
	2003 *HK$'000*	2004 *HK$'000*	2005 *HK$'000*	2004 *HK$'000* (Unaudited)	2005 *HK$'000*
North America	3,483,037	4,222,099	4,834,806	3,807,021	3,868,906
Europe	484,362	564,896	581,085	443,959	312,407
Others	195,405	238,935	260,568	183,144	342,170
	4,162,804	5,025,930	5,676,459	4,434,124	4,523,483

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9. SEGMENT INFORMATION *(Cont'd)*

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

	Carrying amount of segment assets				Additions to property, plant and equipment			
								Nine months ended
		As at 31 March		As at 31 December		Year ended 31 March		31 December
	2003	2004	2005	2005	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	1,265,517	1,249,153	1,349,581	1,758,593	4,359	1,742	501	183
North America	905,828	1,180,872	1,118,220	1,655,073	10,843	10,944	11,311	11,534
Europe	184,075	392,483	257,408	210,114	4,080	4,717	2,111	1,314
Taiwan	291,384	253,034	49,178	60,071	124	234	294	278
Others	269,756	404,195	462,365	402,987	41	89	12	25
	2,916,560	3,479,737	3,236,752	4,086,838	19,447	17,726	14,229	13,334

Intangible assets of HK$337,873,000, HK$428,019,000, HK$401,383,000 and HK$236,734,000 and deferred tax assets of HK$13,298,000, HK$35,480,000, HK$18,418,000 and HK$45,440,000 as at 31 March 2003, 2004 and 2005 and at 31 December 2005 respectively are excluded from the analysis of the carrying amount of segment assets as there are not practicable to allocate the amounts to geographical segments.

10. OTHER OPERATING INCOME

Other operating income included the following items:

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on bank deposits	720	2,938	1,427	2,913	1,771
Interest on loan receivables	37,287	18,283	21,130	12,473	30,866
Interest on loans from associates	639	1,507	94	70	85
Net exchange gain	18,974	31,467	324	—	—
Internet service income	5,262	3,363	3,096	2,484	366
Royalty income	3,063	2,722	2,787	2,127	1,147
Net unrealized holding gain on other investments	—	16,829	17,223	11,471	—
Net gain on disposal of investment securities	—	9,577	—	—	—
Rental income	—	11,568	27,672	20,685	19,821
Net gain on trading of derivatives financial instruments	—	—	15,100	15,100	—
Waiver of debt by a third party	—	—	14,415	—	—
Management fee income	5,778	8,138	3,573	2,311	2,409

11. OTHER OPERATING EXPENSES

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Net unrealized holding loss on other investments	26,482	—	—	—	—
Decrease in fair value of investments held for trading	—	—	—	—	75,215
Written off of long-term loan and interest receivable	10,821	—	—	—	—
Impairment loss on property, plant and equipment	1,305	—	—	—	—
Impairment loss on goodwill arising on acquisition of a subsidiary	—	4,598	—	—	—
Loss on disposal of investment securities	—	—	29,712	—	—
	38,608	4,598	29,712	—	75,215

12. FINANCE COSTS

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interest on borrowings wholly repayable within five years:					
– Bank loans and overdrafts	10,458	12,070	5,722	5,011	12,051
– Other loans	20,360	13,229	11,875	8,739	38,562
– Finance leases	244	587	99	81	24
Interest on bank borrowings not wholly repayable within five years	607	554	502	393	315
	31,669	26,440	18,198	14,224	50,952

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13. IMPAIRMENT LOSS ON GOODWILL ARISING ON ACQUISITION OF AN ASSOCIATE

a. For the year ended 31 March 2003, the directors of the Company reviewed the carrying value of goodwill arising on the acquisition of an associate, Ding Ing Technology Co., Ltd. ("Ding Ing"), which is established in Taiwan and was mainly engaged in the marketing of electronic products and other peripherals, which had been debited to capital reserve in previous years, with reference to the financial performance and the business operations of Ding Ing. In view of the prevailing market condition, operating results and the discounted cash flow projections of Ding Ing, an impairment loss of HK$104,585,000 had been identified and recognized in the consolidated income statement.

b. For the year ended 31 March 2005, the directors of the Company reviewed the carrying value of goodwill arising on acquisition of another associate, China Strategic Holdings Limited ("CSHL"), which is incorporated in Hong Kong and its shares are listed on the Stock Exchange, in previous year, with reference to the financial performance and the business operations of CSHL. After considering the current market condition and operating results of CSHL, an impairment loss of HK$177,446,000 has been identified and recognized in the consolidated income statement.

c. For the nine months ended 31 December 2005, the directors of the Company reviewed the carrying value of goodwill arising on acquisition of another associate, PSC Corporation Ltd. ("PSCL"), which is incorporated in the Republic of Singapore and its shares are listed on Singapore Exchange Limited and was mainly engaged in supply of provisions and household consumer products, in previous year. The carrying amount of the goodwill has been allocated to the CGU for the segments of consumer business and healthcare business of PSCL.

The recoverable amounts of the CGU have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain key assumptions. The value in use calculation of the two segments used cash flow forecasts derived from the most recent financial budgets for next three years using a discount rate of approximately 10%. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts.

After considering the current market condition and cash flow forecasts using a discount rate of approximately 10%, an impairment loss of HK$14,391,000 has been identified and recognized in the consolidated income statement.

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14. NET GAIN (LOSS) ON DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Gain (loss) on disposal of subsidiaries	25	(1,282)	3,504	2,991	6,694
Gain on partial disposal of interest in a subsidiary	—	28,594	—		—
Net loss on deemed disposal of interests in associates	—	(16,935)	(19,251)	(19,251)	—
(Loss) gain on disposal of interests in associates	—	—	—	(10)	4,084
	25	10,377	(15,747)	(16,270)	10,778

15. INCOME TAX EXPENSE

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Current tax:					
Hong Kong Profits Tax					
Current tax	141	—	79	—	—
Overprovision in prior years	—	(112)	—	—	—
Overseas	31,773	46,378	100,157	129,339	87,984
	31,914	46,266	100,236	129,339	87,984
Deferred tax *(note 37)*					
Current year	286	(20,679)	17,161	(38,911)	(26,910)
Attributable to a change in tax rate	—	(118)	—	—	—
	286	(20,797)	17,161	(38,911)	(26,910)
	32,200	25,469	117,397	90,428	61,074

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15. INCOME TAX EXPENSE *(Cont'd)*

The income tax expense for the Relevant Periods can be reconciled to the (loss) profit before income tax as in the consolidated income statements as follows:

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
(Loss) profit before income tax	(574,444)	135,245	17,159	133,667	(120,318)
Tax at applicable tax rate of 41% (31.3.2003: 39.8%; 31.3.2004: 41%; 31.3.2005: 41%; 31.12.2004: 41%)	(228,629)	55,450	7,035	54,803	(49,330)
Tax effect of share of results of associates	14,465	24,539	26,612	24,262	8,213
Tax effect of income not taxable for tax purposes	(35,289)	(4,949)	(11,596)	(9,429)	(3,499)
Tax effect of expenses not deductible for tax purposes	154,753	66,915	93,530	(7,354)	85,800
Tax effect of tax losses not recognized	23,379	1,501	16,434	13,089	17,133
Utilization of tax losses not previously recognized	(63,843)	(43,228)	(7,308)	(3,602)	(3,665)
Utilization of deferred tax assets not previously recognized	22,307	(24,996)	(319)	1,520	(811)
Reversal of a deferred tax assets previously recognized	—	—	27,273	27,273	—
Recognition of unused tax loss which is not recognized in previous years	—	(24,483)	—	—	—
Overprovision in prior years	141	(112)	—	—	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	147,744	(26,273)	(31,551)	(11,997)	5,476
Increase in opening deferred tax liability resulting from an increase in tax rate	—	(118)	—	—	—
Others	(2,828)	1,223	(2,713)	1,863	1,757
Income tax expense for the year	32,200	25,469	117,397	90,428	61,074

Hong Kong Profits Tax was calculated at 17.5% of the estimated assessable profit for the years ended 31 March 2004 and 2005 and for the nine months ended 31 December 2004 and 2005 and at 16% of the estimated assessable profit for the year ended 31 March 2003. No provision for Hong Kong Profits Tax was made in the financial statements for the year ended 31 March 2004, and for the nine months ended 31 December 2004 and 2005 as the assessable profit of subsidiaries operated in Hong Kong was wholly absorbed by tax losses brought forward.

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15. INCOME TAX EXPENSE *(Cont'd)*

For the nine months ended 31 December 2005, a major subsidiary operating in the USA provides for the USA Corporation tax at 41% (3.31.2003: 39.8%; 3.31.2004: 41%; 3.31.2005: 41%; 12.31.2004: 41%) on the assessable profit in the USA. As the major profit of the Group is contributed by this subsidiary, the tax reconciliation is prepared using 41% (31.3.2003: 39.8%; 31.3.2004: 41%; 31.3.2005: 41%; 31.12.2004: 41%).

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

16. (LOSS) PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
(Loss) profit for the year has been arrived at after charging (crediting):					
Staff costs (including directors' emoluments):					
Salaries and other benefits	151,729	170,261	170,850	125,098	121,871
Retirement benefits scheme contributions	3,854	3,160	3,178	2,391	2,320
	155,583	173,421	174,028	127,489	124,191
Depreciation and amortization:					
Amortization of intangible assets (included in administrative expenses)	14,338	44,137	51,066	38,300	605
Depreciation and amortization of property, plant and equipment	21,271	19,632	19,785	13,807	9,422
	35,609	63,769	70,851	52,107	10,027
Allowance for bad and doubtful debts	36,534	3,208	22,269	14,662	1,532
Allowance for loan receivables	22,056	16,653	8,338	5,469	—
Allowance (reversal of allowance) for margin loan receivables	2,429	5,300	(2,387)	—	620
Allowance for slow moving and obsolete inventories	12,277	24,679	25,588	3,084	19,449
Auditors' remuneration	7,003	9,204	8,490	4,778	5,620
Net realized loss (gain) on other investments/Loss on disposal of investments held for trading	83,926	(3,975)	(44,940)	(45,554)	(21,008)
Loss (gain) on disposal of property, plant and equipment	3,373	696	1,098	(258)	108

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17. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

The emoluments paid or payable to each of the 12 (31 March 2003: 13; 31 March 2004: 13; 31 March 2005: 12 and 31 December 2004: 12) directors were as follows:

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Chan Kwok Keung, Charles					
Fees	—	—	—	—	—
Other emoluments:					
Salaries and other benefits	—	—	—	—	—
Retirement benefits scheme contributions	—	—	—	—	—
	—	—	—	—	—
Yap, Allan					
Fees	—	—	—	—	—
Other emoluments:					
Salaries and other benefits	2,400	2,400	2,400	1,800	1,800
Retirement benefits scheme contributions	120	12	12	9	9
	2,520	2,412	2,412	1,809	1,809
Lui Siu Tsuen, Richard					
Fees	—	—	—	—	—
Other emoluments:					
Salaries and other benefits	1,150	1,426	1,378	1,050	1,104
Retirement benefits scheme contributions	92	92	92	69	70
	1,242	1,518	1,470	1,119	1,174

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17. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Cont'd)*

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Chan Kwok Hung					
Fees	—	—	—	—	—
Other emoluments:					
Salaries and other benefits	—	—	—	—	—
Retirement benefits scheme contributions	—	—	—	—	—
	—	—	—	—	—
Fok Kin-ning, Canning					
Fees	—	—	—	—	—
Other emoluments:					
Salaries and other benefits	—	—	—	—	—
Retirement benefits scheme contributions	—	—	—	—	—
	—	—	—	—	—
Ip Tak Chuen, Edmond					
Fees	—	—	—	—	—
Other emoluments:					
Salaries and other benefits	—	—	—	—	—
Retirement benefits scheme contributions	—	—	—	—	—
	—	—	—	—	—

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17. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Cont'd)*

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Cheung Hon Kit					
Fees	—	—	—	—	—
Other emoluments:					
Salaries and other benefits	—	—	—	—	—
Retirement benefits scheme contributions	—	—	—	—	—
	—	—	—	—	—
Kwok Ka Lap, Alva					
Fees	N/A	—	24	12	36
Other emoluments:					
Salaries and other benefits	N/A	—	—	—	—
Retirement benefits scheme contributions	N/A	—	—	—	—
	N/A	—	24	12	36
Wong King Lam, Joseph					
Fees	N/A	N/A	25	12	38
Other emoluments:					
Salaries and other benefits	N/A	N/A	—	—	—
Retirement benefits scheme contributions	N/A	N/A	—	—	—
	N/A	N/A	25	12	38
Yuen Tin Fan, Francis					
Fees	—	—	—	—	—
Other emoluments:					
Salaries and other benefits	—	—	—	—	—
Retirement benefits scheme contributions	—	—	—	—	—
	—	—	—	—	—

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17. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Cont'd)*

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Sin Chi Fai					
Fees	N/A	N/A	N/A	N/A	—
Other emoluments:					
Salaries and other benefits	N/A	N/A	N/A	N/A	—
Retirement benefits scheme contributions	N/A	N/A	N/A	N/A	—
	N/A	N/A	N/A	N/A	—
Cheung Kwok Wah, Ken					
Fees					
Other emoluments:					
Salaries and other benefits	3,625	1,126	N/A	N/A	N/A
Retirement benefits scheme contributions	166	26	N/A	N/A	N/A
	3,791	1,152	N/A	N/A	N/A
Compensation for loss of office paid to a former director by the Company's subsidiary	—	625	N/A	N/A	N/A
	3,791	1,777	N/A	N/A	N/A
Tsang Link Carl, Brian					
Fees	—	—	—	—	N/A
Other emoluments:					
Salaries and other benefits	—	—	—	—	N/A
Retirement benefits scheme contributions	—	—	—	—	N/A
	—	—	—	—	N/A

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17. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Cont'd)*

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Ma Wai Man, Catherine					
Fees	—	—	N/A	N/A	N/A
Other emoluments:					
Salaries and other benefits	—	—	N/A	N/A	N/A
Retirement benefits scheme contributions	—	—	N/A	N/A	N/A
	—	—	N/A	N/A	N/A
Shih, Edith					
Fees	—	—	—	—	—
Other emoluments:					
Salaries and other benefits	—	—	—	—	—
Retirement benefits scheme contributions	—	—	—	—	—
	—	—	—	—	—
Ma Si Hang, Frederick					
Fees	—	N/A	N/A	N/A	N/A
Other emoluments:					
Salaries and other benefits	—	N/A	N/A	N/A	N/A
Retirement benefits scheme contributions	—	N/A	N/A	N/A	N/A
	—	N/A	N/A	N/A	N/A

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17. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Cont'd)*

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Directors' fees	—	—	49	—	74
Other emoluments:					
Salaries and other benefits	7,175	4,952	3,778	2,850	2,904
Retirement benefits scheme contributions	378	130	104	78	79
	7,553	5,082	3,931	2,928	3,057
Compensation for loss of office paid to a former director by the Company's subsidiary	—	625	—	—	—
	7,553	5,707	3,931	2,928	3,057

During the Relevant Periods and for the nine months ended 31 December 2004, no emoluments were paid by the Group to any director as an inducement to join or upon joining the Group.

None of the directors waived any emoluments during the Relevant Periods.

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17. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Cont'd)*

(b) Employees' remuneration

The emoluments of the five highest paid individuals of the Group included two directors of the Company for the year ended 31 March 2003, one director for each of the two years ended 31 March 2004 and 2005, one director for nine months ended 31 December 2004 and one director for nine months ended 31 December 2005, whose emoluments are included in (a) above. The aggregate emoluments of the remaining individuals are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries and other benefits	8,802	9,788	9,916	7,519	7,966
Performance related incentive payments	1,064	3,307	3,898	3,800	5,698
Retirement benefit scheme	50	381	252	169	185
Incentive payment on joining	—	—	—	—	—
	9,916	13,476	14,066	11,488	13,849

	Number of employees				
	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
				(Unaudited)	
HK$1,500,001 to HK$2,000,000	—	—	—	2	1
HK$2,000,001 to HK$2,500,000	1	2	2	1	2
HK$2,500,001 to HK$3,000,000	—	—	1	—	—
HK$3,000,001 to HK$3,500,000	—	1	—	—	—
HK$3,500,001 to HK$4,000,000	2	—	—	—	—
HK$5,500,001 to HK$6,000,000	—	1	—	1	—
HK$7,000,001 to HK$7,500,000	—	—	1	—	—
HK$7,500,001 to HK$8,000,000	—	—	—	—	1
	3	4	4	4	4

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17. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Cont'd)*

(b) Employees' remuneration *(Cont'd)*

During the Relevant Periods and nine months ended 31 December 2004, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

18. DIVIDENDS

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Final, paid – HK6 cents per share for 2005, with a scrip option (2004: HK6 cents per share, 2003: HK2 cents per share, 2002: Nil)	—	3,206	11,193	11,193	13,418
Interim, paid – HK5 cents per share for 2004	—	8,015	—	—	—
Interim, proposed – HK4 cents per share with a scrip option	—	—	—	—	9,045
	—	11,221	11,193	11,193	22,463

TEXT IN THIS AREA IS OMITTED FROM THE ELECTRONIC VERSION

19. (LOSS) EARNINGS PER SHARE

For the three years ended 31 March 2003, 2004 and 2005 and the nine months ended 31 December 2004 and 2005, the calculation of the basic (loss) earnings per share is based on the loss for the year/period attributable to equity holders of the parent of HK$648,620,000, profit of HK$13,300,000, loss of HK$161,862,000, profit of HK$4,094,000 (unaudited) and loss of HK$127,102,000, respectively, and on the weighted average number of shares in issue during the three years ended 31 March 2003, 2004 and 2005 and the nine months ended 31 December 2004 and 2005 of 160,303,174 shares, 164,239,677 shares, 198,244,118 shares, 189,936,529 shares and 224,286,960 shares, respectively.

The computation of diluted loss per share for the years ended 31 March 2003 and 2005 and the nine months ended 31 December 2005 had not assumed the exercise of the Company's share options because the exercise would result in a decrease in loss per share.

The computation of diluted earnings per share for the year ended 31 March 2004 and for the nine months ended 31 December 2004 does not assume the exercise of the Company's outstanding share options as the exercise price of these options is higher than the average market price per share for the year.

In respect of adjustments to the comparative figure of basic loss per share arising from the adoption of SSAP 12 (Revised) for the year ended 31 March 2003, there is no significant impact on the basic loss per share for the year ended 31 March 2003. No restatement for basic loss per share has been made accordingly.

The following table summaries the impact on basic earnings per share as a result of:

(Loss) earnings per share – basic	Year ended 31 March,			Nine months ended 31 December,	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$	HK$	HK$	HK$	HK$
Reported figures before adjustments	(4.05)	0.08	(0.81)	0.02	(0.44)
Adjustments arising from changes in accounting policies *(Note 3)*	—	—	(0.01)	—	(0.13)
Restated	(4.05)	0.08	(0.82)	0.02	(0.57)

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20. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Plant and machinery *HK$'000*	Moulds *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
THE GROUP						
COST OR VALUATION						
At 1 April 2002	48,901	43,569	5,160	70,149	8,111	175,890
Currency realignment	(55)	—	243	2,035	10	2,233
Additions	—	—	—	18,699	748	19,447
Disposals	—	—	(2,432)	(6,671)	(977)	(10,080)
At 31 March 2003	48,846	43,569	2,971	84,212	7,892	187,490
Currency realignment	331	—	—	3,473	9	3,813
Additions	—	—	—	16,518	1,208	17,726
Disposals	(3,155)	—	—	(6,061)	(3,047)	(12,263)
At 31 March 2004	46,022	43,569	2,971	98,142	6,062	196,766
Currency realignment	1,103	—	—	(4,882)	37	(3,742)
Additions	—	—	—	13,528	701	14,229
Disposals and write off	—	—	—	(16,791)	(2,415)	(19,206)
Disposal of a subsidiary	—	—	—	(3,811)	—	(3,811)
At 31 March 2005	47,125	43,569	2,971	86,186	4,385	184,236
Currency realignment	(993)	—	—	(525)	(42)	(1,560)
Additions	—	—	—	13,085	250	13,335
Disposals and write off	—	—	—	(693)	(235)	(928)
Disposal of a subsidiary	—	—	—	(150)	–	(150)
At 31 December 2005	46,132	43,569	2,971	97,903	4,358	194,933
Analysis of cost or valuation:						
At 31 March 2003						
At cost	20,639	43,569	2,971	84,212	7,892	159,283
At valuation	28,207	—	—	—	—	28,207
	48,846	43,569	2,971	84,212	7,892	187,490
At 31 March 2004						
At cost	17,815	43,569	2,971	98,142	6,062	168,559
At valuation	28,207	—	—	—	—	28,207
	46,022	43,569	2,971	98,142	6,062	196,766
At 31 March 2005						
At cost	18,918	43,569	2,971	86,186	4,385	156,029
At valuation	28,207	—	—	—	—	28,207
	47,125	43,569	2,971	86,186	4,385	184,236
At 31 December 2005						
At cost	17,925	43,569	2,971	97,903	4,358	166,726
At valuation	28,207	—	—	—	—	28,207
	46,132	43,569	2,971	97,903	4,358	194,933

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20. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

	Land and buildings *HK$'000*	Plant and machinery *HK$'000*	Moulds *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
THE GROUP						
DEPRECIATION, AMORTIZATION AND IMPAIRMENT						
At 1 April 2002	7,223	34,454	3,375	36,277	2,819	84,148
Currency realignment	(1)	—	78	1,439	1	1,517
Provided for the year	1,090	3,413	1,225	13,742	1,801	21,271
Impairment loss recognized in the income statement	1,305	—	—	—	—	1,305
Eliminated on disposals	—	—	(1,723)	(2,920)	(220)	(4,863)
At 31 March 2003	9,617	37,867	2,955	48,538	4,401	103,378
Currency realignment	7	—	—	2,682	4	2,693
Provided for the year	1,012	1,470	7	15,968	1,175	19,632
Eliminated on disposals	(2,056)	—	—	(4,456)	(1,928)	(8,440)
At 31 March 2004	8,580	39,337	2,962	62,732	3,652	117,263
Currency realignment	31	—	—	(4,262)	24	(4,207)
Provided for the year	1,014	1,106	8	16,886	771	19,785
Eliminated on disposals and write off	—	—	—	(14,970)	(1,864)	(16,834)
Eliminated on disposal of a subsidiary	—	—	—	(2,328)	—	(2,328)
At 31 March 2005	9,625	40,443	2,970	58,058	2,583	113,679
Currency realignment	(32)	—	—	(375)	(28)	(435)
Provided for the period	762	323	1	8,014	322	9,422
Eliminated on disposals and write off	—	—	—	(601)	(42)	(643)
Eliminated on disposal of a subsidiary	—	—	—	(86)	—	(86)
At 31 December 2005	10,355	40,766	2,971	65,010	2,835	121,937
NET BOOK VALUES						
At 31 December 2005	35,777	2,803	—	32,893	1,523	72,996
At 31 March 2005	37,500	3,126	1	28,128	1,802	70,557
At 31 March 2004	37,442	4,232	9	35,410	2,410	79,503
At 31 March 2003	39,229	5,702	16	35,674	3,491	84,112

20. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

The Group's land and buildings comprise

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Outside Hong Kong:				
Under medium-term leases in other regions of the PRC	25,978	25,050	24,122	23,426
Freehold in Taiwan	12,151	12,392	13,378	12,351
Under a medium-term lease in Macau	1,100	—	—	—
	39,229	37,442	37,500	35,777

The valuation of land and buildings held under medium-term leases in other regions of the PRC in 1994 was made by Messrs. American Appraisal Hong Kong Limited, an independent firm of Chartered Surveyors, on an open market value basis.

Had the revalued land and buildings been carried at cost less accumulated depreciation and amortization, their carrying amount would have been stated at HK$21,862,000, HK$21,157,000, HK$20,452,000 and HK$19,923,000 at 31 March 2003, 2004, 2005 and 31 December 2005, respectively.

Included in the net book value of property, plant and equipment are assets held under finance leases amounting to HK$2,660,000, HK$1,985,000 and HK$510,000 at 31 March 2003, 2004 and 2005 respectively.

For the year ended 31 March 2004, the Group disposed of a property located in Macau at a consideration of HK$1,100,000. Accordingly, impairment loss of HK$1,305,000 has been recognized in respect of land and buildings for the year ended 31 March 2003 by reference to the subsequent selling price.

21. INTANGIBLE ASSETS

	Goodwill arising on acquisition before 1 January 2005 *HK$'000* *(note a)*	Goodwill arising on acquisition after 1 January 2005 *HK$'000* *(note b)*	Trademark licences *HK$'000* *(note c)*	Patent *HK$'000* *(note d)*	Total *HK$'000*
COST					
At 1 April 2002	153,093	—	91,318	—	244,411
Additions	201,572	—	—	—	201,572
At 31 March 2003					
– as previously reported	354,665	—	91,318	—	445,983
– adjustment on adoption of SSAP 12 (Revised)	(1,982)	—	—	—	(1,982)
– as restated	352,683	—	91,318	—	444,001
Arising on acquisition of a subsidiary	4,598	—	—	—	4,598
Additions	—	—	190,000	8,065	198,065
Eliminated on partial disposal of shareholding in a subsidiary	(69,857)	—	—	—	(69,857)
At 31 March 2004	287,424	—	281,318	8,065	576,807
Arising on acquisition of additional interest in a subsidiary	—	24,430	—	—	24,430
At 31 March 2005	287,424	24,430	281,318	8,065	601,237
Eliminated against accumulated amortization upon the application of HKFRS 3	(143,946)	—	(54,631)	—	(198,577)
Additions	—	623	—	—	623
Impairment loss on trademark licences	—	—	(164,667)	—	(164,667)
At 31 December 2005	143,478	25,053	62,020	8,065	238,616
AMORTIZATION					
At 1 April 2002	76,190	—	15,600	—	91,790
Provided for the year	9,772	—	4,566	—	14,338
At 31 March 2003	85,962	—	20,166	—	106,128
Provided for the year	32,768	—	10,899	470	44,137
Impairment loss recognized in the consolidated income statement	4,598	—	—	—	4,598

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21. INTANGIBLE ASSETS *(Cont'd)*

	Goodwill arising on acquisition before 1 January 2005 *HK$'000 (note a)*	Goodwill arising on acquisition after 1 January 2005 *HK$'000 (note b)*	Trademark licences *HK$'000 (note c)*	Patent *HK$'000 (note d)*	Total *HK$'000*
Eliminated on partial disposal of shareholding in a subsidiary	(6,075)	—	—	—	(6,075)
At 31 March 2004	117,253	—	31,065	470	148,788
Provided for the year	26,693	—	23,566	807	51,066
At 31 March 2005	143,946	—	54,631	1,277	199,854
Eliminated against cost upon the application of HKFRS 3	(143,946)	—	(54,631)	—	(198,577)
Provided for the period	—	—	—	605	605
At 31 December 2005	—	—	—	1,882	1,882
CARRYING VALUES					
At 31 December 2005	143,478	25,053	62,020	6,183	236,734
At 31 March 2005	143,478	24,430	226,687	6,788	401,383
At 31 March 2004	170,171	—	250,253	7,595	428,019
At 31 March 2003	266,721	—	71,152	—	337,873

Notes:

a. At 1 April 2002, the amount represented the goodwill on the acquisition of the businesses of Memtek Products Division of Tandy Corporation and Memorex Computer Supplies in 1993.

For the year ended 31 March 2003, the addition of goodwill of approximately HK$201,572,000 attributed to the acquisition of an additional 14.9% interest in the Vendor. The goodwill is amortized over an average of seventeen years on a straight line basis.

For the year ended 31 March 2004, the addition of goodwill of approximately HK$4,598,000 attributed to the acquisition of the entire interest in Zhuhai Hanny and the Group has also reduced its interest in the Vendor by 23.5% and goodwill with net carrying amount of approximately HK$63,782,000 was released upon this reduction in interest accordingly.

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21. INTANGIBLE ASSETS *(Cont'd)*

For the year ended 31 March 2004, the directors reviewed the carrying value of the goodwill arising on acquisition of Zhuhai Hanny of HK$4,598,000 and identified an impairment loss of HK$4,598,000 which was charged to the consolidated income statement.

Upon the adoption of HKFRS 3 from 1 April 2005 onwards, the Group has discontinued amortizing the above goodwill which arised from acquisition after 1 April 2001 and goodwill will be tested for impairment annually.

b. For the year ended 31 March 2005, the amount represents the goodwill on the acquisition of a further of 1.6% interest in the Vendor after 1 January 2005. The goodwill of approximately HK$24,430,000 is not subject to amortization in accordance with HKFRS 3.

For the nine months ended 31 December 2005, the addition of goodwill of approximately HK$623,000 attributed to the acquisition of the entire interest in Createsuccess and 83% equity interest in Sino Partner.

c. At 1 April 2002, the amount represented the acquisition of the "Memorex" trademark licenses from Memorex Telex N.V. in 1999 and were amortized over twenty years on a straight line basis.

For the year ended 31 March 2004, the Group acquired the "Dysan" and "Precision" trademark licenses from an independent third party for a consideration of HK$190,000,000 with reference to the valuation performed by Grant Sherman Appraisal Limited, a firm of independent valuers. Trademark licenses are amortized over ten years on straight line basis. The Group is in the process of registration of the trademark licenses in the respective jurisdiction.

Upon the adoption of HKAS 38 from 1 April 2005 onwards, the Group reassessed the useful lives of the trademark licenses and concluded that the trademark licenses with a total carrying amount of approximately HK$226,687,000 have indefinite useful lives and are not subject to amortization but are tested for impairment annually.

d. The amount represents the acquisition of a labelmaker patent in 2004. The patent is amortized over ten years on a straight line basis.

For the nine months ended 31 December 2005, the impairment testing on the goodwill and trademark licenses are as follows:

	Goodwill *HK$'000*	**Trademark licenses** *HK$'000*
Trading of computer related products – "Memorex" brand	167,908	62,020
Investment in port business in the PRC	623	—
Trading of computer related products – "Dysan" and "Precision" brand	—	164,667
	168,531	226,687

The carrying amounts of goodwill and trademark licenses are allocated to individual CGU of trading of computer related products under "Memorex" as well as "Dysan" and "Precision" trade name, and long-term investment in port business in the PRC.

21. INTANGIBLE ASSETS *(Cont'd)*

The recoverable amounts of the CGU of trading of computer related products under "Memorex" trade name is determined based on fair value less cost to sell calculation method, which the fair value is with reference to the initial consideration agreed at the Disposal whilst the cost to sell is with reference to the other terms of the Agreement. Given the current estimated net consideration of approximately HK$2,454,000,000, as set out in the announcement of the Company dated 26 January 2006, no impairment on the goodwill and trademark license is considered necessary.

The recoverable amounts of the CGU of trading of computer related products under "Dysan" and "Precision" trade name is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period from the acquisition date to 31 December 2005. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Based on cash flow forecasts derived from the most recent financial budgets for the next four years approved by management using a discount rate of 11.5%, impairment loss of HK$164,667,000 is identified and recognized in the consolidated income statement for the nine months ended 31 December 2005.

22. INTERESTS IN ASSOCIATES

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost of investment in associates which are:				
– listed in Hong Kong *(note a)*	—	508,994	508,994	508,994
– listed overseas	211,612	211,162	195,736	200,024
– unlisted	25,904	26,354	6,579	6,579
Share of post-acquisition losses and reserves, net of dividends received	(65,171)	(128,965)	(129,977)	(118,124)
Goodwill on acquisitions of associates less amortization *(note c)*	65,520	256,629	51,094	38,979
Negative goodwill arising on acquisition of an associate less realization *(note d)*	—	—	(225)	—
	237,865	874,174	632,201	636,452
Loans to associates less allowance *(note b)*	7,651	1,361	1,331	1,331
Amounts due from associates *(note b)*	25,846	30,874	2,197	—
	271,362	906,409	635,729	637,783
Fair value of listed shares	134,561	320,500	299,240	387,859

22. INTERESTS IN ASSOCIATES *(Cont'd)*

Notes:

a. At 31 March 2003, an amount of approximately HK$698,400,000 included in investments in securities represented the Group's 14.55% equity interest in CSHL. CSHL and its subsidiaries are principally engaged in the areas of manufacturing, property development and investment, hotel operation, construction and related business, provision of package tours, transportation and other related services.

For the year ended 31 March 2004, the Group acquired an additional interest of 16.65% in CSHL for a consideration of approximately HK$19,300,000. Accordingly, the investment in CSHL was increased to 31.20% and it was reclassified from investments in securities to interests in associates.

For the year ended 31 March 2005, the Group's equity interest in CSHL was diluted from 31.20% to 29.36% as a result of exercise of share options of CSHL.

At 31 March 2005 and 31 December 2005, the Group held 29.36% equity interest in CSHL.

b. Loan to an associate is unsecured and has no fixed terms of repayment. Other than an amount of HK$7,516,000, HK$1,336,000 HK$1,331,000 and HK$1,331,000 at 31 March 2003, 2004 and 2005 and at 31 December 2005 respectively which bears interest at prevailing market rates, the remaining amount is interest free.

For the three years ended 31 March 2003, 2004 and 2005, the amounts due from associates are unsecured, interest free and have no fixed terms of repayment. Repayment of the balances will not be demanded within one year of the balance sheet date and, accordingly, the amounts are classified as non-current.

The fair values of the Group's loan to an associate and amounts due from associates as at the balance sheet dates, determined based on the estimated future cash flows discounted using the prevailing market rate at the balance sheet dates, approximate to the carrying amounts of the receivables.

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22. INTERESTS IN ASSOCIATES *(Cont'd)*

c. Included in the investment in associates is goodwill of HK$65,520,000, HK$256,629,000, HK$51,094,000 and HK$38,979,000 as at 31 March 2003, 2004 and 2005 and 31 December 2005 arising on acquisition of associates during the Relevant Periods respectively. The movement of goodwill is set out below:

	HK$'000
COST	
Additions and balance at 31 March 2003	72,132
Additions	208,760
At 31 March 2004 and 2005	280,892
Elimination against accumulated amortization upon the application of HKFRS 3 (see Note 2)	(229,798)
Additions	2,276
At 31 December 2005	53,370
AMORTIZATION AND IMPAIRMENT	
Provided for the year and balance at 31 March 2003	6,612
Provided for the year	17,651
At 31 March 2004	24,263
Provided for the year	28,089
Impairment loss recognized for the year	177,446
At 31 March 2005	229,798
Elimination against cost upon the application of HKFRS 3 (see Note 2)	(229,798)
Impairment loss recognized for the period	14,391
At 31 December 2005	14,391
CARRYING VALUE	
At 31 December 2005	38,979
At 31 March 2005	51,094
At 31 March 2004	256,629
At 31 March 2003	65,520

Until 31 March 2005, goodwill had been amortized for a period of 10 years.

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22. INTERESTS IN ASSOCIATES *(Cont'd)*

d. Negative goodwill arising on acquisition of an associate:

	HK$'000
GROSS AMOUNT	
At 31 March 2003 and 2004	—
Additions	(233)
At 31 March 2005	(233)
Elimination against accumulated realization upon the application of HKFRS 3 *(see Note 2)*	233
At 31 December 2005	—
REALIZATION	
At 31 March 2003 and 2004	—
Released during the year	(8)
At 31 March 2005	(8)
Elimination against gross amount upon the application of HKFRS 3 *(see Note 2)*	8
At 31 December 2005	—
CARRYING AMOUNT	
At 31 December 2005	—
At 31 March 2005	(225)
At 31 March 2004	—
At 31 March 2003	—

Until 31 March 2005, negative goodwill had been released to income on a straight-line basis over 10 years. From 1 April 2005 onwards, all negative goodwill with carrying amount of HK$225,000 previously included in interests in associates was derecognized at 1 April 2005 upon the application of HKFRS 3 (see Note 2).

22. INTERESTS IN ASSOCIATES *(Cont'd)*

e. Details of the Group's principal associates at the respective balance sheet dates are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of equity interest attributable to the Group				Principal activities
			As at 31 March			As at December 31,	
			2003	2004	2005	2005	
			%	%	%	%	
CSHL	Corporate	Hong Kong	—	29.36	29.36	29.36	Investment holding
PSCL	Corporate	Singapore	27.45	27.45	21.71	24.26	Supply of household consumer products

CSHL is a company listed in Hong Kong and its financial year end date is 31 December. Only published financial information of CSHL will be available and used by the Group in applying the equity method. Accordingly, the Group's share of interest in CSHL at 31 March 2004 and 2005 and at 31 December 2005, respectively is calculated based on the net assets of CSHL at 31 December 2003, 2004 and 2005, respectively and the result from the date on which CSHL became an associate of the Group to respective balance sheet dates.

PSCL is a company listed in the Republic of Singapore and its financial year end date is 31 December. The Group's share of interest in PSCL at 31 March 2003, 2004 and 2005 and at 31 December 2005, respectively is calculated based on the net assets of PSCL at 31 March 2003, 2004 and 2005 and at 31 December 2005, respectively extracted from the published financial information of PSCL and the result from the date on which PSCL became an associate of the Group to respective balance sheet dates.

The above tables list the associates of the Group which, in the opinion of the directors, principally affected the results of the Group for the Relevant Periods or formed a substantial portion of the net assets of the Group at the end of each of the financial year. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

On 10 March 2005, the Group and PYI Corporation Ltd. (formerly known as Paul Y. ITC Construction Holdings Limited) ("PYI"), another substantial shareholder of CSHL, entered into a share sale agreement with an independent third party for the disposal of an aggregate 270,000,000 shares of CSHL (representing a 15.3% interest in CSHL or 135,000,000 shares each held by the Group and PYI) for a total consideration of approximately HK$52,000,000 (the "Proposed Disposal"). The completion of the Proposed Disposal is subject to the completion of a proposed group reorganization by CSHL ("CSHL Reorganization").

On 19 April 2005, CSHL and the Company has jointly announced the details of the CSHL Reorganization which, if approved and implemented, will result in (i) CSHL continuing to be a public listed company with its subsidiaries concentrating on its business of manufacturing and trading of battery products, investments in securities and property and investment in unlisted investment; (ii) all other subsidiaries of CSHL carrying on property development and investment holding business, and all other associates of CSHL carrying on manufacturing and marketing of tires and business of providing package tour, travel and other related services being grouped under Group Dragon Investment Limited ("GDI") (a wholly owned subsidiary of CSHL) and its subsidiaries upon completion of the CSHL Reorganization; and (iii) the distribution in specie of shares in GDI to the then shareholders of CSHL on a record date to be fixed, on the basis of one GDI share for every share in CSHL after consolidation under the capital reorganization.

On the same date, the Group proposed to acquire an additional interest in GDI (the "Proposed Acquisition") subject to the completion of the CSHL Reorganization. The Proposed Acquisition was approved by the shareholders of the Company on 17 October 2005.

Details of the Proposed Disposal and Proposed Acquisition are set out in a circular of the Company dated 14 September 2005. The transaction has not yet been completed at the date of this report.

22. INTERESTS IN ASSOCIATES *(Cont'd)*

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

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	1,264,576	3,366,013	3,452,648	3,331,625
Total liabilities	(679,846)	(1,307,787)	(1,308,483)	(1,203,568)
Net assets	584,730	2,058,226	2,144,165	2,128,057
Group's share of net assets of associates	237,865	874,174	632,201	636,452

g.

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	926,817	756,681	898,270	715,748	630,559
Loss for the year/period	(170,131)	(491,459)	(184,410)	(192,213)	(55,664)
Group's share of loss of associates for the year/ period	(36,367)	(59,857)	(64,909)	(59,175)	(20,032)

h. The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognized share of loss of these associates which were extracted from the relevant audited financial statements of associates are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Unrecognized share of losses of associates for the year/period	(19,230)	—	—	—	—
Accumulated unrecognized share of losses of associates	(19,230)	(19,230)	(19,230)	(19,230)	(19,230)

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22A. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured, interest free and are repayable on demand. The fair value of the amounts due from associates at 31 December 2005 was approximate to the corresponding carrying amount.

22B. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, interest free and is repayable on demand. The fair value of the amount due to an associate at 31 December 2005 was approximate to the corresponding carrying amount.

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23. INVESTMENTS IN SECURITIES

Investment securities as at 31 March 2003, 2004 and 2005 are set out below. Upon the application of HKAS 39 on 1 April 2005, investment in securities were reclassified to appropriate categories under HKAS 39 (See Note 2).

	Investment securities			Other investments			Total		
	As at 31 March			As at 31 March			As at 31 March		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note a)	*(note b)*	*(note c)*						
Listed securities									
Hong Kong	698,407	—	—	108,548	126,114	131,563	806,955	126,114	131,563
Overseas	—	—	—	984	850	1,058	984	850	1,058
Unlisted securities									
Hong Kong	—	—	—	6,000	6,000	—	6,000	6,000	—
Overseas/PRC	204,573	188,890	123,348	78,388	—	—	282,961	188,890	123,348
Unlisted debt security									
Hong Kong *(note d)*	—	—	—	—	—	12,000	—	—	12,000
	902,980	188,890	123,348	193,920	132,964	144,621	1,096,900	321,854	267,969
Market value of listed securities	10,859	—	—	109,532	126,964	132,621	120,391	126,964	132,621
Carrying amount analyzed for reporting purposes as:									
Non-current	887,300	188,890	123,348	330	330	186	887,630	189,220	123,534
Current	15,680	—	—	193,590	132,634	144,435	209,270	132,634	144,435
	902,980	188,890	123,348	193,920	132,964	144,621	1,096,900	321,854	267,969

Note:

a. As at 31 March 2003, the listed investment securities represented a 14.55% interest in CSHL, whilst included in unlisted overseas investment securities was 8.04% interest in Fu Yang Investment Co., Ltd. ("Fu Yang") and 0.61% interest in an infrastructure company established in Taiwan which is mainly engaged in building up telecommunication network in Taiwan ("EBT"). Fu Yang is established in Taiwan on 21 April 2002 by the merger of Indigo Investment Co., Ltd., Solitaire Investment Co., Ltd., Vituoso Investment Co., Ltd. and Ultima Investment Co., Ltd. Fu Yang is mainly engaged in the cable broadcasting business in Taiwan.

b. For the year ended 31 March 2004, EBT was disposed of at a consideration of HK$15,000,000. A net loss of approximately HK$380,000 was recognized in the consolidated income statement.

As at 31 March 2004, the amount represented the 8.04% interest in Fu Yang.

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23. INVESTMENTS IN SECURITIES *(Cont'd)*

c. For the year ended 31 March 2005, interest in Fu Yang was disposed of at an aggregate consideration of approximately HK$150,000,000. A net loss on disposal of approximately HK$29,712,000 was recognized in the consolidated income statement.

As at 31 March 2005, the Group had the following investment securities held for long term strategic purposes:

- 40%* interest in Alfresco Gold Limited which is engaged in investment holding of 85% interest in two companies incorporated in the PRC, whose principal activities are designing and producing advertisements, and provision of advertising agency services.
- 33%* interest in 重慶金瀚實業有限公司 (formerly known as 重慶冠生園興綠洲食品有限公司), which holds a piece of land in the PRC.
- 30%* interest in Earnbest Holdings Limited which is engaged in investment holding of 40% interest in a company incorporated in the PRC, whose principal activities are resorts and hotel building and travelling business.

* As the Group did not have significant influence on these investments, accordingly, these investments were classified as investment securities.

d. The amount of the unlisted debt security as at 31 March 2005 represented the convertible bond issued by Nippon Asia Investment Holdings Limited ("Nippon Asia Bond", formerly known as China City Natural Gas Holdings Limited), a company listed in Hong Kong. Nippon Asia Bond is interest bearing at 1% per annum and is due for redemption on 1 November 2005. The Group is entitled at any time before the maturity to convert the Nippon Asia Bond into shares of Nippon Asia Investment Holdings Limited at a conversion price of HK$0.025 per share (subject to the relevant adjustments upon conversion).

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31 December 2005 analyzed as non-current assets, comprise:

	As at 31 December 2005 *HK$'000*
Listed investments:	
– Equity securities listed in Hong Kong *(note a)*	16,685
Unlisted securities:	
– Equity securities *(note b)*	121,165
– Debt securities *(note c)*	535,611
– Club memberships	4,938
Total	678,399

Notes:

(a) All listed investments are stated at fair value which is determined based on the quoted market bid prices available on the Stock Exchange.

(b) The unlisted equity securities represent investments in unlisted entities established in the PRC. They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that their fair values cannot be measured reliably. For the nine months ended 31 December 2005, the directors of the Company performed impairment review on these unlisted equity securities and no impairment loss is considered necessary.

24. AVAILABLE-FOR-SALE INVESTMENTS *(Cont'd)*

(c) For the nine months ended 31 December 2005, the Group has subscribed three convertible notes with an aggregate amount of HK$650,000,000 from (i) Cheung Tai Hong Holdings Limited, a zero coupon convertible note with maturity on 10 August 2010 at the redemption amount of 110% of the principal amount, (ii) See Corporation Limited (previously known as Ruili Holdings Limited), a zero coupon convertible note with maturity on 9 August 2010 at the redemption amount of 110% of the principal amount; and (iii) Wo Kee Hong (Holdings) Limited, a convertible note at interest of 7.25% per annum payable semi-annually with maturity on 5 September 2008. All these companies are public limited companies with their shares listed on the Stock Exchange. The Group had classified all the debt element of the convertible notes as available-for-sale investments and the conversion option element of the convertible notes as investments held for trading.

As at 31 December 2005, the fair value for the debt element and conversion option element were approximately HK$535,611,000 and HK$65,647,000 respectively. Accordingly, an increase in fair value of approximately HK$3,072,000 for the debt element and a decrease in fair value of approximately HK$51,813,000 for conversion option element were recognized in equity and profit and loss respectively.

25. LOAN RECEIVABLES

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fixed-rate loan receivables	9,100	6,387	5,533	20,265
Floating-rate loan receivables	81,538	36,745	106,318	151,714
Interest free loan receivables	15,073	2,939	—	—
	105,711	46,071	111,851	171,979
Carrying amount analysed for reporting purposes:				
Within one year	95,523	41,173	111,851	171,979
In more than one year but not more than two years	2,351	4,898	—	—
In more than two years but not more than three years	7,837	—	—	—
	105,711	46,071	111,851	171,979

Included in the carrying amount of loans receivables as at 31 March 2003, 2004 and 2005 and 31 December 2005 is accumulated impairment loss of HK$28,056,000, HK$39,033,000, HK$39,633,000 and HK$39,633,000, respectively.

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25. LOAN RECEIVABLES *(Cont'd)*

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fixed-rate loan receivables:				
within one year	9,100	6,387	5,533	20,265

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are as follows:

	As at 31 March			As at 31 December
	2003	2004	2005	2005
Effective interest rate:				
Fixed-rate loan receivables	3.6% to 10%	3.6% to 10%	3.6% to 10%	10% to 20%
Floating-rate loan receivables	5% to 7.1%	5% to 7%	5% to 7.3%	5.3% to 10.8%

The Group's loan receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	US$	NTD
	$'000	*$'000*
As at 31 December 2005	712	40,619
As at 31 March 2005	712	78,000
As at 31 March 2004	823	—
As at 31 March 2003	809	—

The fair values of the Group's loan receivables as at the balance sheet dates, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet dates approximate to the carrying amounts of the receivables.

26. DEPOSITS FOR ACQUISITION OF LONG-TERM INVESTMENTS

For the year ended 31 March 2005, the Group entered into conditional agreement (the "Port Agreement") with an independent third party ("Vendor Party") to acquire equity interests in an unlisted investment established in the PRC for a total consideration of HK$35,000,000. This unlisted investment is mainly engaged in port business in the PRC.

As at the date of report, the due diligence review of the acquisition of unlisted investment has not yet been completed pursuant to the Port Agreement. Accordingly, the conditions in the Port Agreement have not yet been fulfilled and the transaction has not yet been completed.

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26. DEPOSITS FOR ACQUISITION OF LONG-TERM INVESTMENTS *(Cont'd)*

For the nine months ended 31 December 2005, the Group paid an aggregate of approximately HK$155,175,000 as tender deposit to three independent third parties for acquisition of certain interests in water supply business, sand mining business, the exploitation right for river sand business and property development business in the PRC (the "Potential Investments"). These payments would be refundable from the counter parties if the terms and conditions for the acquisition of the Potential Investments had not been concluded within one year after the payments made by the Group. Up to the report date, the terms and conditions of the acquisition of the Potential Investments have not yet been concluded with the counter parties.

27. OTHER ASSET

For the year ended 31 March 2004, the amount represents cost incurred in connection with a land development project in the PRC. The project is a land development of 珠海錦興產業園 located at Doumen District, Zhuhai City, the PRC, and is to be jointly developed with an independent third party. The Group is entitled to the exclusive development right to the project and also the right to obtain the land for the development (the "Other Asset"). The Group is also entitled to sell the Other Asset to investors for a consideration to be agreed between themselves.

For the year ended 31 March 2004, the consideration of HK$150,000,000 for obtaining the exclusive development right was paid by the Group whilst RMB5,750,000 (equivalent to approximately HK$5,425,000) was already paid by the Group for site formation and the Group has disposed of part of the Other Asset to independent third parties at a consideration of approximately HK$16,000,000 and a net gain on disposal of other asset of approximately HK$5,660,000 was recognized in the consolidated income statement for the year ended 31 March 2004.

As the directors of the Company are of the opinion that the Other Asset is held for sale, the cost incurred for the Other Asset is included in current assets accordingly.

The directors has assessed the carrying value of the Other Asset with reference to the valuation performed by Norton Appraisals Limited, a firm of independent valuers, on an open market value basis as at 31 March 2004 and no impairment loss is identified.

For the year ended 31 March 2005, the Group disposed of part of the Other Asset to an independent third party for consideration of HK$39,600,000 and a net gain on disposal of other asset of approximately HK$2,515,000 was recognized in the consolidated income statement for the year ended 31 March 2005.

For the nine months ended 31 December 2005, the Group entered into several sale and purchase agreements with independent third parties for the disposal of all the remaining parts of the Other Asset for an aggregate consideration of approximately HK$118,800,000 and a net gain on disposal of other asset of approximately HK$10,800,000 was recognized in the consolidated income statement for the nine months ended 31 December 2005.

28. INVENTORIES

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	9,459	6,769	6,781	4,915
Work in progress	2,702	1,435	1,962	1,772
Finished goods	493,004	869,205	578,335	869,149
	505,165	877,409	587,078	875,836

Included above are raw materials of HK$371,000, HK$109,000, HK$74,000 and HK$312,000 and finished goods of HK$104,422,000, HK$269,854,000, HK$97,486,000 and HK$185,497,000 at 31 March 2003, 2004 and 2005 and 31 December 2005 respectively which are carried at net realizable value.

29. TRADE AND OTHER RECEIVABLES

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	463,138	736,279	653,637	1,034,394
Less: accumulated impairment	(65,374)	(51,254)	(61,854)	(78,955)
	397,764	685,025	591,783	955,439
Other receivables	88,845	53,795	174,494	112,322
Total trade and other receivables	486,609	738,820	766,277	1,067,761

29. TRADE AND OTHER RECEIVABLES *(Cont'd)*

The Group allows an average credit period of one to two months to its trade customers. The following is an aged analysis of trade receivable net of impairment losses at the respective balance sheet date:

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not yet due	354,824	624,041	548,407	831,989
Overdue within one month	26,561	52,433	25,996	109,303
Overdue between one to two months	6,916	2,099	4,561	2,016
Overdue more than two months	9,463	6,452	12,819	12,131
	397,764	685,025	591,783	955,439

The fair value of the Group's trade receivables at respective balance sheet date was approximate to the corresponding carrying amount.

30. INVESTMENTS HELD FOR TRADING

Investments held for trading at the respective balance sheet dates included:

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Listed securities:				
– Equity securities listed in Hong Kong *(note a)*	—	—	—	41,429
– Equity securities listed elsewhere *(note a)*	—	—	—	21,818
Unlisted convertible notes *(note b)*	—	—	—	65,647
	—	—	—	128,894

(a) The fair values of these investments are determined based on the quoted market bid prices available on the relevant securities exchanges.

(b) The amount represented the conversion option element of the three convertible notes subscribed by the Group during the nine months ended 31 December 2005. The fair values of the unlisted convertible notes are determined by the directors of the Company with reference to the valuation performed by B.I. Appraisals Limited, a firm of independent valuers.

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31. MARGIN LOAN RECEIVABLES/PAYABLES AND BILLS PAYABLE

The fair values of the Group's margin loan receivables, margin loan payables and bills payable at 31 March 2003, 2004 and 2005 and 31 December 2005 approximate to the corresponding carrying amounts.

32. PLEDGED BANK DEPOSIT

The amount represents deposit pledged to bank to secure short-term banking facilities granted to the Group and is therefore classified as current asset.

The deposit carries variable interest rates ranging from 2.54% to 4.36%. The pledged bank deposit will be released upon the settlement of relevant bank borrowings. The fair values of bank deposit at respective balance sheet dates approximate to the corresponding carrying amounts.

33. TRADE AND OTHER PAYABLES

Included within trade and other payables is a trade creditor balance of HK$632,561,000, HK$827,620,000, HK$564,154,000 and HK$704,507,000 at 31 March 2003, 2004, 2005 and 31 December 2005 respectively.

The following is an aged analysis of trade creditors at respective balance sheet date:

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not yet due	319,505	445,088	417,919	524,123
Overdue within one month	99,484	116,373	74,518	134,279
Overdue between one to two months	35,422	50,321	27,951	24,491
Overdue more than two months	178,150	215,838	43,766	21,614
	632,561	827,620	564,154	704,507

The fair value of the Group's trade and other payables at respective balance sheet date approximates to the corresponding carrying amount.

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34. BORROWINGS

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings comprise:				
Bank loans	237,468	205,641	82,010	362,725
Other loans	180,000	151,339	161,341	531,225
	417,468	356,980	243,351	893,950
Analyzed as:				
Secured	107,140	159,583	38,531	530,433
Unsecured	310,328	197,397	204,820	363,517
	417,468	356,980	243,351	893,950
The above amounts bear interest at prevailing market rates and are repayable as follows:				
Within one year or on demand	244,473	349,059	85,881	886,692
Between one and two years	165,238	266	149,751	407
Between two and five years	843	940	1,407	1,358
Over five years	6,914	6,715	6,312	5,493
	417,468	356,980	243,351	893,950
Amount due within one year and shown under current liabilities	(244,473)	(349,059)	(85,881)	(886,692)
Amount due after one year	172,995	7,921	157,470	7,258

34. BORROWINGS *(Cont'd)*

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fixed-rate borrowings which due within one year	9,422	—	—	200,000

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's borrowings as follows:

	As at 31 March			As at 31 December
	2003	2004	2005	2005
Effective interest rate:				
Fixed-rate borrowings	6.4%	N/A	N/A	1.5%
Variable-rate borrowings	2.6% to 7.5%	4.3% to 7.5%	2.3% to 7.3%	3.6% to 9.8%

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD	NTD	RMB
	$'000	*$'000*	*$'000*
As at 31 December 2005	38,268	32,951	–
As at 31 March 2005	258	34,148	–
As at 31 March 2004	19,758	35,501	–
As at 31 March 2003	14,090	36,670	10,000

The fair values of the Group's borrowings at respective balance sheet dates approximate to the corresponding carrying amounts.

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35. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March			As at 31 December	As at 31 March			As at 31 December
	2003	2004	2005	2005	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:								
Within one year	1,181	1,117	487	—	1,113	1,068	462	—
In the second to fifth year inclusive	1,868	536	—	—	1,557	462	—	—
	3,049	1,653	487	—				
Less: Future finance charges	(379)	(123)	(25)	—				
Present value of lease obligations	2,670	1,530	462	—	2,670	1,530	462	—
Less: Amount due for settlement within one year (shown under current liabilities)					(1,113)	(1,068)	(462)	—
Amount due for settlement after one year					1,557	462	—	—

The Group has leased certain of its fixtures and equipment under finance leases. The average lease term is two years. The average effective borrowing rate was 12.51%, 9.32%, 6.92% and 6.92% for the year ended at 31 March 2003, 2004, 2005 and for the nine months ended 31 December 2005 respectively. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

Financial lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	NTD	USD
	$'000	*$'000*
As at 31 December 2005	—	—
As at 31 March 2005	—	59
As at 31 March 2004	—	197
As at 31 March 2003	252	336

The fair values of the above Group's finance lease obligations, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet dates approximate to their carrying amounts.

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36. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount was unsecured, interest free and had no fixed terms of repayment. Repayment of the amount will not be demanded within one year of the balance sheet dates and, accordingly, the amount was classified as non-current.

37. DEFERRED TAX

The following are the major deferred tax liabilities (assets) recognized and movements thereon during the Relevant Periods:

	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 April 2002				
– as originally stated	—	—	—	—
– adjustment on adoption of SSAP12 (Revised)	1,532	(15,264)	898	(12,834)
– as restated	1,532	(15,264)	898	(12,834)
Charge (credit) to the consolidated income statement for the year *(note 15)*	551	(491)	226	286
At 31 March 2003	2,083	(15,755)	1,124	(12,548)
Currency realignment	(57)	(1,922)	(20)	(1,999)
Credit to the consolidated income statement for the year *(note 15)*	(1,382)	(2,536)	(16,761)*	(20,679)
Effect of change in tax rate – charge (credit) to the consolidated income statement *(note 15)*	100	(255)	37	(118)
At 31 March 2004	744	(20,468)	(15,620)	(35,344)
Currency realignment	(85)	(17)	(19)	(121)
Charge (credit) to the consolidated income statement for the year *(note 15)*	833	19,994	(3,666)*	17,161
Realized on disposal of a subsidiary	(459)	459	—	—
At 31 March 2005	1,033	(32)	(19,305)	(18,304)
Currency realignment	9	—	(34)	(25)
Charge (credit) to the consolidated income statement for the year *(note 15)*	(694)	—	(26,216)	(26,910)
At 31 December 2005	348	(32)	(45,555)	(45,239)

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37. DEFERRED TAX *(Cont'd)*

* The deferred tax credit is mainly attributable to the movements of temporary differences arising from the carrying amounts and tax bases of major balance sheet items such as receivables, inventories and accruals of a subsidiary in the USA.

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	(13,298)	(35,480)	(18,418)	(45,440)
Deferred tax liabilities	750	136	114	201
	(12,548)	(35,344)	(18,304)	(45,239)

The Group has unused tax losses of HK$470,299,000, HK$363,848,000, HK$387,410,000 and HK$391,695,000 at 31 March 2003, 2004 and 2005 and 31 December 2005 respectively available for offset against future profits. A deferred tax asset has been recognized in respect of HK$45,357,000, HK$69,488,000 HK$185,000 and HK$0 at 31 March 2003, 2004, 2005 and 31 December 2005 respectively of such losses. No deferred tax has been recognized in respect of the remaining HK$424,942,000, HK$294,360,000, HK$387,225,000 and HK$391,695,000 at 31 March 2003, 2004, 2005 and 31 December 2005 respectively due to the unpredictability of future profit streams. The losses can be carried forward indefinitely.

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38. SHARE CAPITAL

	Number of shares	Value HK$'000
Authorized:		
At 1 April 2002 (Ordinary shares of HK$0.025 each)	26,000,000,000	650,000
Consolidation of shares of 40 into 1 *(note a)*	(25,350,000,000)	—
Adjustment of nominal value of shares *(note a)*	64,350,000,000	—
Cancellation of shares *(note a)*	(45,000,000,000)	(450,000)
At 31 March 2003, 2004 and 2005 and 31 December 2005 (Ordinary shares of HK$0.01 each)	20,000,000,000	200,000
Issued and fully paid:		
At 1 April 2002 (Ordinary shares of HK$0.025 each)	6,412,057,523	160,301
Exercise of warrants *(note b)*	70,595	2
Consolidation and adjustment of nominal value of shares *(note a)*	(6,251,824,916)	(158,700)
At 31 March 2003 (Ordinary shares of HK$0.01 each)	160,303,202	1,603
Issue of new shares *(note c)*	21,500,000	215
Exercise of share options *(note d)*	4,750,000	48
At 31 March 2004 (Ordinary shares of HK$0.01 each)	186,553,202	1,866
Issue upon scrip dividend *(note e)*	75,210	—
Issue of new shares *(note f)*	37,000,000	370
At 31 March 2005 (Ordinary shares of HK$0.01 each)	223,628,412	2,236
Issue upon scrip dividend *(note g)*	2,515,285	25
At 31 December 2005 (Ordinary shares of HK$0.01 each)	226,143,697	2,261

Notes:

(a) Pursuant to special resolutions passed in a special general meeting of the Company held on 17 March 2003:

(i) the shares of the Company were consolidated on the basis that every 40 issued and unissued shares of HK$0.025 each were consolidated into one share of HK$1.00 each;

(ii) the par value of the shares of the Company was reduced from HK$1.00 per share to HK$0.01 per share by the cancellation of HK$0.99 paid up on each share;

(iii) the par value of the authorized but unissued shares of the Company was sub-divided into shares of HK$0.01 each; and the number of authorized but unissued shares was increased accordingly; and

(iv) the authorized share capital of the Company was reduced from HK$650,000,000 to HK$200,000,000 by the cancellation of 45,000,000,000 shares of HK$0.01 each.

(b) For the year ended 31 March 2003, 70,595 shares in the Company of HK$0.025 each were issued upon the exercise of 70,595 warrants at a price of HK$0.36 per share. The shares issued during the year rank pari passu with the then existing shares in all respects.

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38. SHARE CAPITAL *(Cont'd)*

(c) On 28 January 2004, arrangements were made for a private placement to independent private investors of 21,500,000 shares of HK$0.01 each in the Company held by ITC Corporation Limited, a substantial shareholder of the Company, in cash at a price of HK$4.00 per share representing a discount of approximately 8% to the closing price of HK$4.35 per share as quoted on the Stock Exchange on 28 January 2004.

Pursuant to a subscription agreement of the same date, ITC Corporation Limited subscribed for 21,500,000 new shares of HK$0.01 each in the Company at a price of HK$4.00 per share. The proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 28 August 2003 and rank pari passu with other shares in issue in all respects.

(d) For the year ended 31 March 2004, 4,750,000 shares in the Company of HK$0.01 each were issued upon the exercise of 4,750,000 share options at subscription price of HK$2.9888 per share. The shares issued during the year ended 31 March 2004 rank pari passu with the then existing shares in all respects.

(e) On 21 October 2004, 75,210 shares in the Company of HK$0.01 each were issued as scrip dividend at HK$2.745 per share. The shares issued during the year ended 31 March 2005 rank pari passu with the existing shares in all respects.

(f) On 23 November 2004, arrangements were made for a private placement to independent private investors of 37,000,000 shares of HK$0.01 each in the Company held by ITC Corporation Limited, a substantial shareholder of the Company, in cash at a price of HK$3.22 per share representing a discount of approximately 8% to the closing price of HK$3.50 per share as quoted on the Stock Exchange on 22 November 2004.

Pursuant to a subscription agreement of the same date, ITC Corporation Limited subscribed for 37,000,000 new shares of HK$0.01 each in the Company at a price of HK$3.22 per share. The proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 31 August 2004 and ranked pari passu with other shares in issue in all respects.

(g) On 21 October 2005, 2,515,285 shares in the Company of HK$0.01 each were issued as scrip dividend at HK$3.367 per share. The shares issued during the period ended 31 December 2005 rank pari passu with the existing shares in all respects.

39. WARRANTS

In accordance with the conditions attaching to the warrants of the Company, each of the warrants confers rights to the registered holder to subscribe for one new share of the Company in cash at an adjusted subscription price of HK$0.36 per share, subject to adjustment, at any time from the date of issue to 3 April 2002 (both days inclusive). On 3 April 2002, all of the remaining outstanding warrants, which entitled the registered holders to subscribe for 922,543,833 shares of HK$0.025 each in the Company, lapsed.

Details of the exercise of the Company's warrants during the year ended 31 March 2003 are set out in note 38.

40. RESERVES

Capital reserve represents the goodwill arising on acquisitions prior to 1 April 2001.

Other reserves represent the goodwill reserve and other reserves of the Group's associates shared by the Group. The goodwill reserve of HK$13,060,000 as at 31 March 2005 was transferred to retained profits as at 1 April 2005 in accordance with the Transitional Provision of HKFRS 3.

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40. RESERVES *(Cont'd)*

The contributed surplus of the Group at the respective balance sheet dates represented:

(i) the credit arising from the transfer of the share premium account of the Group as at 20 February 1998 and 19 February 2003 to the contributed surplus account of the Group;

(ii) the credit arising from the reduction of the nominal value of the shares of the Company in 1999 and 2003; and

(iii) a balance as reduced by amounts transferred to the deficit account to eliminate the deficit of the Group as at 31 January 2000, 31 January 2001, 20 March 2003 and 31 March 2005.

For the year ended 31 March 2003, movements in the contributed surplus of the Group represented:

(i) the entire amount of HK$1,974,565,000 standing to the credit of share premium account of the Group as at 19 February 2003 be cancelled and such amount be transferred to the contributed surplus account of the Group; and the credit arising from the reduction of the nominal value of the shares of the Company from HK$1.00 per share to HK$0.01 per share by the cancellation of HK$0.99 paid up on each share pursuant to special resolutions passed at a special general meeting of the Company on 17 March 2003. Details of which are set out in the circular of the Company dated 21 February 2003; and

(ii) as reduced by an amount of HK$460,000,000 transferred to the deficit account to eliminate the accumulated losses of the Company as at 20 March 2003 pursuant to a resolution passed at a meeting of the directors of the Company on 20 March 2003.

41. ACQUISITION OF A SUBSIDIARY

For the year ended 31 March 2004, the Group acquired 100% of the issued share capital of Zhuhai Hanny for a consideration of HK$150,000,000.

The acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition was HK$4,598,000.

	Year ended 31 March 2004	Nine months ended 31 December 2005
	HK$'000	*HK$'000*
NET ASSETS ACQUIRED		
Other asset	150,000	—
Other payables	(4,598)	(15)
Other receivables	—	3,301
Available-for-sale investments	—	1
Minority interests	—	(559)
	145,402	2,728
Goodwill	4,598	623
Total consideration	150,000	3,351
SATISFIED BY:		
Cash	130,508	3,351
Deferred consideration	19,492	—
	150,000	3,351

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42. DISPOSAL OF SUBSIDIARIES

	Year ended 31 March			Nine months ended 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NET ASSETS DISPOSED OF				
Property, plant and equipment	—	—	1,483	64
Interest in an associate	—	—	5,244	—
Investment in securities	—	78,388	—	—
Trade and other receivables	—	—	53	1,279
Amounts due from group companies	15,000	157,353	26,758	334
Bank balances and cash	2	5	92	179
Trade and other payables	—	—	(1,832)	(3,671)
Amounts due to group companies	—	(8,853)	(27,187)	(14)
Amount due to an associate	—	(1,433)	(146)	—
Tax payable	(13,027)	(22,531)	—	(214)
Minority interests	—	—	—	280
Amount due to a minority shareholder	—	—	—	(2,514)
	1,975	202,929	4,465	(4,277)
Currency translation reserve realized		(216)	7,842	583
Other reserves realized	—	—	(7,810)	—
Attributable capital reserve	—	556	(556)	—
	1,975	203,269	3,941	(3,694)
Gain (loss) on disposal of subsidiaries	25	(1,282)	3,504	6,694
	2,000	201,987	7,445	3,000
SATISFIED BY:				
Cash	2,000	—	7,445	3,000
Other payables	—	201,987	—	—
	2,000	201,987	7,445	3,000
Net cash inflow (outflow) arising from disposal of subsidiaries:				
Cash consideration	2,000	—	7,445	3,000
Bank balances and cash disposed of	(2)	(5)	(92)	(179)
	1,998	(5)	7,353	2,821

The subsidiaries disposed of during the Relevant Periods did not contribute significantly to the turnover and the results of the Group. The cash flow contributed or utilized by the subsidiaries disposed of during the Relevant Periods was not significant.

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43. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 March 2003, the major non-cash transactions were as follows:

(a) The Group entered into finance lease arrangement in respect of property, plant and equipment with a capital value at the inception of the leases HK$2,990,000.

(b) The Group acquired additional shareholding in a subsidiary for a consideration of HK$278,320,000 which was set off by the assignment of short-term loans receivable of HK$260,578,000. The remaining consideration of HK$17,742,000 was unsettled as at 31 March 2003.

For the year ended 31 March 2004, the major non-cash transactions were as follows:

(a) The Group acquired Zhuhai Hanny for a consideration of HK$150,000,000. The remaining consideration of HK$19,492,000 was unsettled as at 31 March 2004.

(b) The Group disposed of certain subsidiaries of HK$201,987,000 of which HK$124,387,000 was set off by other payables of the same amount under a deed of assignment entered into between the Group and a relevant party. The remaining amount of HK$77,600,000 was satisfied by another payable of the same amount.

(c) The Group acquired trademark licences for a consideration of HK$190,000,000 which was partly satisfied by short-term loans receivable and other receivables of HK$40,699,000 and HK$81,871,000, respectively under various deeds of novation and agreements entered into between the Group and relevant parties, and was partly satisfied by cash of HK$20,000,000. The remaining consideration of HK$47,430,000 was unsettled as at 31 March 2004.

(d) The Group restructured certain of its short-term loans receivable of HK$42,165,000 and other receivables of HK$19,360,000 satisfied by the amount of other loans of HK$43,275,000 and other payables of HK$18,250,000, respectively under various deeds of novation entered into between the Group and relevant parties.

(e) The repayment of other receivables of HK$38,710,000 was satisfied by the other loans of HK$23,543,000 and interest payables of HK$15,167,000 under an agreement between the Group and relevant parties.

(f) The repayment of a short-term loan receivable of HK$22,866,000, an interest receivable of HK$1,290,000 and settlement of a payable of HK$24,000 was satisfied by a consideration for an acquisition of an investment of HK$24,180,000.

(g) Increase in the loan from an associate of HK$19,024,000 as a result of the acquisition of an associate and was subsequently set off by a short-term loan receivable of the same amount under a deed of novation signed by the Group and a relevant party.

(h) The Group disposed of certain amount of other asset for a consideration of HK$16,000,000 which was satisfied by a short-term loan receivable of the same amount under a deed of novation signed by the Group and a relevant party.

43. MAJOR NON-CASH TRANSACTIONS *(Cont'd)*

For the year ended 31 March 2005, the major non-cash transactions were as follows:

(a) The Group restructured certain of its other payables of HK$15,000,000 satisfied by the same amount of other receivables under a deed of assignment entered into between the Group and the relevant parties.

(b) The repayment of a short-term loan receivable of HK$2,057,000 was satisfied by the same amount of investment in securities.

(c) The Group had disposed of an investment in securities for a consideration of HK$6,000,000 which was satisfied by cash of HK$1,500,000 and by setting off through an amount due from an associate of the Group for the remaining balance of HK$4,500,000.

For the nine months ended 31 December 2005, the major non-cash transactions were as follows:

(a) The repayments of a short-term loan receivable and an other receivable of HK$25,590,000 and HK$5,770,000, respectively, from a related company were satisfied by the same amount of an investment held for trading.

(b) The repayment of other receivables of HK$169,647,000 was satisfied by short-term loan receivables and a short-term loan receivable from a related company of HK$118,800,000 and HK$50,847,000, respectively.

(c) The repayment of a short-term loan receivable from a related company of HK$12,479,000 was satisfied by the same amount of a short-term loan receivable.

44. CONTINGENT LIABILITIES

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts utilized in respect of guarantees given to banks and other financial institutions for facilities granted to outsiders	11,674	—	—	—

The Group is involved in two patent infringement lawsuits in the USA. The damages claim arising from the lawsuits range from approximately US$285,000 (equivalent to HK$2,213,000) to US$855,000 (equivalent to HK$6,639,000) for the years ended 31 March 2004 and 2005. As the outcome of the lawsuits is not certain, the Group has made a provision of US$302,000 and US$302,000 (equivalent to HK$2,345,000) for these cases at 31 March 2004 and 2005 respectively to cover the possible damages as estimated by the Directors.

The Group has no contingent liabilities as at 31 December 2005.

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44. CONTINGENT LIABILITIES *(Cont'd)*

The following contingent liabilities arise from interests in associates:

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of contingent liabilities of associates arising from guarantees given to banks in respect of bank facilities utilised by:				
— investees	—	9,758	4,551	2,349
— third parties	238,692	449	175	—
Other guarantees issued to				
— investees	—	236	9,037	—
— third parties	16,567	14,210	—	9,037
	255,259	24,653	13,763	11,386

The above amounts represented share of contingent liabilities from interests in associates which was based on the published information of those associates as at 31 December 2002, 2003, 2004 and 2005.

45. OPERATING LEASE COMMITMENTS

The Group as lessee

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Minimum lease payments paid under operating leases during the year:				
Land and buildings	24,209	27,134	30,585	19,797
Property, plant and equipment	2,959	8,615	23,267	17,232
	27,168	35,749	53,852	37,029

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45. OPERATING LEASE COMMITMENTS *(Cont'd)*

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

	As at 31 March 2003		As at 31 March 2004		As at 31 March 2005		As at 31 December 2005	
	Land and buildings	Property, plant and equipment	Land and buildings	Property, plant and equipment	Land and buildings	Property, plant and equipment	Land and buildings	Property, plant and equipment
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating leases which expire:								
Within one year	19,403	2,594	25,096	22,678	23,008	23,121	15,532	22,314
In the second to fifth year inclusive	50,733	3,018	79,900	41,721	75,368	19,521	44,966	6,682
Over five years	34,437	—	53,162	705	46,519	—	73,147	—
	104,573	5,612	158,158	65,104	144,895	42,642	133,645	28,996

Leases are negotiated for a range of one to ten years and rentals are fixed over the terms of the leases.

The Group as lessor

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental income earned under operating leases during the year:				
Land and buildings	4,754	6,568	7,426	4,916
Property, plant and equipment	—	5,000	20,246	15,183
	4,754	11,568	27,672	20,099

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45. OPERATING LEASE COMMITMENTS *(Cont'd)*

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

	As at 31 March 2003		As at 31 March 2004		As at 31 March 2005		As at 31 December 2005	
	Land and buildings	Property, plant and equipment	Land and buildings	Property, plant and equipment	Land and buildings	Property, plant and equipment	Land and buildings	Property, plant and equipment
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating leases which expire:								
Within one year	2,662	—	4,747	20,000	6,738	20,000	2,244	20,000
In the second to fifth year inclusive	9,780	—	18,109	35,000	24,594	15,000	8,605	—
Over five years	12,057	—	13,914	—	14,426	—	30,814	—
	24,499	—	36,770	55,000	45,758	35,000	41,663	20,000

The Group has committed tenants with lease term for a range of one to ten years.

46. SHARE OPTION SCHEME

The Company's share option scheme was adopted on 21 August 2001 (the "2001 Share Option Scheme") for the primary purpose of providing incentives to the employees of the Group. Under the 2001 Share Option Scheme, the board of directors of the Company may grant options to eligible employees including the directors (but excluding independent non-executive directors) of the Company and the directors of any of the subsidiaries of the Company to subscribe for shares in the Company.

Pursuant to a resolution passed at a special general meeting of the Company on 17 March 2003, the Company has terminated the 2001 Share Option Scheme and adopted a new share option scheme (the "2003 Share Option Scheme"). Under the 2003 Share Option Scheme, the board of directors of the Company may grant options to directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters and service providers of any members of the Group who the board of directors considers have contributed or will contribute or can contribute to the Group. The purpose of the 2003 Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Group and to encourage participants to work towards enhancing the value of the Group and its shares for the benefits of the Group and its shareholders as a whole.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and to be exercised under the 2003 Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the 2003 Share Option Scheme, when aggregated with any shares subject to any other schemes, is not permitted to exceed 10% of the shares of the Company in issue on the date of approval and adoption of the 2003 Share Option Scheme.

46. SHARE OPTION SCHEME *(Cont'd)*

Under the 2003 Share Option Scheme, the options which may be granted to any individual in any one year are not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The number of shares in respect of which options had been granted and remained outstanding under the 2003 and 2001 Share Option Schemes was 16,000,000, 21,800,000, 21,800,000 and 19,000,000, representing 9.98%, 11.69%, 9.75% and 8.40% of the shares of the Company in issue at 31 March 2003, 2004, 2005 and at 31 December 2005, respectively.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1. Options may be exercised at any time from the date on which the option is accepted to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company shares on the date of grant or the average closing price of the shares for the five business days immediately preceding the date of grant or the nominal value of the share of the Company.

The following tables disclose details of the Company's share options held by employees (including directors) of the Company and movements in such holdings during the Relevant Periods:

2003 Share Option Scheme

Date of grant	**Exercisable period**	**Exercise price** *HK$*	**Number of share options outstanding at 1.4.2004, 31.3.2004 and 31.3.2005**
Directors			
23.2.2004	23.2.2004 to 22.2.2006	3.415	6,400,000
Employees			
23.2.2004	23.2.2004 to 22.2.2006	3.415	6,400,000
			12,800,000

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46. SHARE OPTION SCHEME *(Cont'd)*

Date of grant	Exercisable period	Exercise period HK$	Number of share options: Outstanding at 1.4.2005	Transfer during the period (Note)	Cancelled/ lapsed during the period	Outstanding at 31.12.2005
Directors						
23.2.2004	23.2.2004 to 22.2.2006	3.415	6,400,000	(1,600,000)	—	4,800,000
Employees						
23.2.2004	23.2.2004 to 22.2.2006	3.415	6,400,000	1,600,000	(2,800,000)	5,200,000
			12,800,000	—	(2,800,000)	10,000,000

Note:

A director retired on 1 September 2005 and accordingly the option entitled by that director was transferred to the category under "Employees".

2001 Share Option Scheme

Date of grant	Exercisable period	Exercise price HK$ (note b)	Number of share options: Outstanding at 1.4.2002	Adjustment due to consolidation of the Company's shares	Outstanding at 31.3.2003
Directors: (note a)					
31.8.2001	31.8.2001 to 30.8.2006	2.9888	460,000,000	(448,500,000)	11,500,000
Employees:					
31.8.2001	31.8.2001 to 30.8.2006	2.9888	180,000,000	(175,500,000)	4,500,000
			640,000,000	(624,000,000)	16,000,000

Notes:

a. An employee who held 70,000,000 share options as at 1 April 2002 has been appointed as a director of the Company during the year ended 31 March 2003.

b. The exercise price of the share options was adjusted from HK$0.07472 to HK$2.9888 after the consolidation of the Company's shares during the year ended 31 March 2003 as set out in note 38.

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46. SHARE OPTION SCHEME *(Cont'd)*

For the year ended 31 March 2004, total consideration received from the directors and employees for taking up the options granted was HK$13.

For the year ended 31 March 2005, no options were granted to or exercised by the directors or employees.

			Number of share options			
Date of grant	**Exercisable period**	**Exercise price** *HK$*	**Outstanding at 1.4.2003**	**Exercised during the year**	**Cancelled/ lapsed during the year**	**Outstanding at 31.3.2004 and 31.3.2005**
Directors						
31.8.2001	31.8.2001 to 30.8.2006	2.9888	11,500,000	(1,750,000)	(750,000)	9,000,000
Employees						
31.8.2001	31.8.2001 to 30.8.2006	2.9888	4,500,000	(3,000,000)	(1,500,000)	–
			16,000,000	(4,750,000)	(2,250,000)	9,000,000

The share options were exercised on 15 January 2004. The closing price of the Company's share immediately before the date on which the share options were exercised was HK$2.80.

			Number of share options		
Date of grant	**Exercisable period**	**Exercise price** *HK$*	**Outstanding at 1.4.2005**	**Transfer** *(Note)*	**Outstanding at 31.12.2005**
Directors					
31.8.2001	31.8.2001 to 30.8.2006	2.9888	9,000,000	(1,750,000)	7,250,000
Employees					
31.8.2001	31.8.2001 to 30.8.2006	2.9888	—	1,750,000	1,750,000
			9,000,000	—	9,000,000

Note:

A director retired on 1 September 2005 and accordingly the option entitled by that director was transferred to the category under "Employees".

47. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund ("MPF") scheme for qualifying employees of the Company and its subsidiaries in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The Group also operates various retirement benefit schemes for qualifying employees of its overseas subsidiaries, including subsidiaries in the United Kingdom, the USA and Singapore. The assets of the retirement benefit schemes are held separately from those of the Group, in funds under control of trustees. The Group contributes 4% to 10% of the relevant payroll costs to the schemes, which contribution is matched by employees.

The Group's employees who are employed by subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

48. PLEDGE OF ASSETS

At the respective balance sheet dates, the following assets were pledged by the Group and the Company to secure banking and other financing facilities:

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other receivables	174,431	217,420	105,494	286,173
Listed securities of associates	59,148	75,199	88,467	265,790
Inventories	39,162	93,180	—	153,253
Land and buildings	30,818	12,392	13,378	12,351
Investments in securities	944	813	12,816	—
Available-for-sale investments	—	—	—	521,808
Investments held for trading	—	—	—	129,241
Bank deposits	19,226	—	20,014	20,591
	323,729	399,004	240,169	1,389,207

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49. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the Relevant Periods and nine months ended 31 December 2004, the Group had significant transactions with the following related parties, together with balances with them at the respective balance sheet dates, details of which are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Substantial shareholder and its associates:					
Loan receivables of the Group at end of the year/period *(note a)*	67,997	167,365	224,233	172,843	186,019
Amount due from the Group at the end of the year/period *(note a)*	3,796	—	—	—	—
Loan payables of the Group at end of the year/period *(note a)*	165,000	149,333	149,333	149,333	321,225
Loans advanced by (repaid to) the Group during the year/ period *(note a)*	224,875	140,541	56,868	(5,479)	(38,213)
Amount due to the Group at the end of the year/period *(note a)*	3,339	—	—	—	—
Interest received and receivable by the Group *(note a)*	4,789	3,015	12,066	8,587	17,822
Interest paid and payable by the Group *(note a)*	9,857	12,263	10,490	7,901	19,871
Disposal of a subsidiary *(note c)*	—	—	238	—	—
Management fee income *(note c)*	5,256	1,182	—	—	—
Acquisition of property, plant and equipment *(note c)*	3,000	13	—	—	—
Loans advanced to (repaid by) the Group during the year/ period *(note a)*	172,000	(15,667)	—	—	(88,108)
Parking fee income *(note b)*	—	101	68	—	—
Rent paid and payable by the Group *(note b)*	1,023	1,283	1,298	958	1,836
Associates:					
Rental paid and payable by the Group *(note b)*	2,524	1,347	1,353	1,016	653
Interest received and receivable by the Group *(note a)*	639	1,507	94	70	85
Management fee income *(note c)*	9,336	6,677	3,608	2,704	2,409
Loans advanced by (repaid to) the Group during the year/ period (note a)	6,400	(41,173)	—	—	—
Purchase of finished goods *(note b)*	76,894	—	—	—	—
Sales of finished goods *(note b)*	3,566	—	—	—	142
Rent received and receivable by the Group *(note b)*	405	232	232	162	162

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49. TRANSACTIONS AND BALANCES WITH RELATED PARTIES *(Cont'd)*

Details of balances with associates at the respective balance sheet date are set out in note 22.

Notes:

a. The loans advanced to/by and the balances due by/to the Group are unsecured, bear interest at prevailing market rates and repayable in accordance with the respective loan agreements, if any.

b. The transactions were carried out at terms by reference to market prices of similar transactions.

c. The transactions were determined based on terms mutually agreed by the parties concerned.

In addition, certain banking and other facilities of the Group were secured by personal guarantee from a director of the Company, to the extent of HK$6,306,000, HK$6,441,000, HK$6,681,000 and HK$404,103,000 at 31 March 2003, 2004, 2005 and 31 December 2005 respectively.

Save as disclosed above, there were no other significant transactions with related parties during the Relevant Periods and the nine months ended 31 December 2004 or no significant balances with them at the respective balance sheet dates.

50. SUBSEQUENT EVENTS

(a) On 19 January 2006, the Vendor has entered into the Agreement with the Purchaser, to dispose of interest in certain subsidiaries and the trademark licenses for an aggregate consideration which comprises: (1) an initial consideration of US$330,000,000 (equivalent to approximately HK$2,562,450,000), (2) plus the amount, if any, by which the amount of the Completion Date Net Current Asset Amount (as defined in the Circular) exceeds US$87,000,000 (equivalent to approximately HK$675,555,000) or minus the amount, if any, by which the amount of the Completion Date Net Current Asset Amount falls short of US$87,000,000 (equivalent to approximately HK$675,555,000); and (3) plus the Earnout Amount which is to be determined by reference to the earnings before interest, tax, depreciation and amortization of the electronic data storage business of the Vendor and the Disposed Companies to be disposed of by the Vendor and calculated on an agreed basis set out in the Agreement for each of the twelve-month periods ending on 31 March 2007, 31 March 2008 and 31 March 2009. The Earnout Amount shall have a cumulative minimum of US$5,000,000 (equivalent to approximately HK$38,825,000) and a cumulative maximum of US$45,000,000 (equivalent to approximately HK$349,425,000). In the event that the Purchaser transfers control of the Business at any time prior to 1 April 2009, the Purchaser will pay the Vendor an amount equal to whatever would be required to bring the aggregate amount of earnout payments to US$45,000,000 (equivalent to approximately HK$349,425,000).

(i) Included in the net book value of intangible assets of the Group are the "Memorex" trademark licences and other intangible assets relating to the Business amounting to HK$337,873,000, HK$244,352,000, HK$236,716,000 and HK$236,111,000 at 31 March 2003, 2004 and 2005 and 31 December 2005, respectively.

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50. SUBSEQUENT EVENTS *(Cont'd)*

(ii) Included in the consolidated balance sheet of the Group are the assets and liabilities attributable to the Disposed Companies as at respective balance sheet dates which are presented on a combined basis after elimination of intra-entities balances:

	As at 31 March			As at 31 December
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	23,938	25,661	25,926	31,258
Intangible assets	40,305	47,154	45,934	45,003
Deferred tax assets	13,298	34,281	18,026	45,440
	77,541	107,096	89,886	121,701
CURRENT ASSETS				
Inventories	484,710	844,329	568,876	868,868
Trade and other receivables	403,005	695,874	584,300	963,716
Tax recoverable	3,424	—	17,513	5,047
Bank balances and cash	62,367	17,841	159,165	17,468
Pledged bank deposit	19,226	—	—	—
	972,732	1,558,044	1,329,854	1,855,099
CURRENT LIABILITIES				
Trade and other payables	463,518	1,014,792	898,134	1,024,761
Tax payable	—	1,829	11,789	23,876
Borrowings – due within one year	89,505	151,418	—	292,902
Obligations under finance leases – due within one year	1,113	1,068	462	—
Bank overdrafts	—	—	28,362	—
	554,136	1,169,107	938,747	1,341,539
NET CURRENT ASSETS	418,596	388,937	391,107	513,560
TOTAL ASSETS LESS CURRENT LIABILITIES	496,137	496,033	480,993	635,261

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50. SUBSEQUENT EVENTS *(Cont'd)*

	As at 31 March			As at 31 December
	2003	2004	2005	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES				
Obligations under finance leases and hire purchase contracts – due after one year	1,557	462	—	—
Amounts due to fellow subsidiaries	188,114	7,147	185	140,731
Amounts due to related companies	1,182	581	32	—
	190,853	8,190	217	140,731
TOTAL ASSETS AND LIABILITIES	305,284	487,843	480,776	494,530

(iii) Included in the consolidated income statement of the Group are the results attributable to the Disposed Companies during the Relevant Periods and for the nine months ended 31 December 2004 which are presented on a combined basis after elimination of intra-entities transactions:

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	2,883,912	3,617,542	3,851,959	2,856,940	3,172,533
Cost of sales	(1,977,695)	(2,614,755)	(2,690,494)	(2,022,707)	(2,252,703)
Gross profit	906,217	1,002,787	1,161,465	834,233	919,830
Other operating income	41,462	72,697	20,320	15,069	8,420
Distribution and selling expenses	(674,758)	(679,804)	(756,765)	(561,433)	(682,977)
Administrative expenses	(115,972)	(145,498)	(160,283)	(107,646)	(115,854)
Other operating expenses	(89,329)	(13,549)	(212,185)	(149,280)	(76,388)
Finance costs	(3,816)	(5,262)	(3,043)	(2,956)	(8,692)
Profit before income tax	63,804	231,371	49,509	27,987	44,339
Income tax expense	(6,264)	(27,388)	(50,583)	(45,132)	(35,811)
Profit (loss) for the year/period	57,540	203,983	(1,074)	(17,145)	8,528

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50. SUBSEQUENT EVENTS *(Cont'd)*

(iv) Included in the consolidated cash flow statement of the Group are the cash flows attributable to the Disposed Companies during the Relevant Periods and for the nine months ended 31 December 2004 which are presented on a combined basis after elimination of intra-entities transactions:

	Year ended 31 March			Nine months ended 31 December	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Profit before income tax	63,804	231,371	49,509	27,987	44,339
Adjustments for:					
Interest income	(9,348)	(12,023)	(9,683)	(7,221)	(2,601)
Interest expense and finance charges	3,816	5,262	3,043	2,956	8,692
Amortization of intangible assets	—	1,228	1,228	921	920
Allowance for slow moving and obsolete inventories	18,020	24,512	24,528	(2,857)	19,449
Depreciation and amortization of property, plant and equipment	12,465	13,252	11,623	8,942	7,437
Loss on disposal of property, plant and equipment	717	819	693	(30)	104
Operating cash flows before movements in working capital	89,474	264,421	80,941	30,698	78,340
(Increase) decrease in inventories	(62,617)	(358,732)	248,638	308,360	(320,473)
(Increase) decrease in trade and other receivables	(339)	(304,818)	97,521	(108,517)	(391,553)
(Increase) decrease in amounts due from fellow subsidiaries	(199,878)	(11,778)	20,730	(36,976)	66,205
(Decrease) increase in trade and other payables	(107,274)	507,811	(121,438)	(172,552)	128,066
Increase (decrease) in amounts due to fellow subsidiaries	257,579	(156,319)	(3,528)	150,221	91,183
Increase (decrease) in amounts due to related companies	1,182	(643)	(600)	—	(31)

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50. SUBSEQUENT EVENTS *(Cont'd)*

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cash generated (used in) from operations	(21,873)	(60,058)	322,264	171,234	(348,263)
Interest and finance charges paid	(3,816)	(5,262)	(3,043)	(2,956)	(8,692)
Interest received	501	809	412	227	875
Tax paid	(19,977)	(41,263)	(41,370)	(27,202)	(37,683)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(45,165)	(105,774)	278,263	141,303	(393,763)
INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment	175	543	285	462	117
Purchase of property, plant and equipment	(12,001)	(15,651)	(13,586)	(7,351)	(13,069)
Purchase of intangible assets	—	(8,065)	—	—	—
NET CASH USED IN INVESTING ACTIVITIES	(11,826)	(23,173)	(13,301)	(6,889)	(12,952)
FINANCING ACTIVITIES					
Bank loans raised	400,046	423,969	700,528	677,203	591,624
Repayments of bank loans	(318,325)	(361,849)	(852,140)	(789,940)	(298,722)
Repayments of obligations under finance leases	(437)	(1,137)	(1,069)	(796)	(462)
(Increase) decrease in pledged bank deposits	(19,226)	19,226	—	—	—

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50. SUBSEQUENT EVENTS *(Cont'd)*

	Year ended 31 March			Nine months ended 31 December	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
NET CASH FROM (USED IN) FINANCING ACTIVITIES	62,058	80,209	(152,681)	(113,533)	292,440
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,067	(48,738)	112,281	20,881	(114,275)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	53,927	62,367	17,841	17,841	130,803
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	3,373	4,212	681	558	940
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	62,367	17,841	130,803	39,280	17,468
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Bank balances and cash	62,367	17,841	159,165	39,280	17,468
Bank overdrafts	—	—	(28,362)	—	—
	62,367	17,841	130,803	39,280	17,468

(v) According to the Agreement, the Vendor will cause each of the Disposed Companies to repay and discharge in full, if any and all intercompany balances and related company balances prior to the closing date as defined in the Circular.

(b) On March 9, 2006, the Group has entered into an agreement with Asset Manage Limited ("AML"), which is a wholly-owned subsidiary of Capital Strategic Investment Limited ("CSIL"), in which a substantial shareholder of the Company has 8.18% interest in CSIL, to purchase the entire issued share capital of Rapid Growth Profits Limited ("Rapid Growth") and all amounts due from Island Town Limited to AML at consideration of approximately HK$39 million. Rapid Growth is a company incorporated in the BVI and holds investment properties in Hong Kong.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong"

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FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the GDI Group extracted from the accountants' report thereon contained in this appendix is set out below:

Results

	Year ended 31st December,		
	2005	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Turnover			
— Continued operation	5,298	—	—
— Discontinued operation	—	96,262	2,884,493
	5,298	96,262	2,884,493
(Loss) profit before income tax	(54,304)	96,858	(310,310)
Income tax	(4,247)	(5,257)	(567)
(Loss) profit for the year from continued operations	(58,551)	91,601	(310,877)
Profit for the year from discontinued operations	—	1,511	104,075
Dividends	—	—	—
Earnings (loss) per GDI Share	Not applicable	Not applicable	Not applicable
Dividend per GDI Share	—	—	—

Assets and liabilities

	As at 31st December,		
	2005	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Non-current assets	804,735	684,590	900,347
Current assets	1,694,814	1,852,780	1,663,751
	2,499,549	2,537,370	2,564,098
Non-current liabilities	21,175	—	1,322
Current liabilities	3,053,617	3,099,738	3,177,564
	3,074,792	3,099,738	3,178,886

No extraordinary or exceptional items were recorded in each of the three financial years ended 31st December, 2003, 2004 and 2005. No qualification was contained in the accountants' report in respect of each of the three financial years ended 31st December, 2003, 2004 and 2005.

Set out below is the text of a report, prepared for the purpose of incorporation in this document, received from Deloitte Touche Tohmatsu in connection with the GDI Group:

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

26th May, 2006

The Directors
Hanny Holdings Limited
Group Dragon Investments Limited

Dear Sirs,

We set out below our report on the financial information, which is presented on the basis as set out in note 1 to the financial information, regarding Group Dragon Investments Limited ("GDI") and the companies which have become subsidiaries of GDI pursuant to the group reorganisation which became effective on 19th May, 2006 referred to below (hereinafter collectively referred to as the "GDI Group") for the three years ended 31st December, 2005 (the "Relevant Periods") for inclusion in the composite document dated 26th May, 2006 issued by Well Orient Limited ("Well Orient", a wholly owned subsidiary of Hanny Holdings Limited ("Hanny") and a shareholder of China Strategic Holdings Limited ("CSH")) and GDI, in connection with the voluntary unconditional offer made by Somerley Limited (a financial advisor to Hanny and Well Orient) on behalf of Well Orient to acquire all the GDI shares not already held by Well Orient and parties acting in concert with it (other than PYI Corporation Limited) (the "Document").

Following the completion of group reorganisation, all subsidiaries of CSH carrying on property development, sand mining and investment holding business and all associates of CSH carrying on manufacturing and marketing of tires product, business of providing package tour, travel and other related services ("Distributing Business") have been acquired by GDI and continues to be operated by the existing management of CSH. CSH continues to be a public listed company with its subsidiaries concentrating on the business of manufacturing and trading of batteries products and investment in securities. GDI becomes the holding company of the GDI Group which comprise companies carrying on Distributing Business, and the issued shares of GDI have been distributed as dividend in specie to the shareholders of CSH (the "Group Reorganisation"). Details of the Group Reorganisation are set out under the section "Letter from the GDI Board" contained in the Document. The Group Reorganisation was approved by the shareholders of CSH in an extraordinary general meeting on 6th October, 2005 and effective on 19th May, 2006.

GDI was incorporated on 1st March, 2005 in the British Virgin Islands ("BVI") under the International Business Companies Act. GDI is an investment holding company and was a wholly owned subsidiary of CSH prior to completion of the Group Reorganisation. GDI has not carried on any business since its incorporation, except that it is undergoing the Group Reorganisation which become effective on 19th May, 2006.

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Particulars of the subsidiaries acquired by GDI pursuant to the Group Reorganisation are as follows:

Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of share capital/ registered capital held by GDI		Principal activities
			Directly %	Indirectly %	
Acrow Limited *(note 1)*	8th August, 1996 BVI	US$1	—	100	Inactive
APEC.com Limited *(note 2)*	15th October, 1992 Hong Kong	HK$2	—	100	Inactive
B2B Limited *(note 2)*	18th August, 1992 Hong Kong	HK$2	—	100	Holding license
Capital Canton Limited *(note 1)*	2nd May, 2001 BVI	US$1	—	55.22 *(note 5(b))*	Investment holding
Capital Passion Limited *(note 1)*	15th December, 2000 BVI	US$1	—	100	Inactive
Carling International Limited *(note 1)*	24th September, 1991 BVI	US$1	—	100	Investment holding
Century Lead Limited *(note 1)*	2nd May, 2001 BVI	US$1	—	55.22 *(note 5(b))*	Investment holding
China Advertising Holdings Limited *(note 2)*	5th December, 1991 Hong Kong	HK$2	—	100	Inactive
China Audio & Communications Limited *(note 2)*	15th January, 1997 Hong Kong	HK$2	—	100	Inactive
China Automobile (Holdings) Limited *(note 2)*	16th January, 1992 Hong Kong	HK$2	—	100	Inactive

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Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of share capital/ registered capital held by GDI		Principal activities
			Directly %	Indirectly %	
China B2B Net.com Limited *(note 2)*	5th February, 1991 Hong Kong	HK$2	—	100	Inactive
China Barter Trade.com Limited *(note 2)*	10th January, 1997 Hong Kong	HK$2	—	100	Inactive
China Broadcasts (Holdings) Limited *(note 2)*	16th January, 1992 Hong Kong	HK$2	—	100	Inactive
China Cable (BVI) Limited *(note 1)*	18th July, 1995 BVI	US$3	—	100	Inactive
China Cement Holdings Limited *(note 2)*	9th February, 1988 Hong Kong	HK$20	—	100	Inactive
China Computer Limited *(note 2)*	21st August, 1987 Hong Kong	HK$20	—	100	Inactive
China Data Center Limited *(note 2)*	4th June, 1991 Hong Kong	HK$2	—	100	Inactive
China Digital Corporation Limited *(note 2)*	15th January, 1997 Hong Kong	HK$2	—	100	Inactive
China e-Barter.com Limited *(note 2)*	15th October, 1991 Hong Kong	HK$2	—	100	Inactive
China eBay.com Limited *(note 2)*	19th December, 1991 Hong Kong	HK$2	—	100	Inactive

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Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of share capital/ registered capital held by GDI		Principal activities
			Directly %	Indirectly %	
China e-commerce.com Limited *(note 2)*	5th December, 1991 Hong Kong	HK$2	—	100	Inactive
China e-Link.com Limited *(note 2)*	11th October, 1989 Hong Kong	HK$2	—	100	Inactive
China e-printing.com Limited *(note 2)*	23rd December, 1992 Hong Kong	HK$2	—	100	Inactive
China Electric Corporation Limited *(note 2)*	10th January, 1997 Hong Kong	HK$2	—	100	Inactive
China Electronics Industries Limited *(note 2)*	3rd December, 1991 Hong Kong	HK$2	—	100	Inactive
China Enterprises Limited ("CEL") *(note 5(a))*	28th January, 1993 Bermuda	Super voting common stock US$30,000 Common stock US$60,173	—	55.22 *(note 5(a))*	Investment holding
China Grains.com Limited *(note 2)*	3rd December, 1991 Hong Kong	HK$2	—	100	Inactive
China I.T. Net.com Limited *(note 2)*	8th February, 1994 Hong Kong	HK$2	—	100	Inactive
China Internet Capital Group Limited *(note 2)*	3rd December, 1991 Hong Kong	HK$2	—	100	Inactive
China Internet Global Alliance Limited *(note 2)*	12th November, 1991 Hong Kong	HK$10,000	—	100	Investment holding

Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of share capital/ registered capital held by GDI		Principal activities
			Directly %	Indirectly %	
China Logistic.com Limited *(note 2)*	16th January, 1992 Hong Kong	HK$2	—	100	Inactive
China Micro Systems Limited *(note 2)*	3rd January, 1997 Hong Kong	HK$2	—	100	Inactive
China Pharmaceutical Industrial Limited *(note 2)*	24th March, 1992 Hong Kong	HK$2	—	57.26 (note 4(b))	Investment holding
China Pharmaceutical Pty Limited *(note 6)*	17th December, 1993 Australia	A$1	—	57.26 (note 4(b))	Inactive
China Resources Holdings Limited *(note 1)*	15th June, 1994 BVI	US$1	—	57.26 *(note 4(b))*	Inactive
China Strategic (B.V.I.) Limited *(note 1)*	5th July, 2001 BVI	US$1	100	—	Investment holding
China Strategic Investments Pty Ltd *(note 6)*	17th December, 1993 Australia	A$2	—	57.26 *(note 4(b))*	Inactive
China Technologies Limited *(note 2)*	10th January, 1997 Hong Kong	HK$2	—	100	Inactive
China Telecom International Limited *(note 2)*	12th January, 1993 Hong Kong	HK$2	—	51	Inactive
China Television (Holdings) Limited *(note 2)*	5th February, 1991 Hong Kong	HK$2	—	100	Inactive
China University Online Limited *(note 2)*	12th November, 1991 Hong Kong	HK$2	—	100	Investment holding

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Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of share capital/ registered capital held by GDI		Principal activities
			Directly %	Indirectly %	
China VU.com Limited *(note 2)*	5th February, 1991 Hong Kong	HK$2	—	100	Inactive
China Wireless Limited *(note 2)*	10th January, 1997 Hong Kong	HK$2	—	100	Inactive
China WTO.com Limited *(note 2)*	18th August, 1992 Hong Kong	HK$2	—	100	Investment holding
China Youth Net.com Limited *(note 1)*	23rd December, 1993 Cayman Islands	US$1,000	—	100	Inactive
Citybest Limited *(note 1)*	3rd January, 1997 BVI	US$1	—	100	Inactive
Com.com Limited *(note 2)*	10th January, 1997 Hong Kong	HK$2	—	100	Inactive
Container Limited *(note 1)*	22nd January, 1998 BVI	US$1	—	55.22 *(note 5(b))*	Inactive
Crown Dragon Limited *(note 1)*	2nd November, 2000 BVI	US$1	—	100	Inactive
CSI Land Group Limited *(note 2)*	19th December, 1991 Hong Kong	HK$2	—	100	Inactive
Dom.com Limited *(note 2)*	3rd November, 1966 Hong Kong	HK$737,680	—	100	Inactive
Earnfull Industrial Limited *(note 2)*	23rd January, 1987 Hong Kong	HK$10,000,000	—	90	Inactive

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Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of share capital/ registered capital held by GDI		Principal activities
			Directly %	Indirectly %	
eAsia Limited *(note 2)*	18th August, 1992 Hong Kong	HK$2	—	100	Inactive
Ease Wealth Limited *(note 1)*	12th December, 2001 BVI	US$1	—	100	Investment holding
Easy Legend Limited *(note 1)*	5th July, 2001 BVI	US$1	—	55.22 *(note 5(b))*	Inactive
Ever Excellent Limited *(note 1)*	15th December, 2000 BVI	US$1	—	100	Investment holding
Evergrowth Properties Limited *(note 1)*	1st December, 2000 BVI	US$1	—	100	Investment holding
Expert Commerce Limited *(note 1)*	8th March, 2000 BVI	US$1	—	100	Investment holding
Expert Solution Limited *(note 1)*	26th April, 2001 BVI	US$1	—	100	Inactive
Fast Settle Development Company Limited *(note 2)*	2nd March, 1993 Hong Kong	HK$2	—	100	Inactive
Favour Leader Limited *(note 1)*	8th March, 1994 BVI	US$1	—	100	Investment holding
Future Returns Limited *(note 1)*	28th February, 2001 BVI	US$1	—	100	Investment holding
Glory Eagle Limited *(note 1)*	18th September, 1996 BVI	US$1	—	100	Investment holding

Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of share capital/ registered capital held by GDI		Principal activities
			Directly %	Indirectly %	
Gold Label Investments Limited *(note 1)*	1st April, 1992 BVI	US$1	—	100	Inactive
Golden Flower Limited *(note 1)*	3rd January, 1997 BVI	US$1	—	100	Investment holding
Good Trend Enterprises Limited *(note 1)*	18th October, 2000 BVI	US$1	—	100	Investment holding
Great Joint Profits Limited *(note 1)*	29th January, 2002 BVI	US$1	—	100	Investment holding
Group Dragon Limited *(note 1)*	12th December, 2003 BVI	US$1	—	100	Investment holding
Great Windfall Agents Limited *(note 1)*	28th November, 2001 BVI	US$1	—	55.22 *(note 5(b))*	Investment holding
Grotto Profits Limited *(note 1)*	6th January, 2000 BVI	US$1	—	100	Inactive
Happy Access Limited *(note 1)*	15th December, 2000 BVI	US$1	—	100	Inactive
Hollywood & Co., Limited *(note 2)*	5th December, 1991 Hong Kong	HK$2	—	100	Investment holding
Honest Map Limited *(note 1)*	15th November, 2001 BVI	US$1	—	55.22 *(note 5(b))*	Inactive
Honest Sincere Limited *(note 1)*	28th February, 2001 BVI	US$1	—	100	Investment holding

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Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of share capital/ registered capital held by GDI		Principal activities
			Directly %	Indirectly %	
Hongkong Macau Telecom Holdings Limited *(note 2)*	3rd December, 1991 Hong Kong	HK$2	—	100	Inactive
Hong Kong Pharmaceutical Industries Corporation Limited *(note 2)*	5th December, 1991 Hong Kong	HK$2	—	100	Inactive
Kamthorn Limited *(note 1)*	23rd July, 1996 BVI	US$1	—	100	Investment holding
Katmon Limited *(note 1)*	10th November, 1992 BVI	US$1	—	100	Investment holding
Keen Strategic Limited *(note 1)*	26th November, 2003 BVI	US$1	—	100	Investment holding
Leading Returns Limited *(note 1)*	12th June, 2001 BVI	US$1	—	55.22 *(note 5(b))*	Inactive
Longnew Ltd. *(note 1)*	19th September, 1997 BVI	US$1	—	100	Investment holding
Manwide Holdings Limited *(note 1)*	3rd March, 2004 BVI	US$1	—	55.22 *(note 5(b))*	Investment holding
Million Good Limited *(note 1)*	28th November, 2001 BVI	US$1	—	55.22 *(note 5(b))*	Investment holding
MRI Holdings Limited ("MRI") *(note 4(a))*	7th August, 1925 Australia	A$31,184,116	—	57.26 *(note 4(b))*	Investment holding
MRI Infrastructure Holdings Limited *(note 1)*	3rd January, 1995 Bermuda	US$12,000	—	57.26 *(note 4(b))*	Inactive

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Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of share capital/ registered capital held by GDI		Principal activities
			Directly %	Indirectly %	
MRI Services (Overseas) Limited *(note 1)*	8th January, 1999 BVI	US$1	—	57.26 *(note 4(b))*	Inactive
Orion (B.V.I.) Tire Corporation *(note 1)*	14th February, 1994 BVI	US$100	—	60 *(note 5(c))*	Inactive
Orion Tire Corporation *(note 1)*	7th March, 1994 USA	N/A	—	60 *(note 5(c))*	Inactive
Perfect City Limited *(note 1)*	28th November, 2001 BVI	US$1	—	100	Inactive
Pioneer Honour Limited *(note 1)*	11th August, 2001 BVI	US$1	—	100	Investment holding
Premier Zhou En Lai Foundation Limited *(note 2)*	28th February, 1991 Hong Kong	HK$2	—	100	Inactive
Quality Best Limited *(note 1)*	28th February, 2001 BVI	US$1	—	100	Investment holding
Regal Tender Limited *(note 1)*	5th July, 2001 BVI	US$1	—	100	Investment holding
Rosedale Luxury Hotel & Suites Ltd. *(note 5(d))*	28th August, 2004 PRC	US$20,000,000	—	55.22 *(note 5(d))*	Property holding
Ruby Services Limited *(note 1)*	21st February, 1995 BVI	US$1	—	100	Inactive
Ruby Uniforms Limited *(note 2)*	8th April, 1988 Hong Kong	HK$10,000	—	90	Inactive

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Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of share capital/ registered capital held by GDI		Principal activities
			Directly %	Indirectly %	
See Ying Limited *(note 1)*	1st September, 1997 BVI	US$1	—	100	Investment holding
Sheen Trade Limited *(note 1)*	3rd December, 2004 BVI	US$1	—	100	Investment holding
Shine Brilliant Limited *(note 1)*	2nd June, 2005 BVI	US$1	—	100	Investment holding
Sifford Limited *(note 1)*	24th September, 1991 BVI	US$1	—	100	Investment holding
Sincere Ocean Limited *(note 1)*	12th June, 2001 BVI	US$1	—	55.22 *(note 5(b))*	Investment holding
Strawberg Limited *(note 1)*	8th August, 1996 BVI	US$1	—	100	Inactive
Super Plus Limited *(note 1)*	8th November, 2001 BVI	US$1	—	100	Inactive
Supreme Solutions Limited *(note 1)*	16th May, 2002 BVI	US$1	—	55.22 *(note 5(b))*	Investment holding
Treasure Way Services Limited *(note 2)*	6th August, 1991 Hong Kong	HK$10,000	100	—	Secretarial services
United China Internet Capital Limited *(note 2)*	25th July, 1991 Hong Kong	HK$10,000,000	—	100	Inactive

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Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of share capital/ registered capital held by GDI		Principal activities
			Directly %	Indirectly %	
Union Money International Limited *(note 2)*	14th August, 2002 Hong Kong	HK$2	—	100	Inactive
Ventures Kingdom Limited *(note 1)*	12th June, 2001 BVI	US$1	—	55.22 *(note 5(b))*	Inactive
Venture Leader Limited *(note 1)*	28th March, 2001 BVI	US$1	—	100	Investment holding
Vision Leader Limited *(note 1)*	26th June, 2002 BVI	US$1	—	100	Investment holding
Wai Cheong Limited *(note 1)*	1st December, 2000 BVI	US$1	—	100	Investment holding
Wealth Faith Limited *(note 1)*	18th October, 2001 BVI	US$1	—	55.22 *(note 5(b))*	Inactive
Wealthy Mark Limited *(note 1)*	5th July, 2001 BVI	US$1	—	100	Investment holding
Widecheer Limited *(note 1)*	2nd June, 2005 BVI	US$1	—	100	Investment holding
Winning Effort Limited *(note 1)*	28th March, 2001 BVI	US$1	—	100	Inactive
Zhuhai Zhongce Property Investment Limited *(note 1)*	16th December, 2002 BVI	US$1	—	100	Property development

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Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of share capital/ registered capital held by GDI		Principal activities
			Directly %	Indirectly %	
東莞市江海貿易有限公司 ("東莞市江海") *(note 3)*	14th July, 1997 The People's Republic of China (the "PRC")	RMB500,000	—	88	Vessel for sand mining
廣州耀陽實業有限公司 ("廣州耀陽") *(note 3)*	9th December, 2004 PRC	RMB1,000,000	—	100	Vessel for sand mining

Note 1: No audited financial statements have been issued for these companies, which are incorporated in a country where there are no statutory audit requirements. For the purpose of this report, we have carried out independent audit procedures in accordance with the Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the management accounts of these companies for each of the Relevant Periods, or since their respective dates of incorporation or acquisition, where this is a shorter period, which were prepared in accordance with HKFRS.

Note 2: We have acted as auditors of these companies for each of the Relevant Periods or since their respective dates of incorporation or acquisition, where this is a shorter period. Audited financial statements have been prepared in accordance with HKFRS for these companies for each of the three years ended 31st December, 2005, or from their respective date of incorporation, where this is a shorter period.

Note 3: No statutory financial statements for the year ended 31st December, 2005 of 東莞市江海 and廣州耀陽 since there are no statutory audit requirements. We have undertaken an independent audit in accordance with the HKSA issued by the HKICPA on the financial statements of東莞市江海 and廣州耀陽for the period from its acquisition to 31st December, 2005 which were prepared in accordance with HKFRS.

Note 4 (a): MRI is a company listed on The Australian Stock Exchange and operates in both Hong Kong and Australia. The statutory financial statements of MRI were audited by Deloitte Touche Tohmatsu Australia, which is a member firm of Deloitte Touche Tohmatsu. The statutory financial statements of MRI were prepared in accordance with the relevant accounting principles and financial regulations applicable in Australia. For the purpose of this report, we have undertaken an independent audit in accordance with the HKSA issued by the HKICPA on the financial statements of MRI for each of the three years ended 31st December, 2005 which were prepared in accordance with HKFRS.

(b): These companies are wholly owned subsidiaries of MRI and the GDI Group holds a 57.26% effective equity interest in MRI.

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Note 5 *(a):* CEL is a company with its shares trading on the Over the Counter Bulletin Board of the United States of America and operates in both Hong Kong and PRC. The GDI Group will hold 55.22% effective equity interest and 88.8% effective voting interest in CEL. We have audited the financial statements of CEL for each of the three years ended 31st December, 2005. The statutory financial statements of CEL were prepared in accordance with the relevant accounting principles and financial regulation applicable in the United States of America. For the purpose of this report, we have undertaken an independent audit in accordance with HKSA issued by the HKICPA on the financial statements of CEL for each of the three years ended 31st December, 2005, which were prepared in accordance with HKFRS.

(b): These companies are wholly-owned subsidiaries of CEL and the GDI Group holds 55.22% effective equity interest in CEL.

(c): Orion (B.V.I.) Tire Corporation and Orion Tire Corporation are 60% subsidiaries of CEL and the GDI Group holds 55.22% effective equity interest in CEL.

(d): The statutory financial statements of Rosedale Luxury Hotel & Suites Ltd was audited by Shanghai Justiword Associated Certified Public Accountants. For the purpose of this report, we have undertaken an independent audit in accordance with the HKSA issued by the HKICPA for each of the three years ended 31st December, 2005 which were prepared in accordance with HKFRS.

Note 6: China Pharmaceutical Pty Limited and China Strategic Investments Pty Ltd. are subsidiaries of MRI. MRI is a 57.26% owned subsidiary of the GDI Group. The statutory financial statements of China Pharmaceutical Pty Limited and China Strategic Investments Pty Ltd. were audited by Deloitte Touche Tohmatsu Australia, which is a member firm of Deloitte Touche Tohmatsu. The statutory financial statements of China Pharmaceutical Pty Limited and China Strategic Investments Pty Ltd. were prepared in accordance with the relevant accounting principles and financial regulations applicable in Australia. For the purpose of this report, we have undertaken an independent audit in accordance with the HKSA issued by the HKICPA on the financial statements of China Pharmaceutical Pty Limited and China Strategic Investments Pty Ltd. for each of the three years ended 31st December, 2005 which were prepared in accordance with HKFRS.

No audited financial statements have been prepared for GDI since the date of incorporation as it is newly incorporated in a country where there is no statutory requirement and has not carried on any business. We have, however, reviewed all relevant transactions of GDI since incorporation.

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We have examined the audited financial statements or, where appropriate, management accounts (the "Underlying Financial Statements") of the companies comprising the GDI Group for the Relevant Periods or since their respective dates of incorporation or acquisition to 31st December, 2005. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The combined income statements and combined cash flow statements of the GDI Group for the Relevant Periods and the combined balance sheets of the GDI Group as at 31st December, 2003, 2004 and 2005 as set out in this report have been prepared from the Underlying Financial Statements of the companies comprising the GDI Group on the basis set out in note 1 to the financial information, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Document.

The Underlying Financial Statements are the responsibility of the directors of those companies who approved their issue. The directors of CSH are responsible for the contents of the Document in which this report is included. It is our responsibility to compile the financial information set out in this report from the Underlying Financial Statements, to form an independent opinion on the financial information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 below, the financial information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the GDI Group as at 31st December, 2003, 2004 and 2005 and of the combined results and combined cash flows of the GDI Group for each of the three years ended 31st December, 2005.

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I. FINANCIAL INFORMATION

The following are the financial information of the GDI Group and GDI as at 31st December, 2003, 2004 and 2005 and of the GDI Group for the Relevant Periods prepared on the basis set out in note 1 to the financial information.

COMBINED INCOME STATEMENTS

	Notes	Year ended 31st December, 2003 HK$'000	2004 HK$'000	2005 HK$'000
Turnover	6	—	—	5,298
Cost of sales		—	—	(4,457)
Gross profit		—	—	841
Other income	8	55,879	52,660	33,622
Distribution costs		—	—	(1,365)
Administrative expenses		(35,639)	(9,852)	(33,802)
Other expenses	9	(40,782)	(9,020)	(23,030)
Allowances for loans and interest receivable	10	(50,645)	(32,419)	(31,116)
Change in fair value of conversion option of unlisted convertible note	21(iii)	—	76,959	(39,743)
Finance costs	13	(55)	(1,491)	—
Gain (loss) on disposal of interests in associates		—	57,542	(2,814)
Loss on deemed disposal of associate		(36,480)	—	—
Share of results of associates		(189,887)	(37,521)	43,103
Allowance on receivables advanced to an associate		(12,712)	—	—
Gain on disposal of interests in subsidiaries		11	—	—
(Loss) profit before taxation	11	(310,310)	96,858	(54,304)
Taxation	14	(567)	(5,257)	(4,247)
(Loss) profit for the year from continuing operations		(310,877)	91,601	(58,551)
Profit for the year from discontinued operations	15	104,075	1,511	—
(Loss) profit for the year		(206,802)	93,112	(58,551)
(Loss) profit attributable to:				
Equity holders of the parent		(216,323)	21,619	(54,259)
Minority interests		9,521	71,493	(4,292)
(Loss) profit for the year		(206,802)	93,112	(58,551)

COMBINED BALANCE SHEETS

	Notes	GDI Group As at 31st December, 2003 HK$'000	2004 HK$'000	2005 HK$'000	GDI As at 31st December, 2005 HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	17	36,074	220	109,811	—
Deposit paid for acquisition of interest in properties	18	—	47,012	55,716	—
Deposit for acquisition of subsidiaries	19	—	40,000	—	—
Goodwill	20	9,325	—	9,123	—
Interests in associates	21	508,110	309,149	558,738	—
Unlisted convertible notes and loans receivable due from an associate	21(ii) & 21(iv)	320,674	187,967	—	—
Loans and interest receivables — due after one year	22	—	28,283	—	—
Investment in securities	24	26,164	71,959	—	—
Investment in securities at fair value through profit or loss	24	—	—	71,347	—
		900,347	684,590	804,735	—
CURRENT ASSETS					
Other asset	28	226,718	227,167	229,288	—
Inventories	29	66,976	—	102	—
Trade receivables	30	13,718	—	—	—
Amounts due from associates	21	129	54,373	151,206	—
Loans and interest receivables — due within one year	22	251,691	540,931	448,961	—
Other receivables, deposits and prepayments	23	35,861	79,800	40,672	4
Other investments	24	1,142	—	—	—
Amounts due from former fellow subsidiaries	26	756,570	878,028	721,091	—
Bank balances and cash	27	310,946	72,481	103,494	—
		1,663,751	1,852,780	1,694,814	4
CURRENT LIABILITIES					
Trade payables, other payables and accrued charges	31	78,834	25,497	17,475	—
Payables — due within one year	32	29,180	444	583	—
Amounts due to associates	21	—	673	286	—
Income and other tax payable		3,150	8,144	12,257	—
Amounts due to former fellow subsidiaries	26	3,040,386	3,064,980	3,023,016	14
Bank loans and other borrowings — due within one year	33	26,014	—	—	—
		3,177,564	3,099,738	3,053,617	14
NET CURRENT LIABILITIES		(1,513,813)	(1,246,958)	(1,358,803)	(10)
		(613,466)	(562,368)	(554,068)	(10)
CAPITAL AND RESERVES					
Share capital	34	10,777	10,777	10,777	—
Reserves		(874,892)	(893,489)	(902,023)	(10)
Equity attributable to equity holders of the parent		(864,115)	(882,712)	(891,246)	(10)
Minority interests		249,327	320,344	316,003	—
		(614,788)	(562,368)	(575,243)	(10)
NON-CURRENT LIABILITIES					
Bank loans and other borrowings — due after one year	33	129	—	—	—
Payables — due after one year	32	1,193	—	—	—
Deferred tax liabilities	25	—	—	21,175	—
		1,322	—	21,175	—
		(613,466)	(562,368)	(554,068)	(10)

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COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK$'000	Contributions from shareholders HK$'000 (Note a)	Goodwill on consolidation HK$'000	Exchange reserve HK$'000	Other non-distributable reserve HK$'000 (Note b)	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
GDI GROUP									
At 1st January, 2003	10,777	191,479	121,049	(5,160)	39,942	(990,403)	(632,316)	722,277	89,961
Exchange adjustment	–	–	–	301	–	–	301	553	854
Share of reserves movement of associates	–	–	–	2,090	(172)	–	1,918	–	1,918
Net income (expense) recognised directly in equity	–	–	–	2,391	(172)	–	2,219	553	2,772
Loss for the year	–	–	–	–	–	(216,323)	(216,323)	9,521	(206,802)
Realised on disposal of interests in associates	–	–	(20,333)	(128)	(238)	–	(20,699)	–	(20,699)
Realised on disposal of interests in subsidiaries	–	–	6,852	(3,848)	(17,863)	17,863	3,004	(481,183)	(478,179)
Total recognised income and expense for the year	–	–	(13,481)	(1,585)	(18,273)	(198,460)	(231,799)	(471,109)	(702,908)
Acquisition from minority interests	–	–	–	–	–	–	–	(410)	(410)
Dividend paid to minority interests	–	–	–	–	–	–	–	(1,431)	(1,431)
Appropriation	–	–	–	–	1,339	(1,339)	–	–	–
At 31st December, 2003	10,777	191,479	107,568	(6,745)	23,008	(1,190,202)	(864,115)	249,327	(614,788)
Exchange adjustment	–	–	–	(611)	–	–	(611)	(476)	(1,087)
Share of reserves movement of associates	–	–	–	(99)	9,531	–	9,432	–	9,432
Net income (expense) recognised directly in equity	–	–	–	(710)	9,531	–	8,821	(476)	8,345
Profit for the year	–	–	–	–	–	21,619	21,619	71,493	93,112
Realised on disposal of interests in associates	–	–	(48,225)	(825)	–	–	(49,050)	–	(49,050)
Realised on disposal of interests in subsidiaries	–	–	–	13	–	–	13	–	13
Total recognised income and expense for the year	–	–	(48,225)	(1,522)	9,531	21,619	(18,597)	71,017	52,420
At 31st December, 2004	10,777	191,479	59,343	(8,267)	32,539	(1,168,583)	(882,712)	320,344	(562,368)
Effect of changes in accounting policies (Note 2(b))	–	–	(59,343)	–	–	106,401	47,058	–	47,058
At 1st January, 2005 – as restated	10,777	191,479	–	(8,267)	32,539	(1,062,182)	(835,654)	320,344	(515,310)
Exchange adjustment	–	–	–	(1,333)	–	–	(1,333)	(2,623)	(3,956)
Net expense recognised directly in equity	–	–	–	(1,333)	–	–	(1,333)	(2,623)	(3,956)
Loss for the year	–	–	–	–	–	(54,259)	(54,259)	(4,292)	(58,551)
Total recognised income and expense for the year	–	–	–	(1,333)	–	(54,259)	(55,592)	(6,915)	(62,507)
Arising on acquisition of subsidiaries	–	–	–	–	–	–	–	2,574	2,574
At 31st December, 2005	10,777	191,479	–	(9,600)	32,539	(1,116,441)	(891,246)	316,003	(575,243)

Note:

(a) The amount represents the investments in subsidiaries contributed to the GDI Group by GDI pursuant to the Group Reorganisation on the basis that the Group Reorganisation had been effected on 1st January, 2003 and it represents the investments directly made by GDI in companies to be acquired by GDI in previous years.

(b) The other non-distributable reserves of the GDI Group include statutory reserves required to be appropriated from the profit after taxation of the GDI's subsidiaries and associates of the PRC under PRC laws and regulations. The amount of the appropriation is at the discretion of the PRC subsidiaries' board of directors.

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COMBINED CASH FLOW STATEMENTS

	Year ended 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
(Loss) profit before taxation	(310,310)	96,858	(54,304)
Adjustments for:			
Dividend income	(60)	—	—
Interest income	(33,202)	(46,148)	(29,762)
Interest expenses	34,096	1,491	—
Depreciation of property, plant and equipment	57,576	2,031	5,865
Amortisation of goodwill	1,628	155	—
Changes in fair value on investments in securities at fair value through profit or loss	8,121	(70)	(1,208)
(Gain) loss on disposal of interests in associates	—	(57,542)	2,814
(Gain) loss on disposal of interests in subsidiaries	(12,309)	5,266	—
Loss (gain) on disposal of investments in securities through profit or loss	1,774	(2,959)	716
Loss on deemed disposal of associate	36,480	—	—
Allowances for bad and doubtful debts	6,919	1,724	18,575
Allowances for amounts due from associates	2,458	4,099	—
Allowance on receivables advanced to an associate	12,712	—	—
Impairment loss of goodwill on acquisition of subsidiaries	20,387	—	—
Write-down for inventories	4	—	—
Allowances for loans and interest receivable	50,645	32,419	31,116
Change in fair value of conversion option of unlisted convertible note	—	(76,959)	39,743
Gain on disposal of property, plant and equipment	(15,995)	—	—
Share of results of associates	175,697	37,521	(43,103)
Profit from discontinued operations	114,442	1,511	—
Operating cash flows before movements in working capital	151,063	(603)	(29,548)
Decrease (increase) in inventories	22,997	17,657	(96)
Increase in trade receivables	(10,287)	(118)	—
(Increase) decrease in other receivables, deposits and prepayments	(214)	(41,655)	19,272
Increase (decrease) in trade payables, other payables and accrued charges	43,903	(10,021)	(8,127)
Increase in amounts due from associates	(29,065)	(4,097)	(15,164)
Increase (decrease) in amounts due to associates	—	673	(387)
Increase in other asset	(226,718)	(449)	(2,121)
Decrease in income and other tax payable	(19,493)	—	—
Net cash outflow from operations	(67,814)	(38,613)	(36,171)
Tax (paid) refunded in other jurisdictions	(7,420)	(233)	245
NET CASH USED IN OPERATING ACTIVITIES	(75,234)	(38,846)	(35,926)

	Notes	Year ended 31st December, 2003 HK$'000	2004 HK$'000	2005 HK$'000
INVESTING ACTIVITIES				
Repayment from loans and interest receivables		697,425	160,903	345,672
Repayment from associates		92,267	143,214	—
Proceeds from disposal of investments in securities		16,711	152,642	77,547
Proceeds from disposal of property, plant and equipment		25,994	771	125
Increase in pledged bank deposits		(45,259)	—	—
Interest received		4,506	7,200	8,488
Proceeds from disposal of interests in associates		23,887	110,341	—
Proceeds from disposal of interest in subsidiaries (net of cash and cash equivalents disposed of)	*35*	(58,564)	13,324	—
Dividend received from investments in securities		60	—	—
Dividend income received from associates		—	—	2,427
Investment in associates		—	—	(63,152)
Amount advanced to loans and interest receivables		(553,342)	(501,146)	(285,122)
Amount advanced to associates		(260,373)	(163,828)	—
Purchase of investments in securities		(23,278)	(26,250)	(78,259)
Purchase of property, plant and equipment		(268,682)	(1,864)	(331)
Purchase of subsidiaries (net of cash and cash equivalents acquired)	*36*	(785)	—	(9,651)
Payment for acquisition of interests in property		—	(326)	(8,704)
(Increase) decrease in amounts due from former fellow subsidiaries		(229,601)	(121,456)	121,572
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(579,034)	(226,475)	110,612
FINANCING ACTIVITIES				
Advance from third parties/related parties		29,193	13,000	—
New bank loans and other borrowings raised		994,271	39,033	—
Increase (decrease) in payables due to former fellow subsidiaries		380,907	24,596	(41,964)
Repayment of bank loans and other borrowings		(721,048)	(4,827)	—
Repayment of third parties/related parties		(44,108)	(43,537)	—
Dividend paid to minority interests		(1,431)	—	—
Repayment of obligations under finance leases		(181)	(1)	—
Interest paid		(32,848)	(883)	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES		604,755	27,381	(41,964)

	Year ended 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(49,513)	(237,940)	32,722
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	356,829	310,944	72,481
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	3,628	(523)	(1,709)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	310,944	72,481	103,494
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	310,946	72,481	103,494
Bank overdrafts	(2)	—	—
	310,944	72,481	103,494

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NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The combined income statements, combined statements of changes in equity, and combined cash flow statements of the companies comprising the GDI Group for the Relevant Periods are prepared as if they had been formed as a single reporting entity throughout the Relevant Periods, or since their respective dates of incorporation or acquisition or up to the effective dates of disposal, where this is a shorter period of the individual company. The combined balance sheets as at 31st December, 2003, 2004 and 2005 have been prepared to present the assets and liabilities of the GDI Group as at the respective dates as if they had been formed as a single reporting entity at those dates.

The financial information of Relevant Periods has been prepared in accordance with the accounting policies adopted by China Strategic Holdings Limited ("CSH").

The financial information has been prepared on the going concern basis because CSH has committed to provide continuing financial support to the companies comprising the GDI Group to enable the GDI Group to meet its financial obligations as they fall due in the foreseeable future.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the GDI.

All significant intra-group transactions and balances have been eliminated on combination.

2(a). APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In preparation of the financial information for the year ended 31st December, 2005 the GDI Group has applied a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of these new HKFRSs has resulted in a change in the presentation of the combined income statement, combined balance sheet and combined statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation has been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the GDI Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting periods are prepared and presented:

Business combinations

During the year ended 31st December, 2005, the GDI Group has applied HKFRS 3 Business Combinations which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the GDI Group are summarised below:

Goodwill

Prior to 31st December, 2004, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life.

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2(a). **APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES** *(Cont'd)*

Business combinations *(Cont'd)*

The GDI Group has applied the relevant transitional provisions in HKFRS 3. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 are not required to be restated.

Excess of the GDI Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the GDI Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and negative goodwill arising on acquisitions after 1st January, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the GDI Group derecognised all negative goodwill on 1st January, 2005, of which negative goodwill of approximately HK$59,343,000 was previously recorded in reserves and approximately HK$47,058,000 was previously presented as a deduction from interests in associates), with a corresponding decrease to accumulated loss as at 1st January, 2005.

Contingent liabilities of acquirees

In accordance with HKFRS 3, contingent liabilities of an acquiree are recognised at the date of the acquisition if the fair value of the contingent liabilities can be measured reliably. Previously, contingent liabilities of acquirees were not recognised separately from goodwill. As no material contingent liabilities of the acquirees were identified in relation to acquisitions that took place in the current year, this change in accounting policy has had no material effect on the goodwill calculation. In addition, because the revised accounting policy has been applied prospectively to acquisitions for which the agreement date is on or after 1st January, 2005, comparative figures for 2004 and 2003 have not been restated.

Financial instruments

During the year ended 31st December, 2005, the GDI Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. The adoption of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the GDI Group. The principal effects on the GDI Group as a result of implementation of HKAS 39 are summarised below:

2(a). **APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES** *(Cont'd)*

Financial instruments *(Cont'd)*

Classification and measurement of financial assets and financial liabilities

The GDI Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

On or before 31st December, 2004, the GDI Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice No. 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses while "other investments" are measured at fair value, with unrealised holding gains or losses included in the profit or loss. From 1st January, 2005 onwards, the GDI Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

From 1st January, 2005 onwards, the GDI Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Other investments classified under non-current assets with carrying amounts of approximately of HK$71,959,000 at 31st December, 2004 were reclassified to investments in securities at fair value through profit or loss, which are designated to be stated at fair value through profit or loss.

Embedded derivatives

In accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" issued by the HKICPA, the conversion option element of the convertible note represents an embedded derivative instrument which is accounted for separately from the convertible notes and, as such, to be measured at fair value when initially recorded and at subsequent reporting dates. The fair value of this conversion option, representing a discount on subscription of the convertible note, was estimated using the relevant option pricing model at the date of subscription of the convertible note, and as at subsequent reporting dates. Prior to 1st January, 2005, the GDI Group measured the fair value of the embedded derivatives in accordance with the requirement under HKAS 39 and therefore, no adjustments was made on 1st January, 2005. During the Relevant Periods, the GDI Group measured the fair value of the embedded derivatives in accordance with the requirements and recognised the changes in fair value of the conversion option of the unlisted convertible note as at balance sheet dates and the impact of changes in fair value of this conversion option, taking into account the portion of the conversion option exercised during the year ended 31st December, 2003, 31st December, 2004 and 31st December, 2005 was nil, gain of approximately HK$76,959,000 and loss of approximately HK$39,743,000 respectively, which have been recognised in the combined income statement.

2(b). SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in accounting policies described in Note 2(a) on the results for the Relevant Periods are as follows:

(i) On results

	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Non-amortisation of goodwill	—	—	456
Changes in fair value of conversion option of unlisted convertible note	—	76,959	(39,743)
Share of results of associates — Depreciation on hotel properties	—	(3,192)	(8,252)
Increase in (loss) profit for the year	—	73,767	(47,539)

(ii) On income statement line items

	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Decrease in administrative expenses	—	—	456
Change in fair value of conversion option of unlisted convertible note	—	76,959	(39,743)
Decrease in share of results of associates	—	(3,192)	(8,252)
	—	73,767	(47,539)

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2(b). SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(iii) On balance sheet items

The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised below:

THE GDI GROUP	As at 31st December, 2004 (original stated) *HK$'000*	Effect of HKFRS 3 *HK$'000*	Effect of HKAS 39 *HK$'000*	As at 1st January, 2005 (restated) *HK$'000*
Balance sheet items				
Interests in associates				
— Negative goodwill	(47,058)	47,058	—	—
	(47,058)	47,058	—	—
Investments in securities				
— non-current	71,959		(71,959)	—
Investments in securities at fair value through profit or loss	—	—	71,959	71,959
Total effects on assets	24,901	47,058	—	71,959
Goodwill on consolidation	(59,343)	59,343	—	—
Accumulated losses	1,168,583	(106,401)	—	1,062,182
Total effects on equity	1,109,240	(47,058)	—	1,062,182

2(c). SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared under the historical cost basis except for investments in securities and financial instruments, which are measured at fair values as explained in the accounting policies set out below. The financial information has been prepared in accordance with HKFRS(s) issued by HKICPA.

Recognition of revenue

Turnover represents the fair value of amounts received and receivable for goods sold by the GDI Group less discount allowances and goods returned.

Revenue of the GDI Group for the Relevant Periods is recognised on the following bases:

Sales of goods are recognised when goods are delivered and title has passed.

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

Interest income 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's net carrying amount.

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2(c). **SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

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

Goodwill arising on acquisitions prior to 1st January, 2001 previously recognised in reserves, and have been transferred to the GDI Group's accumulated losses at 1st January, 2005.

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

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

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

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate.

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

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

2(c). **SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Goodwill *(Cont'd)*

Excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisition")

A discount on acquisition arising on an acquisition of a subsidiary or an associate for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition of an associate (which is accounted for using the equity method) is included as income in determination of the investor's share of results of the associate in the Relevant Periods in which the investment is acquired.

Negative goodwill arising on acquisition after 1st January, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

All negative goodwill as at 1st January, 2005 has been derecognised with a corresponding adjustment to the GDI Group's accumulated losses.

Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investment in associates are carried in the combined balance sheet at cost as adjusted for post-acquisition changes in the GDI Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the GDI Group's share of losses of an associate equals or exceeds its interest in that associate (which include any long-term interests that, in substance, form part of the GDI Group's net investment in the associate), the GDI 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 GDI Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Goodwill (included in interests in associates) are tested for impairment annually by comparing its carrying amount with its recoverable amount, irrespective of whether there is any indication that it may be impaired. If the recoverable amount of goodwill is estimated to be less than its carrying amount. The carrying amount is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When the GDI Group transacts with an associate, profits and losses are eliminated to the extent of the GDI Group's interest in the relevant associate.

Impairment losses (other than goodwill (see the accounting policy in respect of goodwill above))

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

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

2(c). **SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Property, plant and equipment

Construction in progress

Construction in progress are stated at cost, which includes amortisation of land cost, the related construction costs, less accumulated impairment losses. No depreciation is provided on construction in progress until the construction is completed and the properties and assets are available for use.

Other property, plant and equipment

Property, plant and equipment, other than construction in progress are stated at cost less subsequent accumulated depreciation, accumulated amortisation and accumulated impairment losses.

Depreciation is provided to write off the cost 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Non-current assets held for sales

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the Relevant Periods in which they are incurred.

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2(c). **SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Leasing

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

The GDI Group as lessee

Assets held under finance leases are recognised as assets of the GDI Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating lease are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefit received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value 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 translation of monetary items, are recognised in profit or loss in the Relevant Periods 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 Relevant Periods except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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2(c). **SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Foreign currencies *(Cont'd)*

For the purpose of presenting the combined financial information, the assets and liabilities of the GDI Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average rates for the year, unless exchange rates fluctuate significantly during the Relevant Periods, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the Relevant Periods in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences are recognised in the exchange reserve.

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1st January, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

Retirement benefit costs

Payment to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Financial instruments

Prior to 1st January, 2005, investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

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2(c). **SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Financial instruments *(Cont'd)*

From 1st January, 2005 onwards, financial assets and financial liabilities are recognised on the balance sheet when the GDI Group 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 add 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 GDI Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade day basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two categories , including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the Relevant Periods in which they arise.

Embedded derivatives

The conversion option element of the convertible note represents an embedded derivative instrument which is accounted for separately from the convertible note and, as such, to be measured at fair value when initially recorded and at subsequent reporting dates. The fair value of this conversion option is estimated using a relevant option pricing model at the date of subscription of the convertible note, and as at subsequent reporting dates. Changes in fair value of the conversion option of the unlisted convertible note are recognised directly in profit and loss.

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2(c). SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Loans and receivables

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by the GDI Group 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 GDI Group after deducting all of its liabilities. The GDI Group's major financial liabilities are generally other financial liabilities. The accounting policy adopted are set out below.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accrued charges, payables, amounts due to associates, amounts due to former fellow subsidiaries, bank loans and other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

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2(c). **SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Taxation

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the combined income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. **ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS**

The GDI Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the GDI Group anticipate that the application of these standards or Interpretations will have no material impact on the financial statements of the GDI Group except that HKAS 39 (Amendment) — The fair value option require the GDI Group shall de-designate any financial asset or financial liability previously designated as at fair value through profit or loss only if it does not qualify for such designation in accordance with those new and amended paragraphs. When a financial asset or financial liability will be measured at amortised cost after de-designation, the date of de-designation is deemed to be its date of initial recognition.

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3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS — INT 4	Determining whether an arrangement contains a lease[2]
HKFRS — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment[3]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) — INT 8	Scope of HKFRS 2[5]
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives[6]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2006.
[3] Effective for annual periods beginning on or after 1st December, 2005.
[4] Effective for annual periods beginning on or after 1st March, 2006.
[5] Effective for annual periods beginning on or after 1st May, 2006.
[6] Effective for annual periods beginning on or after 1st June, 2006.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the GDI Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the financial information are disclosed below:

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the GDI Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the three years ended 31st December, 2005, management of the GDI Group determined that there were no impairment on goodwill. Details of the impairment testing on goodwill are disclosed in note 20.

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4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Estimated impairment on loan and interest receivables

The assessment of the impairment loss on loan and interest receivables of the GDI Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each borrowers or debtors. If the financial conditions of borrowers or debtors of the GDI Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Allowances made in the loans and interest receivables as at 31st December, 2003, 2004 and 2005 were approximately HK$50,645,000, HK$32,419,000 and HK$31,116,000 respectively.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The GDI Group's major financial instruments include loans and interest receivables, amounts due from associate, trade receivables, other receivables and deposits, investments in securities at fair value through profit and loss, trade payables, payables, amounts due to associates, amounts due to related companies and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The GDI Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the balance sheet dates is in relation to the carrying amount of such item on balance sheet and other class of financial assets as stated in the combined balance sheet. In order to minimise the credit risk, the management of the GDI Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the GDI Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the GDI Group's credit risk is significantly reduced.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned in international credit-rating agencies.

The GDI Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

5. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(Cont'd)*

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the GDI Group to foreign currency risk. Also, certain trade receivables, trade payables, bank balances and bank borrowings of the GDI Group are denominated in foreign currencies. The GDI Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Other price risk

The GDI Group's investments in securities at fair value through profit or loss is measured at fair value at each balance sheet date. Therefore, the GDI Group is exposed to equity security and debt price risk. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Liquidity risk

The GDI Group's objective is to maintain a balance between continuity of funding and flexibility through the funds generated from its operations. The Directors have given careful consideration on the measures currently undertaken by the GDI Group in respect of the GDI Group's liquidity position. During the year, the GDI Group has continued to tighten cost controls over operating costs to improve the cash flows, profitability and operations of the GDI Group. The directors believe that the Group will have sufficient working capital for its future operational requirements.

6. **TURNOVER**

Turnover represents the net amount received and receivable from outside customers net of sales and business tax during the Relevant Periods and is analysed as follows:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Sales of goods, net of returns and sales taxes	—	—	5,298

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7. SEGMENT INFORMATION

Business segments

Pursuant to the Group Reorganisation, companies carrying on property development, sand mining and investment holding will be acquired by GDI, which represent the GDI Group's current main business segment. For the purpose of the presentation of the business segments and except for the segment of sand mining business which commenced in 2005, the segment of property development and investment holding during the Relevant Periods are grouped under "Others" segment.

During the Relevant Periods, certain companies under the GDI Group were engaged in the operations of manufacturing and trading of chinese and western medicine products, tire operation, consumer goods, electronic products and heavy industry which were discontinued upon the disposal of these operations held by these companies. Details of these discontinuing operations are set out below.

An analysis of the GDI Group's turnover segment results and segment assets and liabilities by business segments is presented below:

	Discontinued operation			Continuing operation			
	Tires	Pharmaceutical products	Sub-total	Investments in securities and advance	Others	Sub-total	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December, 2003							
(i) TUROVER							
— External	2,635,235	249,258	2,884,493	—	—	—	2,884,493
(ii) OTHER INCOME							
— Interest income	4,457	49	4,506	25,175	3,521	28,696	33,202
— Dividend income	—	—	—	60	—	60	60
— Gain on disposal of property, plant and equipment	15,573	—	15,573	—	422	422	15,995
— Others	2,248	2,937	5,185	—	26,701	26,701	31,886
	22,278	2,986	25,264	25,235	30,644	55,879	81,143
RESULT							
Segment result	100,304	(20,184)	80,120	19,548	(18,097)	1,451	81,571
Unallocated corporate expenses							(30,763)
Finance costs	(31,689)	(2,352)	(34,041)	(55)	—	(55)	(34,096)
Gain on disposal of interests in subsidiaries	3,711	8,587	12,298	—	11	11	12,309
Loss on deemed disposal of associate	—	—	—	(36,480)	—	(36,480)	(36,480)
Share of results of associates	14,188	2	14,190	(202,262)	12,375	(189,887)	(175,697)
Allowance on receivables advanced to an associate	—	—	—	(12,712)	—	(12,712)	(12,712)
Profit/(loss) before taxation			114,442			(310,310)	(195,868)
Taxation			(10,367)			(567)	(10,934)
Profit/(loss) for the year			104,075			(310,877)	(206,802)

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7. **SEGMENT INFORMATION** *(Cont'd)*

Business segments *(Cont'd)*

	Tires	Pharmaceutical products	Investments in securities and advance	Others	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities at 31st December, 2003					
ASSETS					
Segment assets	—	88,395	1,335,051	70,324	1,493,770
Interests in associates	—	15,416	—	492,694	508,110
Unlisted convertible notes and loans receivable due from an associate	—	—	—	320,674	320,674
Unallocated total assets					241,544
Combined total assets					2,564,098
LIABILITIES					
Segment liabilities	—	(56,505)	(4,110)	(16,232)	(76,847)
Unallocated corporate liabilities					(3,102,039)
Combined total liabilities					(3,178,886)
Other information for the year ended 31st December, 2003					
Capital expenditure — Property, plant and equipment	260,872	7,978	—	—	268,850
Depreciation and amortisation	47,750	11,454	—	—	59,204
Impairment loss of goodwill on acquisition of subsidiaries	—	—	—	20,387	20,387
Allowances for loans and interest receivable	—	—	50,645	—	50,645
Allowances on receivables advanced to an associate	—	—	12,712	—	12,712
Allowance for bad and doubtful debts	—	—	—	6,919	6,919
Change in fair value on investments in securities at fair value through profit or loss	—	—	8,121	—	8,121
Allowances for amounts due from associates	2,458	—	—	—	2,458
Write-down for inventories	—	4	—	—	4
Loss on disposal of investments in securities	—	—	1,774	—	1,774

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7. SEGMENT INFORMATION *(Cont'd)*

Business segments *(Cont'd)*

	Discontinued operation	Continuing operation				
	Pharmaceutical products	Investments in securities and advance	Others	Sub-total	Elimination	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December, 2004						
(i) TURNOVER						
— External	96,262	—	—	—	—	96,262
— Inter-segment	—	—	1,200	1,200	(1,200)	—
	96,262	—	1,200	1,200	(1,200)	96,262
(ii) OTHER INCOME						
— Interest income	17	40,622	5,509	46,131	—	46,148
— Others	446	6,529	—	6,529	—	6,975
	463	47,151	5,509	52,660	—	53,123
RESULT						
Segment result	6,777	20,217	2,758	22,975	—	29,752
Unallocated corporate expenses						(21,606)
Finance costs	—	(486)	(1,005)	(1,491)	—	(1,491)
Change in fair value of conversion option of unlisted convertible note	—	—	76,959	76,959	—	76,959
Loss on disposal of interests in subsidiaries	(5,266)	—	—	—	—	(5,266)
Gain on disposal of interests in associates	—	—	57,542	57,542	—	57,542
Share of results of associates	—	—	(37,521)	(37,521)	—	(37,521)
Profit before taxation	1,511			96,858		98,369
Taxation	—			(5,257)		(5,257)
Profit for the year	1,511			91,601		93,112

Inter-segment sales are charged at terms determined and agreed between the GDI Group's companies.

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7. **SEGMENT INFORMATION** *(Cont'd)*

Business segments *(Cont'd)*

	Pharmaceutical products *HK$'000*	Investments in securities and advance *HK$'000*	Others *HK$'000*	Combined *HK$'000*
Assets and liabilities at 31st December, 2004				
ASSETS				
Segment assets	—	300,009	231,803	531,812
Interests in associates	—	—	309,149	309,149
Unlisted convertible notes and loans receivables due from an associate	—	—	187,967	187,967
Unallocated total assets				1,508,442
Combined total assets				2,537,370
LIABILITIES				
Segment liabilities	—	(580)	(25,590)	(26,170)
Unallocated corporate liabilities				(3,073,568)
Combined total liabilities				(3,099,738)
Other information for the year ended 31st December, 2004				
Capital expenditure				
— Property, plant and equipment	1,370	—	494	1,864
— Deposit paid for acquisition of interest in properties	—	—	47,012	47,012
Depreciation and amortisation	2,000	—	31	2,031
Allowances for loans and interest receivable	—	32,419	—	32,419
Allowance for bad and doubtful debts	—	—	1,724	1,724
Allowances for amounts due from associates	—	—	4,099	4,099
Loss on disposal of interests in subsidiaries	5,266	—	—	5,266

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7. **SEGMENT INFORMATION** *(Cont'd)*

	Investments in securities and advance HK$'000	Sand mining HK$'000 (Note)	Others HK$'000	Combined HK$'000
For the year ended 31st December, 2005				
(i) TURNOVER				
— External	—	5,298		5,298
(ii) OTHER INCOME				
— Interest income	24,395	—	5,367	29,762
— Others	1,124	2,059	677	3,860
	25,519	2,059	6,044	33,622
RESULT				
Segment result	(25,528)	1,576	(26,984)	(50,936)
Unallocated corporate expenses				(3,198)
Loss on disposal of investments in securities at fair value through profit or loss	(716)	—	—	(716)
Change in fair value of conversion option of unlisted convertible note	—	—	(39,743)	(39,743)
Loss on disposal of interests in associates				(2,814)
Share of results of associates				43,103
Loss before taxation				(54,304)
Taxation				(4,247)
Loss for the year				(58,551)

Note: During the year, the GDI Group acquired 88% and 100% of the issued capital of 東莞市江海 and 廣州耀陽 for an aggregate cash consideration of HK$50 million respectively. The two newly acquired subsidiaries are engaged in the business of sand mining. The segment of sand mining is regarded as a new business segment of the GDI Group upon completion of the acquisition.

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7. **SEGMENT INFORMATION** *(Cont'd)*

	Investments in securities and advance *HK$'000*	Sand mining *HK$'000*	Others *HK$'000*	Combined *HK$'000*
Assets and liabilities at 31st December, 2005				
ASSETS				
Segment assets	440,935	110,716	114,151	665,802
Interests in associates	—	—	558,738	558,738
Unallocated total assets				1,275,009
Combined total assets				2,499,549
LIABILITIES				
Segment liabilities	(6,674)	(736)	(18,796)	(26,206)
Unallocated corporate liabilities				(3,048,586)
Combined total liabilities				(3,074,792)
Other information for the year ended 31st December, 2005				
Capital expenditure				
— Property, plant and equipment	331	113,183	—	113,514
— Goodwill arising from acquisition of subsidiaries	—	9,123	—	9,123
— Goodwill arising from acquisition of associates	—	—	10,181	10,181
Depreciation and amortisation	40	5,811	14	5,865
Allowance for bad and doubtful debts	7,823	—	10,752	18,575
Allowance for loans and interest receivable	31,116	—	—	31,116

7. **SEGMENT INFORMATION** *(Cont'd)*

An analysis of the GDI Group's turnover by geographical market, irrespective of the origin of the goods and services is presented below:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
PRC	—	—	5,298
Hong Kong	—	—	—
Overseas	—	—	—
	—	—	5,298

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of assets			Capital additions		
	As at 31st December,			Year ended 31st December,		
	2003	**2004**	**2005**	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
PRC	752,431	—	118,579	260,872	47,012	113,183
Hong Kong	1,638,133	2,371,568	2,126,456	7,978	1,864	331
Overseas	173,534	165,802	165,656	—	—	—
	2,564,098	2,537,370	2,410,691	268,850	48,876	113,514

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8. OTHER INCOME

	Year ended 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Interest income from loans receivable	24,579	38,637	24,390
Interest income from banks	3,274	3,197	350
Interest income from unlisted convertible notes	843	4,297	5,022
Net exchange gain	22,352	3,072	—
Change in fair value on investments in securities at fair value through profit or loss	—	70	1,208
Gain on disposal of investments in securities	—	2,959	—
Dividend income from listed investments	60	—	—
Gain on disposal of property, plant and equipment	422	—	—
Others	4,349	428	2,652
	55,879	52,660	33,622

9. OTHER EXPENSES

	Year ended 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Impairment loss of goodwill on acquisition of subsidiaries *(Note)*	20,387	—	—
Allowances for bad and doubtful debts	6,919	1,724	18,575
Change in fair value on investments in securities at fair value through profit or loss	8,121	—	—
Loss on disposal of investment in securities through profit or loss	1,774	—	716
Allowances for amounts due from associates	2,458	4,099	—
Net exchange loss	—	—	3,739
Others	1,123	3,197	—
	40,782	9,020	23,030

Note:

On 19th March, 2004, the GDI Group entered into a conditional agreement to dispose of its entire interests in Tung Fong Hung Investment Limited ("Tung Fong Hung") to a third party subsequent to 31st December, 2003. The directors have considered the consideration receivable from the said disposal and operating losses of Tung Fong Hung and have identified the impairment loss attributable to the goodwill arising from acquisition of Tung Fong Hung amounting to approximately HK$20 million. The amount was charged to the combined income statement accordingly.

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10. ALLOWANCES FOR LOANS AND INTEREST RECEIVABLE

As at 31st December, 2003, 2004 and 2005, the directors have reviewed the carrying value of the GDI Group's loans and interest receivables and determined that the recoverable amount of certain loans and interest receivables is below their carrying value with reference to present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Accordingly, an impairment loss of approximately HK$50,645,000, HK$32,419,000 and HK$31,116,000 had been charged to the income statement for the year ended 31st December, 2003, 31st December, 2004 and 31st December, 2005 respectively.

11. (LOSS) PROFIT BEFORE TAXATION

	Discontinued operation			Continuing operation			Combined		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:									
Staff costs									
— directors' remuneration *(note 12(a))*	—	—	—	77	117	458	77	117	458
— other staff costs *(note 12(b))*	144,530	11,619		525	618	1,306	145,055	12,237	1,306
— retirement benefit scheme contributions, excluding directors	26,925	469	—	23	26	50	26,948	495	50
— redundancy payment	1,938	—	—	—	—	—	1,938	—	—
Total staff costs	173,393	12,088	—	625	761	1,814	174,018	12,849	1,814
Auditors' remuneration									
Current year	725	427	—	3,174	3,286	4,721	3,899	3,713	4,721
Underprovision in prior years	—	392	—	—	—	—	—	392	—
Depreciation of property, plant and equipment	57,576	2,000	—	—	31	5,865	57,576	2,031	5,865
Amortisation of goodwill included in administrative expenses	1,628	155	—	—	—	—	1,628	155	—

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12. DIRECTORS' AND EMPLOYEE'S REMUNERATION

(a) Directors' remuneration

The emoluments of the directors for the Relevant Periods are as follows:

	Year ended 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries and allowance	77	117	458
	77	117	458
Name of director			
Chan Kwok Keung, Charles	—	—	—
Yap, Allan	77	117	229
Chau Mei Wah, Rosanna	—	—	—
Chan Ling, Eva	—	—	229
Li Bo	—	—	—
Chan Kwok Hung	—	—	—
Lui Siu Tsuen, Richard	—	—	—
	77	117	458

The directors' emoluments are presented as if the directors of GDI Group had been appointed throughout the Relevant Periods, or since their respective dates of appointment, where this is a shorter period, and the emoluments had been paid for their appointment as GDI Group's directors.

During the Relevant Periods, no emoluments were paid by the GDI Group to any director as an inducement to join or upon joining the GDI Group or as compensation for loss of office.

None of the directors waived any emoluments during the Relevant Periods.

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12. **DIRECTORS' AND EMPLOYEE'S REMUNERATION** *(Cont'd)*

(b) Employees' remuneration

Of the five individuals with the highest emoluments in the GDI Group, none, none and two was director of the Company for the three years ended 31st December, 2005, whose emolument is included in the disclosures in note 12(a) above. The emoluments of the remaining five, five and three individuals are as follows:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	4,732	3,535	1,306
Retirement benefit scheme	—	20	50
Bonus	—	—	—
	4,732	3,555	1,356

	Number of employees Year ended 31st December,		
	2003	**2004**	**2005**
Nil to HK$1,000,000	5	5	3

During the Relevant Periods, no emoluments were paid by the GDI Group to the five highest paid individuals as an inducement to join or upon joining the GDI Group or as compensation for loss of office.

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13. FINANCE COSTS

	Year ended 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
Bank borrowings wholly repayable within five years	—	482	—
Other borrowings and payables	55	1,009	—
	55	1,491	—

14. TAXATION

	Discontinued operation			Continuing operation			Combined		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The charge comprises:									
Taxation in other jurisdictions									
— Current year	11,137	—	—	329	1,340	1,010	11,466	1,340	1,010
— Under(over)provision in prior years	—	—	—	238	—	(663)	238	—	(663)
Hong Kong Profits Tax									
— Current year	—	—	—	—	3,917	1,300	—	3,917	1,300
— Under provision in prior years	—	—	—	—	—	2,600	—	—	2,600
Deferred tax credit *(note 25)*	(770)	—	—	—	—	—	(770)	—	—
Taxation attributable to the GDI Group	10,367	—	—	567	5,257	4,247	10,934	5,257	4,247

Hong Kong Profits Tax was calculated at 17.5% of the estimated assessable profit for the year ended 31st December, 2003, 2004 and 2005. No provision for Hong Kong Profits Tax was made in the financial statements for the year ended 31st December, 2003 as GDI and companies comprising the GDI Group had no assessable profit for those years.

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14. TAXATION *(Cont'd)*

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Pursuant to the relevant laws and regulations in the PRC, certain companies comprising the GDI Group are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years ("Tax Reduction"). Since these companies were disposed of during the year ended 31st December, 2003, no companies comprising the GDI Group were exempted from Tax Reduction.

The tax charge for the year can be reconciled to the (loss) profit before taxation as per the combined income statements as follows:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit before taxation	(310,310)	96,858	(54,304)
Tax at the average income tax rate *(Note a)*	(73,113)	18,258	(20,293)
Tax effect of share of results of associates	—	5,899	10,182
Tax effect of income not taxable for tax purpose	(27,389)	(50,770)	(31,142)
Tax effect of expenses not deductible for tax purpose	92,749	29,636	35,373
Underprovision in respect of prior year	238	—	1,937
Tax effect of deductible temporary differences not recognised	12,546	1,979	8,410
Tax effect of tax losses not recognised	—	255	—
Utilisation of tax losses previously not recognised	(4,464)	—	(220)
Tax expense for the year	567	5,257	4,247

Notes:

(a) The average income tax rate for the Relevant Periods represents the weighted average income tax rate of the operations in different jurisdictions on the basis of the relative amounts of profits before taxation and the related statutory rates.

(b) As at 31st December, 2003, 2004 and 2005, the GDI Group had unused tax loss of approximately HK$8,364,000, HK$9,214,000 and HK$8,480,000 respectively available to offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits streams.

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15. DISCONTINUED OPERATIONS

During year 2003, the GDI Group disposed of its 51% interest in Yinchuan C.S.I., (Greatwall) Rubber Company Limited, 25% in Hangzhou Zhongce Rubber Company Limited and 50% interest in Pacific Wins Development Ltd, which are engaged in the manufacturing of tires, the business segment of manufacturing of tires was regarded as discontinued operation during the year ended 31st December, 2003.

During year 2004, the GDI Group disposed of the 100% interests in Tung Fong Hung Investment Limited and its subsidiaries which are engaged in the manufacturing and trading of pharmaceutical products, the business segment of manufacturing and trading of pharmaceutical products was regarded as discontinued operation during the year ended 31st December, 2004.

The profits for the year ended 31st December, 2003 and 31st December, 2004 from the discontinued operations were analysed as follows:

	2003	**2004**
	HK$'000	*HK$'000*
Profits of tires and pharmaceutical products segment for the year	91,777	6,777
Gains/(losses) on disposal of tires and pharmaceutical products segment	12,298	(5,266)
	104,075	1,511

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15. DISCONTINUED OPERATIONS *(Cont'd)*

The profit of tire and pharmaceutical products segment for the year 31st December, 2003 and 31st December, 2004, which have been included in the combined income statements and analysed as follows:

	1st January, 2003 to 31st December, 2003	1st January, 2004 to 30th April, 2004
	HK$'000	*HK$'000*
Turnover	2,884,493	96,262
Cost of sales	(2,520,175)	(60,381)
Other income	25,264	419
Distribution costs	(174,955)	(21,056)
Administrative expenses	(90,187)	(8,467)
Finance costs	(34,041)	—
Other expenses	(2,445)	—
Share of results of associates	14,190	—
Profit before tax	102,144	6,777
Taxation	(10,367)	—
Profit for the period	91,777	6,777

The carrying amounts of the assets and liabilities of Yinchuan C.S.I., (Greatwall) Rubber Company Limited, Hangzhou Zhongce Rubber Company Limited, Pacific Wins Development Ltd. and Tung Fong Hung Investment Limited and its subsidiaries at the date of disposal are disclosed in note 35.

16. LOSS PER SHARE

Loss per share had not been presented as such information is not required for disclosure for a private company.

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17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and fixtures	Machinery and equipment	Motor vehicles	Sand vessels	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1st January, 2003	281,943	58,253	871,103	32,918	—	118,933	1,363,150
Currency realignment	(1,301)	682	(3,514)	72	—	(419)	(4,480)
Reclassification	138	1,602	—	—	—	(1,740)	—
Additions	1,778	5,902	8,368	2,329	—	250,473	268,850
Transfer	29,417	—	127,136	—	—	(156,553)	—
Disposals	(132)	(4,728)	(27,883)	(1,209)	—	—	(33,952)
Disposal of subsidiaries	(307,253)	(30,105)	(973,696)	(31,262)	—	(209,934)	(1,552,250)
At 31st December, 2003	4,590	31,606	1,514	2,848		760	41,318
Currency realignment	—	8	—	—		—	8
Additions	—	828	12	837	—	187	1,864
Reclassification	—	205	—	—	—	(205)	—
Disposals	—	(1,258)	—	—	—	—	(1,258)
Disposal of subsidiaries	(4,590)	(31,389)	(1,526)	(3,191)	—	(742)	(41,438)
At 31st December, 2004	—	—	—	494	—	—	494
Currency realignment	—	—	4	—	2,062	—	2,066
Additions	—	—	42	319	—	—	331
Arising from acquisition of subsidiaries	—	—	164	—	113,019	—	113,183
Disposals	—	—	(124)	—	—	—	(124)
At 31st December, 2005	—	—	56	813	115,081	—	115,950
DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSS							
At 1st January, 2003	112,275	3,448	441,861	21,271	—	45,354	624,209
Currency realignment	(485)	724	(1,880)	(65)	—	—	(1,706)
Provided for the year	9,115	7,930	38,700	1,831	—	—	57,576
Eliminated on disposals	(5,199)	(4,020)	(14,315)	(419)	—	—	(23,953)
Disposal of subsidiaries	(115,328)	(5,356)	(463,927)	(20,917)	—	(45,354)	(650,882)
At 31st December, 2003	378	2,726	439	1,701	—	—	5,244
Provided for the year	24	1,822	44	141	—	—	2,031
Eliminated on disposals	—	(487)	—	—	—	—	(487)
Disposal of subsidiaries	(402)	(4,061)	(483)	(1,568)	—	—	(6,514)
At 31st December, 2004	—	—	—	274	—	—	274
Provided for the year	—	—	10	101	5,754	—	5,865
At 31st December, 2005	—	—	10	375	5,754	—	6,139
NET BOOK VALUES							
At 31st December, 2005	—	—	46	438	109,327	—	109,811
At 31st December, 2004	—	—	—	220	—	—	220
At 31st December, 2003	4,212	28,880	1,075	1,147	—	760	36,074

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17. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

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

Buildings	2% or the term of the lease or land use rights, if shorter
Furniture and fixtures	10% – 25%
Machinery and equipment	10% – 20%
Motor vehicles	12.5% – 25%
Sand vessels	10%

At 31st December, 2003, buildings of the GDI Group were held under medium-term land use rights in the PRC.

The net book value of motor vehicles and furniture and fixtures as at 31st December, 2003 included an amount of approximately HK$154,000 respectively in respect of assets held under finance leases.

18. DEPOSIT PAID FOR ACQUISITION OF INTEREST IN PROPERTIES

During the year ended 31st December, 2004, the GDI Group entered into a conditional agreement with a third party ("Vendor") to acquire the properties interest in a parcel of land situated in Shanghai, the PRC (the "Land") and the 24-storey building being erected upon the land together with 2 levels of underground carparks (the "Building") (collectively referred to as to the "Properties") for a consideration of RMB450,000,000 (approximately HK$424,528,000). A deposit of RMB50,000,000 (HK$47,012,000) was paid upon the entering into the conditional agreement.

According to the conditional agreement, prior to the completion of acquisition, the Vendor should (i) obtain the certificate in respect of the land use rights of the Land and the ownership of the Building; (ii) obtain an approval from 上海市計劃委員會 that the use of the Properties be changed from office to both commercial and residential and that all relevant fee and charges arising from the sale of the Land payable to the relevant authorities including 上海市國土局 having been settled in full; (iii) agree with the GDI Group on the specification of installation, fixtures and furniture and other internal decoration of the Properties; (iv) procure all the contractors engaged in the development/construction of the Properties to enter into agreements with the GDI Group to bind these contractors with obligations to the GDI Group to rectify all defects of the Properties which may arise after the completion of the development/construction; and (v) procure the granting of a loan ("Loan") to be granted by PRC banks to the GDI Group to finance the remaining consideration.

The remaining consideration will be settled upon the grant of the Loan and the transfer of the ownership of the Properties to the GDI Group.

It is one of the conditions for completion of the acquisition that the Vendor should obtain approval for the change of use of the Properties from office to both commercial and residential. Should the Vendor fail to obtain such approval within 150 days from the date of the agreement, the GDI Group is entitled to either (i) to proceed with the agreement in accordance with the existing terms and conditions; or (ii) to acquire the 1st to 7th floors and the 23rd floor of the Properties together with the two levels underground carparks for a consideration of RMB70,000,000 (HK$65,817,000).

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18. DEPOSIT PAID FOR ACQUISITION OF INTEREST IN PROPERTIES *(Cont'd)*

Provided that if the conditions are not fulfilled on or before 1st June, 2005, the GDI Group shall agree to a further extension of not less than 60 days without imposing any fine on the Vendor. If the conditions are not fulfilled within the extended period, the GDI Group shall be entitled to terminate the agreement and the Vendor shall refund the deposit to the GDI Group together with interests accrued during the period from the date of the agreement to the date the deposit is refunded and calculated on the relevant prevailing market interest rate.

However, the conditions stated above for the change of the use of the Properties has not yet fulfilled within the said period and accordingly the Vendor and the GDI Group had entered into another agreement dated 3rd February, 2005 pursuant to which, among other things, (i) the GDI Group will pay, on behalf of the Vendor, RMB22,000,000 (equivalent to approximately HK$20,663,000) to the main contractor of the Properties (the "Main Contractor"); and (ii) the amount paid by the GDI Group in (i) will be deducted from the sales consideration.

Further, the GDI Group had advanced an additional RMB8,000,000 (equivalent to approximately HK$7,512,000) to the Vendor pursuant to this additional agreement and the aggregate sum paid by the GDI Group to the Vendor amounted to RMB58,000,000 (approximately HK$55,716,000) as of 31st December, 2005.

In June 2005, the GDI Group had commenced legal proceedings against the Vendor, among other things, to demand the Vendor to fulfil its obligations under the above two agreements and applied to a PRC court an injunction order on the Properties to stop the Properties from being transferred (the "Injunction Orders"). It had also come to the attention of the GDI Group that one of the three secured creditors of the Vendor and the Main Contractor had already applied to and being granted the Injunction Orders and they, together with the other two secured creditors, had priority over the GDI Group on the Properties.

As a condition precedent to the application of the Injunction Orders, the GDI Group had issued a counter guarantee of RMB402,000,000 (approximately HK$377,500,000) to an institution in the PRC which provided a guarantee of the same amount to the PRC court on behalf of the GDI Group.

At the same time, the directors of the GDI Group are also in discussion with the Vendor for settlement of the above matters; however, there can be no assurance that such matters can be resolved and settled with the Vendor eventually. Despite the above developments, the directors of the GDI Group have consulted its legal counsel and decided to proceed with the acquisition of the Properties in consideration of the following:

(a) the transaction can be continued with the payment of outstanding consideration of RMB392 million (approximately to HK$376 million) and the legal title of the Properties can be transferred to the GDI Group when the debts of the Vendor owed to the three secured creditors and the Main Contractor are settled by the GDI Group;

18. DEPOSIT PAID FOR ACQUISITION OF INTEREST IN PROPERTIES *(Cont'd)*

(b) the usage of the Properties can be changed to both commercial and residential when the GDI Group obtains the legal title to the Properties and makes the application to the relevant authority;

(c) the acquisition of the Properties, on a completion basis, is expected to bring economic benefits to the GDI Group taking into account of the estimated market value of the Properties as of 31st December, 2005; and the ability of the GDI Group to meet the cash flow requirements to finance the acquisition and completion of the Properties, given the current financial position of the GDI Group and financial resources available to the GDI Group from internally generated funds, advances from its holding companies and/or financial institutions.

The directors of GDI are of the view that the carrying amount of deposit is not less than its recoverable amount at the balance sheet dates.

19. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

During the year ended 31st December, 2004, the GDI Group entered into conditional agreements with third parties ("Vendor Parties") to acquire the entire interest in 廣州耀陽 and 88% interest in 東莞市江海 for consideration of approximately RMB27,300,000 (approximately HK$25,756,000) and RMB25,700,000 (approximately HK$24,244,000) respectively. 廣州耀陽 and 東莞市江海 are companies incorporated in the PRC and engaged in the business of sand mining. As one of the conditions according to the conditional agreements, the Vendor Parties should procure the GDI Group to obtain all necessary approval from relevant government authorities for the proper transfer of ownership in 廣州耀陽 and 東莞市江海. Deposits of RMB21,200,000 (approximately HK$20,000,000) and RMB21,200,000 (approximately HK$20,000,000) were paid upon entering into the conditional agreements. If the conditions are not fulfilled, the GDI Group shall be entitled to terminate the agreements and the Vendor Parties shall refund the deposit to the GDI Group. During the year ended 31st December, 2005, the conditions have been fulfilled and the acquisition was completed and details in note 36.

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20. GOODWILL

	HK$'000
COST	
At 1st January, 2003	33,082
Arising from acquisition of subsidiaries	387
At 31st December, 2003	33,469
Disposal of subsidiaries	(33,469)
At 31st December, 2004	—
Arising from acquisition of subsidiaries	9,123
At 31st December, 2005	9,123
AMORTISATION AND IMPAIRMENT	
At 1st January, 2003	2,129
Provided for the year	1,628
Impairment loss recognised	20,387
At 31st December, 2003	24,144
Provided for the year	155
Eliminated on disposal of subsidiaries	(24,299)
At 31st December, 2004 and 31st December, 2005	—
NET BOOK VALUES	
At 31st December, 2005	9,123
At 31st December, 2004	—
At 31st December, 2003	9,325

On 19th March, 2004, the GDI Group entered into a conditional agreement to dispose of its entire interests in Tung Fong Hung to a third party subsequent to 31st December, 2003. The directors have considered the consideration receivable from the said disposal and have identified the impairment loss attributable to the goodwill arising from acquisition of Tung Fong Hung amounting to approximately HK$20 million. The amount was charged to the combined income statement accordingly.

Prior to 31st December, 2004, goodwill was amortised on a straight-line basis and the amortisation period for goodwill is 10 years.

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20. GOODWILL *(Cont'd)*

Particulars regarding impairment testing on goodwill are disclosed below:

The carrying value of goodwill as at 31st December, 2005 is attributable to the acquisition of 廣州耀陽 and 東莞市江海 of HK$9,123,000. 廣州耀陽 and 東莞市江海 are engaged in the business segment of sand mining activities ("Cash Generating Unit of Sand Mining").

During the year ended 31st December, 2005, management of the GDI Group determines that there is no impairment of goodwill of the GDI Group to the cash generating unit.

The basis of the recoverable amount of the Cash Generating Unit of Sand Mining and the major underlying assumptions are summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a 10-year period, and discount rate of 8%. This cash generating unit's cash flow within the first 5-year period are extrapolated using a steady 10% growth rate and no growth rate for the remaining years of the cash flows. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonable possible change in any of these assumptions would not cause the aggregate carrying amount of this cash generating unit to exceed the aggregate recoverable amount of this cash generating unit.

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21. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES

	As at 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Interests in associates			
Share of net assets	537,692	354,201	546,551
Goodwill *(note (i))*			
At beginning of year	91,785	91,785	2,006
Accumulated amortisation at beginning of year	(1,148)	(10,326)	—
Arising from acquisition of associates	—	3,931	10,181
Less: amortisation provided for the year	(9,178)	(3,059)	—
Realised upon deemed disposal of interest in associates	—	(80,325)	—
As at year ended	81,459	2,006	12,187
Negative goodwill *(note (i))*			
At beginning of year	(123,379)	(123,379)	(69,994)
Accumulated release of negative goodwill at beginning of year	—	12,338	22,936
Release of negative goodwill during the year	12,338	10,598	—
Derecognition of negative goodwill to retained profit as at 1st January, 2005	—	—	47,058
Release upon disposal of interests in associates	—	53,385	—
As at year ended	(111,041)	(47,058)	—
	508,110	309,149	558,738

21. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Cont'd)*

Notes:

(i) Prior to 31st December, 2004, goodwill was amortised on a straight-line basis and the amortisation period for goodwill is 10 years. Negative goodwill was released to income over 10 years. No amortisation of goodwill or release of negative goodwill is provided for on or after 1st January, 2005.

(ii) The carrying value of the unlisted convertible notes as at 31st December, 2003 represented investments in convertible note issued by Wing On Travel (Holdings) Limited ("Wing On") ("Wing On Note"). The Wing On Note carried interest at 2% per annum and was due for redemption on 19th April, 2004 at HK$84,800,000 with accrued interest. It also entitled the holders at any time after the date of the issuance of the Wing On Note and up to 19th April, 2004 to convert the Wing On Note into shares of Wing On at an initial conversion price of HK$0.032 per share (subject to adjustment). The effective interest rate for the unlisted convertible notes during the Relevant Periods is 8%.

In January 2004, the GDI Group entered into a new convertible note agreement with Wing On pursuant to which Wing On issued the convertible notes with principal amount of HK$155,000,000 ("New Wing On Note") to the GDI Group, of which HK$84,800,000 were used to settle the Wing On Note and HK$70,200,000 were used to settle the receivables due from Wing On. The New Wing On Note carried interest at 2% per annum and is due for redemption on 14th June, 2007 at HK$155,000,000 with accrued interest. The New Wing On Note entitles the holders at any time after the date of the issuance of the New Wing On Note and up to 14th June, 2007 to convert the New Wing On Note into shares in Wing On at an initial conversion price of HK$0.020 per share (subject to adjustment).

In October and November, 2004, the GDI Group converted HK$100,000,000 convertible notes of Wing On into ordinary shares of HK$0.01 each in Wing On at the conversion price of HK$0.020 per share. Certain convertible notes holders also converted their convertible notes of Wing On into ordinary shares of HK$0.01 each in Wing On at conversion price of HK$0.020 per share. The interest in Wing On held by the GDI Group increased from approximately 32.21% to approximately 38.16% upon the conversion of the convertible notes into shares of HK$0.01 each in Wing On by the GDI Group and other convertible note holder. The GDI Group also disposed of approximately 7.88% interest in Wing On for a consideration of approximately HK$45 million and the interest in Wing On held by the GDI Group was decreased to approximately 30.28%.

On 30th November, 2004, the GDI Group further entered into two placing and subscription agreements with Wing On and placing agent pursuant to which the placing agent agreed to place 6,000 million ordinary shares of HK$0.01 each in Wing On on behalf of the GDI Group at the price of HK$0.028 per share and the GDI Group would subscribe up to 6,000 million new ordinary shares in Wing On at HK$0.028 per share. The placing of 6,000 million ordinary shares of HK$0.01 each in Wing On and subscription of 3,660 million new ordinary shares of HK$0.01 each in Wing On were completed in December, 2004 and the GDI Group's interest in Wing On was decreased to approximately 19.58% as at 31st December, 2004.

The GDI Group further subscribed 8,740 million new ordinary shares of US$0.01 each in January and February 2005 and the GDI Group's interest was increased to approximately 21.1%. In April, 2005, the GDI Group further acquired 6,967,700 ordinary shares of HK$0.01 each in Wing On and further converted HK$55,000,000 convertible notes of Wing On into ordinary share of HK$0.01 each in Wing On at the conversion price of HK$0.02 per share and the interest in Wing On held by the GDI Group was increased to 27.74%

21. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Cont'd)*

Notes: (Cont'd)

(iii) In accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" issued by HKICPA, the conversion option element of the Wing On Note and New Wing On Note represents an embedded derivative instrument which must be accounted for separately from the unlisted convertible notes and, as such, to be measured at fair value when initially recorded and at subsequent reporting dates. The fair value of this conversion option, representing a discount on subscription of the Wing On Note and the New Wing On Note, was estimated using the Black-Scholes option pricing model at the date of subscription of the Wing On Note and the New Wing On Note, and as at 31st December, 2003, 2004 and 2005. The impact of changes in fair value of this conversion option, taking into account the portion of the conversion option exercised during the year ended 31st December, 2003, 2004 and 2005 were nil, gain of HK$76,959,000 and loss of HK$39,743,000 respectively, which have been recognised in the combined income statement.

(iv) Loans and interest receivables due from associates are unsecured, carries interest at prevailing market rate (effective interest rate ranged from 5% – 8% per annum) and repayable after one year from balance sheet date. The fair value of the GDI Group's loans and interest receivables due from associates at each balance sheet dates approximates to the corresponding carrying amount at respective balance sheet dates.

(v) In March 2004, Pacific Century Premium Development Limited ("PCPD", formerly known as Dong Fang Gas Holdings Limited whose shares are listed on The Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange"), a then 43.06% owned associate of the GDI Group, entered into agreements with PCCW Limited ("PCCW", a company whose shares are listed on the Hong Kong Stock Exchange) to acquire various property interests from PCCW for a consideration of approximately HK$6,557 million which was satisfied by the issue of new shares and convertible notes by PCPD to PCCW or as it may direct. The above transaction was completed in May 2004 and the GDI Group's interest in PCPD was decreased from 43.06% to 2.83% and PCPD ceased to be an associate of the GDI Group accordingly and resulted in gain in deemed disposal of associates of approximates HK$28,510,000. The GDI Group further disposed of all its 2.83% interest in PCPD and no interest in PCPD was held by the GDI Group as at 31st December, 2004.

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from associates	129	54,373	151,206
Amounts due to an associate	—	673	286

During the year ended 31st December, 2003, all receivables due from associates were unsecured, non-interest bearing and repayable on demand. During the year ended 31st December, 2004 and 2005, all amounts are repayable on demand and except for amount due from an associate of approximately HK$54,247,000 and HK$151,073,000 respectively are interest bearing at prevailing interest rate ranged from 5% to 8% per annum, all remaining amounts due from associates were non-interest bearing. The fair value of the amounts due from associates at balance sheet dates approximates to the corresponding carrying amount at respective balance sheet dates. The amounts due to an associate is unsecured, non-interest bearing and repayable on demand. The fair value of the amounts due to an associate at balance sheet dates approximates to the corresponding carrying amount at respective balance sheet dates.

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21. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Cont'd)*

Particulars of the principal associates to be acquired by GDI pursuant to Group Reorganisation are as follows:

Name of associate	Place of the incorporation/ registration/ establishment	Place of operation	Proportion of nominal value of issued share capital/registered capital held indirectly by the GDI Group %	Principal activities
China Velocity Group Limited ("China Velocity", formerly known as Rosedale Hotel Group Limited and China Land Group Limited) *(notes a and b)*	Bermuda	Hong Kong and PRC	22.65	Property investment and development in the PRC
Wing On (formerly known as Ananda Wing On Travel (Holdings) Limited) *(notes a and b)*	Bermuda	Hong Kong	27.74	Business of providing package tours, travel and other related services
Hangzhou Zhongce Rubber Company Limited ("HZ Rubber") *(note c)*	PRC	PRC	26.0	Manufacturing of tires

Notes:

(a) The shares of China Velocity and Wing On are listed on the Hong Kong Stock Exchange.

(b) These companies are a limited liability company incorporated in the respective jurisdiction.

(c) This is a sino-foreign equity joint venture.

The above table lists the associates of the GDI Group which, in the opinion of the directors, constituted a substantial portion of the share of results or of net assets of the associates. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

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21. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Cont'd)*

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

	For the year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	1,680,756	6,519,685	8,382,622
(Loss) profit for the year	(631,017)	(102,198)	133,498
(Loss) profit for the year attributable to the GDI Group	(175,697)	(37,521)	43,103

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	4,097,522	5,875,595	7,431,386
Total liabilites	(2,721,716)	(4,049,781)	(5,037,199)
Net assets	1,375,806	1,825,814	2,394,187

	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets by the GDI Group: As at 31st December	508,110	309,149	523,373
Market value of interest held by the GDI Group	323,245	311,480	317,752

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22. LOANS AND INTEREST RECEIVABLES

	As at 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Loans and interest receivables			
— secured *(note a)*	114,784	120,819	121,223
— unsecured *(note b)*	190,723	558,038	355,709
Receivable due from related companies *(note c)*	10	—	—
	305,517	678,857	476,932
Less: Allowances	(53,826)	(109,643)	(27,971)
	251,691	569,214	448,961
Less: Amounts due within one year and shown under current assets	(251,691)	(540,931)	(448,961)
Amounts due after one year	—	28,283	—

The directors consider that the carrying amount of receivables due after one year approximates their fair value.

Notes:

(a) The secured loans and interest receivables represented the amount due from Lucklong Venture Limited ("Lucklong"). Ms. Chau Mei Wah, Rosanna, director of the CSH, was also a director of Lucklong during the year ended 31st December, 2003. Allowances made in the loans receivables due from Lucklong as at 31st December, 2003, 2004 and 2005 were approximately HK$24,000,000, HK$50,619,000 and HK$81,222,000 respectively with reference to the market value of the collateral secured to the GDI Group. Shares in certain property holding companies were pledged to the GDI Group as securities to the loans receivables.

(b) The loans receivables carry interest at the prevailing market rate ranging from 8% to 12% and repayable on demand.

(c) Details of the receivables due from related companies are as follows:

	As at 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
PYI Corporation Limited ("Paul Y") (formerly known as "Paul Y.-ITC Construction Holdings Limited")	5	—	—
ITC Corporation Limited	5	—	—
	10	—	—

22. LOANS AND INTEREST RECEIVABLES *(Cont'd)*

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

Paul Y is a substantial shareholder of CSH and ITC Corporation Limited is a shareholder of Paul Y.

The fair value of the GDI Group's loan and interest receivables at each balance sheet date approximated to the carrying amount of the receivables.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The carrying amount of the other receivables, deposits and prepayments at each balance sheet date approximate the corresponding fair value at respective balance sheet date.

24. INVESTMENTS IN SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER INVESTMENTS

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Equity securities:			
Listed	2,761	2,252	3,297
Unlisted	125	43,623	43,619
	2,886	45,875	46,916
Debt securities:			
Unlisted	24,420	26,084	24,431
Total	27,306	71,959	71,347
Total and reported as:			
Listed			
Hong Kong	835	—	—
Elsewhere	1,926	2,252	3,297
	2,761	2,252	3,297
Unlisted	24,545	69,707	68,050
	27,306	71,959	71,347

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24. INVESTMENTS IN SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER INVESTMENTS *(Cont'd)*

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Classified under			
Current	1,142	—	—
Non-current	26,164	71,959	71,347
	27,306	71,959	71,347

The fair values of the listed securities at balance sheet date are determined based on the quoted market bid prices available on the relevant exchanges.

The carrying value of unlisted securities in Hong Kong at 31st December, 2004 and 31st December, 2005 included an amount of HK$43,498,000, representing 9.77% interest in Apex Quality Group Limited ("Apex"). Apex is incorporated in the British Virgin Islands and engaged in hotel and leisure related business. Apex was a 22.65% associate of the GDI Group as at 31st December, 2003. Upon the completion of disposal of approximately 12.88% interest of Apex by the GDI Group in September 2004, Apex ceased to be the GDI Group's associate during the year ended 31st December, 2004. The fair value of the unlisted equity securities are determined based on the present value of the estimated future cash flow discounted using the effective interest rate at the balance sheet date, approximate to the corresponding carrying amount.

The carrying value of unlisted debt securities at balance sheet dates represented a convertible note issued by a company incorporated in Australia which is engaged in the trading of fruit business. The convertible note bears interest at 8% per annum and will be matured on 29th March, 2008. The fair value of the unlisted equity securities are determined based on the present value of the estimated future cash flow discounted using the effective interest rate at the balance sheet date, approximate to the corresponding carrying amount.

25. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movement during the Relevant Periods:

	Bad and doubtful debts and allowance	**Revaluation of property, plant and equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1st January, 2003	13,454	—	13,454
Credit to the combined income statement	770	—	770
	14,224	—	14,224
Realised on disposal of subsidiaries	(14,224)	—	(14,224)
At 31st December, 2003 and 2004	—	—	—
Arising on acquisition of subsidiaries	—	(20,796)	(20,796)
Exchange difference	—	(379)	(379)
At 31st December, 2005	—	(21,175)	(21,175)

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26. AMOUNTS DUE FROM/TO FORMER FELLOW SUBSIDIARIES

Following the completion of the Group Reorganisation, CSH has remained as the holding company of the companies carrying on manufacturing and trading of batteries products and investment in securities. The amounts due from (to) former fellow subsidiaries represent balances due from (to) the subsidiaries held under CSH and are investing in nature. All amounts are unsecured, non-interest bearing and repayable on demand.

The amounts due from (to) former fellow subsidiaries has been assigned to GDI upon the completion of Group Reorganisation.

The carrying value of the amounts due from former fellow subsidiaries at each balance sheet dates approximates to the corresponding fair value at respective balance sheet dates.

The carrying value of amount due to former fellow subsidiaries at each balance sheet date approximates to the corresponding fair value at respective balance sheet dates.

27. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the GDI Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximated their fair value. The average interest rate ranged from 2.3% to 4.0% for the three years ended 31st December, 2005.

The bank balances and cash of the GDI Group are mainly denominated in Australia dollars, Renminbi, Hong Kong dollars and United States dollars. Included in the bank balances and cash as at the three years ended 31st December, 2005 were an amount in Australia dollars approximately of A$9,884,000, A$8,041,000 and A$8,286,000.

28. OTHER ASSET

The amount represents cost incurred in connection with a land development project in the PRC. The project is a land development of 珠海市龍山智業產業園 located in Long Shan Development Area, Doumen District, Zhuhai City and is to be jointly developed with 珠海市龍山工業區管理委員會. The GDI Group is entitled to the exclusive development right to the project and also the right to obtain the land for the development ("Other Asset"). The GDI Group is also entitled to sell the Other Asset to investors at consideration to be agreed among themselves.

The amount of approximately HK$226,718,000, HK$227,167,000 and HK$229,288,000 as at 31st December, 2003, 2004 and 2005 respectively was paid by the GDI Group for obtaining the exclusive development right to the project and in obtaining certain parts of the right for land development.

As at the date of this report, the GDI Group has appointed property agent to negotiate with potential investors and the directors considered that the other asset will be sold in the next year, and the directors do not expect material further cost will be incurred for the sale of Other Asset.

At respective balance sheet dates, the directors of CSH has assessed the carrying value of the Other Asset with reference to the valuation performed by Norton Appraisal Limited, an independent valuer, on open market value basis and no impairment loss is identified during the Relevant Periods.

29. INVENTORIES

	As at 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	12,146	—	102
Work in progress	163	—	—
Finished goods	54,667	—	—
	66,976	—	102

The cost of inventories recognised as an expense during the year ended 31st December, 2003 and 2005, were approximately HK$2,459,991,000 and HK$4,457,000 respectively.

30. TRADE RECEIVABLES

The GDI Group allows its trade customers with credit period normally ranging from 90 days to 180 days. The aged analysis of the trade debtors at the balance sheet dates is as follows:

	As at 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
0 - 90 days	12,011	—	—
91 - 180 days	762	—	—
Over 180 days	945	—	—
	13,718	—	—

The carrying amount of the GDI Group's trade receivables for the three years ended 31st December, 2005 approximates to the corresponding fair value.

31. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

Included in trade payables, other payables and accrued charges are trade payables with the following aged analysis:

	As at 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
0 - 90 days	39,468	—	—
91 - 180 days	1,413	—	—
Over 180 days	622	293	299
	41,503	293	299
Add: Other payables and accrued charges	37,331	25,204	17,176
	78,834	25,497	17,475

The carrying amount of the GDI Group's trade payables at each balance sheet dates approximates to the corresponding fair value at respective balance sheet dates.

32. PAYABLES

Details of the payables are as follows:

		As at 31st December,		
		2003	**2004**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Payables due to related companies	*(a)*	3,181	417	556
Payables due to third parties	*(b)*	27,192	27	27
		30,373	444	583
Less: Amounts shown under current liabilities		(29,180)	(444)	(583)
		1,193	—	—

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32. PAYABLES *(Cont'd)*

Notes:

(a) Details of the payables due to related companies are as follows:

		As at 31st December,		
		2003	2004	2005
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
PYI Management Limited (formerly known as "Paul Y.-ITC Management Limited")	*(i)*	450	—	—
Cycle Company Limited and Gunnell Properties Limited	*(i)*	693	417	556
ITC Corporation Limited	*(ii)*	744	—	—
Paul Y. (E&M) Company Limited (formerly known as "Paul Y.-ITC (E&M) Company Limited")	*(i)*	1,014	—	—
Paul Y. (E&M) Contractors Limited (formerly known as "Paul Y.-ITC (E&M) Contractors Limited")	*(i)*	280	—	—
		3,181	417	556

Notes:

(i) These companies are non wholly-owned subsidiaries of the substantial shareholders of CSH.

(ii) ITC Corporation Limited is a shareholder of the CSH's substantial shareholder.

The amounts are unsecured, carry interest at prevailing market rate ranging from 8% to 10% per annum and are repayable on demand. The fair value of the GDI Group's payables at three years ended 31st December, 2005 approximates to the corresponding carrying amount.

Except for the payable of HK$1,193,000 as at 31st December, 2003 which was repayable after one year from the balance sheet date, all remaining balances are repayable on demand.

(b) The amounts are unsecured, carry interest at prevailing market rate ranging from 8% to 10% per annum and are repayable on demand. The fair value of the GDI Group's payables at balance sheet dates approximates to the corresponding carrying amount at respective balance sheet date.

The fair value of the GDI Group's payables at each balance sheet dates approximates to the corresponding carrying amount at respective balance sheet dates.

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33. BANK LOANS AND OTHER BORROWINGS

	As at 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Bank loans	12,990	—	—
Obligations under finance leases *(note a)*	151	—	—
Bank overdrafts	2	—	—
Other borrowings *(note b)*	13,000	—	—
	26,143	—	—
Secured	151	—	—
Unsecured	25,992	—	—
	26,143	—	—
Repayable as follows:			
Within one year	26,014	—	—
Between one and two years	21	—	—
Between two and five years	108	—	—
	26,143	—	—
Less: Amount due within one year included under current liabilities	(26,014)	—	—
Amount due after one year	129	—	—

Bank overdrafts are repayable on demand. The bank loans carry interest at prevailing market rate ranging from 8% to 10% and were secured by the GDI Group's bank deposits and investment in securities. There were no undrawn facilities for the three years ended as at 31st December, 2005.

The GDI Group's bank and other borrowings are denominated in Hong Kong Dollars.

The fair value of the GDI Group's bank and other borrowings at 31st December, 2003 approximates to the corresponding carrying amount.

33. BANK LOANS AND OTHER BORROWINGS *(Cont'd)*

Notes:

(a)

	Minimum lease payments			Present value of minimum lease payments		
	As at 31st December,			As at 31st December,		
	2003	2004	2005	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:						
Within one year	31	—	—	20	—	—
In the second to fifth years inclusive	147	—	—	131	—	—
	178	—	—	151	—	—
Less: Future finance charges	(27)	—	—	—	—	—
Present value of lease obligations	151	—	—	151	—	—
Less: Amount due within one year				(22)	—	—
Amount due after one year				129	—	—

The average lease term was five years. The average effective borrowing rate was 6.7% for the year ended 31st December, 2003. Interest rate was fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The GDI Group's obligations under finance leases contract are secured by the lessor's charge on the hired assets.

(b) As at 31st December, 2003, the amount was secured, carried interest at prevailing market rates ranged from 8% to 12% per annum and was fully repaid during the year 2004.

34. SHARE CAPITAL

For the purpose of the preparation of the combined balance sheets, the balances of share capital at 31st December, 2003, 2004 and 2005, respectively represent share capital of companies now comprising the GDI Group.

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35. DISPOSAL OF INTERESTS IN SUBSIDIARIES

Year ended 31st December, 2003

The GDI Group disposed of its 51% interest in Yinchuan C.S.I., (Greatwall) Rubber Company Limited, 25% interest in Hangzhou Zhongce Rubber Company Limited (a 51% owned subsidiary of GDI Group) and 50% interest in Pacific Wins Development Ltd. at an aggregate consideration of approximately HK$206,000,000.

Year ended 31st December, 2004

The GDI Group disposed of its 100% interest in Tung Fong Hung Investment Limited for a consideration of HK$42,000,000.

Details of the assets and liabilities of the subsidiaries disposed of during the year ended 31st December, 2003 and 2004 were as follows:

	Year ended 31st December,	
	2003	**2004**
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	901,368	34,924
Deferred tax assets	14,224	—
Interests in associates	103,064	14,808
Receivables due from associates	81,551	—
Investments in securities	5,216	—
Inventories	737,767	49,319
Trade receivables	530,528	12,112
Other receivables, deposits and prepayments	207,315	8,436
Pledged bank deposits	70,098	—
Bank balances and cash	282,356	22,176
Trade payables, other payables and accrued charges	(757,379)	(43,316)
Income and other taxes payable	(34,335)	(30)
Bank loans and other borrowings	(1,274,058)	(60,197)
Obligations under finance leases	—	(149)
Minority interests	(481,183)	—
	386,532	38,083
Less: Interest retained as interests in associates	(178,053)	—
	208,479	38,083
Goodwill realised	6,852	9,170
Exchange reserve realised	(3,848)	13
	211,483	47,266
Gain (loss) on disposal	12,309	(5,266)
	223,792	42,000

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35. **DISPOSAL OF INTERESTS IN SUBSIDIARIES** *(Cont'd)*

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Satisfied by:			
Cash	223,792	35,500	—
Promissory note included in receivables	—	6,500	—
	223,792	42,000	—
Analysis of the net (outflow) inflow of cash and cash equivalents in connection with the disposal of subsidiaries:			
Cash consideration received	223,792	35,500	—
Bank balances and cash disposed of	(282,356)	(22,176)	—
Net (outflow) inflow of cash and cash equivalents	(58,564)	13,324	—

The subsidiaries disposed of during the Relevant Periods contributed the following approximately amount to the GDI Group's turnover and the GDI Group's loss before taxation:

	Year ended 31st December,		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Amount contributed to the GDI Group's turnover	2,653,540	92,262	—
(Loss) profit contributed to the GDI Group's loss before taxation	(90,362)	6,778	—

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36. PURCHASE OF SUBSIDIARIES

Year ended 31st December, 2005

On 30th June, 2005, the GDI Group acquired 88% and 100% of the issued share capital of 東莞市江海and 廣州耀陽, respectively, for an aggregate cash consideration of HK$50 million. The two newly acquired subsidiaries are incorporated in the PRC and engaged in the business of sand mining. These transactions have been accounted for using the purchase method of accounting. The directors are of the view that it is impracticable to disclose the revenue and the results for the six months ended 30th June, 2005 as if the acquisition had been effected on 1st January, 2005 since such information was not provided by the vendor.

	Year ended 31st December, 2005		
	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	50,165	63,019	113,184
Inventories	6	—	6
Trade receivables	75	—	75
Other receivables, deposits and prepayments	647	—	647
Bank balances and cash	349	—	349
Trade payables, other payables and accrued charges	(244)	—	(244)
Amounts due to former shareholders	(49,770)	—	(49,770)
Deferred tax liabilities	—	(20,796)	(20,796)
	1,228	42,223	43,451
Minority interests	(48)	(2,526)	(2,574)
	1,180	39,697	40,877
Goodwill arising on acquisition			9,123
			50,000
Satisfied by:			
— Cash			10,000
— Deposit paid for acquisition of subsidiaries in 2004			40,000
			50,000
Net cash outflow arising or acquisition			
Cash consideration paid			(10,000)
Cash and cash equivalents acquired			349
			(9,651)

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36. PURCHASE OF SUBSIDIARIES *(Cont'd)*

Year ended 31st December, 2003 and 2004

	Year ended 31st December,	
	2003	**2004**
	HK$'000	*HK$'000*
Net assets acquired:		
Trade payables, other payables and accrued charges	(12)	—
Minority interests	410	—
	398	—
Goodwill arising on acquisition	387	—
	785	—
Satisfied by:		
Cash	785	—
Analysis of the net cash outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration paid	(785)	—
Net cash outflow of cash and cash equivalents in connection with the purchase of subsidiaries	(785)	—

The goodwill arising on the acquisition is attributable to the anticipated profitability of the distribution of the GDI Group's products in the new markets.

東莞市江海 and 廣州耀陽 contributed HK$5,298,000 to the GDI Group's turnover and loss before taxation of HK$3,735,000 to the GDI Group's loss before taxation for the period between the date of acquisition and 31st December, 2005.

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37. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2003, the major non-cash transaction was the finance lease arrangement in respect of property, plant and equipment with a capital value at the inception of the leases of approximately HK$168,000.

During the year ended 31st December, 2004, the major non-cash transactions were as follows:

(a) Addition to deposit paid for acquisition of interest in properties of approximately HK$46,686,000 were transferred from loans receivables due from associates.

(b) Addition to investment in securities of approximately HK$43,588,000 were as result of disposal of interests in associates.

(c) Loan receivables due from associates of HK$70,200,000 were settled by the issuance of convertible notes by the associates included in interests in associates.

(d) Additions to deposits paid for acquisition of subsidiaries of HK$40,000,000 were repayments from receivables.

During the year ended 31st December, 2005, the major non-cash transaction was amount due to former shareholders of approximately HK$50,000,000 was settled by the assignment of loans and interest receivable from outsiders.

38. COMMITMENTS

At the balance sheet date, the GDI Group had the following capital commitments:

		As at 31st December,		
		2003	2004	2005
		HK$'000	*HK$'000*	*HK$'000*
Contracted for but not provided in the financial information in respect of				
(i)	Acquisition of interest in properties *(note)*	—	377,516	—
(ii)	Other assets	91,489	91,981	93,301
(iii)	Acquisition of subsidiaries *(note 18)*	—	10,000	—
		91,489	479,497	93,301

Note:

In respect of the conditional agreement entered into by the GDI Group in 2004 to acquire properties interest of 香樟花園 located in Shanghai, PRC at a consideration of RMB450 million (of which deposit of RMB58 million was paid by the GDI Group as at 31st December, 2005), the GDI Group has commenced legal proceedings in 2005 to demand the vendor of the properties to fulfil its obligations under the agreement. Having consulted the legal counsel and under certain considerations, the GDI Group has at present decided to exercise its discretion to proceed with the acquisition of the properties.

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39. OPERATING LEASE COMMITMENTS

Lessee

The GDI Group made minimum lease payments in respect of office premises of approximately HK$25,707,000, HK$7,460,000 and $Nil under operating leases for the years ended 31st December, 2003, 2004 and 2005, respectively.

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

	As at 31st December,		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Within one year	15,639	—	—
In the second to fifth year inclusive	16,930	—	—
	32,569	—	—

Leases were negotiated for an average term of one year and rentals were fixed for an average of one year.

40. PLEDGE OF ASSETS

As at 31st December, 2004 and 2005, the GDI Group had no pledge of assets.

As at 31st December, 2003:

(a) Interests in an associates with net assets value attributable to the GDI Group of approximately HK$83,622,000 were pledged to secure credit facilities granted to the associates of the GDI Group.

(b) Investment in securities with a carrying value of HK$29,046,000 were pledged to secure margin account credit facilities and banking facilities granted to the GDI Group.

The margin loan facility amounting to approximately HK$3,000 included in bank loans and other borrowings were utilised by the GDI Group.

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41. RELATED PARTY TRANSACTIONS

During the Relevant Periods, the GDI Group entered into the following significant transactions with related parties:

Name of company	Nature of transactions	Notes	Year ended 31st December, 2003	2004	2005
			HK$'000	*HK$'000*	*HK$'000*
Lucklong	Loan interest income received and receivable by the GDI Group	*(a)*	5,984	—	—
Hanny Magnetics Limited	Sale of goods made by the GDI Group	*(b)*	63	—	—
PYI Management Limited (formerly known as "Paul Y.-ITC Manngement Limited")	Loan interest paid and payable by the GDI Group	*(b)*	1,193	—	—
	Sales of goods by the GDI Group		687	3	—
Paul Y. (E & M) Company Limited (formerly known as "Paul Y.-ITC (E&M) Company Limited")	Repair and maintenance fee paid and payable by the GDI Group	*(b)*	58	42	—
	Project management fee paid and payable by the GDI Group		872	—	—
	Mechanical and electrical service fee paid and payable by the GDI Group		7	—	—
Cycle Company Limited and Gunnell Properties Limited	Rental expenses paid and payable by the GDI Group	*(b)*	554	553	138
Paul Y. Interior Contractors Limited (formerly known as "Paul Y.-ITC Interior Contractors Limited")	Project management fee paid and payable by the GDI Group	*(b)*	15	—	—
Millennium Target Holdings Limited	Loan interest income received and receivable by the GDI Group	*(c)*	31	—	—
Wing On	Loan interest income received and receivable by the GDI Group	*(d)*	2,198	1,466	3,175
China Velocity	Loan interest income received and receivable by the GDI Group	*(d)*	3,249	—	—
Rosedale Park Limited	Sale of goods made by the GDI Group	*(f)*	11	—	—
	Hotel expense paid and payable by the GDI Group		14	—	—

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41. RELATED PARTY TRANSACTIONS *(Cont'd)*

Name of company	Nature of transactions	Notes	Year ended 31st December, 2003	2004	2005
			HK$'000	*HK$'000*	*HK$'000*
Hong Kong Wing On Travel Service Limited	Air ticketing and travel service expenses paid and payable by the GDI Group	*(c)*	73	260	—
	Sale of goods made by the GDI Group		209	—	—
Apex	Loan interest income received and receivable by the GDI Group	*(e)*	248	3,280	2,931
Chief Altantic Profits Limited	Loan interest income received and receivable by the GDI Group	*(g)*	306	303	—

Notes:

(a) Ms. Chau Mei Wah, Rosanna ("Ms. Chau"), a director of CSH, ceased to be a director of Lucklong during the year ended 31st December, 2004. Mr. Lau Ko Yuen, the former alternate director to Ms. Chau, is a director of substantial shareholder of CSH and a director of Lucklong.

(b) Hanny Magnetics Limited, PYI Management Limited, Paul Y. (E & M) Company Limited, Cycle Company Limited and Gunnell Properties Limited, Paul Y. Interior Contractors Limited are wholly-owned subsidiaries of a substantial shareholder of CSH.

(c) Millennium Target Holdings Limited and Hong Kong Wing On Travel Service Limited are wholly-owned subsidiaries of Wing On.

(d) Wing On and China Velocity are associates of the GDI Group.

(e) Apex ceased to be associate of the GDI Group during the year ended 31st December, 2004.

(f) Rosedale Park Limited is a wholly-owned subsidiary of Apex.

(g) China Altantic Profits Limited is a wholly owned subsidiary of PCPD and PCPD ceased to be an associate of GDI Group during the year ended 31st December, 2004.

Details of balances with related parties as at the balance sheet dates are set out in the combined balance sheet and in note 21, 22 and 32.

In the opinion of the directors of CSH, the above transactions were undertaken in the ordinary course of business transactions and the terms were mutually agreed between the GDI Group and the related parties.

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42. RETIREMENT BENEFIT SCHEME

The GDI Group/CSH operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the GDI Group, in funds under the control of trustees. The GDI Group and employees each contribute 5% of the relevant payroll costs to the Scheme.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the income statement represent contributions payable to the scheme by the GDI Group at rates specified in the rules of the schemes.

The employees in the joint venture subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. The joint venture companies are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the GDI Group with respect to the pension scheme is to make the required contributions under the scheme. The amount of contributions payable to the pension schemes are charged to the income statement.

At the balance sheet dates, there were no significant forfeited contributions which arose upon employees leaving the scheme prior to their interests in the GDI Group's contributions becoming fully vested and which are available to reduce the contributions payable by the GDI Group in future years.

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II. DISTRIBUTABLE RESERVES

GDI was incorporated on 1st March, 2005 and accordingly, GDI has no reserve available for distribution to the shareholders as at 31st December, 2005.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the GDI Group, GDI or any of its subsidiaries have been prepared in respect of any period subsequent to 31st December, 2005.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

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Set out below are the unaudited pro forma financial information of the Hanny Group illustrating the effect of full acceptance of the GDI Offer upon Hanny's assets, liabilities, profits and business:

(I) THE UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED HANNY GROUP

(A) Under Option 1

The following is the unaudited pro forma balance sheet of the Enlarged Hanny Group assuming that the distribution in specie of the GDI Shares by China Strategic and China Strategic Group Reorganization had been completed and all shareholders of the GDI Group other than the Hanny Group had chosen Option 1 under the GDI Offer, the disposal of Hanny Sale Shares to the Offeror (the "Partial Disposal"), as well as the very substantial disposal transaction regarding the disposal of the Memorex business (the "Memorex Disposal") had been completed as at 31st December, 2005. Accordingly, the unaudited pro forma balance sheet of the Enlarged Hanny Group is based upon the unaudited pro forma financial information of the Hanny Group extracted from a circular of Hanny dated 10th April, 2006 in relation to the Memorex Disposal (the "Pro Forma Remaining Hanny Group Financial Information") (which was based upon audited consolidated financial statements as at 31st December, 2005 as set out in Appendix II of this document after making pro forma adjustments relating to the Memorex Disposal) and the audited consolidated balance sheet of the GDI Group as at 31st December, 2005 extracted from the financial information on the GDI Group (set out in Appendix III of this document), after making pro forma adjustments relating to the distribution in specie of the GDI Shares, the China Strategic Group Reorganization, the GDI Offer and the Partial Disposal.

This unaudited pro forma balance sheet was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Hanny Group as at 31st December, 2005 or any future date.

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(I) THE UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED HANNY GROUP *(Cont'd)*

(A) Under Option 1 *(Cont'd)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	Pro forma Remaining Hanny Group as at 31st December, 2005 *HK$'000*	Pro forma adjustments relating to the distribution in specie of GDI Shares *HK$'000* *Note 1*	The Hanny Group after pro forma adjustments *HK$'000*	The GDI Group as at 31st December, 2005 *HK$'000*	Pro forma adjustments relating to China Strategic Group Reorganization *HK$'000* *Note 2*	The GDI Group after pro forma adjustments *HK$'000*	Pro forma adjustments relating to the GDI Offer *HK$'000*	Notes	Pro forma Enlarged Hanny Group before the Partial Disposal *HK$'000*	Pro forma adjustments relating to the Partial Disposal *HK$'000*	Notes	Pro forma Enlarged Hanny Group *HK$'000*
Non-current Assets												
Property, plant and equipment	41,738	—	41,738	109,811	—	109,811	—		151,549	—		151,549
Intangible assets	623	—	623	9,123	—	9,123	(9,123)	*(8)*	623	—		623
Interests in subsidiaries	—	—	—	—	—	—	—	*(3)*	—	—		—
Interests in associates	637,783	(330,043)	307,740	558,738	—	558,738	(12,187)	*(8)*	854,291	(59,069)	*(9) & (10)*	795,222
Interest in an associate — the GDI Group	—	330,043	330,043	—	—	—	(330,043)	*(4)*	—	—		—
Available-for-sale investments	678,399	—	678,399	—	—	—	—		678,399	28,247	*(10)*	706,646
Investment in securities at fair value through profit or loss	—	—	—	71,347	—	71,347	—		71,347	—		71,397
Deposits for acquisition of long-term investments	190,175	—	190,175	—	—	—	—		190,175	—		190,175
Receivable due from the Purchaser	195,441	—	195,441	—	—	—	—		195,441	—		195,441
Deposit paid for acquisition of interest in properties	—	—	—	55,716	—	55,716	—		55,716	—		55,716
	1,744,159	—	1,744,159	804,735	—	804,735	(351,353)		2,197,541	(30,822)		2,166,719
Current Assets												
Other asset	—	—	—	229,288	—	229,288	—		229,288	—		229,288
Inventories	6,968	—	6,968	102	—	102	—		7,070	—		7,070
Trade and other receivables	104,045	—	104,045	40,672	—	40,672	362,139	*(5)*	506,856	7,816	*(11)*	514,672
Loans and interests receivables — due within one year	—	—	—	448,961	(86,822)	362,139	(362,139)	*(5)*	—	—		—
Investments held for trading	128,894	—	128,894	—	—	—	—		128,894	—		128,894
Short-term loan receivables	171,979	—	171,979	—	—	—	—		171,979	—		171,979
Short-term loan receivables from related companies	186,019	—	186,019	—	—	—	—		186,019	—		186,019
Margin loan receivables	24,682	—	24,682	—	—	—	—		24,682	—		24,682
Amounts due from associates	5,260	—	5,260	151,206	—	151,206	—		156,466	—		156,466
Amounts due from former fellow subsidiaries	—	—	—	721,091	(721,091)	—	—		—	—		—
Pledged bank deposit	20,591	—	20,591	—	—	—	—		20,591	—		20,591
Bank balances and cash	2,123,202	—	2,123,202	103,494	—	103,494	(112,099)	*(6)*	2,114,597	15,639	*(11)*	2,130,236
	2,771,640	—	2,771,640	1,694,814	(807,913)	886,901	(112,099)		3,546,442	23,455		3,569,897
Current Liabilities												
Trade and other payables	(274,566)	—	(274,566)	(17,475)	—	(17,475)	(583)	*(5)*	(292,624)	2,600	*(11)*	(290,024)
Payables — due within one year	—	—	—	(583)	—	(583)	583	*(5)*	—	—		—
Margin loan payables	(152)	—	(152)	—	—	—	—		(152)	—		(152)
Dividend payable	(9,046)	—	(9,046)	—	—	—	—		(9,046)	—		(9,046)
Amounts due to associates	(2,026)	—	(2,026)	(286)	—	(286)	—		(2,312)	—		(2,312)
Tax payable	(35,889)	—	(35,889)	(12,257)	—	(12,257)	—		(48,146)	—		(48,146)
Amounts due to former fellow subsidiaries	—	—	—	(3,023,016)	3,023,016	—	—		—	—		—
Amounts due to related parties	—	—	—	—	(199,731)	(199,731)	—		(199,731)	—		(199,731)
Borrowings — due within one year	(593,790)	—	(593,790)	—	—	—	—		(593,790)	—		(593,790)
Bank overdrafts	(26,663)	—	(26,663)	—	—	—	—		(26,663)	—		(26,663)
	(942,132)	—	(942,132)	(3,053,617)	2,823,285	(230,332)	—		(1,172,464)	2,600		(1,169,864)
Net Current Assets (Liabilities)	1,829,508	—	1,829,508	(1,358,803)	2,015,372	656,569	(112,099)		2,373,978	26,055		2,400,033
Total Assets Less Current Liabilities	3,573,667	—	3,573,667	(554,068)	2,015,372	1,461,304	(463,452)		4,571,519	(4,767)		4,566,752
Non-current Liabilities												
Borrowings — due after one year	(7,258)	—	(7,258)	—	—	—	—		(7,258)	—		(7,258)
Deferred tax liabilities	(201)	—	(201)	(21,175)	—	(21,175)	—		(21,376)	—		(21,376)
	(7,459)	—	(7,459)	(21,175)	—	(21,175)	—		(28,634)	—		(28,634)
Net Assets (Liabilities)	3,566,208	—	3,566,208	(575,243)	2,015,372	1,440,129	(463,452)		4,542,885	(4,767)		4,538,118

(I) THE UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED HANNY GROUP *(Cont'd)*

(A) Under Option 1 *(Cont'd)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	Pro forma Remaining Hanny Group as at 31st December, 2005 *HK$'000*	Pro forma adjustments relating to the distribution in specie of GDI Shares *HK$'000* *Note 1*	The Hanny Group after pro forma adjustments *HK$'000*	The GDI Group as at 31st December, 2005 *HK$'000*	Pro forma adjustments relating to China Strategic Group Reorganization *HK$'000* *Note 2*	The GDI Group after pro forma adjustments *HK$'000*	Pro forma adjustments relating to the GDI Offer *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group before the Partial Disposal *HK$'000*	Pro forma adjustments relating to the Partial Disposal *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group *HK$'000*
Capital and Reserves												
Share capital	2,261	—	2,261	10,777	—	10,777	(10,154)	*(7)*	2,884	—		2,884
Reserves	2,280,791	—	2,280,791	(902,023)	2,015,372	1,113,349	(453,298)	*(8)*	2,940,842	(4,767)	*(12)*	2,936,075
Equity attributable to equity holders of the parent	2,283,052	—	2,283,052	(891,246)	2,015,372	1,124,126	(463,452)		2,943,726	(4,767)		2,938,959
Minority interests	1,283,156	—	1,283,156	316,003	—	316,003	—		1,599,159	—		1,599,159
	3,566,208	—	3,566,208	(575,243)	2,015,372	1,440,129	(463,452)		4,542,885	(4,767)		4,538,118

(B) Under Option 2

The following is the unaudited pro forma balance sheet of the Enlarged Hanny Group assuming that the distribution in specie of the GDI Shares by China Strategic and China Strategic Group Reorganization had been completed and all shareholders of the GDI Group other than the Hanny Group had chosen Option 2 under the GDI Offer and the Partial Disposal as well as the Memorex Disposal had been completed as at 31st December, 2005. The unaudited pro forma balance sheet of the Enlarged Hanny Group is based upon the Pro Forma Remaining Hanny Group Financial Information (which was based upon audited consolidated financial statements as at 31st December, 2005, as set out in Appendix II of this document after making pro forma adjustments relating to the Memorex Disposal), as set out in the circular of Hanny dated 10th April, 2006, and the audited consolidated balance sheet of the GDI Group as at 31st December, 2005 extracted from the financial information on the GDI Group (set out in Appendix III of this document), after making pro forma adjustments relating to the distribution in specie of the GDI Shares, the China Strategic Group Reorganization, the GDI Offer and the Partial Disposal.

This unaudited pro forma balance sheet was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Hanny Group as at 31st December, 2005 or any future date.

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(I) THE UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED HANNY GROUP *(Cont'd)*

(B) Under Option 2 *(Cont'd)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	Pro forma Remaining Hanny Group as at 31st December, 2005 *HK$'000*	Pro forma adjustments relating to the distribution in specie of GDI Shares *HK$'000 Note 1*	The Hanny Group after pro forma adjustments *HK$'000*	The GDI Group as at 31st December, 2005 *HK$'000*	Pro forma adjustments relating to China Strategic Group Reorganization *HK$'000 Note 2*	The GDI Group after pro forma adjustments *HK$'000*	Pro forma adjustments relating to the GDI Offer *HK$'000*	Notes	Pro forma Enlarged Hanny Group before the Partial Disposal *HK$'000*	Pro forma adjustments relating to the Partial Disposal *HK$'000*	Notes	Pro forma Enlarged Hanny Group *HK$'000*
Non-current Assets												
Property, plant and equipment	41,738	–	41,738	109,811	–	109,811	–		151,549	–		151,549
Intangible assets	623	–	623	9,123	–	9,123	56,961	*(13)*	66,707	–		66,707
Interests in subsidiaries	–	–	–	–	–	–	–	*(3)*	–	–		–
Interests in associates	637,783	(330,043)	307,740	558,738	–	558,738	(12,187)	*(15)*	854,291	(59,069)	*(9) & (10)*	795,222
Interest in an associate — the GDI Group	–	330,043	330,043	–	–	–	(330,043)	*(4)*	–	–		–
Available-for-sale investments	678,399	–	678,399	–	–	–	–		678,399	28,247	*(10)*	706,646
Investment in securities at fair value through profit or loss	–	–	–	71,347	–	71,347	–		71,347	–		71,347
Deposits for acquisition of a long-term investments	190,175	–	190,175	–	–	–	–		190,175	–		190,175
Receivable due from the Purchaser	195,441	–	195,441	–	–	–	–		195,441	–		195,441
Deposit paid for acquisition of interest in properties	–	–	–	55,716	–	55,716	–		55,716	–		55,716
	1,744,159	–	1,744,159	804,735	–	804,735	(285,269)		2,263,625	(30,822)		2,232,803
Current Assets												
Other asset	–	–	–	229,288	–	229,288	–		229,288	–		229,288
Inventories	6,968	–	6,968	102	–	102	–		7,070	–		7,070
Trade and other receivables	104,045	–	104,045	40,672	–	40,672	362,139	*(5)*	506,856	7,816	*(11)*	514,672
Loans and interests receivables — due within one year	–	–	–	448,961	(86,822)	362,139	(362,139)	*(5)*	–	–		–
Investments held for trading	128,894	–	128,894	–	–	–	–		128,894	–		128,894
Short-term loan receivables	171,979	–	171,979	–	–	–	–		171,979	–		171,979
Short-term loan receivables from related companies	186,019	–	186,019	–	–	–	–		186,019	–		186,019
Margin loan receivables	24,682	–	24,682	–	–	–	–		24,682	–		24,682
Amounts due from associates	5,260	–	5,260	151,206	–	151,206	–		156,466	–		156,466
Amounts due from former fellow subsidiaries	–	–	–	721,091	(721,091)	–	–		–	–		–
Pledged bank deposits	20,591	–	20,591	–	–	–	–		20,591	–		20,591
Bank balances and cash	2,123,202	–	2,123,202	103,494	–	103,494	–		2,226,696	15,639	*(11)*	2,242,335
	2,771,640	–	2,771,640	1,694,814	(807,913)	886,901	–		3,658,541	23,455		3,681,996
Current Liabilities												
Trade and other payables	(274,566)	–	(274,566)	(17,475)	–	(17,475)	(583)	*(5)*	(292,624)	2,600	*(11)*	(290,024)
Payables — due within one year	–	–	–	(583)	–	(583)	583	*(5)*	–	–		–
Margin loan payables	(152)	–	(152)	–	–	–	–		(152)	–		(152)
Dividend payable	(9,046)	–	(9,046)	–	–	–	–		(9,046)	–		(9,046)
Amounts due to associates	(2,026)	–	(2,026)	(286)	–	(286)	–		(2,312)	–		(2,312)
Tax payable	(35,889)	–	(35,889)	(12,257)	–	(12,257)	–		(48,146)	–		(48,146)
Amounts due to former fellow subsidiaries	–	–	–	(3,023,016)	3,023,016	–	–		–	–		–
Amounts due to related parties	–	–	–	–	(199,731)	(199,731)	–		(199,731)	–		(199,731)
Borrowings — due within one year	(593,790)	–	(593,790)	–	–	–	–		(593,790)	–		(593,790)
Bank overdrafts	(26,663)	–	(26,663)	–	–	–	–		(26,663)	–		(26,663)
	(942,132)	–	(942,132)	(3,053,617)	2,823,285	(230,332)	–		(1,172,464)	2,600		(1,169,864)
Net Current Assets (Liabilities)	1,829,508	–	1,829,508	(1,358,803)	2,015,372	656,569	–		2,486,077	26,055		2,512,132
Total Assets Less Current Liabilities	3,573,667	–	3,573,667	(554,068)	2,015,372	1,461,304	(285,269)		4,749,702	(4,767)		4,744,935
Non-current Liabilities												
Borrowings — due after one year	(7,258)	–	(7,258)	–	–	–	–		(7,258)	–		(7,258)
Convertible loan notes	–	–	–	–	–	–	(774,815)	*(16)*	(774,815)	–		(774,815)
Deferred tax liabilities	(201)	–	(201)	(21,175)	–	(21,175)	–		(21,376)	–		(21,376)
	(7,459)	–	(7,459)	(21,175)	–	(21,175)	(774,815)		(803,449)	–		(803,449)
Net Assets (Liabilities)	3,566,208	–	3,566,208	(575,243)	2,015,372	1,440,129	(1,060,084)		3,946,253	(4,767)		3,941,486

THIS IS NOT AN OFFER FOR INFORMATION ONLY.

(I) THE UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED HANNY GROUP *(Cont'd)*

(B) Under Option 2 *(Cont'd)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	Pro forma Remaining Hanny Group as at 31st December, 2005 *HK$'000*	Pro forma adjustments relating to the distribution in specie of GDI Shares *HK$'000 Note 1*	The Hanny Group after pro forma adjustments *HK$'000*	The GDI Group as at 31st December, 2005 *HK$'000*	Pro forma adjustments relating to China Strategic Group Reorganization *HK$'000 Note 2*	The GDI Group after pro forma adjustments *HK$'000*	Pro forma adjustments relating to the GDI Offer *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group before the Partial Disposal *HK$'000*	Pro forma adjustments relating to the Partial Disposal *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group *HK$'000*
Capital and Reserves												
Share capital	2,261	–	2,261	10,777	–	10,777	(10,777)	*(14)*	2,261	–		2,261
Reserves	2,280,791	–	2,280,791	(902,023)	2,015,372	1,113,349	(1,049,307)	*(15)&(16)*	2,344,833	(4,767)	*(12)*	2,340,066
Equity attributable to equity holders of the parent	2,283,052	–	2,283,052	(891,246)	2,015,372	1,124,126	(1,060,084)		2,347,094	(4,767)		2,342,327
Minority interests	1,283,156	–	1,283,156	316,003	–	316,003	–		1,599,159	–		1,599,159
	3,566,208	–	3,566,208	(575,243)	2,015,372	1,440,129	(1,060,084)		3,946,253	(4,767)		3,941,486

(II) THE UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED HANNY GROUP

(A) Under Option 1

The following is the unaudited pro forma income statement of the Enlarged Hanny Group assuming that the distribution in specie of the GDI Shares by China Strategic and China Strategic Group Reorganization had been completed and all shareholders of the GDI Group other than the Hanny Group had chosen Option 1 under the GDI Offer and the Partial Disposal as well as the Memorex Disposal had been completed as at 1st April, 2004, the beginning of the financial period of the Hanny Group. The unaudited pro forma income statement of the Enlarged Hanny Group was prepared based on the Pro Forma Remaining Hanny Group Financial Information (which was based upon audited consolidated income statement for the year ended 31st March, 2005, as set out in Appendix II of this document after making pro forma adjustments relating to the Memorex Disposal), as set out in the circular of Hanny dated 10th April, 2006, and the audited consolidated income statement of the GDI Group for the year ended 31st December, 2005 extracted from the financial information on the GDI Group (as set out in Appendix III of this document) as adjusted by the reversal of the prospective adjustments made to the financial period beginning from 1st January, 2005 for the adoption of the Hong Kong Financial Reporting Standards ("HKFRS") which has been adopted by the GDI Group for the year ended 31st December, 2005 (the "Reversal Adjustments") so as to conform with the Hanny Group's accounting policies, after making pro forma adjustments relating to the distribution in specie of the GDI Shares, the China Strategic Group Reorganization, the GDI Offer and the Partial Disposal.

This unaudited pro forma income statement was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Hanny Group for the year ended 31st March, 2005 or any future period.

(II) THE UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED HANNY GROUP *(Cont'd)*

(A) Under Option 1 *(Cont'd)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D)+(E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	Pro forma Remaining Hanny Group for the year ended 31st March, 2005 *HK$'000*	Pro forma adjustments relating to the distribution in specie of GDI Shares *HK$'000 Note 1*	The Hanny Group after pro forma adjustments *HK$'000*	The GDI Group for the year ended 31st December, 2005 *HK$'000*	Reversal Adjustments *HK$'000 Note 17*	The GDI Group for the year ended 31st December, 2005 after the Reversal Adjustments *HK$'000*	Pro forma adjustments relating to the GDI Offer *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group before the Partial Disposal *HK$'000*	Pro forma adjustments relating to the Partial Disposal *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group *HK$'000*
Revenue	301,436	–	301,436	5,298	–	5,298	–		306,734	–		306,734
Cost of sales	(187,040)	–	(187,040)	(4,457)	–	(4,457)	–		(191,497)	–		(191,497)
Gross profit	114,396	–	114,396	841	–	841	–		115,237	–		115,237
Other operating income	105,079	–	105,079	33,622	(8,599)	25,023	–		130,102	–		130,102
Distribution and selling expenses	(13,080)	–	(13,080)	(1,365)	–	(1,365)	–		(14,445)	–		(14,445)
Administrative expenses	(139,017)	–	(139,017)	(33,802)	–	(33,802)	(31,116)	*(19)*	(203,935)	–		(203,935)
Other operating expenses	(29,712)	–	(29,712)	(23,030)	–	(23,030)	–		(52,742)	–		(52,742)
Realization of negative goodwill arising on acquisition of an additional interest in an associate	2,057	–	2,057	–	–	–	–		2,057	–		2,057
Finance costs	(24,328)	–	(24,328)	–	–	–			(24,328)	–		(24,328)
Share of results of associates	(64,909)	3,061	(61,848)	43,103	–	43,103			(18,745)	49,807	*(22)*	31,062
Share of results of an associate – the GDI Group	–	(3,061)	(3,061)	–	–	–	3,061	*(20)*	–	–		–
Impairment loss on goodwill arising on acquisition of an associate	(177,446)	177,446	–	–	–	–	–		–	–		–
Impairment loss on goodwill arising on acquisition of an associate – the GDI Group	–	(177,446)	(177,446)	–	–	–	177,446	*(21)*	–	–		–
Impairment loss on goodwill arising on acquisition of the GDI Group	–	–	–	–	–	–	(177,446)	*(21)*	(177,446)	–		(177,446)
Amortization of goodwill arising on acquisition of associates	(28,089)	20,876	(7,213)	–	–	–	–		(7,213)	–		(7,213)
Amortization of goodwill arising on acquisition of an associate – the GDI Group	–	(20,876)	(20,876)	–	–	–	20,876	*(21)*	–	–		–
Amortization of goodwill arising on acquisition of the GDI Group	–	–	–	–	–	–	(20,876)	*(21)*	(20,876)	–		(20,876)
Net gain (loss) on disposal of subsidiaries and associates	1,497,101	–	1,497,101	–	–	–	(2,814)	*(19)*	1,494,287	(4,036)	*(23)*	1,490,251
Realization of negative goodwill arising on acquisition of the GDI Group	–	–	–	–	–	–	65,361	*(18)*	65,361	–		65,361
Loss on disposal/dilution of interests in associates	–	–		(2,814)	–	(2,814)	2,814	*(19)*	–	–		–
Allowances for loans and interest receivable	–	–		(31,116)	–	(31,116)	31,116	*(19)*	–	–		–
Change in fair value of conversion option of unlisted convertible note	–	–	–	(39,743)	39,743	–	–		–	–		–
Profit (loss) before income tax	1,242,052	–	1,242,052	(54,304)	31,144	(23,160)	68,422		1,287,314	45,771		1,333,085
Income tax expense	(66,814)	–	(66,814)	(4,247)	–	(4,247)	–		(71,061)	–		(71,061)
Profit (loss) for the year	1,175,238	–	1,175,238	(58,551)	31,144	(27,407)	68,422		1,216,253	45,771		1,262,024
Attributable to:												
Equity holders of the parent	323,490	–	323,490	(54,259)	9,497	(44,762)	68,422		347,150	45,771		392,921
Minority interests	851,748	–	851,748	(4,292)	21,647	17,355	–		869,103	–		869,103
	1,175,238	–	1,175,238	(58,551)	31,144	(27,407)	68,422		1,216,253	45,771		1,262,024
Earnings per share												
Basic	HK$1.63										*(24)*	HK$1.51
Diluted	HK$1.56										*(24)*	HK$1.51

THIS IS NOT A OFFER FOR INFORMATION ONLY

(II) THE UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED HANNY GROUP *(Cont'd)*

(B) Under Option 2

The following is the unaudited pro forma income statement of the Enlarged Hanny Group assuming that the distribution in specie of the GDI Shares by China Strategic and China Strategic Group Reorganization had been completed and all shareholders of the GDI Group other than the Hanny Group had chosen Option 2 under the GDI Offer and the Partial Disposal as well as the Memorex Disposal had been completed as at 1st April, 2004, the beginning of the financial period of the Hanny Group. The unaudited pro forma income statement of the Enlarged Hanny Group was prepared based on the Pro Forma Remaining Hanny Group Financial Information (which was based upon audited consolidated income statement for the year ended 31st March, 2005, as set out in Appendix II of this document after making pro forma adjustments relating to the Memorex Disposal), as set out in the circular of Hanny dated 10th April, 2006, and the audited consolidated income statement of the GDI Group for the year ended 31st December, 2005 extracted from the financial information on the GDI Group (as set out in Appendix III of this document) as adjusted by the Reversal Adjustments so as to conform with the Hanny Group's accounting policies, after making pro forma adjustments relating to the distribution in specie of the GDI Shares, the China Strategic Group Reorganization, the GDI Offer and the Partial Disposal.

This unaudited pro forma income statement was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Hanny Group for the year ended 31st March, 2005 or any future period.

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(II) THE UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED HANNY GROUP *(Cont'd)*

(B) Under Option 2 *(Cont'd)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D)+(E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	Pro forma Remaining Hanny Group for the year ended 31st March, 2005 *HK$'000*	Pro forma adjustments relating to the distribution in specie of GDI Shares *HK$'000 Note 1*	The Hanny Group after pro forma adjustments *HK$'000*	The GDI Group for the year ended 31st December, 2005 *HK$'000*	Reversal Adjustments *HK$'000 Note 17*	The GDI Group for the year ended 31st December, 2005 after the Reversal Adjustments *HK$'000*	Pro forma adjustments relating to the GDI Offer *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group before the Partial Disposal *HK$'000*	Pro forma adjustments relating to the Partial Disposal *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group *HK$'000*
Revenue	301,436	–	301,436	5,298	–	5,298	–		306,734	–		306,734
Cost of sales	(187,040)	–	(187,040)	(4,457)	–	(4,457)	–		(191,497)	–		(191,497)
Gross profit	114,396	–	114,396	841	–	841	–		115,237	–		115,237
Other operating income	105,079	–	105,079	33,622	(8,599)	25,023	–		130,102	–		130,102
Distribution and selling expenses	(13,080)	–	(13,080)	(1,365)	–	(1,365)	–		(14,445)	–		(14,445)
Administrative expenses	(139,017)	–	(139,017)	(33,802)	–	(33,802)	(31,116)	*(19)*	(203,935)	–		(203,935)
Other operating expenses	(29,712)	–	(29,712)	(23,030)	–	(23,030)	–		(52,742)	–		(52,742)
Realization of negative goodwill arising on acquisition of an additional interest in an associate	2,057	–	2,057	–	–	–	–		2,057	–		2,057
Finance costs	(24,328)	–	(24,328)	–	–	–	(46,920)	*(26)*	(71,248)	–		(71,248)
Share of results of associates	(64,909)	3,061	(61,848)	43,103	–	43,103			(18,745)	49,807	*(22)*	31,062
Share of results of an associate — the GDI Group	–	(3,061)	(3,061)	–	–	–	3,061	*(20)*	–	–		–
Impairment loss on goodwill arising on acquisition of an associate	(177,446)	177,446	–	–	–	–	–		–	–		–
Impairment loss on goodwill arising on acquisition of an associate — the GDI Group	–	(177,446)	(177,446)	–	–	–	177,446	*(21)*	–	–		–
Impairment loss on goodwill arising on acquisition of the GDI Group	–	–	–	–	–	–	(177,446)	*(21)*	(177,446)	–		(177,446)
Amortization of goodwill arising on acquisition of associates	(28,089)	20,876	(7,213)	–	–	–	–		(7,213)	–		(7,213)
Amortization of goodwill arising on acquisition of an associate — the GDI Group	–	(20,876)	(20,876)	–	–	–	20,876	*(21)*	–	–		–
Amortization of goodwill arising on acquisition of the GDI Group	–	–	–	–	–	–	(20,876)	*(21)*	(20,876)	–		(20,876)
Net (loss) gain on disposal of subsidiaries and associates	1,497,101	–	1,497,101	–	–	–	(2,814)	*(19)*	1,494,287	(4,036)	*(23)*	1,490,251
Realization of negative goodwill arising on acquisition of the GDI Group	–	–	–	–	–	–	2,461	*(25)*	2,461	–		2,461
Loss on disposal/dilution of interests in associates				(2,814)	–	(2,814)	2,814	*(19)*	–	–		–
Allowances for loans and interest receivable	–	–		(31,116)	–	(31,116)	31,116	*(19)*	–	–		–
Change in fair value of conversion option of unlisted convertible note	–	–	–	(39,743)	39,743	–	–		–	–		–
Profit (loss) before income tax	1,242,052	–	1,242,052	(54,304)	31,144	(23,160)	(41,398)		1,177,494	45,771		1,223,265
Income tax expense	(66,814)	–	(66,814)	(4,247)	–	(4,247)	–		(71,061)	–		(71,061)
Profit (loss) for the year	1,175,238	–	1,175,238	(58,551)	31,144	(27,407)	(41,398)		1,106,433	45,771		1,152,204
Attributable to:												
Equity holders of the parent	323,490	–	323,490	(54,259)	9,497	(44,762)	(41,398)		237,330	45,771		283,101
Minority interests	851,748	–	851,748	(4,292)	21,647	17,355	–		869,103	–		869,103
	1,175,238	–	1,175,238	(58,551)	31,144	(27,407)	(41,398)		1,106,433	45,771		1,152,204
Earnings per share												
Basic	HK$1.63										*(27)*	HK$1.43
Diluted	HK$1.56										*(27)*	HK$1.43

THIS IS NOT AN OFFER. FOR INFORMATION ONLY.

(III) THE UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED HANNY GROUP

(A) Under Option 1

The following is the unaudited pro forma cash flow statement of the Enlarged Hanny Group assuming that the distribution in specie of the GDI Shares by China Strategic and China Strategic Group Reorganization had been completed and all shareholders of the GDI Group other than the Hanny Group had chosen Option 1 under the GDI Offer and the Partial Disposal as well as the Memorex Disposal had been completed as at 1st April, 2004, the beginning of the financial period of the Hanny Group. The unaudited pro forma cash flow statement of the Enlarged Hanny Group was prepared based on the Pro Forma Remaining Hanny Group Financial Information (which was based upon audited consolidated cash flow statement for the year ended 31st March, 2005, as set out in Appendix II of this document after making pro forma adjustments relating to the Memorex Disposal), as set out in the circular of Hanny dated 10th April, 2006, and the audited consolidated cash flow statement of the GDI Group for the year ended 31st December, 2005 extracted from the financial information on the GDI Group (as set out in Appendix III of this document) as adjusted by the Reversal Adjustments so as to conform with the Hanny Group's accounting policies, after making pro forma adjustments relating to the distribution in specie of the GDI Shares, the China Strategic Group Reorganization, the GDI Offer and the Partial Disposal.

This unaudited pro forma cash flow statement was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Hanny Group for the year ended 31st March, 2005 or any future period.

THIS IS NOT AN OFFER - FOR INFORMATION ONLY

(III) THE UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED HANNY GROUP *(Cont'd)*

(A) Under Option 1 *(Cont'd)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	Pro forma Remaining Hanny Group for the year ended 31st March, 2005 *HK$'000*	Pro forma adjustments relating to the distribution in specie of GDI Shares *HK$'000 Note 1*	The Hanny Group after pro forma adjustments *HK$'000*	The GDI Group for the year ended 31st December, 2005 *HK$'000*	Reversal Adjustments *HK$'000 Note 17*	The GDI Group for the year ended 31st December, 2005 after the Reversal Adjustments *HK$'000*	Pro forma adjustments relating to the GDI Offer *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group before the Partial Disposal *HK$'000*	Pro forma adjustments relating to the Partial Disposal *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group *HK$'000*
OPERATING ACTIVITIES												
Profit (loss) before income tax	1,242,052	–	1,242,052	(54,304)	31,144	(23,160)	68,422	*(18) & (20)*	1,287,314	45,771	*(22) & (23)*	1,333,085
Adjustments for:												
Interest income	(22,141)	–	(22,141)	(29,762)	8,599	(21,163)	–		(43,304)	–		(43,304)
Finance costs	24,328	–	24,328	–	–	–	–		24,328	–		24,328
Share of results of associates	64,909	(3,061)	61,848	(43,103)	–	(43,103)	–		18,745	(49,807)	*(22)*	(31,062)
Share of results of an associate— — the GDI Group	–	3,061	3,061	–	–	–	(3,061)	*(20)*	–	–		–
Realization of negative goodwill arising on acquisition of additional interest in an associate	(2,057)	–	(2,057)	–	–	–	–		(2,057)	–		(2,057)
Amortization of goodwill arising on acquisition of associates	28,089	(20,876)	7,213	–	–	–	–		7,213	–		7,213
Amortization of goodwill arising on acquisition of an associate — the GDI Group	–	20,876	20,876	–	–	–	(20,876)	*(21)*	–	–		–
Amortization of goodwill arising on acquisition of the GDI Group	–	–	–	–	–	–	20,876	*(21)*	20,876	–		20,876
Impairment loss on goodwill arising on acquisition of an associate	177,446	(177,446)	–	–	–	–	–		–	–		–
Impairment loss on goodwill arising on acquisition of an associate — the GDI Group	–	177,446	177,446	–	–	–	(177,446)	*(21)*	–	–		–
Impairment loss on goodwill arising on acquisition of the GDI Group	–	–	–	–	–	–	177,446	*(21)*	177,446	–		177,446
Net (gain) loss on disposal of subsidiaries and associates	(1,497,101)	–	(1,497,101)	–	–	–	2,814	*(28)*	(1,494,287)	4,036	*(23)*	(1,490,251)
Net unrealized holding gain on other investments/held for trading securities	(17,223)	–	(17,223)	(1,208)	–	(1,208)	–		(18,431)	–		(18,431)
Reversal of allowance for margin loan receivables	(2,387)	–	(2,387)	–	–	–	–		(2,387)	–		(2,387)
Loss on disposal/dilution of interests in associates	–	–	–	2,814	–	2,814	(2,814)	*(28)*	–	–		–
Realization of negative goodwill arising on acquisition of the GDI Group	–	–	–	–	–	–	(65,361)	*(18)*	(65,361)	–		(65,361)
Realization of negative goodwill arising on acquisition of an associate	(8)	–	(8)	–	–	–	–		(8)	–		(8)
Amortization of intangible assets	49,838	–	49,838	–	–	–	–		49,838	–		49,838
Allowance for slow moving and obsolete inventories	1,060	–	1,060	–	–	–	–		1,060	–		1,060
Allowances for bad and doubtful debts	22,269	–	22,269	18,575	–	18,575	–		40,844	–		40,844
Depreciation and amortization of property, plant and equipment	8,162	–	8,162	5,865	–	5,865	–		14,027	–		14,027
Allowance for loans receivable	8,338	–	8,338	–	–	–	–		8,338	–		8,338
Allowance for loans and interest receivable	–	–	–	31,116	–	31,116	–		31,116	–		31,116
Loss on disposal of property, plant and equipment	405	–	405	–	–	–	–		405	–		405
Net loss on disposal of investment securities	29,712	–	29,712	716	–	716	–		30,428	–		30,428
Change in fair value of conversion option of unlisted convertible note	–	–	–	39,743	(39,743)	–	–		–	–		–
Operating cash flows before movements in working capital	115,691	–	115,691	(29,548)	–	(29,548)	–		86,143	–		86,143
Decrease (increase) in other asset	37,085	–	37,085	(2,121)	–	(2,121)	–		34,964	–		34,964
Decrease (increase) in inventories	14,001	–	14,001	(96)	–	(96)	–		13,905	–		13,905
Increase in trade and other receivables	1,434,136	–	1,434,136	–	–	–	19,272	*(28)*	1,453,408	–		1,453,408
Increase in other receivables, deposit and prepayments	–	–	–	19,272	–	19,272	(19,272)	*(28)*	–	–		–
Increase in amounts due from associates	–	–	–	(15,164)	–	(15,164)	–		(15,164)	–		(15,164)
Decrease in other investments	13,623	–	13,623	–	–	–	–		13,623	–		13,623
Decrease in margin loan receivables	4,174	–	4,174	–	–	–	–		4,174	–		4,174
(Decrease) increase in trade and other payables	(1,468,366)	–	(1,468,366)	(8,127)	–	(8,127)	–		(1,476,493)	–		(1,476,493)
Decrease in amounts due to associates	–	–	–	(387)	–	(387)	–		(387)	–		(387)
Decrease in margin loan payables	(587)	–	(587)	–	–	–	–		(587)	–		(587)
Decrease in bills payable	(1,295)	–	(1,295)	–	–	–	–		(1,295)	–		(1,295)
Decrease in amounts due to fellow subsidiaries	(20,730)	–	(20,730)	–	–	–	–		(20,730)	–		(20,730)
Decrease in amounts due from fellow subsidiaries	3,526	–	3,526	–	–	–	–		3,526	–		3,526
Cash generated from (used in) operations	131,258	–	131,258	(36,171)	–	(36,171)	–		95,087	–		95,087
Interest and finance charges paid	(5,326)	–	(5,326)	–	–	–	–		(5,326)	–		(5,326)
Overseas tax (paid) refunded	(2,237)	–	(2,237)	245	–	245	–		(1,992)	–		(1,992)
Hong Kong Profits Tax refunded	386	–	386	–	–	–	–		386	–		386
NET CASH FROM (USED IN) OPERATING ACTIVITIES	124,081	–	124,081	(35,926)	–	(35,926)	–		88,155	–		88,155

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(III) THE UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED HANNY GROUP *(Cont'd)*

(A) Under Option 1 *(Cont'd)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	Pro forma Remaining Hanny Group for the year ended 31st March, 2005 *HK$'000*	Pro forma adjustments relating to the distribution in specie of GDI Shares *HK$'000 Note 1*	The Hanny Group after pro forma adjustments *HK$'000*	The GDI Group for the year ended 31st December, 2005 *HK$'000*	Reversal Adjustments *HK$'000 Note 17*	The GDI Group for the year ended 31st December, 2005 after the Reversal Adjustments *HK$'000*	Pro forma adjustments relating to the GDI Offer *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group before the Partial Disposal *HK$'000*	Pro forma adjustments relating to the Partial Disposal *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group *HK$'000*
INVESTING ACTIVITIES												
Proceeds from disposal of investment securities	150,255	–	150,255	77,547	–	77,547	–		227,802	–		227,802
Amounts repaid by associates	14,256	–	14,256	–	–	–	–		14,256	–		14,256
Repayment of short-term loan receivables from a related company	32,890	–	32,890	–	–	–	–		32,890	–		32,890
Repayment of short-term loan receivables	29,588	–	29,588	–	–	–	–		29,588	–		29,588
Interest received	17,711	–	17,711	8,488	–	8,488	–		26,199	–		26,199
Disposal of subsidiaries	2,110,405	–	2,110,405	–	–	–	–		2,110,405	–		2,110,405
Dividend received from an associate	4,668	–	4,668	2,427	–	2,427	–		7,095	–		7,095
Proceeds from disposal of property, plant and equipment	989	–	989	125	–	125	–		1,114	–		1,114
Proceeds from disposal of an associate	10	–	10	–	–	–	–		10	23,455	*(30)*	23,465
Acquisition of investment securities	(123,348)	–	(123,348)	(78,259)	–	(78,259)	–		(201,607)	–		(201,607)
Acquisition of the GDI Group	–	–	–	–	–	–	(39,618)	*(29)*	(39,618)	–		(39,618)
Increase in short-term loan receivables	(105,755)	–	(105,755)	–	–	–	–		(105,755)	–		(105,755)
Increase in short-term loan receivables from related companies	(89,758)	–	(89,758)	–	–	–	–		(89,758)	–		(89,758)
Acquisition of interest in associates	(44,148)	–	(44,148)	(63,152)	–	(63,152)	–		(107,300)	–		(107,300)
Purchase of subsidiaries (net of cash and cash equivalents	–	–	–	(9,651)	–	(9,651)	–		(9,651)	–		(9,651)
Acquisition of an additional interest in a subsidiary	(37,320)	–	(37,320)	–	–	–	–		(37,320)	–		(37,320)
Deposit for acquisition of a long-term investment	(35,000)	–	(35,000)	–	–	–	–		(35,000)	–		(35,000)
Increase in pledged bank deposits	(20,014)	–	(20,014)	–	–	–	–		(20,014)	–		(20,014)
Purchase of property, plant and equipment	(643)	–	(643)	(331)	–	(331)	–		(974)	–		(974)
Acquisition of unlisted debt security	(12,000)	–	(12,000)	–	–	–	–		(12,000)	–		(12,000)
Repayment from third parties	–	–	–	345,672	–	345,672	–		345,672	–		345,672
Amount advanced to third parties	–	–	–	(285,122)	–	(285,122)	–		(285,122)	–		(285,122)
Payment for acquisition of interest in properties	–	–	–	(8,704)	–	(8,704)	–		(8,704)	–		(8,704)
Decrease in amounts due from former fellow subsidiaries	–	–	–	121,572	–	121,572	–		121,572	–		121,572
NET CASH FROM INVESTING ACTIVITIES	1,892,786	–	1,892,786	110,612	–	110,612	(39,618)		1,963,780	23,455		1,987,235
FINANCING ACTIVITIES												
Bank loans raised	185,633	–	185,633	–	–	–	–		185,633	–		185,633
Proceeds from issue of shares	118,500	–	118,500	–	–	–	–		118,500	–		118,500
Other loans raised	10,000	–	10,000	–	–	–	–		10,000	–		10,000
Repayments of bank loans	(158,557)	–	(158,557)	–	–	–	–		(158,557)	–		(158,557)
Dividends paid	(10,987)	–	(10,987)	–	–	–	–		(10,987)	–		(10,987)
Repayments of obligations under finance lease	(3)	–	(3)	–	–	–	–		(3)	–		(3)
Repayments to a minority shareholder	(10)	–	(10)	–	–	–	–		(10)	–		(10)
Decrease in amounts due to former fellow subsidiaries	–	–	–	(41,964)	–	(41,964)	–		(41,964)	–		(41,964)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	144,576	–	144,576	(41,964)	–	(41,964)	–		102,612	–		102,612
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,161,443	–	2,161,443	32,722	–	32,722	(39,618)		2,154,547	23,455		2,178,002
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	141,094	–	141,094	72,481	–	72,481	(72,481)	*(31)*	141,094	–		141,094
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	178	–	178	(1,709)	–	(1,709)	–		(1,531)	–		(1,531)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,302,715	–	2,302,715	103,494	–	103,494	(112,099)		2,294,110	23,455		2,317,565
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS												
Bank balances and cash	2,321,331	–	2,321,331	103,494	–	103,494	(112,099)		2,312,726	23,455		2,336,181
Bank overdrafts	(18,616)	–	(18,616)	–	–	–	–		(18,616)	–		(18,616)
	2,302,715	–	2,302,715	103,494	–	103,494	(112,099)		2,294,110	23,455		2,317,565

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(III) THE UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED HANNY GROUP *(Cont'd)*

(B) Under Option 2

The following is the unaudited pro forma cash flow statement of the Enlarged Hanny Group assuming that the distribution in specie of the GDI Shares by China Strategic and China Strategic Group Reorganization had been completed and all shareholders of the GDI Group other than the Hanny Group had chosen Option 2 under the GDI Offer and the Partial Disposal as well as the Memorex Disposal had been completed as at 1st April, 2004, the beginning of the financial period of the Hanny Group. The unaudited pro forma cash flow statement of the Enlarged Hanny Group was prepared based on Pro Forma Remaining Hanny Group Financial Information (which was based upon audited consolidated cash flow statement for the year ended 31st March, 2005, as set out in Appendix II of this document after making pro forma adjustments relating to the Memorex Disposal), as set out in the circular of Hanny dated 10th April, 2006, and the audited consolidated cash flow statement of the GDI Group for the year ended 31st December, 2005 extracted from the financial information on the GDI Group (as set out in Appendix III of this document) as adjusted by the Reversal Adjustments so as to conform with the Hanny Group's accounting policies, after making pro forma adjustments relating to the distribution in specie of the GDI Shares, the China Strategic Group Reorganization, the GDI Offer and the Partial Disposal.

This unaudited pro forma cash flow statement was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Hanny Group for the year ended 31st March, 2005 or any future period.

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(III) THE UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED HANNY GROUP *(Cont'd)*

(B) Under Option 2 *(Cont'd)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	Pro forma Remaining Hanny Group for the year ended 31st March, 2005 *HK$'000*	Pro forma adjustments relating to the distribution in specie of GDI Shares *HK$'000 Note 1*	The Hanny Group after pro forma adjustments *HK$'000*	The GDI Group for the year ended 31st December, 2005 *HK$'000*	Reversal Adjustments *HK$'000 Note 17*	The GDI Group for the year ended 31st December, 2005 after the Reversal Adjustments *HK$'000*	Pro forma adjustments relating to the GDI Offer *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group before the Partial Disposal *HK$'000*	Pro forma adjustments relating to the Partial Disposal *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group *HK$'000*
OPERATING ACTIVITIES												
Profit (loss) before income tax	1,242,052	–	1,242,052	(54,304)	31,144	(23,160)	(41,398)	*(20), (25) & (26)*	1,177,494	45,771	*(22) & (23)*	1,223,265
Adjustments for:												
Interest income	(22,141)	–	(22,141)	(29,762)	8,599	(21,163)	–		(43,304)	–		(43,304)
Finance costs	24,328	–	24,328	–	–	–	46,920	*(26)*	71,248	–		71,248
Share of results of associates	64,909	(3,061)	61,848	(43,103)	–	(43,103)	–		18,745	(49,807)	*(22)*	(31,062)
Share of results of an associate – the GDI Group	–	3,061	3,061	–	–	–	(3,061)	*(20)*	–	–		–
Realization of negative goodwill arising on acquisition of additional interest in an associate	(2,057)	–	(2,057)	–	–	–	–		(2,057)	–		(2,057)
Amortization of goodwill arising on acquisition of associates	28,089	(20,876)	7,213	–	–	–			7,213	–		7,213
Amortization of goodwill arising on acquisition of an associate – the GDI Group	–	20,876	20,876	–	–	–	(20,876)	*(21)*	–	–		–
Amortization of goodwill arising on acquisition of the GDI Group	–	–	–	–	–	–	20,876	*(21)*	20,876	–		20,876
Impairment loss on goodwill arising on acquisition of an associate	177,446	(177,446)	–	–	–	–	–		–	–		–
Impairment loss on goodwill arising on acquisition of an associate – the GDI Group	–	177,446	177,446	–	–	–	(177,446)	*(21)*	–	–		–
Impairment loss on goodwill arising on acquisition of the GDI Group	–	–	–	–	–	–	177,446	*(21)*	177,446	–		177,446
Net gain (loss) on disposal of subsidiaries and associates	(1,497,101)	–	(1,497,101)	–	–	–	2,814	*(28)*	(1,494,287)	4,036	*(23)*	(1,490,251)
Net unrealized holding gain on other investments/held for trading investments	(17,223)	–	(17,223)	(1,208)		(1,208)	–		(18,431)	–		(18,431)
Reversal of allowance for margin loan receivables	(2,387)	–	(2,387)		–	–	–		(2,387)	–		(2,387)
Loss on disposal/dilution of interests in associates	–	–	–	2,814	–	2,814	(2,814)	*(28)*	–	–		–
Realization of negative goodwill arising on acquisition of the GDI Group	–	–	–		–	–	(2,461)	*(25)*	(2,461)	–		(2,461)
Realization of negative goodwill arising on acquisition of an associate	(8)	–	(8)	–	–	–	–		(8)	–		(8)
Amortization of intangible assets	49,838	–	49,838	–	–	–	–		49,838	–		49,838
Allowance for slow moving and obsolete inventories	1,060	–	1,060	–	–	–	–		1,060	–		1,060
Allowance for bad and doubtful debts	22,269	–	22,269	18,575	–	18,575	–		40,844	–		40,844
Depreciation and amortization of property, plant and equipment	8,162	–	8,162	5,865	–	5,865	–		14,027	–		14,027
Allowance for loans receivable	8,338	–	8,338	–	–	–	–		8,338	–		8,338
Allowance for loans and interest receivable	–	–	–	31,116	–	31,116	–		31,116	–		31,116
Loss on disposal of property, plant and equipment	405	–	405	–	–	–	–		405	–		405
Net loss on disposal of investment securities	29,712	–	29,712	716	–	716	–		30,428	–		30,428
Change in fair value of conversion option of unlisted convertible note	–	–	–	39,743	(39,743)	–	–		–	–		–
Operating cash flows before movements in working capital	115,691	–	115,691	(29,548)	–	(29,548)	–		86,143	–		86,143
Decrease (increase) in other asset	37,085	–	37,085	(2,121)	–	(2,121)	–		34,964	–		34,964
Decrease (increase) in inventories	14,001	–	14,001	(96)	–	(96)	–		13,905	–		13,905
Increase in trade and other receivables	1,434,136	–	1,434,136	–	–	–	19,272	*(28)*	1,453,408	–		1,453,408
Increase in other receivables, deposits and prepayments	–	–	–	19,272	–	19,272	(19,272)	*(28)*	–	–		–
Increase in amounts due from associates	–	–	–	(15,164)	–	(15,164)	–		(15,164)	–		(15,164)
Decrease in other investments	13,623	–	13,623	–	–	–	–		13,623	–		13,623
Decrease in margin loan receivables	4,174	–	4,174	–	–	–	–		4,174	–		4,174
(Decrease) increase in trade and other payables	(1,468,366)	–	(1,468,366)	(8,127)	–	(8,127)	–		(1,476,493)	–		(1,476,493)
Decrease in amounts due to associates	–	–	–	(387)	–	(387)	–		(387)	–		(387)
Decrease in margin loan payables	(587)	–	(587)	–	–	–	–		(587)	–		(587)
Decrease in bills payable	(1,295)	–	(1,295)	–	–	–	–		(1,295)	–		(1,295)
Decrease in amounts due to fellow subsidiaries	(20,730)	–	(20,730)	–	–	–	–		(20,730)	–		(20,730)
Decrease in amounts due from fellow subsidiaries	3,526	–	3,526	–	–	–	–		3,526	–		3,526
Cash generated from (used in) operations	131,258	–	131,258	(36,171)	–	(36,171)	–		95,087	–		95,087
Interest and finance charges paid	(5,326)	–	(5,326)	–	–	–	(18,683)	*(26)*	(24,009)	–		(24,009)
Overseas tax (paid) refunded	(2,237)	–	(2,237)	245	–	245	–		(1,992)	–		(1,992)
Hong Kong Profits Tax refunded	386	–	386	–	–	–	–		386	–		386
NET CASH FROM (USED IN) OPERATING ACTIVITIES	124,081	–	124,081	(35,926)	–	(35,926)	(18,683)		69,472	–		69,472

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(III) THE UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED HANNY GROUP *(Cont'd)*

(B) Under Option 2 *(Cont'd)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	Pro forma Remaining Hanny Group for the year ended 31st March, 2005 *HK$'000*	Pro forma adjustments relating to the distribution in specie of GDI Shares *HK$'000* *Note 1*	The Hanny Group after pro forma adjustments *HK$'000*	The GDI Group for the year ended 31st December, 2005 *HK$'000*	Reversal Adjustment *HK$'000* *Note 17*	The GDI Group for the year ended 31st December, 2005 after the Reversal Adjustments *HK$'000*	Pro forma adjustments relating to the GDI Offer *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group before the Partial Disposal *HK$'000*	Pro forma adjustments relating to the Partial Disposal *HK$'000*	*Notes*	Pro forma Enlarged Hanny Group *HK$'000*
INVESTING ACTIVITIES												
Proceeds from disposal of investment securities	150,255	–	150,255	77,547	–	77,547	–		227,802	–		227,802
Amounts repaid by associates	14,256	–	14,256	–	–	–	–		14,256	–		14,256
Repayment of short-term loan receivables from a related company	32,890	–	32,890	–	–	–	–		32,890	–		32,890
Repayment of short-term loan receivables	29,588	–	29,588	–	–	–	–		29,588	–		29,588
Interest received	17,711	–	17,711	8,488	–	8,488	–		26,199	–		26,199
Disposal of subsidiaries	2,110,405	–	2,110,405	–	–	–	–		2,110,405	–		2,110,405
Dividend received from an associate	4,668	–	4,668	2,427	–	2,427	–		7,095	–		7,095
Proceeds from disposal of property, plant and equipment	989	–	989	125	–	125	–		1,114	–		1,114
Proceeds from disposal of an associate	10	–	10	–	–	–	–		10	23,455	*(30)*	23,465
Acquisition of investment securities	(123,348)	–	(123,348)	(78,259)	–	(78,259)	–		(201,607)	–		(201,607)
Acquisition of the GDI Group	–	–	–	–	–	–	72,481	*(31)*	72,481	–		72,481
Increase in short-term loan receivables	(105,755)	–	(105,755)	–	–	–	–		(105,755)	–		(105,755)
Increase in short-term loan receivables from related companies	(89,758)	–	(89,758)	–	–	–	–		(89,758)	–		(89,758)
Acquisition of interest in associates	(44,148)	–	(44,148)	(63,152)	–	(63,152)	–		(107,300)	–		(107,300)
Purchase of subsidiaries (net of cash and cash equivalents)	–	–	–	(9,651)	–	(9,651)	–		(9,651)	–		(9,651)
Acquisition of an additional interest in a subsidiary	(37,320)	–	(37,320)	–	–	–	–		(37,320)	–		(37,320)
Deposit for acquisition of a long-term investment	(35,000)	–	(35,000)	–	–	–	–		(35,000)	–		(35,000)
Increase in pledged bank deposits	(20,014)	–	(20,014)	–	–	–	–		(20,014)	–		(20,014)
Purchase of property, plant and equipment	(643)	–	(643)	(331)	–	(331)	–		(974)	–		(974)
Acquisition of unlisted debt security	(12,000)	–	(12,000)	–	–	–	–		(12,000)	–		(12,000)
Repayment from third parties	–	–	–	345,672	–	345,672	–		345,672	–		345,672
Amount advanced to third parties	–	–	–	(285,122)	–	(285,122)	–		(285,122)	–		(285,122)
Payment for acquisition of interest in properties	–	–	–	(8,704)	–	(8,704)	–		(8,704)	–		(8,704)
Decrease in amounts due from former fellow subsidiaries	–	–	–	121,572	–	121,572	–		121,572	–		121,572
NET CASH FROM INVESTING ACTIVITIES	1,892,786	–	1,892,786	110,612	–	110,612	72,481		2,075,879	23,455		2,099,334
FINANCING ACTIVITIES												
Bank loans raised	185,633	–	185,633	–	–	–	–		185,633	–		185,633
Proceeds from issue of shares	118,500	–	118,500	–	–	–	–		118,500	–		118,500
Other loans raised	10,000	–	10,000	–	–	–	–		10,000	–		10,000
Repayments of bank loans	(158,557)	–	(158,557)	–	–	–	–		(158,557)	–		(158,557)
Dividends paid	(10,987)	–	(10,987)	–	–	–	–		(10,987)	–		(10,987)
Repayments of obligations under finance lease	(3)	–	(3)	–	–	–	–		(3)	–		(3)
Repayments to a minority shareholder	(10)	–	(10)	–	–	–	–		(10)	–		(10)
Decrease in amounts due to former fellow subsidiaries	–	–	–	(41,964)	–	(41,964)	–		(41,964)	–		(41,964)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	144,576	–	144,576	(41,964)	–	(41,964)	–		102,612	–		102,612
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,161,443	–	2,161,443	32,722	–	32,722	53,798		2,247,963	23,455		2,271,418
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	141,094	–	141,094	72,481	–	72,481	(72,481)	*(31)*	141,094	–		141,094
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	178	–	178	(1,709)	–	(1,709)	–		(1,531)	–		(1,531)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,302,715	–	2,302,715	103,494	–	103,494	(18,683)		2,387,526	23,455		2,410,981
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS												
Bank balances and cash	2,321,331	–	2,321,331	103,494	–	103,494	(18,683)		2,406,142	23,455		2,429,597
Bank overdrafts	(18,616)	–	(18,616)	–	–	–	–		(18,616)	–		(18,616)
	2,302,715	–	2,302,715	103,494	–	103,494	(18,683)		2,387,526	23,455		2,410,981

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(IV) NOTES ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

(1) For the pro forma balance sheet, the adjustment reflects the distribution of 29.4% interests in the GDI Group of HK$330,043,000 pursuant to the China Strategic Group Reorganization.

For the pro forma income statement and the pro forma cash flow statement, the adjustments reflect the reclassification of the income statement items and cash flow statement items, respectively, relating to the GDI Group pursuant to the China Strategic Group Reorganization.

(2) The adjustments relating to China Strategic Group Reorganization are set out below:

— the transfer of liabilities of approximately HK$199,731,000 from the members of the China Strategic Group to the GDI Group, and transfer of assets of approximately HK$86,822,000 from the GDI Group to the members of the China Strategic Group pursuant to the China Strategic Group Reorganization and transfer agreements entered into between members of the China Strategic Group and the GDI Group dated 19th May, 2006;

— the assignment of intragroup amounts due to the members of the China Strategic Group by the members of the GDI Group to GDI; and

— the assignment of intragroup amounts due to the members of the GDI Group by the members of the China Strategic Group to China Strategic.

(3) The adjustment reflects:

— the reclassification of 29.4% interests in the GDI Group of HK$330,043,000 from interests in associates pursuant to the China Strategic Group Reorganization to interests in subsidiaries;

— the additional investment cost of HK$345,641,000 and HK$838,857,000 for the acquisition of the remaining interests of 70.6% in the GDI Group under Option 1 and Option 2 of the GDI Offer, respectively; and

— the elimination of the investment cost in the GDI Group of HK$675,684,000 and HK$1,168,900,000 under Option 1 and Option 2 of the GDI Offer, respectively.

(4) The adjustment reflects the reclassification of 29.4% interest in the GDI Group of HK$330,043,000 to interests in subsidiaries pursuant to the China Strategic Group Reorganization.

(5) The adjustment reflects the reclassification of the GDI Group's balance sheet items to conform with the Hanny Group's presentation.

(6) The adjustment reflects the cash outflow of HK$112,099,000 paid by the Hanny Group as part of the consideration to acquire the remaining 70.6% interests in the GDI Group under Option 1 of the GDI Offer.

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(IV) NOTES ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION *(Cont'd)*

Notes: (Cont'd)

(7) The adjustment reflects:

— the issue of 62,277,529 new Hanny Shares at HK$0.01 each for a consideration of HK$3.75 per Hanny Share (the closing share price of Hanny Shares as at 31st December, 2005) under the Option 1 of the GDI Offer; and

— the elimination of issued share capital of the GDI Group of HK$10,777,000.

(8) The adjustment reflects:

— the elimination of credit balances on pre-acquisition reserves of the GDI Group of HK$1,113,349,000 as at 31st December, 2005;

— the reclassification of goodwill and goodwill included in interests in associates of the GDI Group;

— the recognition of excess of the Hanny Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisition", previously known as "negative goodwill") of HK$427,132,000, which would be credited to income statement as at 31st December, 2005, arising from the acquisition of the remaining 70.6% interests in the GDI Group for a total consideration of HK$345,641,000 under Option 1 of the GDI Offer, with the assumption that the fair value of the net assets of the GDI Group is the same as the carrying amount of the net assets less goodwill of HK$9,123,000 and goodwill included in interests in associates of HK$12,187,000 as at 31st December, 2005; and

— the share premium of HK$232,919,000 arising from the new issue of 62,277,529 Hanny Shares at HK$0.01 each for a consideration of HK$3.75 per Hanny Share under Option 1 of the GDI Offer.

(9) The adjustment reflects the Partial Disposal of 15.3% interests in the China Strategic Group of HK$30,822,000 under the Share Sale Agreement.

(10) The adjustment reflects the reclassification of the remaining 14.1% interests in the China Strategic Group of HK$28,247,000 from interests in associates to available-for-sale investments.

(11) The adjustment reflects the sales proceeds of HK$26,055,000 for the Partial Disposal of 15.3% interests in the China Strategic Group under the Share Sale Agreement. The Enlarged Hanny Group had already received a deposit of HK$2,600,000 before the completion of the Partial Disposal and the remaining balance of HK$15,639,000 and HK$7,816,000 would be received upon the completion and within six months after the completion of the Partial Disposal, respectively.

(12) The adjustment reflects the loss on disposal of HK$4,767,000 from the Partial Disposal of 15.3% interests in the China Strategic Group under the Share Sale Agreement.

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(IV) NOTES ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION *(Cont'd)*

Notes: (Cont'd)

(13) The adjustment reflects the goodwill of HK$66,084,000 arising from the acquisition of the remaining 70.6% interests in the GDI Group for a total consideration of the issuance of the Hanny Bonds at the estimated fair value of HK$838,857,000 as at 31st December, 2005, being the latest practicable date of assessing the fair value of the Hanny Bonds for the purpose of this unaudited pro forma financial information under Option 2 of the GDI Offer with the assumption that the fair value of the net assets of the GDI Group is the same as the carrying amount of the net assets less goodwill of HK$9,123,000 and goodwill included in interests in associates of HK$12,187,000 as at 31st December, 2005.

(14) The adjustment reflects the elimination of share capital of the GDI Group of HK$10,777,000.

(15) The adjustment reflects:

— the elimination of credit balances on pre-acquisition reserves of the GDI Group of HK$1,113,349,000 as at 31st December, 2005; and

— the reclassification of goodwill and goodwill included in interests in associates of the GDI Group.

(16) The adjustment reflects the issuance of the Hanny Bonds with the estimated fair value for the aggregate principal amount of HK$838,857,000 as at 31st December, 2005 to the shareholders of the GDI Group subject to the GDI Offer under Option 2 of the GDI Offer for the acquisition of the remaining 70.6% interests in the GDI Group. As at 31st December, 2005, the estimated fair value for the debt element and conversion option element of the Hanny Bonds were approximately HK$774,815,000, included in non-current liabilities, and HK$64,042,000, included in reserves, respectively.

(17) As the audited financial information of the GDI Group has been prepared in accordance with new HKFRSs, the unaudited pro forma financial information has been prepared on the basis that the prospective adjustments made to the financial period beginning from 1st January, 2005 in the GDI Group for the year ended 31st December, 2005 are reversed so as to conform with the Hanny Group's accounting policies.

For the pro forma income statements for both Option 1 and Option 2, the net effect on the Reversal Adjustments has reduced the loss of the GDI Group by approximately HK$31,144,000.

For the pro forma cash flow statements for both Option 1 and Option 2, there is no cash flow effect on the Reversal Adjustments.

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(IV) NOTES ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION *(Cont'd)*

Notes: (Cont'd)

(18) The adjustment reflects the realization of negative goodwill of HK$653,609,000 to the pro forma income statement for the year ended 31st March, 2005 on a straight-line basis over its estimated useful life of 10 years in accordance with the accounting policies adopted by the Hanny Group with the assumption that the fair value of the net assets of the GDI Group is the same as the carrying amount of the net assets adjusted by goodwill and negative goodwill of HK$90,784,000 and HK$111,041,000 respectively as at 31st December, 2003 extracted from the financial information of the GDI Group set out in Appendix III of this document, after the Reversal Adjustments and adjustments relating to China Strategic Group Reorganization of totaling of HK2,201,082,000.

(19) The adjustment reflects the reclassification of the GDI Group's income statement items to conform with the Hanny Group's presentation.

(20) The adjustment reflects the reversal of share of loss of associates of HK$3,061,000 for the GDI Group.

(21) The adjustment reflects the reclassification of amortization of goodwill arising on acquisition of an associate, the GDI Group, and impairment loss on goodwill arising on acquisition of an associate, the GDI Group, to amortization of goodwill arising on acquisition of the GDI Group and impairment loss of goodwill arising on acquisition of the GDI Group pursuant to the GDI Offer.

(22) The adjustment reflects the reversal of share of loss of associates of HK$49,807,000 for the China Strategic Group.

(23) The adjustment reflects the loss on disposal of HK$4,036,000 from the Partial Disposal of 15.3% interests in China Strategic Group under the Share Sale Agreement.

(24) The calculation of the pro forma basic earnings per Hanny Share for the year ended 31st March, 2005 was based on the pro forma profit attributable to the equity holders of Hanny of HK$392,921,000 under Option 1 and the pro forma weighted average number of Hanny Shares in issue for the year ended 31st March, 2005 of 260,521,648.

The calculation of the pro forma diluted earnings per Hanny Share for the year ended 31st March, 2005 was based on the pro forma profit attributable to the equity holders of Hanny of HK$392,921,000 under Option 1. The pro forma weighted average number of Hanny Shares in issue during the year ended 31st March, 2005 was 260,521,648 Hanny Shares and weighted average of 98,875 Hanny Shares assumed to have been issued at nil consideration on the deemed exercise of all Hanny Shares options outstanding under a share option scheme which had a dilutive effect on the basic earnings per Hanny Share for the year ended 31st March, 2005 as the average market price of the Hanny Share is higher than the option price.

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(IV) NOTES ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION *(Cont'd)*

Notes: (Cont'd)

(25) The adjustment reflects the realization of negative goodwill of HK$24,606,000 to the pro forma income statement for the year ended 31st March, 2005 on a straight-line basis over its estimated useful life of 10 years in accordance with the accounting policies adopted by the Hanny Group with the assumption that the fair value of the net assets of the GDI Group is the same as the carrying amount of the net assets adjusted by goodwill and negative goodwill of HK$90,784,000 and HK$111,041,000, respectively, as at 31st December, 2003 extracted from the financial information of the GDI Group set out in Appendix III of this document, after the Reversal Adjustments and adjustments relating to China Strategic Group Reorganization of totaling of HK2,201,082,000.

(26) The adjustment reflects the interest expenses for the Hanny Bonds with aggregate principal amount at estimated fair value of HK$838,857,000 as at 31st December, 2005, being the latest practicable date of assessing the fair value of the Hanny Bonds for the purpose of this unaudited pro forma financial information issued under Option 2 at an effective interest rate of 6.1% and interest expenses of HK$46,920,000 would be charged to income statement for the year ended 31st March, 2005, the date falling on the day immediately preceding the first anniversary of date of issue.

(27) The calculation of the pro forma basic earnings per Hanny Share for the year ended 31st March, 2005 was based on the pro forma profit attributable to the equity holders of Hanny of HK$283,101,000 under Option 2 and the pro forma weighted average number of Hanny Shares in issue for the year ended 31st March, 2005 of 198,244,118.

The calculation of the pro forma diluted earnings per Hanny Share for the year ended 31st March, 2005 was based on the pro forma profit attributable to the equity holders of Hanny of HK$283,101,000 under Option 2. The pro forma weighted average number of Hanny Shares in issue during the year ended 31st March, 2005 was 198,244,118 Hanny Shares and weighted average of 98,875 Hanny Shares assumed to have been issued at nil consideration on the deemed exercise of all Hanny Shares options outstanding under a share option scheme which had a dilutive effect on the basic earnings per Hanny Share for the year ended 31st March, 2005 as the average market price of the Hanny Share is higher than the option price.

(28) The adjustment reflects the reclassification of the GDI Group's cash flow statement items to conform with the Hanny Group's presentation.

(29) The adjustment reflects:

— the cash outflow of HK$112,099,000 paid by the Hanny Group under Option 1 of the GDI Offer for the acquisition of the additional interests of 70.6% in the GDI; and

— the net cash and cash equivalents of HK$72,481,000 of the GDI Group acquired by the Hanny Group as at 1st January, 2005.

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(IV) NOTES ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION *(Cont'd)*

Notes: (Cont'd)

(30) The adjustment reflects the cash inflow from the sale proceeds of HK$26,055,000 from the Partial Disposal of 15.3% interests in the China Strategic Group under the Share Sale Agreement. The Enlarged Hanny Group had already received a deposit of HK$2,600,000 before the completion of the Partial Disposal and the remaining balance of HK$15,639,000 and HK$7,816,000 would be received upon the completion and within six months after the completion of the Partial Disposal, respectively.

(31) The adjustment reflects the net cash and cash equivalents amounting to HK$72,481,000 of the GDI Group acquired by the Hanny Group as at 1st January, 2005.

(V) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED HANNY GROUP

(A) Under Option 1

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Enlarged Hanny Group was prepared based on the Pro Forma Remaining Hanny Group Financial Information as set out in the circular of Hanny dated 10th April, 2006, and the audited consolidated balance sheet of the GDI Group as at 31st December, 2005 extracted from the financial information on the GDI Group (set out in Appendix III of this document), after making pro forma adjustments relating to the distribution in specie of the GDI Shares, the China Strategic Group Reorganization, the GDI Offer and the Partial Disposal.

This unaudited pro forma statement of adjusted consolidated net tangible assets was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Hanny Group as at 31st December, 2005 or any future date.

	As at 31st December, 2005 (unaudited)	Pro forma adjustments	Pro forma Enlarged Hanny Group before the Partial Disposal	Pro forma adjustments	Pro forma Enlarged Hanny Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Notes 1&4)	*(Note 2)*	*(Note 5)*	*(Note 3)*	*(Notes 6)*
Net tangible assets	2,243,450	431,386	2,674,836	(4,767)	2,670,069

Notes:

1. Unaudited consolidated net tangible assets of the Pro Forma Remaining Hanny Group as at 31st December, 2005 is calculated as follows:

	HK$'000
Unaudited consolidated net tangible assets of the Pro Forma Remaining Hanny Group as at 31st December, 2005	2,283,052
Less: Intangible assets attributable to the equity holders of the Pro Forma Remaining Hanny Group	(623)
Goodwill included in interests in associates	(38,979)
	2,243,450

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(V) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED HANNY GROUP *(Cont'd)*

(A) Under Option 1 *(Cont'd)*

Notes: (Cont'd)

2. The adjustments represent:

	HK$'000
Unaudited pro forma consolidated net assets of the GDI Group as at 31st December, 2005	1,124,126
Existing 29.4% interests in the GDI Group held by the Hanny Group	(330,043)
Goodwill included in interests in associates	(12,187)
Intangible assets of the GDI Group	(9,123)
Other asset of the GDI Group ("Other Asset of GDI") in relation to a land development project in Zhuhai, the PRC, whereby the GDI Group is entitled to an exclusive development right and the right to obtain the land for development	(229,288)
Cash consideration to be paid for the acquisition of additional interests of 70.6% in the GDI Group	(112,099)
	431,386

3. The adjustments represent:

	HK$'000
Net proceeds from the Partial Disposal of 15.3% interests in the China Strategic Group	26,055
Net asset value of 15.3% interest in the China Strategic Group disposed of	(30,822)
	(4,767)

	HK$
4. Unaudited pro forma consolidated net tangible assets attributable to the equity holders of Hanny per Hanny Share as at 31st December, 2005 based on 226,143,697 Hanny Shares in issue as at 31st December, 2005	9.920

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(V) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED HANNY GROUP *(Cont'd)*

(A) Under Option 1 *(Cont'd)*

Notes: (Cont'd)

		HK$
5.	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of Hanny per Hanny Share before the Partial Disposal but taken into account the issue of 62,277,529 new Hanny Shares on acquisition of the GDI Group as at 31st December, 2005	9.274

		HK$
6.	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of Hanny per Hanny Share after the Partial Disposal but taken into account the issue of 62,277,529 new Hanny Shares on acquisition of the GDI Group as at 31st December, 2005	9.258

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(V) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED HANNY GROUP *(Cont'd)*

(B) Under Option 2

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Enlarged Hanny Group was prepared based on the Pro Forma Remaining Hanny Group Financial Information as set out in the circular of Hanny dated 10th April, 2006, and the audited consolidated balance sheet of the GDI Group as at 31st December, 2005 extracted from the financial information on the GDI Group (set out in Appendix III of this document), after making pro forma adjustments relating to the distribution in specie of the GDI Shares, the China Strategic Group Reorganization, the GDI Offer and the Partial Disposal.

This unaudited pro forma statement of adjusted consolidated net tangible assets was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Hanny Group as at 31st December, 2005 or any future date.

	As at 31st December, 2005 (unaudited)	Pro forma adjustments	Pro forma Enlarged Hanny Group before the Partial Disposal	Pro forma adjustments	Pro forma Enlarged Hanny Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Notes 1&4)	*(Note 2)*	*(Note 5)*	*(Note 3)*	*(Notes 6)*
Net tangible assets	2,243,450	(231,330)	2,012,120	(4,767)	2,007,353

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(V) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED HANNY GROUP *(Cont'd)*

(B) Under Option 2 *(Cont'd)*

Notes:

1. Unaudited consolidated net tangible assets of the Pro Forma Remaining Hanny Group as at 31st December, 2005 is calculated as follows:

	HK$'000
Unaudited consildated net tangible assets of the Pro Forma Remaining Hanny Group as at 31st December, 2005	2,283,052
Less: Intangible assets attributable to the equity holders of the Pro Forma Remaining Hanny Group	(623)
Goodwill included in interests in associates	(38,979)
	2,243,450

2. The adjustments represent:

	HK$'000
Unaudited pro forma consolidated net assets of the GDI Group as at 31st December, 2005	1,124,126
Existing 29.4% interests in the GDI Group held by the Hanny Group	(330,043)
Goodwill included in interests in associates	(12,187)
Intangible assets of the GDI Group	(9,123)
Other asset of the GDI Group ("Other Asset of GDI") in relation to a land development project in Zhuhai, the PRC, whereby the GDI Group is entitled to an exclusive development right and the right to obtain the land for development	(229,288)
Hanny Bonds to be issued for the acquisition of the additional 70.6% interests in the GDI Group, at the estimated fair value as at 31st December 2005	(774,815)
	(231,330)

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(V) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED HANNY GROUP *(Cont'd)*

(B) Under Option 2 *(Cont'd)*

Notes: (Cont'd)

3. The adjustments represent:

	HK$'000
Net proceeds from the Partial Disposal of 15.3% interests in the China Strategic Group	26,055
Net asset value of 15.3% interest in the China Strategic Group disposed of	(30,822)
	(4,767)

4. Unaudited pro forma consolidated net tangible assets attributable to the equity holders of Hanny per Hanny Share as at 31st December, 2005 based on 226,143,697 Hanny Shares in issue as at 31st December, 2005 — *HK$* 9.920

5. Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of Hanny per Hanny Share before the Partial Disposal based on 226,143,697 Hanny Shares in issue as at 31st December, 2005 — *HK$* 8.898

6. Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of Hanny per Hanny Share after the Partial Disposal based on 226,143,697 Hanny Shares in issue as at 31st December, 2005 — *HK$* 8.876

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Set out below is the text of the comfort letters received from Deloitte and Somerley, which have been prepared for the purpose of incorporation in this document:

(i) Letter from Deloitte

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF HANNY HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Hanny Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Group Dragon Investments Limited (the "GDI") and its subsidiaries (together with the Group hereinafter collectively referred to as the "Enlarged Group") set out in Appendix IV (the "Unaudited Pro Forma Financial Information") to the composite document dated 26th May, 2006 (the "Document") in connection with the voluntary unconditional securities exchange offer by Somerley Limited on behalf of Well Orient Limited (a wholly-owned subsidiary of the Company) to acquire all the issued shares in GDI other than those shares already owned by Well Orient Limited and parties acting in concert with it (the "Transaction"), which has been prepared by the directors of the Company (the "Directors"), for illustrative purposes only, to provide information about how the Transaction might have affected the financial information presented. The basis of preparation of unaudited pro forma financial information is set out on pages from 258 to 282 of the Document.

Respective responsibilities of directors of the Company and reporting accountants

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

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

Basis of opinion

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

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

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31st December, 2005 or any future date; or
- the earnings per share, results and cash flows of the Group for the year ended 31st March, 2005 or any future period.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26th May, 2006

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(ii) Letter from Somerley

SOMERLEY LIMITED
Suite 2201, 22nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

The Board of Directors
Hanny Holdings Limited
8th Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon

26th May, 2006

Dear Sirs,

We refer to the unaudited pro forma financial information (the "Pro Forma Financial Information") of Hanny Holdings Limited ("Hanny") and its subsidiaries and Group Dragon Investments Limited ("GDI") and its subsidiaries contained in Appendix IV on pages 258 to 282 of a composite document (the "Document") dated 26th May, 2006 issued by Well Orient Limited ("Well Orient", a wholly-owned subsidiary of Hanny) and GDI in connection with the voluntary unconditional securities exchange offer made by us on behalf of Well Orient to acquire all the issued shares in GDI other than those already owned by Well Orient and parties acting in concert with it. This letter forms part of the Document.

We have discussed with you the basis upon which the Pro Forma Financial Information have been made. We have also considered the letter dated 26th May, 2006 from Deloitte Touche Tohmatsu relating to the accounting policies and calculations upon which the Pro Forma Financial Information have been made.

On the basis adopted by you and the procedures performed by Deloitte Touche Tohmatsu, we are of the opinion that the Pro Forma Financial Information, for which the directors of Hanny are solely responsible, have been prepared after due and careful consideration.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Mei H. Leung
Deputy Chairman

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The following is the text of a valuation report prepared for the purpose of incorporation in this document received from RHL Appraisal Ltd., an independent valuer, in connection with its valuation as at 31st March, 2006 of the Hanny Bonds.

永利行評值顧問有限公司 | RHL Appraisal Ltd
Surveying Practices - Corporate Valuation and Property Consultancy
License No.: C-015672

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E info@rhl-int.com
W www.rhl-int.com

Date : 26th May, 2006

The Directors
Hanny Holdings Limited

8th Floor,
Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon

Dear Sirs,

Valuation of the Hanny Bond as at 31st March, 2006

1. INSTRUCTIONS

In accordance with the instructions from **Hanny Holdings Limited** (referred to as "Hanny") for us to value the 2% 5-year convertible bonds of Hanny (the "Hanny Bonds") in relation to the voluntary unconditional securities exchange offer (the "GDI Offer") by Somerley Limited on behalf of Well Orient Limited, a wholly-owned subsidiary of Hanny, for all the shares of Group Dragon Investments Limited ("GDI Shares") where the issue of the one Hanny Bond for every 5 GDI Shares (the "Option 2") is one of the options under the GDI Offer, we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of an estimated fair value of the Hanny Bond.

The relevant date of our valuation is **31st March, 2006** (Date of Valuation).

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumption and limiting conditions of this valuation.

2. PRINCIPAL TERMS OF THE HANNY BONDS

The principal terms of the Hanny Bonds are set out as follows:

Date of Issue	31st March, 2006
Date of Maturity	30th March, 2011 (being the fifth anniversary from the date of issue)
Face Value and Maturity Value	HK$934,162,935 (being HK$15 X 62,277,529 bonds)
Coupon	Coupon shall be paid to the bondholder(s) at a rate of 2% on the outstanding principal amount of the Hanny Bonds and is payable in arrear on the day immediately preceding each anniversary of the date of issue
Conversion Feature	Between the date of issue and 14 days prior to the date of maturity, each of the Hanny Bonds can be converted into common shares of HK$0.01 each in the share capital of Hanny Holdings Limited (Stock Code : 275) ("Hanny Share") at a price of HK$9 per share
Number of Hanny Shares which can be issued upon full conversion	103,795,881 Hanny Shares

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As confirmed by Hanny, save for the conversion feature mentioned above, the holders of the Hanny Bonds do not have the right to put the Hanny Bonds back to the issuer for cash or any other financial assets before date of maturity. Also, the issuer does not have the right to redeem the Hanny Bonds before maturity.

The Hanny Bonds can be segregated into the following components:

i. equity component - the share call option (the "Share Option") to convert the bond into Hanny Share at an exercise price of HK$9 per share during the period from the date of issue to 14 days prior to the date of maturity of the Hanny Bonds; and

ii. liability component - 5-year bond with 2% coupon per annum and repayment of maturity value ie. HK$934,162,935 upon maturity.

3. BASIS OF VALUATION

The valuation is based on the assumption that the Hanny Bond is issued on 31st March, 2006 and all 311,387,646 GDI Shares subject to the GDI Offer have elected to accept under Option 2 of the GDI Offer and accordingly, 62,277,529 bonds are issued with face value of HK$1.5 each.

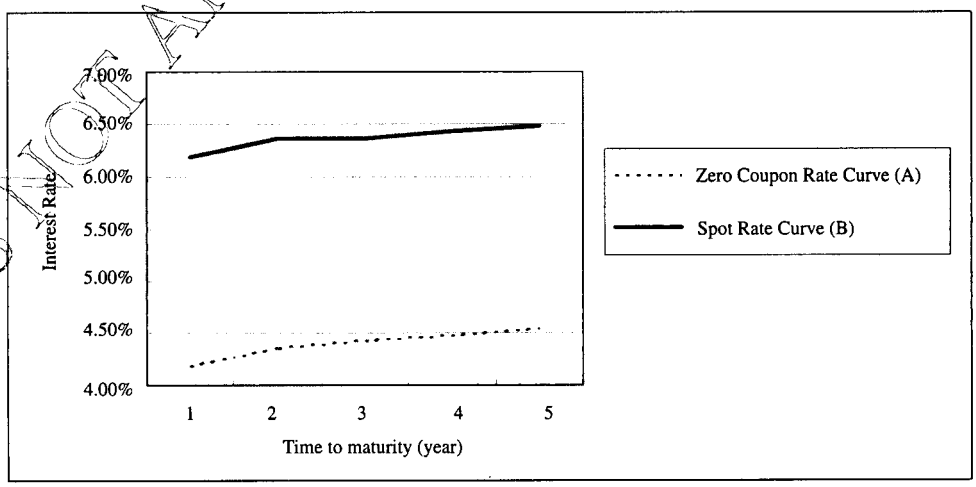
Under HKAS39, our opinion of value of the equity component of the Hanny Bonds is the Fair Value which is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of Fair Value is a presumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms and the weak-form of efficient market theory hold. Fair Value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale.

4. LIABILITY COMPONENT

Build-up of Interest Rates

Fair values of the liability component of the Hanny Bonds is estimated by discounting all future cash flows using relevant spot rates.

In formulating the relevant spot rates, we have made use of the zero coupon rates stripped from the Hong Kong Sovereign Bonds by reference to the database of Bloomberg. Then a risk premium reflecting the credit risk of the bond which is determined by the management of the Company is added on the zero rates to come up with the relevant spot rates. The zero coupon rate curve ("A") and the spot rate curve ("B") are shown in the following graph:



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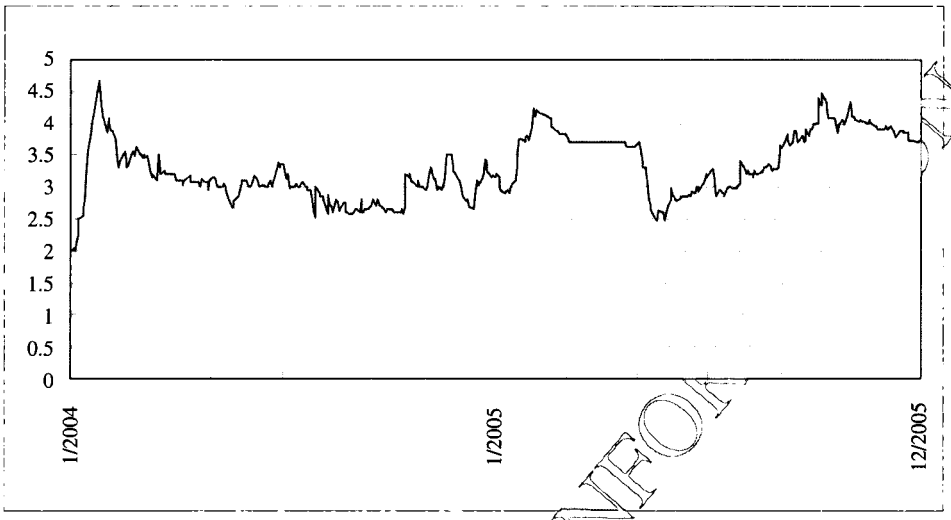
5. EQUITY COMPONENT

HANNY'S SHARE PRICE MOVEMENT

The daily closing prices of Hanny Shares from year 2004 to 2005 are shown below:



(Source: Bloomberg)

Based upon the share price movement, the respective annualized volatilities of daily return on Hanny Shares were 42.14% and 52.39% for year 2004 and 2005.

VALUATION APPROACH AND METHODOLOGY

In carrying out this valuation exercise, we have reviewed the properties of Share Option as mentioned below and other relevant market information.

The following option pricing models was employed in deriving the fair values of the Share Options:

The Black-Scholes Option Pricing Model

The option model was developed by Fischer Black, Myron Scholes and Robert Merton in 1970's. The model provides a close-form solution to option value based on such parameters as risk free rate, prevailing price of the underlying stock, exercise price, volatility of the underlying share prices and term to maturity.

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Black Scholes Formula is shown as follows:

$$C = SN(d_1)-Xe^{-r(T-t)}N(d_2)$$

Where:

C	=	Option Value
S	=	Initial market price of the underlying share
N(.)	=	Normal distribution function
d_1	=	$\frac{Ln(S/X) + (r + \sigma^2/2)(T)}{\sigma\sqrt{T}}$
d_2	=	$\frac{Ln(S/X) + (r - \sigma^2/2)(T)}{\sigma\sqrt{T}}$
X	=	Exercise price
r	=	risk free rate of return
T	=	Time to maturity of the option

In our valuation, the following option properties were adopted:

Date of valuation	Time to maturity	Risk free rate(%)*	Dividend yield	Closing price of Hanny Share as at date of valuation (HK$)	Exercise price (HK$)	Volatility (%)#
31st March, 2006	5 years	4.468%	2.05%	4.88	9.00	47.27

* risk free rate represents the yield to maturity of 5-year Hong Kong Exchange Fund Note. (Source: Hong Kong Monetary Authority).

\# volatility of the underlying share is the average of the annualized volatilities on the daily return of the underlying shares for each of the year 2004 and 2005.

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6. LIMITING CONDITIONS

During the course of our valuation, we have reviewed the financial information, management representations and other pertinent data concerning Hanny and the Share Option made available to us. We have assumed the accuracy of, and have relied on, the information and management representations provided in arriving at our opinion of value.

We shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.

No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond that customarily employed by valuers.

Our conclusions assume continuation of prudent management policies over whatever period of time considered to be necessary in order to maintain the character and integrity of the assets valued. We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect their market value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

No allowance has been made in our valuation for any charges, debts or amounts owing on the assets valued nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the assets valued are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our prior written approval. This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

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7. OPINION ON FAIR VALUE

LIABILITY COMPONENT

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that Fair Value of the liability component of the Hanny Bonds as at 31st March, 2006, free from any encumbrances, is HK$757,844,569.

EQUITY COMPONENT

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that Fair Value of the equity component of the Hanny Bonds as at 31st March, 2006, free from any encumbrances, is HK$120,455,120.

TOTAL BOND VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the Fair Value of the Hanny Bonds as at 31st March, 2006, free from any encumbrances, is HK$878,299,689. The per bond value is HK$14.10 at face value of $15.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Simon Pui Lam, Mak
CFA
Director

Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

RHL Appraisal Limited is the corporate valuation and advisory arm of RHL International Group, an established professional service provider in the Asia-Pacific region. Its team of qualified valuers is experienced in the valuation of equity, debt, derivative based instruments and other hybrid financial products, including but not limited to options, fixed rated bonds, zero coupon bonds, convertible bonds and swaps. Clients include both public and private companies requiring valuation for compliance or managerial decision purposes.

Mak Pui Lam, Simon is a Chartered Financial Analyst (CFA) chartered in 2004 and finished graduated studies of Management Science and Engineering in Stanford University. He is responsible for managing the corporate valuation and advisory services in RHL Appraisal Ltd.

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of Hong Kong Institute of Surveyor, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. Mr. Tse Wai Leung has on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

THIS LETTER IS FOR INFORMATION ONLY.

Set out below is the text of the comfort letter received from Somerley, which has been prepared for the purpose of incorporation in this document:

SOMERLEY LIMITED
Suite 2201, 22nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

The Board of Directors
Hanny Holdings Limited
8th Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon

26th May, 2006

Dear Sirs,

We refer to the valuation performed by RHL Appraisal Ltd. (the "Valuation") of the 2% 5-year convertible bonds of Hanny Holdings Limited ("Hanny") to be issued as one of two types consideration being offered under the voluntary unconditional securities exchange offer (the "GDI Offer") made by us on behalf of Well Orient Limited ("Well Orient", a wholly-owned subsidiary of Hanny) to acquire all the issued shares in Group Dragon Investments Limited ("GDI") other than those already owned by Well Orient and parties acting in concert with it. The report on the Valuation is contained in Appendix V on pages 286 to 291 of a composite document dated 26th May, 2006 issued by Well Orient and GDI in connection with the GDI Offer, of which this letter forms part.

We have considered the Valuation and have discussed with RHL Appraisal Ltd. the basis and methodology upon which the Valuation has been made.

Taking into account the basis and methodology of the Valuation adopted by RHL Appraisal Ltd., we are of the opinion that the Valuation, for which RHL Appraisal Ltd. is solely responsible, has been prepared after due and careful consideration.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Mei H. Leung
Deputy Chairman

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Set out below is the valuation report received from Norton in connection with the valuation of the property interests of the GDI Group:

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

Room 3830-32, Sun Hung Kai Centre
30 Harbour Road
Wanchai Hong Kong
Tel: (852) 2810 7337 Fax: (852) 2810 6337

26th May, 2006

The Directors
Group Dragon Investments Limited
8th Floor, Paul Y. Centre
No. 51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

In accordance with the instruction for us to value the property interests (as more particularly described in the attached Summary of Values) held by Group Dragon Investments Limited (hereinafter referred to as the "GDI") and its subsidiaries (hereinafter together referred to as the "GDI Group") in the People's Republic of China (hereinafter referred to as the "PRC"). We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such property interest as at 31st March, 2006 ("the date of valuation").

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

In the course of our valuations, we have assumed that the owners have valid and enforceable title to the property interests which are freely transferable, and has free and uninterrupted right to use the same, for the whole of the land use terms granted to subject to the payment of land use fees and all requisite land premium/purchase consideration payable have been fully settled.

In valuing the property interests, we have adopted Direct Comparison Approach assuming such property interests are capable of being sold in their existing states on a strata-titled basis with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. In valuing the property interest in Group II, the "capital value when completed" represents our opinion of the aggregate selling prices of the development assuming that it would have been completed at the date of valuation.

Our valuations have been made on the assumption that the owner sells the property interests on the open market without the benefit of a deferred terms contract, leaseback, management agreement or any similar arrangement which could serve to affect the values of such property interests.

No title search has been made for properties which are located in the PRC. We have relied to a considerable extent on the information provided to us by the GDI Group and the legal opinion of the GDI Group's PRC legal advisers, GFE Law Office (廣東恒益律師事務所) and Shanghai JoinWay Law Firm (上海中匯律師事務所), regarding the title to the property interests in Groups I and II respectively.

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Having examined all relevant documentation, we have relied to a considerable extent on the information given by the GDI Group, and have accepted advice given to us on such matters as easements, tenures, tenancy details, site and floor areas and other relevant matters. All documents have been used for reference only. Except otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the document provided to us by the GDI Group and are therefore approximate. We have no reason to doubt the truth and accuracy of the information provided to us by the GDI Group. We have also been advised by the GDI Group that no material facts have been omitted from the information provided and have no reason to suspect that any material information has been withheld.

We have inspected the exterior and, where possible the interior of the properties. In the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

In our valuations, we have complied with all the requirements contained in the Codes on Takeovers and Mergers and Share Repurchases issued by The Securities and Futures Commission and the Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (1st Edition) published by The Hong Kong Institute of Surveyors ("HKIS").

Unless otherwise stated, all sums stated in our valuations are in Hong Kong dollars. The exchange rate adopted in our valuations is approximately HK$1 = RMB1.03 which was approximately the prevailing exchange rate as at the date of valuation.

Our summary of values and valuation certificates are attached herewith.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited
M. K. Wong
MRICS, MHKIS, RPS (G.P.)
Director

Note: Mr. M. K. Wong is a Registered Professional Surveyor who has more than 13 years' experience in valuation of properties in Hong Kong and the PRC.

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Summary of Values

Property		Capital value as at 31st March, 2006 *HK$*	Attributable Interest to the GDI Group in percentage	Capital Value Attributable to the GDI Group as at 31st March, 2006 *HK$*
Group I: Property interest held for sale by the GDI Group in the PRC				
1	A development site located at the junction of Zhugang Road and Huangyang Road in the Longshan Industrial District, Doumen District, Zhuhai City, Guangdong Province, the PRC	428,000,000	100%	428,000,000
Group II: Property interest contracted to be acquired by the GDI Group in the PRC				
2	The proposed building located at Nos. 219 and 229 Jiangning Road, Jingan District, Shanghai, the PRC	690,000,000	55.22%	381,018,000
	Total:	1,118,000,000		809,018,000

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VALUATION CERTIFICATE

Group I: Property interest held for sale by the GDI Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2006
1 A development site located at the junction of Zhugang Road and Huangyang Road in the Longshan Industrial District, Doumen District, Zhuhai City, Guangdong Province, the PRC	The property, known as Longshan China Strategic Industrial Park, comprises a roughly triangular-shaped vacant site with an area of approximately 7,000,000 sq.m. (75,348,000 sq.ft.). As advised by the GDI Group, no development plan for the property is designated. The land use rights of the property are assumed to have been granted for a term of 50 years for industrial use.	The preparation works for site formation and provisions of servicing/utilities for phases 1 and 2 of Stage 1 of the property are in progress and the remaining portions are vacant.	$428,000,000 (100% interest attributable to the GDI Group: $428,000,000)

Notes:

(1) Pursuant to the Co-operation Agreement entered into between 珠海市龍山工業區管理委員會 (Zhuhai City Longshan Industrial District Administration Committee) (hereinafter referred to as "Party A") and Talent Shop Investment Limited, a wholly-owned subsidiary of GDI, (hereinafter referred to as "Party B") on 28th January, 2003, both parties agreed to develop the property, the salient conditions are summarized as follows:

i)	Location	:	Longshan Industrial District		
ii)	Site area	:	7,000,000 sq.m.		
iii)	Use	:	Industrial		
iv)	Terms	:	50 years		
v)	Phasing	:	1st Stage	:	3 phases (each phase 1,000,000 sq.m.)
			2nd Stage	:	To be confirmed
vi)	Building covenant	:	the provisions for site formation and basic facilities should be completed within 5 years		
vii)	Responsibilities	:	Party A	:	responsible for the provisions of the ancillary facilities to the subject site
			Party B	:	responsible for the provisions of the site formation and basic facilities within the subject site and marketing
viii)	Profit sharing	:	1st Stage (3 phases)	:	Party B (100%)
			2nd Stage	:	Party A (20%) Party B (80%)

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(2) As confirmed by the GDI Group, the total land premium of the property is approximately RMB136,500,000 of which RMB39,000,000 for phases 1 and 2 have been paid as the date of valuation. As instructed, we have valued the property on the basis that all the land premium and the profit (as stated in note 1 (viii) above) payable to Party A have been fully settled as at the date of valuation.

(3) We have been provided with a legal opinion on the property prepared by the GDI Group's legal adviser, which contains, inter alia, the following information:

i) The said agreement as stated in the Note 1 above is valid and legally binding.

ii) For obtaining the Certificate for State-owned Land Use Rights of the property, Talent Shop Investment Limited should make application and pay the outstanding land premium and other related costs, if any, to the authority/government.

iii) Pursuant to the agreement as stated in Note 1 and subject to the fulfillment of Note 3 ii) above, the land use rights of the property can be freely transferable by way of transfer, mortgage or letting.

(4) We have based on the legal opinion of the GDI Group's legal adviser and prepared our valuation on the following assumptions and basis:

i) Talent Shop Investment Limited is in possession of a proper legal title to the property and free from encumbrances, and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to government.

ii) The property, whether as a whole or on strata-titled basis, may be disposed of freely to both local and overseas purchasers.

(5) As advised by the GDI Group, the potential tax payable by the GDI Group for the disposal of the property as at the date of valuation is estimated to be HK$85,458,978.

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Group II: Property interest contracted to be acquired by the GDI Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value when completed as at 31st March, 2006
2 The proposed building located at Nos. 219 and 229 Jiangning Road, Jingan District, Shanghai, the PRC	The property comprises a proposed 24-storey commercial building (the "Proposed Building") of the development known as "香樟花園" erected upon a piece of land with a site area of approximately 5,493.50 sq.m. (59,132 sq.ft.). As provided by GDI, the Proposed Building is designated for serviced apartment use and has a total gross floor area of approximately 37,060.43 sq.m. (398,919 sq.ft.) and the area breakdown is listed as follows:	The property is under construction.	$690,000,000 (55.22% interest attributable to the GDI Group: $381,018,000) (see Note (6) below)

Level	Use	Gross Floor Area *(sq.m.)*
B1 & B2	150 Car parks and plant room	6,380.34
L1 — L3	Commercial	5,608.22
L4	Club house and ancillary facilities	2,228.27
L5 — L24	Serviced apartment	22,843.60
	Total:	37,060.43

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Notes:

(1) Pursuant to the Certificate for Real Estate Ownership No. 滬房地靜字(2004)第004245號 dated 21st May, 2004 issued by Shanghai Housing and Land Resources Administration Bureau, the title of the property is vested in 上海久盛投資有限公司 (hereinafter referred to as "Shanghai Jiusheng") and the salient conditions are listed as follows:

i)	Location	:	Nos. 219 and 229 Jiangning Road
ii)	Site area	:	5,493.50 sq.m.
iii)	Use	:	Office
iv)	Land Use Terms	:	Unspecified
v)	Remarks	:	The total gross floor area of the Proposed Building is 37,060.43 sq.m.

(2) Pursuant to the Sales and Purchase Contract entered into between Shanghai Jiusheng and Manwide Holdings Ltd. on 16th June, 2004, Shanghai Jiusheng agreed to sell and Manwide Holdings Limited agreed to purchase the interest of the property with the provision that Shanghai Jiusheng is responsible for applying for the change of existing use of the property into residential/commercial uses within 150 days from the signing of the contract and all costs incurred for the said application are borne by Shanghai Jiusheng. Further, Shanghai Jiusheng agreed that all the rights and responsibilities of Manwide Holdings Limited as stated in the said contract will be transferred to the Rosedale Luxury Hotel & Suites Limited (hereinafter referred to as "Rosedale Luxury"), a wholly owned subsidiary of Manwide Holdings Ltd., upon the establishment of Rosedale Luxury.

(3) As confirmed by the GDI Group, 55.22% equity interest of Manwide Holdings Ltd. is currently held by the GDI Group.

(4) Pursuant to the Certificate of Construction Permit No. 952EL002D01 dated 14th April, 2004 issued by the Jingan District, Shanghai Construction Committee, the construction works of the development is approved to be commenced.

(5) Pursuant to the area calculation issued by Jingan District Land Survey Office in 1997, the total gross floor area of the Proposed Building is 37,060.43 sq.m..

(6) As instructed, we have valued the property on its completion basis and have assumed that the property has been granted for commercial/residential uses and all the land premium, if any, for such change of use has been fully settled as at the date of valuation.

(7) We have been provided with a legal opinion on the property prepared by the GDI Group's legal adviser, which contains, inter alia, the following information:

i) Shanghai Jiusheng is duly established and is validly existing under the PRC law.

ii) The land use rights of the property with a site area of 5,493.50 sq.m. have been legally transferred to Shanghai Jiusheng for office use. According to the relevant PRC law, the land use term for office use is 50 years.

iii) Shanghai Jiusheng has obtained the relevant approval for the land use, planning, construction and selling of the property.

iv) Shanghai Jiusheng has the right to transfer and mortgage the property and would pay the supplemental land premium for the change of land use from office to commercial/residential uses, if any.

v) The property is subject to two mortgages in favour of China Construction Bank Beijing Chaoyang Branch and China Mensheng Bank Stock Company Limited respectively.

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(8) Pursuant to the supplementary legal opinion prepared by the GDI Group's legal adviser, which contains, inter alia, the following information:

i) Shanghai Jiusheng is currently under litigation in connection to the following parties:

a) 浙江舜建築集團股份有限公司 — as the preferential creditor for the construction fees,

b) China Construction Bank Beijing Chaoyang Branch — as the secondary creditor for the loan amount of RMB170,000,000 plus the interest incurred,

c) China Mensheng Bank Stock Company Limited — as the third creditor for the loan amount of RMB203,600,000 plus the interest incurred,

d) China Construction Bank Jinshan Shihua Branch — as the fourth creditor for the loan amount of RMB40,000,000 plus the interest incurred and

e) Rosedale Luxury — as the fifth creditor.

ii) Upon the final decision of the Peoples' Court for the execution of the Sales and Purchase Contract by Shanghai Jiusheng, Rosedale Luxury is entitled to obtain the title of the property after the settlement of the debt amounts to the preferential creditor, secondary creditor, third creditor and fourth creditor in lieu of Shanghai Jiusheng.

(9) We have based on the legal opinion of the GDI Group's legal adviser and prepared our valuation on the following assumptions and basis:

i) Subject to the completion of the Sales and Purchase Contract as stated in note 2 above, Rosedale Luxury Ltd. is in possession of a proper legal title to the property and free from encumbrances, and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.

ii) The design and construction of the proposed building are in compliance with local planning regulations and have been approved by the relevant authorities.

iii) The property, whether as a whole or on strata-titled basis, may be disposed of freely to both local and overseas purchasers.

(10) As advised by the GDI Group, the potential tax payable by the GDI Group for the disposal of the property as at the date of valuation is estimated to be HK$41,785,900.

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CORPORATE INFORMATION

(i) The Offeror was incorporated in Hong Kong with limited liability on 21st August, 2000. The directors of the Offeror are Dr. Yap, Allan and Mr. Lui Siu Tsuen, Richard.

(ii) The registered address of the Offeror is 8th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

(iii) Hanny was incorporated in Bermuda with limited liability on 3rd September, 1991. The Hanny Directors are:

Executive Directors:
Dr. Chan Kwok Keung, Charles *(Chairman)*
Dr. Yap, Allan *(Managing Director)*
Mr. Lui Siu Tsuen, Richard *(Deputy Managing Director)*

Independent non-executive Directors:
Mr. Yuen Tin Fan, Francis
Mr. Kwok Ka Lap, Alva
Mr. Wong King Lam, Joseph
Mr. Sin Chi Fai

(iv) The registered address of Hanny is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of Hanny in Hong Kong is 8th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

(v) The principal members of the Offeror's concert group include (i) the Offeror and its directors, namely Dr. Yap, Allan and Mr. Lui Siu Tsuen, Richard; (ii) the parent company of the Offeror, Hanny, and its directors, namely Dr. Chan Kwok Keung, Charles (and ITC, a company controlled by him), Dr. Yap, Allan, Mr. Lui Siu Tsuen, Richard, Mr. Yuen Tin Fan, Francis, Mr. Kwok Ka Lap, Alva, Mr. Wong King Lam, Joseph and Mr. Sin Chi Fai; and (iii) Paul Y and its directors, namely, Dr. Chow Ming Kuen, Joseph, Mr. Tom Ko Yuen Lau, Dr. Chan Kwok Keung, Charles, Mr. Kwok Shiu Keung, Ernest and Mr. Chan Shu Kin.

As at the Latest Practicable Date, ITC was interested in approximately 24.28% of the issued shares of Hanny and 27.31% of the issued shares of Paul Y. As at the Latest Practicable Date, Dr. Chan Kwok Keung, Charles was interested in approximately 34.97% of the issued ordinary share capital of ITC. The directors of ITC are Dr. Chan Kwok Keung, Charles, Ms. Chau Mei Wah, Rosanna, Mr. Chan Kwok Hung, Mr. Chan Fut Yan, Mr. Cheung Hon Kit, Mr. Chuck Winston Calptor, Mr. Lee Kit Wah and Mr. Wong Kam Cheong, Stanley.

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SHARE CAPITAL

The authorised and issued share capital of Hanny as at the Latest Practicable Date was, and the issued share capital of Hanny if all GDI Qualifying Shareholders accept Option 1 would be, as follows:

Authorised:		*HK$*
20,000,000,000	Hanny Shares	200,000,000
Issued and fully paid:		*HK$*
223,628,412	Hanny Shares as at 31st March, 2005	2,236,284.12
	Hanny Shares issued after 31st March, 2005	
2,515,285	– Hanny Shares issued as scrip dividend at HK$3.367 each	25,152.85
1,109,705	– Hanny Shares issued as scrip dividend at HK$3.735 each	11,097.05
10,000,000	– Hanny Shares issued upon exercise of share options at HK$3.415 each	100,000.00
237,253,402	Hanny Shares as at the Latest Practicable Date	2,372,534.02
62,277,529	Maximum number of Hanny Shares issuable under Option 1	622,775.29
299,530,931		2,995,309.31

Save as disclosed above, no Hanny Shares were issued and repurchased since 31st March, 2005, the date to which the last audited full year financial statements of Hanny were made up.

All Hanny Shares in issue (including the Hanny Shares to be issued under Option 1) rank pari passu in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

On 18th March, 2003, Hanny effected a capital reorganisation involving (i) the consolidation of shares of Hanny on the basis that every 40 issued and unissued shares of HK$0.025 each were consolidated into one share of HK$1.00 each; (ii) the reduction in the par value of the shares of Hanny from HK$1.00 per share to HK$0.01 per share by the cancellation of HK$0.99 of the capital paid up on each share; (iii) the sub-division of the par value of the authorised but unissued shares of Hanny into shares of HK$0.01 each; and the number of authorised but unissued shares was increased accordingly; (iv) the reduction in the authorised share capital of Hanny from HK$650,000,000 to HK$200,000,000 by the cancellation of 45,000,000,000 shares of HK$0.01 each; (v) the cancellation of share premium account of Hanny of approximately HK$1,974.6 million; and (vi) the transfer of the credit arising from the aforesaid capital reorganisation and cancellation of the share premium account of approximately HK$2,133.3 million to the contributed surplus account of Hanny. Details of the aforesaid capital reorganisation were set out in the announcement of Hanny dated 29th January, 2003 and the circular of Hanny dated 21st February, 2003. Save as disclosed above, during the two financial years ended 31st March, 2003 and 2004 and up to the Latest Practicable Date, there was no capital reorganisation implemented by Hanny.

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As at the Latest Practicable Date, Hanny had 9,000,000 outstanding options granted entitling the holders thereof to subscribe for up to 9,000,000 Hanny Shares, particulars of which are as follows:

	Number of options
Hanny Directors	7,250,000
Other employees	1,750,000
	9,000,000

Save as disclosed above, Hanny had no other outstanding options, warrants or conversion rights convertible into Hanny Shares as at the Latest Practicable Date.

DISCLOSURE OF INTERESTS

(i) Interests in Hanny

The interests of the Hanny Directors in the shares of Hanny as at the Latest Practicable Date (as shown in the register maintained by Hanny under section 352 of the SFO) are set out below.

(a) Interests in Hanny Shares

Name of Hanny Director	Long position/ short position	Capacity	Nature of interest	Number of Hanny Shares held	Approximate % of the issued share capital of Hanny
Dr. Chan Kwok Keung, Charles ("**Dr. Chan**") *(Notes 1&2)*	Long position	Beneficial owner	Personal interest	1,600,000	0.67%
	Long position	Interest of controlled corporation	Corporate interest	57,614,948	24.28%
Dr. Yap, Allan *(Note 3)*	Long position	Beneficial owner	Personal interest	1,600,000	0.67%
Mr. Lui Siu Tsuen, Richard	Long position	Beneficial owner	Personal interest	3,350,000	1.41%

Notes:

1. This interest does not include interests in underlying Hanny Shares of equity derivatives of Hanny. This interest needs to be aggregated with those set out in paragraph (b) below to give the total interest of Dr. Chan in Hanny.

2. The 57,614,948 Hanny Shares were held by Famex Investment Limited, an indirect wholly-owned subsidiary of ITC. Dr. Chan is deemed to have a corporate interest in 57,614,948 Hanny Shares by virtue of his interest in ITC.

3. This interest does not include interests in underlying Hanny Shares of equity derivatives of Hanny. This interest needs to be aggregated with those set out in paragraph (b) below to give the total interest of Dr. Yap, Allan in Hanny.

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(b) Interests in equity derivatives (as defined in the SFO) of Hanny

Name of Hanny Director	Long position/ short position	Capacity	Nature of interest	Exercisable period	Number of share options	Exercise price per Hanny Share *HK$*	Approximate % of the issued share capital of Hanny
Dr. Chan	Long position	Beneficial owner	Personal interest	8.31.2001 to 8.30.2006	4,000,000	2.9888	1.68%
Dr. Yap, Allan	Long position	Beneficial owner	Personal interest	8.31.2001 to 8.30.2006	3,250,000	2.9888	1.36%

Save as disclosed above, as at the Latest Practicable Date, none of the parties acting in concert with the Offeror owned or controlled any securities in Hanny.

Save as disclosed above, none of the Hanny Directors and directors of the Offeror was interested in any securities of Hanny as at the Latest Practicable Date.

As at the Latest Practicable Date, none of Somerley, Dao Heng Securities, Hercules, Deloitte, RHL and Norton owned or controlled any securities in Hanny.

As at the Latest Practicable Date, no person who owned or controlled securities in Hanny had irrevocably committed to accepting or rejecting the GDI Offer.

As at the Latest Practicable Date, no person who owned or controlled securities in Hanny had any arrangement of the kind as referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or parties acting in concert with it.

(ii) Interests in the shares of the Offeror

The Offeror is a wholly-owned subsidiary of Hanny. Accordingly, the disclosure of interests relating to the Hanny Shares as mentioned above is also applicable to the Offeror.

Save as disclosed in the sub-section headed "Interests in Hanny" above, as at the Latest Practicable Date, none of the parties acting in concert with the Offeror owned or controlled any securities in the Offeror.

As at the Latest Practicable Date, none of the Hanny Directors and directors of the Offeror was interested in any securities of the Offeror.

As at the Latest Practicable Date, none of Somerley, Dao Heng Securities, Hercules, Deloitte, RHL and Norton owned or controlled any securities in the Offeror.

As at the Latest Practicable Date, no person who owned or controlled securities in the Offeror had irrevocably committed to accepting or rejecting the GDI Offer.

As at the Latest Practicable Date, no person who owned or controlled securities in the Offeror had any arrangement of the kind as referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or parties acting in concert with it.

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(iii) Interests in GDI Shares

The shareholdings in GDI owned or controlled by the Offeror and parties acting in concert with the Offeror as at the Latest Practicable Date are set out below.

Shareholder	Long position/ short position	Capacity	Nature of interest	Number of GDI Shares held	Number of underlying GDI Shares (equity derivatives of GDI) held	Approximate% of the existing issued share capital of GDI
Calisan Developments Limited ("Calisan") *(Note 1)*	Long position	Beneficial owner	Personal interest	129,409,897	—	29.36%
Great Decision Limited ("GDL") *(Note 1)*	Long position	Interest held by controlled corporation	Corporate interest	129,409,897	—	29.36%
PYI Investments Group Limited (formerly known as Paul Y. — ITC Investments Group Limited) ("PYIIG") *(Note 1)*	Long position	Interest held by controlled corporation	Corporate interest	129,409,897	—	29.36%
Paul Y *(Note 1)*	Long position	Interest held by controlled corporation	Corporate interest	129,409,897	—	29.36%
Well Orient *(Note 2)*	Long position	Beneficial owner	Personal interest	129,409,897	—	29.36%
Powervote Technology Limited *(Note 2)*	Long position	Interest held by controlled corporation	Corporate interest	129,409,897	—	29.36%
Hanny Magnetics (B.V.I.) Limited *(Note 2)*	Long position	Interest held by controlled corporation	Corporate interest	129,409,897	—	29.36%
Hanny *(Note 2)*	Long position	Interest held by controlled corporation	Corporate interest	129,409,897	—	29.36%

Notes:

1. Paul Y owns the entire interest of PYIIG. PYIIG owns the entire interest of GDL which in turn owns the entire interest in Calisan. Accordingly, GDL, PYIIG and Paul Y are deemed to be interested in 129,409,897 GDI Shares which are held by Calisan.

2. Well Orient is wholly-owned by Powervote Technology Limited ("PTL") which is in turn owned by Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics"). Hanny Magnetics is wholly-owned by Hanny. PTL, Hanny Magnetics and Hanny were deemed to be interested in 129,409,897 GDI Shares which were held by Well Orient.

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Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with it (including Hanny) owned or controlled any securities in GDI.

None of the Hanny Directors and the directors of the Offeror are interested in shares of GDI as at the Latest Practicable Date.

As at the Latest Practicable Date, none of Somerley, Dao Heng Securities, Hercules, Deloitte, RHL and Norton owned or controlled any securities in GDI.

As at the Latest Practicable Date, no person who owned or controlled securities in GDI had irrevocably committed to accepting or rejecting the GDI Offer. However, Paul Y announced on 8th May, 2006 that it resolved to declare a special dividend to the shareholders of Paul Y by way of distributing the value derived from its divestment in China Strategic, i.e. the value in GDI Shares, to the shareholders of Paul Y.

As at the Latest Practicable Date, no person who owned or controlled securities in GDI had any arrangement of the kind as referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or parties acting in concert with it.

DEALINGS

(i) Securities in Hanny

On 23rd November, 2004, Hanny entered into a placing and subscription agreement with ITC and Success Securities Limited pursuant to which Success Securities Limited agreed to place, on a best efforts basis, up to 37,000,000 Hanny Shares at HK$3.22 per Hanny Share to not less than six independent placees and ITC would subscribe for such number of new Hanny Shares equivalent to the number of the placing shares of Hanny placed at the same price of HK$3.22 per subscription shares. Completion of the placing took place on 24th November, 2004. Details of the placing were set out in the announcement of Hanny dated 23rd November, 2004.

On 22nd July, 2005, Hanny announced that the Hanny Board resolved to recommend the payment of a final dividend of HK6 cents per Hanny Share for the year ended 31st March, 2005 to the Hanny Shareholders and that the Hanny Shareholders would be given the option to receive Hanny Shares in lieu of cash in respect of part or all of such dividend. ITC elected to receive 816,135 Hanny Shares issued at HK$3.367 each. Such Hanny Shares represent all dividends which ITC were entitled under the script dividend scheme.

An aggregate of 11,000,000 Hanny Shares were acquired on 21st October, 2005 on market by Famex Investment Limited, being a substantial Hanny Shareholder and an indirect wholly-owned subsidiary of ITC. As jointly announced by Hanny and ITC on 15th November, 2005, the Executive criticised the board of directors of ITC for the breach of Rule 21.3 of the Takeovers Code as neither Hanny nor any person acting in concert with it may, except with the consent of the Executive, deal in any securities in Hanny during the GDI Offer period. Each of the Hanny Board and the board of directors of ITC has undertaken to the Executive that they will put in place suitable measures to ensure future compliance with the Takeovers Code in respect of the GDI Offer.

On 16th February, 2006, with the consent of the Executive, each of Dr. Chan, Mr. Yap, Allan and Mr. Lui Siu Tsuen, Richard (being the Hanny Directors who are presumed to be acting in concert with the Offeror in accordance with the Takeovers Code) exercised 1,600,000 share options to subscribe for the same number of Hanny Shares at an exercise price of HK$3.415 each.

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On 21st February, 2006, with the consent of the Executive, Mr. Chan Kwok Hung (being a former executive Hanny Director who is presumed to be acting in concert with the Offeror in accordance with the Takeovers Code by virtue of his relationship with Dr. Chan) exercised 1,600,000 share options to subscribe for the same number of Hanny Shares at an exercise price of HK$3.415 each.

Save as disclosed in this sub-section above, none of the parties acting in concert with the Offeror dealt for value in any securities in Hanny during the period commencing six months prior to the date of the Initial Announcement and ending on the Latest Practicable Date.

Save as disclosed in this sub-section above, none of the Hanny Directors or the directors of the Offeror dealt for value in any securities in Hanny during the period commencing six months prior to the date of the Initial Announcement and ending on the Latest Practicable Date.

None of Somerley, Dao Heng Securities, Hercules, Deloitte, RHL and Norton dealt for value in any securities in Hanny during the period commencing six months prior to the date of the Initial Announcement and ending on the Latest Practicable Date.

(ii) Securities in the Offeror

None of the parties acting in concert with the Offeror dealt for value in any securities in the Offeror during the period commencing six months prior to the date of the Initial Announcement and ending on the Latest Practicable Date.

None of the Hanny Directors or the directors of the Offeror dealt for value in any securities in the Offeror during the period commencing six months prior to the date of the Initial Announcement and ending on the Latest Practicable Date.

None of Somerley, Dao Heng Securities, Hercules, Deloitte, RHL and Norton dealt for value in any securities in the Offeror during the period commencing six months prior to the date of the Initial Announcement and ending on the Latest Practicable Date.

(iii) Securities in GDI

Save for the GDI Shares received under the China Strategic Group Reorganisation, none of the Offeror and parties acting in concert with it (including Hanny) dealt for value in any securities in GDI during the period commencing six months prior to the date of the Initial Announcement and ending on the Latest Practicable Date.

None of the Hanny Directors or the directors of the Offeror dealt for value in any securities in GDI during the period commencing six months prior to the date of the Initial Announcement and ending on the Latest Practicable Date.

None of Somerley, Dao Heng Securities, Hercules, Deloitte, RHL and Norton dealt for value in any securities in GDI during the period commencing six months prior to the date of the Initial Announcement and ending on the Latest Practicable Date.

(iv) Arrangements in relation to dealings

As at the Latest Practicable Date, no arrangement of the kind as referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror, any person acting in concert with it or any of their respective associates, and any other persons or their associates.

MARKET PRICES

Set out below are the closing prices of the Hanny Shares on the Stock Exchange (i) on the Latest Practicable Date; (ii) on 14th October, 2004, the day preceding the date of the Initial Announcement; (iii) on the Last Trading Day; and (iv) on the last trading day of each of the calendar months during the period commencing six months immediately preceding the date of the Initial Announcement and ending on the Latest Practicable Date:

	HK$		*HK$*
30th April, 2004	3.100	29th April, 2005	3.625
31st May, 2004	3.100	31st May, 2005	2.975
30th June, 2004	3.350	30th June, 2005	3.150
30th July, 2004	3.000	29th July, 2005	3.400
31st August, 2004	2.600	31st August, 2005	3.525
30th September, 2004	2.650	30th September, 2005	4.000
14th October, 2004	2.675	31st October, 2005	4.350
29th October, 2004	3.000	30th November, 2005	3.975
30th November, 2004	3.100	30th December, 2005	3.750
31st December, 2004	3.200	27th January, 2006	4.625
31st January, 2005	3.950	28th February, 2006	4.925
28th February, 2005	3.850	31st March, 2006	4.850
The Last Trading Day	3.700	28th April, 2006	4.750
31st March, 2005	3.700	The Latest Practicable Date	4.075

The highest and lowest closing prices of the Hanny Shares during the period commencing six months immediately preceding the date of the Initial Announcement and ending on the Latest Practicable Date were HK$5.45 per Hanny Share on 10th February, 2006 and HK$2.475 per Hanny Share on 18th May, 2005 and 25th May 2005, respectively.

MATERIAL CHANGE

Hanny announced on 26th January, 2006 that Memorex International Inc. ("MII") (a non wholly-owned subsidiary of Hanny) and Imation Corp. (an independent third party) entered into a conditional sale and purchase agreement relating to the disposal by MII of its business of the design, development, marketing, distribution and sale of hardware, media and accessories used for the storage of electronic data relating to the brand "Memorex®". The disposal constitutes a very substantial disposal of Hanny and was completed on 28th April, 2006. After completion of the aforesaid disposal, the Hanny Group has ceased to engage in the aforesaid business and the principal activities of the Hanny Group become trading of securities, property investment and trading and other strategic investments. Details of the disposal were contained in an announcement of Hanny dated 26th January, 2006 and a circular of Hanny dated 10th April, 2006.

On 9th March, 2006, Best Position Limited (an indirect wholly-owned subsidiary of Hanny) and Asset Manage Limited (a wholly-owned subsidiary of Capital Strategic Investment Limited) entered into a conditional sale and purchase agreement relating to the acquisition by Best Position Limited of a 100% interest in Rapid Growth Profits Limited and the shareholders' loan due from Island Town Limited, a company indirectly wholly-owned by Rapid Growth Profits Limited and holding a property located at the Bank of America Tower in Hong Kong. The property was mortgaged to a bank as security for a loan of approximately HK$93 million before the acquisition. The acquisition was completed on 28th March, 2006. It was originally intended that the consideration for the acquisition of approximately HK$39 million would be funded by internal resources. However, the Hanny Directors considered that financing the consideration by external borrowing represented a better use of funds at the time of completion of that transaction and thus obtained unsecured borrowing of HK$39 million to fund the acquisition. Details of the acquisition were contained in an announcement of Hanny dated 9th March, 2006 and a circular of Hanny dated 27th March, 2006.

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During the period from January to May 2006, the Hanny Group repaid bank and other borrowings of approximately HK$355 million and HK$208 million respectively mainly with proceeds from the disposal of Memorex business and internal resources.

On 22nd April, 2006, Hanny, SCL and Success Securities Limited entered into an underwriting agreement relating to the underwriting of the rights issue of SCL. Hanny was interested in approximately 15.43% of SCL as at the Latest Practicable Date. Details of the rights issue were contained in an announcement of Hanny dated 27th April, 2006 and a circular of Hanny dated 17th May, 2006.

On 27th April, 2006, Hanny entered into a subscription agreement with Cheung Tai Hong Holdings Limited ("CTH") in relation to the subscription by Hanny of HK$270 million convertible notes to be issued by CTH. Hanny was interested in approximately 23.33% of CTH as at the Latest Practicable Date. Details of the subscription were contained in an announcement of Hanny dated 28th April, 2006.

Save as disclosed above, the Hanny Directors are not aware of any material change in the financial or trading position or outlook of the Hanny Group since 31st December, 2005 (being the date to which the last published audited consolidated accounts of the Hanny Group were made up) up to and including the Latest Practicable Date.

ARRANGEMENTS IN CONNECTION WITH THE GDI OFFER

(i) As at the Latest Practicable Date, no agreement, arrangement or understanding existed between the Offeror and any other persons for the transfer, charge or pledge of the beneficial interests in GDI Shares acquired by the Offeror under the GDI Offer.

(ii) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of GDI which is conditional on or dependent upon the outcome of the GDI Offer or otherwise connected therewith.

(iii) As at the Latest Practicable Date, no agreement or arrangement existed whereby the Offeror is a party thereto which relates to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the GDI Offer.

(iv) No emoluments of the Hanny Directors or directors of the Offeror will be affected by the GDI Offer or any other associated transaction.

INDEBTEDNESS

Borrowings

At the close of business on 28th February, 2006, the Hanny Group had outstanding borrowings of approximately HK$873,605,000 comprising secured borrowings of approximately HK$511,585,000 and unsecured borrowings of approximately HK$362,020,000. The secured borrowings of approximately HK$511,585,000 included bank borrowings of approximately HK$271,720,000, other borrowings of approximately HK$200,000,000, trust receipt loans of approximately HK$15,771,000, share margin financing loans of approximately HK$4,884,000 and bank overdrafts of approximately HK$19,210,000. The unsecured borrowings of approximately HK$362,020,000 included unsecured bank borrowings of approximately HK$60,000, unsecured other borrowings of approximately HK$323,046,000, unsecured trust receipt loans of approximately HK$26,266,000, unsecured bills payable of approximately HK$253,000 and unsecured bank overdrafts of approximately HK$12,395,000.

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Pledge of assets and guarantees

At the close of business on 28th February, 2006, the secured borrowings are secured by certain of the Hanny Group's assets of approximately HK$1,315,312,000.

At the close of business on 28th February, 2006, the Hanny Group's banking facilities were also secured by personal guarantee given by a director of Hanny, corporate guarantee from Hanny and joint guarantee by Hanny and a director of Hanny amounting to approximately HK$400,000,000, HK$98,473,000 and HK$4,274,000 respectively.

Debt securities

At the close of business on 28th February, 2006, the Hanny Group had no debt securities.

Contingent liabilities

At the close of business on 28th February, 2006, the Hanny Group had no contingent liabilities.

Save as aforesaid and apart from intra-group liabilities, the Hanny Group did not have outstanding at the close of business on 28th February, 2006 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing at the close of business on 28th February, 2006.

Subsequent to 28th February, 2006, the Hanny Group had completed a very substantial disposal transaction, whereby the Hanny Group, through its non wholly-owned subsidiary, Memorex International Inc. (the "Vendor"), disposed of the Vendor's entire interest in Hanny Magnetics Europe Limited, Memorex Canada Ltd., Memorex Products Europe Limited, Memorex Products S.A.S., Memorex Products GmbH, Memorex Products (Taiwan) Inc. and Memorex Products, Inc. (the "Disposed Companies") and disposed of the Vendor's trademark license and other assets relating to the marketing and sale of electronic data storage business under the trade name "Memorex®", which include the business of design, development, marketing, distribution and sale of hardware, media and accessories used for the storage of electronic data engaged by the Vendor and the Disposed Companies.

At the close of business on 28th February, 2006, the Disposed Companies had outstanding secured bank borrowings of approximately HK$263,812,000. The secured bank borrowings were secured by certain of the Disposed Companies' assets of approximately HK$345,288,000. The banking facilities of the Disposed Companies were also secured by corporate guarantee from Hanny amounting to approximately HK$2,896,000.

LITIGATION

As at the Latest Practicable Date, none of the members of the Hanny Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Hanny Directors to be pending or threatened against any member of the Hanny Group.

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MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Hanny Group) were entered into by the members of the Hanny Group within the two years preceding the date of the Initial Announcement and are or may be material:

(i) the sale and purchase agreement dated 25th October, 2003 (the "Memorex Agreement") entered into between Hanny and Global Media Limited ("Global Media") relating to the disposal of a 35% interest in Memorex Holdings Limited ("Memorex") for a cash consideration of US$39.9 million (equivalent to approximately HK$311.2 million);

(ii) the call option agreement dated 5th December, 2003 entered into between Hanny and Global Media pursuant to which Global Media obtained an option to purchase an additional 20% interest in Memorex from Hanny, exercisable in whole or in part at any time within 3 years from the date of the Memorex Agreement. The exercise price for the call option is equal to the aggregate of US$26.9 million (equivalent to approximately HK$209.8 million) and the amount which represents 20% of the consolidated retained profits of Memorex;

(iii) the deed of indemnity dated 5th December, 2003 entered into between Hanny and Global Media in relation to certain tax indemnities given by Hanny in favour of Global Media in respect of the disposal under the Memorex Agreement;

(iv) the placing and subscription agreement dated 28th January, 2004 entered into between ITC, Hanny and Success Securities Limited (formerly known as Young Champion Securities Limited) ("Success Securities") relating to the placing and subscription of 21,500,000 Hanny Shares at a price of HK$4.00 per Hanny Share. The aggregate net proceeds from the placing was approximately HK$86 million;

(v) the placing and subscription agreement dated 23rd November, 2004 entered into between ITC, Hanny and Success Securities relating to the placing and subscription of 37,000,000 Hanny Shares at a price of HK$3.22 per Hanny Share. The aggregate net proceeds from the placing was approximately HK$119 million;

(vi) two sale and purchase agreements both dated 31st January, 2005 entered into between TFN Multi-Media Co., Ltd. and each of Pacific Development Co. Ltd. and Pacific Auto Co. Ltd. respectively (both indirect wholly-owned subsidiaries of Hanny) and relating to the disposal of an aggregate of 8.03% interest in Fu Yang Investment Co., Ltd. The aggregate consideration for the disposal was approximately NT$638.6 million (equivalent to approximately HK$156.5 million) and was satisfied as to 25% by two bank demand drafts on 31st January, 2005 and as to the remaining 75% by two post-dated cheques honoured on 4th March, 2005;

(vii) the Share Sale Agreement;

(viii) the subscription agreement dated 20th April, 2005 entered into between Loyal Concept Limited, an indirect wholly-owned subsidiary of Hanny, and Cheung Tai Hong Holdings Limited ("Cheung Tai Hong") in relation to the subscription by cash of HK$450 million convertible note issued by Cheung Tai Hong. The initial conversion price of the convertible note is HK$0.44 per share in Cheung Tai Hong, subject to usual anti-dilution adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue;

(ix) the underwriting agreement dated 21st April, 2005 entered into between Hanny, SCL and Tai Fook Securities Company Limited in relation to the underwriting of the rights shares of SCL. Pursuant to the underwriting agreement, Hanny agreed to underwrite 320,000,000 rights shares in SCL (representing, at that time, approximately 14.9% of the issued share capital of SCL as enlarged by the rights issue) at a commission of 2% of the aggregate rights shares underwritten;

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(x) the subscription agreement dated 21st April, 2005 entered into between Hanny and SCL relating to the subscription of HK$170 million convertible note issued by SCL in cash. The initial conversion price of the convertible note is HK$0.12 per share in SCL, subject to usual anti-dilution adjustments in certain events, including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue;

(xi) the loan agreement dated 11th August, 2005 entered into between Hanny and Kingston Finance Limited ("Kingston") pursuant to which Kingston agreed to grant a loan facility of HK$400 million to Hanny;

(xii) a deed of mortgage and assignment dated 11th August, 2005 entered into between Well Orient as the mortgagor and Kingston as mortgagee in relation to the securities of China Strategic;

(xiii) a security assignment dated 11th August, 2005 entered into between Loyal Concept Limited, an indirect wholly-owned subsidiary of Hanny, as the assignor and Kingston as the assignee in relation to the HK$450 million convertible note of Cheung Tai Hong;

(xiv) a deed of mortgage of shares dated 11th August, 2005 entered into between Hanny as the mortgagor and Kingston as mortgagee in relation to the securities in SCL;

(xv) a deed of security assignment dated 11th August, 2005 entered into between Hanny as the assignor and Kingston as assignee in relation to the HK$170 million convertible note of SCL;

(xvi) a subscription agreement dated 18th August, 2005 entered into between Hanny and Wo Kee Hong (Holdings) Limited in respect of the subscription by Hanny of HK$30 million convertible note issued by Wo Kee Hong (Holdings) Limited in cash. The initial conversion price of the convertible note is HK$0.10 per share in Wo Kee Hong (Holdings) Limited, subject to usual anti-dilution adjustments in certain events, including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue;

(xvii) a supplemental agreement dated 30th December, 2005 to extend the long stop date of the Share Sale Agreement to 30th April, 2006;

(xviii) a conditional sale and purchase agreement dated 19th January, 2006 entered into between Memorex International Inc. ("MII"), an indirect non wholly-owned subsidiary of Hanny, and Imation Corp. ("Imation") relating to the disposal of MII's business of the design, development, marketing, distribution and sale of hardware, media and accessories used for the storage of electronic data relating to the brand Memorex®. The aggregate cash consideration for the disposal was US$330 million plus adjustments amount and earnout amount calculated in accordance with the terms of the sale and purchase agreement;

(xix) an inducement agreement dated 19th January, 2006 entered into, among others, Imation and Hanny, pursuant to which Hanny has, amongst other things, agreed to guarantee the performance of MII under the conditional sale and purchase agreement as mentioned in (xviii) above;

(xx) a conditional sale and purchase agreement dated 9th March, 2006 entered into between Best Position Limited, an indirect wholly-owned subsidiary of Hanny, and Asset Manage Limited relating to the acquisition of 100% interests in Rapid Growth Profits Limited and the shareholders' loan due from Island Town Limited at a consideration of HK$39,054,194, subject to adjustment;

(xxi) the underwriting agreement dated 22nd April, 2006 entered into between Hanny, SCL and Success Securities in relation to the underwriting of the rights issue of SCL, pursuant to which Hanny agreed to underwrite up to 329,037,330 rights shares in SCL at a price of HK$0.014 per rights share for an underwriting commission of 5% of the aggregate subscription price of the rights shares underwritten by Hanny;

(xxii) the subscription agreement dated 27th April, 2006 entered into between Hanny and Cheung Tai Hong in relation to the subscription of HK$270 million convertible note issued by Cheung Tai Hong in cash. The initial conversion price of the convertible note is HK$0.70 per share in Cheung Tai Hong, subject to the usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalization issue, capital distribution, rights issue and other equity or equity derivatives issue; and

(xxiii) a supplemental agreement dated 28th April, 2006 to further extend the long stop date of the Share Sale Agreement to 30th June, 2006.

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SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of GDI was as follows:

Authorised:		*US$*
8,000,000,000	GDI Shares of US$0.01 each	80,000,000.00
Issued and fully paid:		*US$*
440,797,543	GDI Shares of US$0.01 each	4,407,975.43

As at 31st December, 2005, there was 1 share of GDI of US$1.00. To facilitate the China Strategic Group Reorganisation, (i) the authorised share capital of GDI was increased from US$50,000.00 to US$80,000,000.00 and the 1 share of GDI of US$1.00 was sub-divided into 100 GDI Shares of US$0.01 each on 17th May, 2006; and (ii) 440,797,443 GDI Shares of US$0.01 each were allotted and issued on 19th May, 2006. However, the share certificates of GDI will only be posted to the shareholders of GDI who have not accepted the GDI Offer after the Closing Date such that the despatch of the share certificates to the shareholders of GDI could be managed efficiently. Details of the procedures for acceptance of the GDI Offer are set out in Appendix I to this document and the Form of Acceptance.

All GDI Shares in issue rank pari passu in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

As at the Latest Practicable Date, there were no outstanding options, warrants or conversion rights which will affect the GDI Shares.

DISCLOSURE OF INTERESTS

(i) As at the Latest Practicable Date, Ms. Chan Ling, Eva, a director of GDI, was interested in 500 Hanny Shares. Save as aforesaid, none of GDI and its directors was interested in any securities in the Offeror or Hanny as at the Latest Practicable Date.

(ii) As at the Latest Practicable Date, Hanny was interested in 29.4% of the issued share capital of GDI. Dr. Chan, Dr. Yap, Allan and Mr. Lui Siu Tsuen, Richard, directors of GDI, were interested in GDI Shares through their respective interests in Hanny Shares as disclosed under the section headed "Disclosure of interests" in Appendix VII to this document. Save as aforesaid, none of the directors of GDI was interested in any securities in GDI as at the Latest Practicable Date.

(iii) As at the Latest Practicable Date, none of the subsidiaries of GDI, a pension fund of GDI or its subsidiaries, Dao Heng Securities, Hercules, Deloitte, Norton or any other advisers to GDI as specified in class (2) of the definition of associate (excluding exempt principal traders) under the Takeovers Code owned or controlled any securities in GDI, the Offeror or Hanny.

(iv) As at the Latest Practicable Date, no person who owned or controlled securities in GDI, the Offeror or Hanny had any arrangement of the kind as referred to in Note 8 to Rule 22 of the Takeovers Code with GDI or with any person who is an associate of GDI by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(v) As at the Latest Practicable Date, no fund manager (other than exempt fund manager) connected with GDI managed any securities in GDI, the Offeror or Hanny on a discretionary basis.

(vi) As at the Latest Practicable Date, none of the directors of GDI directly held or owned any securities in GDI.

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DEALINGS

During the period commencing six months preceding 15th October, 2004, being the commencement date of the GDI Offer period, and ending on the Latest Practicable Date,

(i) none of GDI and its directors dealt for value in any securities in the Offeror or Hanny;

(ii) none of the directors of GDI dealt for value in any securities in GDI;

(iii) none of the subsidiaries of GDI, a pension fund of GDI or its subsidiaries, Dao Heng Securities, Hercules, Deloitte, Norton or any other advisers to GDI as specified in class (2) of the definition of associate (excluding exempt principal traders) under the Takeovers Code dealt for value in any securities in GDI, the Offeror or Hanny;

(iv) no person who had an arrangement of the kind as referred to in Note 8 to Rule 22 of the Takeovers Code with GDI or with any person who is an associate of GDI by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code dealt for value in any securities in GDI, the Offeror or Hanny; and

(v) no fund manager (other than exempt fund manager) connected with GDI dealt for value in any securities in GDI, the Offeror or Hanny which were managed on a discretionary basis.

MATERIAL CHANGE

Save for the subscription of convertible note with principal amount of HK$300 million of Wing On by CEL, a non wholly-owned subsidiary of GDI, as announced on 27th March, 2006, the directors of GDI are not aware of any material change in the financial or trading position and outlook of the GDI Group since 31st December, 2005, being the date which the latest audited consolidated financial statements of the GDI Group were made up.

INDEBTEDNESS

Borrowings

At the close of business on 31st March, 2006, (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document), the GDI Group had outstanding borrowings of approximately HK$2,972,863,000 comprising amounts due to fellow subsidiaries of approximately HK$2,972,304,000, amount due to a related company of approximately HK$556,000 and secured margin loan payable of approximately HK$3,000.

Securities and guarantees

At the close of business on 31st March, 2006, the secured margin loan payable is secured by investment in securities held for trading of approximately HK$3,600,000.

Debt securities

At the close of business on 31st March, 2006, the GDI Group had no debt securities.

THIS IS A COPY OF A LETTER FROM THE COMPANY'S SOLICITORS CONTAINING IMPORTANT INFORMATION

Commitment

At the close of business on 31st March, 2006, the GDI Group had commitment of approximately HK$95,654,000 in respect of the acquisition of interest in other assets.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the GDI Group did not have, at the close of business on 31st March, 2006, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees, or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing at the close of business on 31st March, 2006.

LITIGATION

As at the Latest Practicable Date, other than the legal proceedings commenced by the GDI Group against a third party in June 2005 in relation to certain property interests of the GDI Group, none of the members of the GDI Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors of GDI to be pending or threatened by or against any member of the GDI Group.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the GDI Group) were entered into by the members of the GDI Group within the two years preceding 15th October, 2004, being the commencement date of the GDI Offer period, which are, or may be material:

(i) an agreement dated 10th June, 2003 entered into between Million Good Limited ("Million Good"), a non wholly-owned subsidiary of GDI, and Wing On, an associated company of GDI, in respect of the provision of loan facility for the amount of HK$25,000,000 by Million Good for working capital of Wing On. The loan was unsecured, bore interest at Hong Kong Dollars prime rate and was repayable within two years from the date of this agreement. A supplemental agreement dated 21st October, 2003 was entered into between Million Good and Wing On in respect of the change of the amount of the loan to HK$100,000,000;

(ii) an agreement dated 30th September, 2003 entered into between Vision Leader Limited, an indirect wholly-owned subsidiary of GDI, and Mr. Chan Chung Chiu, an independent third party, in relation to the sale and purchase of the entire issued share capital of Zhuhai Zhongce Property Investment Limited (formerly known as Talent Shop Investment Limited) for the consideration of HK$190,000,000. Completion of the transaction took place in October 2003;

(iii) an agreement dated 16th December, 2003 and a supplemental agreement dated 2nd January, 2004 entered into between Future Returns Limited ("Future Returns"), a wholly-owned subsidiary of GDI, and Apex in respect of the loan facility for the amount of HK$76,215,406.33. The loan was unsecured, bore interest at 2% over and above Hong Kong Dollars prime rate per annum and was repayable on 2nd January, 2006;

(iv) an agreement dated 16th December, 2003 and a supplemental agreement dated 2nd January, 2004 entered into between Future Returns, a wholly-owned subsidiary of GDI, and Apex in respect of the loan facility for the amount of RMB5,544,065.68. The loan was unsecured, bore interest rate of 6% per annum and was repayable on 2nd January, 2006;

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(v) a conditional agreement dated 13th January, 2004 entered into between CEL, a non wholly-owned subsidiary of GDI, and Wing On, an associated company of GDI, in respect of the subscription of convertible note in the amount of HK$155,000,000 attaching with conversion rights to convert the note into shares of Wing On at an initial conversion price of HK$0.02 per share by CEL. Completion of the transaction took place in May 2004;

(vi) a subscription agreement dated 2nd February, 2004 entered into among Grotto Profits Limited ("Grotto Profits"), a wholly-owned subsidiary of GDI, SIIS Treasury Limited and Softbank Investment International (Strategic) Limited ("Softbank") in respect of the subscription of the 5% convertible guarantee note in the amount of HK$3,000,000 attaching conversion rights to convert the note into shares of SIIS Treasury Limited at an initial conversion price of HK$0.10 per share by Grotto Profits. Completion of the transaction took place in February 2004;

(vii) an agreement dated 30th March, 2004 entered into among Group Dragon Limited ("Group Dragon"), an indirect wholly-owned subsidiary of GDI, and Mr. Jonathan H. Lee, Mr. Hu Hsiao Cheng and Mr. Cheng Jian, who are independent third parties, relating to the acquisition of the entire issued share capital of Asso Limited by Group Dragon for a consideration RMB219,000,000, subject to the condition of due diligence results being satisfactory and acceptable to Group Dragon. The condition was not fulfilled on or before the agreed long stop date, i.e. 31st July, 2004, and the agrement was therefore lapsed;

(viii) the sale and purchase agreement dated 16th June, 2004 entered into between Manwide Holdings Limited, a non wholly-owned subsidiary of GDI, and Shanghai Jiu Sheng Investment Company Limited in respect of the acquisition of the interest in the land situated at Nos. 219 and 229, Jiang Ning Road, Jing An District, Shanghai, the PRC and the building being erected thereon which comprises two levels of underground carparks and a 24-storey building for a consideration of RMB450 million;

(ix) two placing and subscription agreements dated 30th November, 2004 entered into among CEL, a non wholly-owned subsidiary of GDI, Wing On, an associated company of GDI, and a placing agent, Deutsche Bank AG, Hong Kong Branch, in relation to the placing of 6,000 million shares of Wing On by the placing agent on behalf of CEL at the price of HK$0.028 per share and the subscription of 6,000 million new shares of Wing On at HK$0.028 per share. The placing agent was entitled to receive a commission equal to 3.6% of the aggregate placing price of the placing shares. The placing and subscription were completed in January 2005;

(x) a placing and subscription agreement dated 4th February, 2005 entered into among CEL, a non wholly-owned subsidiary of GDI, Wing On, an associated company of GDI, and a placing agent, Tai Fook Securities Company Limited, in relation to the placing of 6,400 million shares of Wing On at the price of HK$0.022 and the subscription of 6,400 million new shares of Wing On at HK$0.022 per share. The placing agent was entitled to receive a commission equal to 2.5% of the aggregate placing price of the placing shares. The placing and subscription were completed in February 2005; and

(xi) a conditional subscription agreement dated 23rd March, 2006 (the "Agreement") entered into between CEL, a non wholly-owned subsidiary of GDI, and Wing On, an associated company of GDI, in relation to the subscription by CEL of the HK$300 million 2% convertible exchangeable notes due 2011 of Wing On which entitle the holders thereof to convert the outstanding principal into Wing On shares at the initial conversion price of HK$0.79 per share of Wing On.

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ARRANGEMENTS AFFECTING THE DIRECTORS OF GDI

(i) No benefit will be given to any director of GDI as compensation for loss of office or otherwise in connection with the GDI Offer.

(ii) As at the Latest Practicable Date, no agreement or arrangement existed between any director of GDI and any other person which is conditional on or dependent upon the outcome of the GDI Offer or otherwise connected therewith.

(iii) As at the Latest Practicable Date, there was no material contract to which the Offeror is a party in which any director of GDI has a material personal interest.

SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the directors of GDI had entered into any service agreement with any member of the GDI Group or associated companies of GDI which are in force and which are continuous contracts with a notice period of 12 months or more, or which has been entered into or amended within six months prior to 15th October, 2004, being the commencement date of the GDI Offer period, or which are fixed term contracts with more than 12 months to run irrespective of the notice period.

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RESPONSIBILITY STATEMENTS

The Hanny Directors and the directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information (other than those relating to the GDI Group and the China Strategic Group) contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed herein (other than those relating to the GDI Group and the China Strategic Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement herein misleading.

The directors of GDI and China Strategic jointly and severally accept full responsibility for the accuracy of the information (other than those relating to the Hanny Group and the Offeror) contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed herein (other than those relating to the Hanny Group and the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement herein misleading.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which are contained in this document.

Name	Qualification
Somerley Limited	a corporation licensed under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
Hercules Capital Limited	a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	certified public accountants
RHL Appraisal Ltd.	professional valuers
Norton Appraisals Limited	professional property valuers

Each of Somerley, Dao Heng Securities, Hercules, Deloitte, RHL and Norton has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its letter or report and references to its name in the form and context in which they respectively appear.

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DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours at the principal place of business of Hanny in Hong Kong at 8th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong; (ii) on the website of Hanny *(www.hanny.com)*; and (iii) the website of the SFC *(www.sfc.hk)* from the date of this document up to and including the Closing Date:

(i) the memorandum of association and bye-laws of Hanny and the memorandum and articles of association of the Offeror;

(ii) the memorandum and articles of association of GDI;

(iii) the accountants' report of Hanny as set out in Appendix II to this document, the annual reports of Hanny for each of the three financial years ended 31st March, 2003, 2004 and 2005 and the interim reports of Hanny for each of the six months ended 30th September, 2004 and 2005;

(iv) the accountants' report on the GDI Group as set out in Appendix III to this document;

(v) the unaudited pro forma financial information of the Hanny Group as set out in Appendix IV to this document;

(vi) the letter from the GDI Board, the text of which is set out on pages 6 to 10 to this document;

(vii) the letter from Somerley, the text of which is set out on pages 11 to 18 of this document;

(viii) the letter of advice from Hercules, the text of which is set out on pages 19 to 54 of this document;

(ix) the comfort letters from Deloitte and Somerley regarding the unaudited pro forma financial information on the Hanny Group, the text of each of which is set out in Appendix IV to this document;

(x) the report from RHL on the estimated value of the Hanny Bonds, the text of which is set out in Appendix V to this document;

(xi) the comfort letter from Somerley regarding the estimated value of the Hanny Bonds, the text of which is set out in Appendix V to this document;

(xii) the valuation report from Norton, the text of which is set out in Appendix VI to this document;

(xiii) the material contracts as referred to in the section headed "Material contracts" in each of Appendices VII and VIII to this document; and

(xiv) the written consents as referred to in the section headed "Experts and consents" in this appendix.

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MISCELLANCEOUS

In the event of inconsistency, the English texts of this document and the Form of Acceptance shall prevail over the Chinese texts thereof.

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其他事項

本文件及接納表格之中、英文版本如有歧異，須以英文版本為準。

備查文件

下列文件之副本由本通函刊發日期直至及包括截止日期止(i)在錦興設於香港九龍觀塘鴻圖道51號保華企業中心8樓之香港主要營業地點(只限一般辦公時間內)；(ii)錦興之網站(*www.hanny.com*)；及(iii)證監會網頁(*www.sfc.hk*)內可供查閱：

(i) 錦興之組織章程大綱及公司細則及要約人之組織大綱及組織章程細則；

(ii) 群龍之組織大綱及組織章程細則；

(iii) 本文件附錄二所載錦興之會計師報告錦興截至二零零三年、二零零四年及二零零五年三月三十一日止財政年度各年之年報，以及錦興截至二零零四年及二零零五年九月三十日止六個月各期間之中期報告；

(iv) 本文件附錄三所載群龍集團之會計師報告；

(v) 本文件附錄四所載錦興集團之未經審核備考財務資料；

(vi) 群龍董事會函件，全文載於本文件第6至10頁；

(vii) 新百利函件，全文載於本文件第11至18頁；

(viii) 凱利函件，全文載於本文件第19至54頁；

(ix) 德勤及新百利就錦興集團之未經審核備考財務資料所發出之釋疑函件，該等函件之全文分別載於本通函附錄四；

(x) 永利行就錦興債券之估計價值發出之報告，全文載於本通函附錄五；

(xi) 新百利就錦興債券之估計價值發出之釋疑函件，全文載於本文件附錄五；

(xii) 普敦之估值報告，全文載於本文件附錄六；

(xiii) 本文件附錄七及八「重大合約」一節所述之重大合約；及

(xiv) 本附錄「專家及同意書」一節所述之同意書。

責任聲明

錦興董事及要約人之董事願就本文件所載資料(有關群龍集團及中策集團者除外)之準確性共同及個別承擔全部責任，並於作出一切合理查詢後確認，據彼等所知，本文件所表達之意見(有關群龍集團及中策集團者除外)乃經審慎周詳考慮後始行作出，且本文件亦並無遺漏任何其他事實，導致其所載之任何聲明有所誤導。

群龍及中策之董事願就本文件所載資料(有關錦興集團及要約人者除外)之準確性共同及個別承擔全部責任，並於作出一切合理查詢後確認，據彼等所知，本文件所表達之意見(有關錦興集團及要約人者除外)乃經審慎周詳考慮後始行作出，且本文件亦並無遺漏任何其他事實，導致其所載之任何聲明有所誤導。

專家及同意書

以下為於本文件內作出意見或建議之專家之資格。

名稱	資格
新百利有限公司	根據證券及期貨條例進行證券及期貨條例第1類(證券交易)、第4類(就證券提供意見)、第6類(就機構融資提供意見)及第9類(提供資產管理)受規管活動之持牌法團
凱利融資有限公司	根據證券及期貨條例進行證券及期貨條例第6類(就機構融資提供意見)受規管活動之持牌法團
德勤•關黃陳方會計師行	執業會計師
永利行評值顧問有限公司	專業估值師
普敦國際評估有限公司	專業物業估值師

新百利、道亨證券、凱利、德勤、永利行及普敦各自就本文件之刊發發出書面同意書，同意按本文件所載之形式及涵義轉載其函件或報告並引述其名稱，且迄今並無撤回該同意書。

影響群龍董事之安排

(i)　本公司將不會向任何董事提供福利，作為離職補償或以其他方式與收購建議有關之補償。

(ii)　於最後實際可行日期，群龍之任何董事及其他人士之間概無訂立任何協議或安排，而與群龍收購建議之結果為條件或依賴於該結果或於其他方面與群龍收購建議有關連。

(iii)　於最後實際可行日期，要約人概無訂立群龍任何董事擁有重大個人權益之重大合約。

服務合約

於最後實際可行日期，群龍董事概無與群龍集團任何成員公司或群龍集團之聯營公司訂立任何服務合約，而該等合約屬通知期為十二個月或以上之連續性合約，或於二零零四年十月十五日(群龍收購建議期間之開始日期)前六個月內訂立或修訂，或屬超過十二個月之固定期間合約(不論通知期長短)。

(v) CEL(群龍之非全資附屬公司)及永安(群龍之聯營公司)於二零零四年一月十三日就CEL認購155,000,000港元可換股票據(附帶換股權可按每股CEL股份0.02港元之初步轉換價將票據轉換為永安之股份)訂立之有條件協議。是項交易於二零零四年五月完成;

(vi) 群龍全資附屬公司Grotto Profits Limited(「Grotto Profits」)、SIIS Treasury Limited及軟庫發展有限公司(「軟庫」)於二零零四年二月二日就認購3,000,000港元之5%可換股有擔保票據(附帶換股權使Grotto Profits可按每股Grotto Profits股份0.10港元之初步轉換價將票據轉換為SIIS Treasury Limited之股份)訂立之認購協議。是項交易於二零零四年二月完成;

(vii) Group Dragon Limited(「Group Dragon」)(群龍之間接全資附屬公司)與Jonathan H. Lee先生、Hu Hsiao Cheng先生及Cheng Jian先生(均為獨立第三方)於二零零四年三月三十日就由Group Dragon以代價人民幣219,000,000元收購香港亞紡企業有限公司之全部已發行股本訂立協議,條件為Group Dragon對盡職調查結果滿意及接受。該條件未能於議定之最後完成日期(即二零零四年七月三十一日)或之前達成,該協議因此作廢;

(viii) 二零零四年六月十六日,群龍之非全資附屬公司萬廣控股有限公司與上海久盛投資有限公司就收購位於中國上海市靜安區江寧路219號及229號之一幅土地及建於其上之樓宇之權益(包括一個兩層地下停車場及一座24層高之樓宇)訂立買賣協議,代價為人民幣450,000,000元;

(ix) CEL(群龍之非全資附屬公司)、永安(群龍之聯營公司)及配售代理德意志銀行香港分行就配售代理代表CEL以每股0.028港元之價格配售6,000,000,000股永安股份及以每股0.028港元認購6,000,000,000股永安新股份而於二零零四年十一月三十日訂立之兩份配售及認購協議。配售代理可收取相等於配售股份之總配售價之3.6%之金額作為佣金。配售及認購於二零零五年一月完成;

(x) CEL(群龍之非全資附屬公司)、永安(群龍之聯營公司)及配售代理大福證券有限公司就以每股0.022港元之價格配售6,400,000,000股永安股份及以每股0.022港元認購6,400,000,000股永安新股份而於二零零五年二月四日訂立之配售及認購協議。配售代理可收取相等於配售股份之總配售價之2.5%之金額作為佣金。配售及認購於二零零五年二月完成;及

(xi) CEL(群龍之非全資附屬公司)及永安(群龍之聯營公司)就由永安發行,於二零一一年到期之300,000,000港元2厘可換股票據於二零零六年三月二十三日訂立之有條件認購協議。可換股票據授權持有人以初步轉換價每股永安股份0.79港元將未行使本金額轉換為永安股份。

承擔

於二零零六年三月三十一日營業時間結束時，群龍集團就購置其他資產之權益有約95,654,000港元之承擔。

除上文所述及本文件其他部份所披露者外，於二零零六年三月三十一日營業時間結束時，群龍集團並無任何已發行及未償還或同意將予發行之借貸資本、銀行透支、貸款或其他類似債項、承兑負債或可承兑信貸、債權證、按揭、抵押、租購或融資租約承擔、擔保或其他重大或然負債。

外幣金額已按二零零六年三月三十一日營業時間結束時之通行匯率兑換為港元。

訴訟

於最後實際可行日期，除群龍集團於二零零五年六月就其若干物業權益而對第三方展開之法律程序外，群龍集團之成員公司概無涉及任何重大訴訟或仲裁，而就群龍之董事所知，群龍集團任何成員公司亦無任何尚未了結或面臨之任何重大訴訟或索償。

重大合約

於二零零四年十月十五日(群龍收購建議期間開始日期)前兩年內，群龍集團之成員公司曾訂立下列重大或可能重大合約(並非於群龍集團日常業務過程中所訂立之合約)：

(i) Million Good Limited(「Million Good」)(群龍之非全資附屬公司)與永安(群龍之聯營公司)就Million Good提供25,000,000港元貸款融資作為永安之營運資金而於二零零三年六月十日訂立之協議。該貸款為無抵押，按港元最優惠利率計息及須於本協議日期起計兩年內償還。Million Good與永安於二零零三年十月二十一日就更改貸款額至100,000,000港元訂立補充協議；

(ii) 群龍之間接全資附屬公司Vision Leader Limited及獨立第三方Chan Chung Chiu先生於二零零三年九月三十日就以代價190,000,000港元買賣珠海中策產業園投資有限公司(前稱智業投資有限公司)之全部已發行股本訂立一份協議。是項交易於二零零三年十月完成；

(iii) Future Returns Limited(「Future Returns」)(群龍之全資附屬公司)及Apex就76,215,406.33港元貸款融資先後於二零零三年十二月十六日及二零零四年一月二日訂立之協議及補充協議。該貸款為無抵押，按港元優惠年利率加2%計息，並須於二零零六年一月二日償還；

(iv) Future Returns(群龍之全資附屬公司)及Apex就人民幣5,544,065.68元貸款融資先後於二零零三年十二月十六日及二零零四年一月二日訂立之協議及補充協議。該貸款為無抵押，每年按6%利率計息，並須於二零零六年一月二日償還；

買賣

於二零零四年十月十五日(群龍收購建議期間開始日期)前六個月起至最後實際可行日期止期間：

(i) 群龍及其董事概無買賣要約人或錦興之任何證券，以從中獲利；

(ii) 概無群龍董事買賣群龍任何證券，以從中獲利；

(iii) 群龍之附屬公司、群龍之退休基金或其附屬公司、道亨證券、凱利、德勤、普敦或群龍任何其他根據收購守則就聯繫人士之定義第(2)類而言身為群龍聯繫人士(不包括獲豁免主要交易商)之顧問概無買賣群龍、要約人或錦興之任何證券，以從中獲利；

(iv) 與群龍或根據收購守則就聯繫人士之定義第(1)、(2)、(3)及(4)類而言身為群龍聯繫人士之任何人士概無買賣群龍、要約人或錦興之任何證券，以從中獲利；及

(v) 概無與群龍有關連之基金經理(不包括獲豁免基金經理)買賣按全權基準管理群龍、要約人或錦興之任何證券，以從中獲利。

重大變動

除CEL(群龍之非全資附屬公司)認購永安本金額為300,000,000港元之可換股票據(於二零零六年三月二十七日公佈)外，群龍董事概不知悉自二零零五年十二月三十一日(即群龍集團編製最近期刊發之經審核綜合財務報表之日)以來，群龍集團之財務或業務狀況或前景出現任何重大變動。

債務

借款

於二零零六年三月三十一日(於刊印本公佈前就本債務聲明而言之最後實際可行日期)營業時間結束時，群龍集團之未償還借款約為2,972,863,000港元，包括應付同系附屬公司款項約2,972,304,000港元、應付關連公司款項約556,000港元及應付已抵押孖展融資貸款約3,000港元。

資產抵押及擔保

於二零零六年三月三十一日營業時間結束時，應付已抵押孖展融資貸款由持作買賣證券約3,600,000港元抵押。

債務證券

於二零零六年三月三十一日營業時間結束時，群龍集團概無債務證券。

股本

於最後實際可行日期，群龍之法定及已發行股本如下：

法定股本：		*美元*
8,000,000,000	股群龍股份，每股面值0.01美元	80,000,000.00
已發行及繳足股本：		*美元*
440,797,543	股群龍股份，每股面值0.01美元	4,407,975.43

於二零零五年十二月三十一日，有一股每股面值1.00美元之群龍股份。為方便進行中策集團重組，(i)群龍之法定股本由50,000.00美元增至80,000,000.00美元，而一股每股面值1.00美元之群龍股份則於二零零六年五月十七日分拆為100股每股面值0.01美元之群龍股份；及(ii)440,797,443股每股面值0.01美元之群龍股份於二零零六年五月十九日配發及發行。然而，為有效安排尚不接納群龍收購建議之群龍股東寄發股票，群龍之股票於截止日期後方會寄發予群龍股東。有關群龍收購建議的接納程序之詳情載於本文件附錄一及接納表格內。

所有已發行群龍股份在各方面均享有同等權益，包括一切有關股息、投票及資本回報之權利。

於最後實際可行日期，概無任何可影響群龍股份之未行使購股權、認股權證或兑換權。

權益披露

(i) 於最後實際可行日期，群龍董事陳玲女士擁有500股錦興股份之權益。除上述者外，於最後實際可行日期，群龍及其股東概無擁有要約人或錦興任何證券之權益。

(ii) 於最後實際可行日期，錦興擁有群龍已發行股本之29.4%權益。陳博士、Yap, Allan博士及呂兆泉先生(均為群龍董事)透過彼等各自於錦興股份之權益而擁有群龍股份之權益(如本文件附錄七「權益披露」一節所披露)。除上述者外，於最後實際可行日期，概無群龍董事擁有群龍任何證券之權益。

(iii) 於最後實際可行日期，群龍之附屬公司、群龍之退休基金或其附屬公司、道亨證券、凱利、德勤、普敦或群龍任何其他根據收購守則就聯繫人士之定義第(2)類而言身為群龍聯繫人士(不包括獲豁免主要交易商)之顧問概無擁有或控制群龍、要約人或錦興之任何證券。

(iv) 於最後實際可行日期，概無擁有或控制群龍、要約人或錦興證券之人士與群龍或根據收購守則就聯繫人士之定義第(1)、(2)、(3)及(4)類而言身為群龍聯繫人士之任何人士訂立任何收購守則第22條附註8所述類別之安排。

(v) 於最後實際可行日期，概無與群龍有關連之基金經理(不包括獲豁免基金經理)按全權基準管理群龍、要約人或錦興之任何證券。

(vi) 於最後實際可行日期，概無群龍董事直接持有或擁有任何群龍證券。

(x) 錦興與漢傳媒於二零零五年四月二十一日就現金認購漢傳媒發行之170,000,000港元可換股票據而訂立之認購協議。可換股票據之初步換股價為每股漢傳媒股份0.12港元，可在若干情況下就常見反攤薄作出調整，其中包括股份合併、股份拆細、資本化發行、股本分派及供股；

(xi) 錦興與金利豐財務有限公司(「金利豐」)於二零零五年八月十一日就金利豐同意向錦興授予400,000,000港元貸款融資訂立之貸款協議；

(xii) 威倫作為抵押人及金利豐作為承押人於二零零五年八月十一日就中策之證券訂立之抵押及轉讓契據；

(xiii) 錦興之間接全資附屬公司Loyal Concept Limited作為轉讓人與金利豐作為承讓人於二零零五年八月十一日就祥泰行450,000,000港元可換股票據訂立之證券轉讓書；

(xiv) 錦興作為抵押人與金利豐作為承押人於二零零五年八月十一日就漢傳媒之證券訂立之股份抵押契據；

(xv) 錦興作為轉讓人與金利豐作為承讓人於二零零五年八月十一日就漢傳媒170,000,000港元可換股票據訂立之證券轉讓契據；

(xvi) 錦興與和記行(集團)有限公司於二零零五年八月十八日就由錦興以現金認購和記行(集團)有限公司發行30,000,000港元可換股票據訂立之認購協議。可換股票據之初步換股價為每股和記行(集團)有限公司股份0.10港元，可在若干情況下就常見反攤薄作出調整，其中包括股份合併、股份拆細、資本化發行、股本分派及供股；

(xvii) 於二零零五年十二月三十日就延伸股份出售協議之最後完成日期至二零零六年四月三十日而訂立之補充協議；

(xviii) Memorex International Inc.(「MII」，錦興之間接非全資附屬公司)與Imation Corp.(「Imation」)就出售MII與Memorex®品牌有關之電子數據儲存所用硬件、媒體及配件之設計、開發、市場推廣、分銷及銷售之業務於二零零六年一月十九日訂立之有條件買賣協議。出售事項之總現金代價為330,000,000美元，另加根據買賣協議條款計算之調整金額及額外金額；

(xix) Imation及錦興與其他訂約方於二零零六年一月十九日訂立之促成協議，據此，錦興(其中包括)同意擔保MII根據上文(xviii)項所述有條件買賣協議之表現；

(xx) Best Position Limited(錦興之間接全資附屬公司)與Asset Manage Limited於二零零六年三月九日就以代價39,054,194港元(可予調整)收購Rapid Growth Profits Limited全部已發行股本及應收倫都有限公司股東貸款訂立之買賣協議；

(xxi) 錦興、漢傳媒及實德證券於二零零六年四月二十二日就包銷漢傳媒之供股股份訂立之包銷協議。據此，錦興同意(其中包括，以每股漢傳媒供股股份0.014港元之價格包銷最多329,037,330股漢傳媒之供股股份，並可就錦興所包銷之供股股份按總認購價收取5%佣金；

(xxii) 錦興及祥泰行就現金認購由祥泰行發行之270,000,000港元可換股票據而訂立之認購協議。可換股票據之初步換股價為每股祥泰行股份0.70港元，可在若干情況下就常見反攤薄作出調整，其中包括股份合併、股份拆細、資本化發行、股本分派、供股及其他股本或股本衍生工具發行；及

(xxiii) 於二零零六年四月二十八日就進一步延伸股份出售協議之最後完成日期至二零零六年六月三十日而訂立之補充協議。

重大合約

初步公佈日期前兩年內，錦興集團之成員公司曾訂立下列重大或可能重大合約(並非於錦興集團日常業務過程中所訂立之合約)：

(i) 錦興與Global Media Limited(「Global Media」)於二零零三年十月二十五日就以39,900,000美元(相當於約311,200,000港元)現金代價出售Memorex Holdings Limited(「Memorex」)35%權益而訂立之買賣協議(「Memorex協議」)；

(ii) 錦興與Global Media於二零零三年十二月五日訂立之認購期權協議。據此，Global Media取得向錦興增購Memorex 20%權益之期權，可於Memorex協議日期起計3年內隨時全面或部份行使。認購期權之行使價相等於合共26,900,000美元(相當於約209,800,000港元)及相等於Memorex綜合保留溢利20%之款項；

(iii) 錦興與Global Media於二零零三年十二月五日就錦興就根據Memorex協議之出售事項向Global Media作出之若干稅務彌償保證而訂立之彌償保證契據；

(iv) 德祥企業、錦興與實德證券有限公司(前稱利高證券有限公司)(「實德證券」)於二零零四年一月二十八日就按每股錦興股份4.00港元價格配售及認購21,500,000股錦興股份而訂立之配售及認購協議。配售所得款項總淨額約為86,000,000港元；

(v) 德祥企業、錦興及實德證券於二零零四年十一月二十三日就按每股錦興股份3.22港元價格配售及認購37,000,000股錦興股份而訂立之配售及認購協議。配售所得款項淨額約為119,000,000港元；

(vi) 台固多媒體股份有限公司與太平洋開發股份有限公司、太平洋聯合汽車股份有限公司(兩者均為錦興之間接全資附屬公司)分別於二零零五年一月三十一日就出售富洋投資股份有限公司合共8.03%權益而訂立之兩份買賣協議。出售事項之代價約為新台幣638,600,000元(相當於約156,500,000港元)，乃於二零零五年一月三十一日以兩張銀行匯票支付25%，及以於二零零五年三月四日承兌兩張期票支付其餘75%；

(vii) 股份出售協議；

(viii) Loyal Concept Limited(錦興之間接全資附屬公司)與祥泰行集團有限公司(「祥泰行」)於二零零五年四月二十日就Loyal Concept Limited認購由祥泰行發行之450,000,000港元可換股票據而訂立之認購協議。可換股票據之初步換股價為每股祥泰行股份0.44港元，可在若干情況下就常見反攤薄情況作出調整，其中包括股份合併、股份拆細、資本化發行、股本分派及供股；

(ix) 錦興、漢傳媒與大福證券有限公司於二零零五年四月二十一日就包銷漢傳媒之供股股份而訂立之包銷協議。根據包銷協議，錦興同意包銷320,000,000股漢傳媒供股股份(佔當時經供股擴大後漢傳媒已發行股本約14.9%)，並可就所包銷之供股股份總數收取2%佣金；

資產抵押及擔保

於二零零六年二月二十八日營業時間結束時，已抵押借款由錦興集團若干資產約1,315,312,000港元抵押。

於二零零六年二月二十八日營業時間結束時，錦興集團之銀行及其他融資亦分別由錦興一名董事作出個人擔保約400,000,000港元、錦興作出公司擔保約98,473,000港元及錦興與錦興一名董事共同作出擔保約4,274,000港元抵押。

債務證券

於二零零六年二月二十八日營業時間結束時，錦興集團概無債務證券。

或然負債

於二零零六年二月二十八日營業時間結束時，錦興集團概無或然負債。

除上文所述及集團內公司間之負債外，於二零零六年二月二十八日營業時間結束時，錦興集團並無任何已發行及未償還或同意將予發行之借貸資本、銀行透支、貸款或其他類似債項、承兑負債或可承兑信貸、債權證、按揭、抵押、融資租約承擔、擔保或其他重大或然負債。

外幣金額已按二零零六年二月二十八日營業時間結束時之通行匯率兑換為港元。

於二零零六年二月二十八日後，錦興集團完成一項非常重大出售事項，據此，錦興集團透過其非全資附屬公司Memorex International Inc.(「賣方」)出售賣方於Hanny Magnetics Europe Limited、Memorex Canada Ltd.、Memorex Products Europe Limited、Memorex Products S.A.S.、Memorex Products GmbH、美瑞思科技股份有限公司及Memorex Products, Inc.(「出售公司」)之全部權益，並出售賣方之商標特許權及以「Memorex®」商用名稱作市場推廣及銷售電子數據儲存業務有關之其他資產，包括賣方及出售公司所經營電子數據儲存所用之硬件、媒體及配件之設計、開發、市場推廣、分銷及銷售之業務。

於二零零六年二月二十八日營業時間結束時，出售公司之未償還已抵押銀行借貸約為263,812,000港元。已抵押銀行借貸以若干出售公司之資產約345,288,000港元作抵押。出售公司之銀行融資亦以錦興之公司擔保約2,896,000港元為抵押。

訴訟

於最後實際可行日期，錦興集團之成員公司概無涉及任何重大訴訟或仲裁，而就錦興董事所知，錦興集團任何成員公司亦無任何尚未了結或面臨之任何重大訴訟或索償。

於二零零六年一月至五月期間，錦興集團已分別償還約355,000,000港元及208,000,000港元之銀行借貸及其他借貸，還款主要為出售Memorex業務所得款項及以內部資源撥付。

於二零零六年四月二十二日，錦興、漢傳媒及實德證券有限公司就包銷漢傳媒之供股股份訂立包銷協議。於最後實際可行日期，錦興擁有漢傳媒約15.43%權益。供股詳情載於錦興日期為二零零六年四月二十七日之公佈及錦興日期為二零零六年五月十七日之通函內。

於二零零六年四月二十七日，錦興與祥泰行集團有限公司(「祥泰行」)就錦興認購即將由祥泰行發行之270,000,000港元可換股票據訂立認購協議。於最後實際可行日期，錦興擁有祥泰行約23.33%權益。認購事項之詳情載於錦興日期為二零零六年四月二十八日之公佈內。

除上文所披露者外，錦興董事概不知悉自二零零五年十二月三十一日(錦興集團最近期刊發經審核綜合賬目之日)起至(及包括)最後實際可行日期止，錦興集團之財務或業務狀況或前景出現任何重大變動。

有關群龍收購建議之安排

(i) 於最後實際可行日期，要約人與其他人士概無就要約人根據群龍收購建議所收購群龍股份之實益權益訂立任何協議、安排或諒解。

(ii) 於最後實際可行日期，要約人或任何與其一致行動之人士與群龍之任何董事、近期董事、股東或近期股東之間概無訂立任何協議、安排或諒解(包括任何賠償安排)，而與群龍收購建議之結果相關或依賴於該結果。

(iii) 於最後實際可行日期，要約人概無就其撤銷或尋求撤銷群龍收購建議之條件存在任何協議或安排。

(iv) 錦興董事或要約人董事酬金概不受群龍收購建議或任何其他相關交易所影響。

債務

借款

於二零零六年二月二十八日營業時間結束時，錦興集團之未償還借款約為873,605,000港元，包括已抵押借款約511,585,000港元及無抵押借款約362,020,000港元。已抵押借款約511,585,000港元包括銀行借款約271,720,000港元、其他借款約200,000,000港元、信託收據貸款約15,771,000港元、股份孖展融資貸款約4,884,000港元及銀行透支約19,210,000港元。無抵押借款約362,020,000港元包括無抵押銀行借款約60,000港元、無抵押其他借款約323,046,000港元、無抵押信託收據貸款約26,266,000港元、無抵押應付票據約253,000港元及無抵押銀行透支約12,395,000港元。

市價

下表顯示錦興股份(i)於最後實際可行日期；(ii)二零零四年十月十四日(初步公佈日期前一日)；(iii)於最後交易日；及(iv)於緊接初步公佈日期前六個曆月至最後實際可行日期止各曆月最後一個交易日在聯交所之收市價：

	港元		*港元*
二零零四年四月三十日	3.100	二零零五年四月二十九日	3.625
二零零四年五月三十一日	3.100	二零零五年五月三十一日	2.975
二零零四年六月三十日	3.350	二零零五年六月三十日	3.150
二零零四年七月三十日	3.000	二零零五年七月二十九日	3.400
二零零四年八月三十一日	2.600	二零零五年八月三十一日	3.525
二零零四年九月三十日	2.650	二零零五年九月三十日	4.000
二零零四年十月十四日	2.675	二零零五年十月三十一日	4.350
二零零四年十月二十九日	3.000	二零零五年十一月三十日	3.975
二零零四年十一月三十日	3.100	二零零五年十二月三十日	3.750
二零零四年十二月三十一日	3.200	二零零六年一月二十七日	4.625
二零零五年一月三十一日	3.950	二零零六年二月二十八日	4.925
二零零五年二月二十八日	3.850	二零零六年三月三十一日	4.850
最後交易日	3.700	二零零六年四月二十八日	4.750
二零零五年三月三十一日	3.700	最後實際可行日期	4.075

於緊接初步公佈日期前六個曆月至最後實際可行日期止期間，錦興股份於聯交所錄得之最高及最低收市價分別為於二零零六年二月十日之5.45港元及於二零零五年五月十八日及二零零五年五月二十五日之2.475港元。

重大變動

錦興於二零零六年一月二十六日宣佈，Memorex International Inc.(「MII」)(錦興之非全資附屬公司)與Imation Corp.(獨立第三者)就MII出售其與Memorex®品牌有關之電子數據儲存所用硬件、媒體及配件之設計、開發、市場推廣、分銷及銷售之業務訂立有條件買賣協議。出售事項構成錦興之非常重大出售事項，並已於二零零六年四月二十八日完成。完成上述出售事項後，錦興集團不再從事上述業務，而錦興集團之主要業務為證券買賣、物業投資及買賣及其他策略性投資。出售事項之詳情載於錦興日期為二零零六年一月二十六日之公佈及錦興日期為二零零六年四月十日刊發之通函內。

於二零零六年三月九日，Best Position Limited(錦興之間接全資附屬公司)與Asset Manage Limited(資本策略投資有限公司之全資附屬公司)就Best Position Limited收購Rapid Growth Profits Limited全部權益及應收倫都有限公司(Rapid Growth Profits Limited之間接全資附屬公司，持有一項位於香港美國銀行中心之物業)之股東權益訂立有條件買賣協議。該物業已抵押予一間銀行，作為收購前一筆約93,000,000港元貸款之押記。收購事項已於二零零六年三月二十八日完成。收購事項之代價約39,000,000港元原擬以內部資源撥付。然而，由於錦興董事認為以外來借貸撥付代價可於交易完成時更妥善運用資金，故取得39,000,000港元無抵押借貸以籌集收購所須資金。收購事項之詳情載於錦興日期為二零零六年三月九日之公佈及錦興日期為二零零六年三月二十七日刊發之通函內。

二零零六年二月二十一日，經執行理事批准，陳國鴻先生(前任錦興執行董事，並因陳博士之關係根據收購守則被視為與要約人一致行動)行使1,600,000份購股權，以行使價每股3.415港元認購相同數量之錦興股份。

除本分節上述披露外，於初步公佈日期前六個月起至最後實際可行日期止期間，與要約人一致行動之人士概無買賣錦興之任何證券，以從中獲利。

除本分節上述披露外，於初步公佈日期前六個月起至最後實際可行日期止期間，概無錦興董事或要約人之董事買賣錦興之任何證券，以從中獲利。

於初步公佈日期前六個月起至最後實際可行日期止期間，新百利、道亨證券、凱利、德勤、永利行及普敦概無概無買賣錦興之任何證券，以從中獲利。

(ii) 要約人之證券

於初步公佈日期前六個月起至最後實際可行日期止期間，與要約人一致行動之人士概無買賣要約人之任何證券，並從中獲利。

於初步公佈日期前六個月起至最後實際可行日期止期間，概無錦興董事或要約人之董事買賣要約人之任何證券，並從中獲利。

於初步公佈日期前六個月起至最後實際可行日期止期間，新百利、道亨證券、凱利、德勤、永利行及普敦概無買賣要約人之任何證券，並從中獲利。

(iii) 群龍之證券

除根據中策集團重組收到之群龍股份外，於初步公佈日期前六個月起至最後實際可行日期止期間，與要約人一致行動之人士(包括錦興)概無買賣群龍之任何證券，以從中獲利。

於初步公佈日期前六個月起至最後實際可行日期止期間，概無錦興董事或要約人之董事買賣群龍之任何證券，以從中獲利。

於初步公佈日期前六個月起至最後實際可行日期止期間，新百利、道亨證券、凱利、德勤、永利行及普敦概無買賣群龍之任何證券，以從中獲利。

(iv) 與買賣有關之安排

於最後實際可行日期，要約人、任何與其一致行動之人士或彼等各自之聯繫人士概無與任何其他人士或彼等之聯繫人士訂立任何收購守則第22條附註8所指類型之安排。

除上文披露者外，於最後實際可行日期，與要約人及其一致行動之人士(包括錦興)概無擁有或控制群龍之任何證券。

於最後實際可行日期，錦興董事及要約人之董事概無於群龍之股份中擁有權益。

於最後實際可行日期，新百利、道亨證券、凱利、德勤、永利行及普敦概無擁有或控制群龍之任何證券。

於最後實際可行日期，概無擁有或控制群龍任何證券之人士不可撤回地承諾接納或拒絕群龍收購建議。然而，保華於二零零六年五月八日宣佈，該公司決議以分派撤資中策所得價值(即群龍股份價值)之方式向保華股東宣派特別股息。

於最後實際可行日期，概無擁有或控制群龍任何證券之人士與要約人或與其一致行動之人士訂立任何收購守則第22條附註8所述類別之安排。

買賣

(i) 錦興證券

於二零零四年十一月二十三日，錦興與德祥企業及實德證券有限公司訂立配售及認購協議，據此，實德證券有限公司同意以盡其所能基準，以每股錦興股份3.22港元價格配售最多37,000,000股錦興股份予不少於六名獨立承配人，而德祥企業將以每股認購股份3.22港元之相同價格認購數目相等於錦興所配售之配售股份數目之新錦興股份。配售於二零零四年十一月二十四日完成。配售事項之詳情載於錦興日期為二零零四年十一月二十三日刊發之公佈內。

於二零零五年七月二十二日，錦興宣佈錦興董事會議決向錦興股東宣派截至二零零五年三月三十一日止年度之末期股息6港仙，錦興股東可選擇就部份或全部股息收取錦興股份代替現金。德祥企業選擇收取以每股3.367港元發行之816,135股錦興股份，即根據以股代息計劃德祥企業有權收取之全部股息。

其威投資有限公司(錦興之主要股東兼德祥企業之間接全資附屬公司)於二零零五年十月二十一日購入合共11,000,000股錦興股份。誠如錦興及德祥企業於二零零五年十一月十五日聯合公佈，執行理事就德祥企業違反收購守則第21.3條之規定批評德祥企業董事會，該項規則規定，除取得執行理事之同意外，錦興及其一致行動人士不得於群龍收購建議期間買賣錦興任何證券。錦興董事會及德祥企業之董事會已分別向執行理事承諾，彼等將設立適當措施確保於日後就群龍收購建議遵守收購守則之規定。

二零零六年二月十六日，經執行理事批准，陳博士、Yap, Allan博士及呂兆泉先生(均為錦興董事並根據收購守則被視為與要約人一致行動)各行使1,600,000份購股權，以行使價每股3.415港元認購相同數量之錦興股份。

(iii) 於群龍股份之權益

於最後實際可行日期，要約人及其一致行動人士擁有或控制之群龍股權如下。

股東姓名／名稱	好倉／淡倉	身份	權益性質	持有群龍股份數目	持有群龍相關股份數目（群龍之股本衍生工具）	群龍已發行股本概約百分比
Calisan Developments Limited（「Calisan」）*（附註1）*	好倉	實益擁有人	個人權益	129,409,897	—	29.36%
Great Decision Limited（「GDL」）*（附註1）*	好倉	受控公司之權益	公司權益	129,409,897	—	29.36%
PYI Investments Group Limited（前稱Paul Y. - ITC Investments Group Limited）（「PYIIG」）*（附註1）*	好倉	受控公司之權益	公司權益	129,409,897	—	29.36%
保華 *（附註1）*	好倉	受控公司之權益	公司權益	129,409,897	—	29.36%
威倫 *（附註2）*	好倉	實益擁有人	個人權益	129,409,897	—	29.36%
Powervote Technology Limited *（附註2）*	好倉	受控公司之權益	公司權益	129,409,897	—	29.36%
Hanny Magnetics (B.V.I.) Limited *（附註2）*	好倉	受控公司之權益	公司權益	129,409,897	—	29.36%
錦興 *（附註2）*	好倉	受控公司之權益	公司權益	129,409,897	—	29.36%

附註：

1. 保華擁有PYIIG之全部權益。PYIIG擁有GDL全部權益，而GDL擁有Calisan全部權益。因此，GDL、PYIIG及保華被視為於Calisan所持有129,409,897股群龍股份中擁有權益。

2. 威倫由Powervote Technology Limited（「PTL」）全資擁有，而PTL則由Hanny Magnetics (B. V. I.) Limited（「Hanny Magnetics」）擁有。Hanny Magnetics由錦興全資擁有。PTL、Hanny Magnetics及錦興被視為於威倫所持有之129,409,897股群龍股份中擁有權益。

(b) 錦興股本衍生工具(定義見證券及期貨條例)之權益

董事姓名	好倉/淡倉	身份	權益性質	行使期間	購股權數目	每股錦興股份行使價 港元	錦興已發行股本概約百分比
陳博士	好倉	實益擁有人	個人權益	二零零一年八月三十一日至二零零六年八月三十日	4,000,000	2.9888	1.68%
Yap, Allan博士	好倉	實益擁有人	個人權益	二零零一年八月三十一日至二零零六年八月三十日	3,250,000	2.9888	1.36%

除上文披露者外，於最後實際可行日期，與要約人一致行動之人士概無擁有或控制錦興之任何證券。

除上文披露者，於最後實際可行日期，概無錦興董事及要約人董事擁有任何錦興證券。

於最後實際可行日期，新百利、道亨證券、凱利、德勤、永利行及普敦概無擁有或控制錦興之任何證券。

於最後實際可行日期，概無擁有或控制錦興任何證券之人士不可撤回地承諾接納或拒絕群龍收購建議。

於最後實際可行日期，概無擁有或控制錦興任何證券之人士與要約人或與其一致行動之人士訂立任何收購守則第22條附註8所述類別之安排。

(ii) 於要約人股份之權益

要約人為錦興之全資附屬公司。因此，上文中與錦興股份有關之權益披露亦適用於要約人。

除上文「於錦興之權益」分節所披露者外，於最後實際可行日期，與要約人一致行動之人士概無擁有或控制要約人之任何證券。

於最後實際可行日期，錦興董事及要約人之董事概無於要約人之任何證券中擁有權益。

於最後實際可行日期，新百利、道亨證券、凱利、德勤、永利行及普敦概無擁有或控制要約人之任何證券。

於最後實際可行日期，概無擁有或控制要約人任何證券之人士不可撤回地承諾接納或拒絕群龍收購建議。

於最後實際可行日期，概無擁有或控制要約人任何證券之人士與要約人或其一致行動之人士訂立任何收購守則第22條附註8所述類別之安排。

於最後實際可行日期，錦興有9,000,000份尚未行使之購股權，該等購股權賦予持有人權利認購最多9,000,000股錦興股份，詳情如下：

	購股權數目
錦興董事	7,250,000
其他僱員	1,750,000
	9,000,000

除上文披露者外，於最後實際可行日期，錦興概無任何其他尚未行使之購股權、認股權證或可兌換成錦興股份之兌換權。

權益披露

(i) 於錦興之權益

按錦興根據證券及期貨條例第352條所存置之登記名冊所顯示，錦興董事在最後實際可行日期於錦興股份之權益如下。

(a) 於錦興股份之權益

錦興董事姓名	好倉／淡倉	身份	權益性質	持有錦興股份數目	本公司已發行股本概約百分比
陳國強博士（「**陳博士**」）	好倉	實益擁有人	個人權益	1,600,000	0.67%
(附註1及2)	好倉	受控公司之權益	公司權益	57,614,948	24.28%
Yap, Allan博士 *(附註3)*	好倉	實益擁有人	個人權益	1,600,000	0.67%
呂兆泉先生	好倉	實益擁有人	個人權益	3,350,000	1.41%

附註：

1. 該權益不包括錦興股本衍生工具之相關錦興股份權益。該權益須與下文分段(b)所載權益一併計算，以計算陳博士於本公司之權益總額。

2. 該57,614,948股錦興股份由其威投資有限公司（德祥企業之間接全資附屬公司）持有。陳博士因擁有德祥企業權益而被視為擁有57,614,948股錦興股份之公司權益。

3. 該權益不包括錦興股本衍生工具之相關錦興股份權益。該權益須與下文分段(b)所載權益一併計算，以計算Yap, Allan博士於錦興之權益總額。

股本

於最後實際可行日期，錦興之法定及已發行股本，以及倘全體群龍合資格股東均接納方案一後錦興之已發行股本如下：

法定股本：		港元
20,000,000,000	股錦興股份	200,000,000
已發行及繳足股本：		港元
223,628,412	股錦興股份，於二零零五年三月三十一日	2,236,284.12
	二零零五年三月三十一日後之已發行錦興股份	
2,515,285	— 股錦興股份，按每股股份3.367港元發行以代替股息	25,152.85
1,109,705	— 股錦興股份，按每股股份3.735港元發行以代替股息	11,097.05
10,000,000	— 股錦興股份，於行使購股權時按每股錦興股份3.415港元發行	100,000.00
237,253,402	股錦興股份，於最後實際可行日期	2,372,534.02
62,277,529	股根據方案一可予發行之錦興股份上限	622,775.29
299,530,931		2,995,309.31

除上文披露者外，自二零零五年三月三十一日(錦興最近完整財政年度之經審核財務報表之編製日期)起概無發行及購回任何錦興股份。

所有已發行錦興股份(包括根據方案一將予發行之錦興股份)在各方面均享有同等權益，包括一切有關股息、投票及資本回報之權利。

二零零三年三月十八日，錦興進行股本重組，當中涉及(i)錦興股份按每40股每股面值0.025港元之已發行及未發行現有股份合併為1股每股面值1.00港元之股份進行合併；(ii)註銷每股合併股份之繳足股本0.99港元，將每股錦興股份之面值由1.00港元減至0.01港元；(iii)將錦興之未發行法定股份拆細為每股面值0.01港元之股份，並將未發行法定股份數目相應增加；(iv)藉註銷45,000,000,000股每股面值0.01港元之股份，將錦興之法定股本由650,000,000港元削減至200,000,000港元；(v)註銷錦興股份溢價賬內之款額約1,974,600,000港元；及(vi)將上述股本重組及註銷股份溢價賬後之進賬約2,133,300,000港元轉撥往錦興之繳入盈餘賬。上述股本重組之詳情載於錦興日期為二零零三年一月二十九日之公佈及錦興日期為二零零三年二月二十一日之通函。除上文披露者外，於截至二零零三年及二零零四年三月三十一日止兩個財政年度及截至最後實際可行日期，錦興概無實行任何股本重組。

公司資料

(i) 要約人於二零零零年八月二十一日在香港註冊成立為有限公司。要約人之董事為Yap, Allan博士及呂兆泉先生。

(ii) 要約人之登記地址為香港觀塘鴻圖道51號保華企業中心8樓。

(iii) 錦興於一九九一年九月三日在百慕達註冊成立為有限公司。錦興董事為：

執行董事：
陳國強博士 *(主席)*
Yap, Allan博士 *(董事總經理)*
呂兆泉先生 *(副董事總經理)*

獨立非執行董事：
袁天凡先生
郭嘉立先生
黃景霖先生
冼志輝先生

(iv) 錦興之註冊地址為Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda。錦興之總辦事處及香港主要營業地址為香港九龍觀塘鴻圖道51號保華企業中心8樓。

(v) 要約人一致行動成員包括(i)要約人及其董事分別為Yap, Allan博士及呂兆泉先生；(ii)要約人之母公司錦興及其董事分別為陳國強博士(及受彼控制之公司，德祥企業)、Yap, Allan博士、呂兆泉先生、袁天凡先生、郭嘉立先生、黃景霖先生及冼志輝先生；及(iii)保華及其董事周明權博士、劉高原先生、陳國強博士、郭少強先生及陳樹堅先生。

於最後實際可行日期，德祥企業擁有錦興已發行股份約24.28%權益及保華已發行股份27.31%權益。於最後實際可行日期，陳國強博士擁有德祥企業已發行之普通股本約34.97%權益。德祥企業之董事為陳國強博士、周美華女士、陳國鴻先生、陳佛恩先生、張漢傑先生、卓育賢先生、李傑華先生及黃錦昌先生。

(8) 根據群龍集團法律顧問所編製之補充法律意見，其中包括以下資料：

i) 上海久盛目前與下列各方進行訴訟：

a) 浙江舜杰建築集團股份有限公司，為建築費之優先債權人、

b) 中國建設銀行北京朝陽分行，為貸款人民幣170,000,000元連應計利息之第二債權人、

c) 中國民生銀行股份有限公司，為貸款人民幣203,600,000元連應計利息之第三債權人、

d) 中國建設銀行金山石化分行，為貸款人民幣40,000,000元連應計利息之第四債權人及

e) Rosedale Luxury，為第五債權人。

ii) 人民法院就上海久盛訂立買賣合同作出最後裁決後，Rosedale Luxury有權於代替上海久盛清償優先債權人、第二債權人、第三債權人及第四債權人之債項款額後取得物業之業權。

(9) 吾等根據群龍集團之法律顧問之法律意見如下列假設及基準編製吾等之估值：

i) 待上文附註2所述之買賣合同完成後，Rosedale Luxury擁有該物業之完備合法業權，概無產權負擔，並且有權轉讓該物業土地使用權之餘下年期，而毋須向政府支付額外補地價或其他繁重徵費。

ii) 擬建樓宇之設計及建築符合當地規劃條例，並已獲有關機構批准。

iii) 該物業(全部或按部份業權方式)可自由出售予當地及海外買家。

(10) 根據群龍集團之資料，於估值日出售該物業產生之群龍集團應付潛在稅項估計為41,785,900港元。

附註：

(1) 根據上海房屋土地資源管理局於二零零四年五月二十一日發出之滬房地靜字(2004)第004245號房地產權證，該物業之業權乃屬於上海久盛投資有限公司(下文稱為「上海久盛」)所有，主要條件載列如下：

i)	位置	:	江寧路219號及229號
ii)	地盤面積	:	5,493.50平方米
iii)	用途	:	辦公室
iv)	土地使用年期	:	未定明
v)	備註	:	擬建樓宇之總建築樓面面積為37,060.43平方米

(2) 根據上海久盛及萬廣控股有限公司於二零零四年六月十六日訂立之買賣合同，上海久盛同意出售而萬廣控股有限公司同意購入該物業之權益，並規定上海久盛有負責於簽訂合同後150日內申請將該物業之現有用途更改為商／住用途，而進行上述申請時所產生之所有費用由上海久盛承擔。此外，上海久盛同意，該合同所述萬廣控股有限公司之所有權利及責任將於萬廣控股有限公司之全資附屬公司Rosedale Luxury Hotel & Suites Limited(下文稱為「Rosedale Luxury」)成立時，轉讓予Rosedale Luxury。

(3) 根據群龍集團確認，萬廣控股有限公司55.22%股本權益現由群龍集團持有。

(4) 根據上海市靜安區建設委員會於二零零四年四月十四日發出之建設工程施工許可證952EL002D01號，該發展項目之建築工程已獲准動工。

(5) 根據靜安區土地測繪處於一九九七年發出之面積計算方法，擬建樓宇之總建築樓面面積為37,060.43平方米。

(6) 按照指示，吾等乃按已完工之基準，並假設該物業於估值日已獲准作商／住用途，以及更改土地用途之所有補地價(如有)已悉數支付，對該物業進行估值。

(7) 吾等獲提供群龍集團之法律顧問編製有關該物業之法律意見，當中載有(其中包括)下列資料：

i) 上海久盛乃根據中國法律正式成立並有效存在。

ii) 該物業之土地使用權已合法轉讓予上海久盛，其地盤面積為5,493.50平方米，作辦公室用途。根據中國有關法例，辦公室之土地使用年期為50年。

iii) 上海久盛已取得該物業之土地使用、規劃、建築及出售之有關批准。

iv) 上海久盛擁有該物業之轉讓及按揭權，並會支付補地價以將土地用途由辦公室更改為商／住(如有)。

v) 該物業已分別按揭予中國建設銀行北京朝陽分行及中國民生銀行股份有限公司。

第二類物業：群龍集團在中國已訂約收購之物業權益

物業		概況及年期	佔用詳情	於二零零六年三月三十一日落成時之資本值
2	於中國上海市靜安區江寧路219號及229號之擬建樓宇	該物業包括一幢樓高24層，名為「香樟花園」之擬興建商業樓宇（「擬建樓宇」），其乃建於一幅地盤面積約5,493.50平方米（59,132平方呎）之土地上。 按群龍所提供資料，擬建樓宇乃指定用作服務式公寓，總建築樓面面積約為37,060.43平方米（398,919平方呎），面積明細如下：	該物業現正興建中。	690,000,000港元（群龍集團應佔55.22%權益：381,018,000港元）（見下文附註(6)）

樓層	用途	建築樓面面積（平方米）
B1及B2	150個車位及機房	6,380.34
1 — 3層	商業	5,608.22
4層	會所及附屬設施	2,228.27
5 — 24層	服務式公寓	22,843.60
	總計：	37,060.43

(2) 根據群龍集團之確認，該物業之補地價總額約為人民幣136,500,000元，其中第一期及第二期之補地價人民幣39,000,000元已於估值日支付。根據指示，吾等已按上文附註1(viii)所述，所有補地價及應付甲方之溢利已於估值日悉數繳清之基準就物業進行估值。

(3) 吾等獲提供群龍集團之法律顧問編製有關物業之法律意見，當中載有(其中包括)下列資料：

i) 上文附註1載列之各協議均為有效及具有法律約束力。

ii) 為了取得該物業之國有土地使用權證，智業投資有限公司應向有關機構／政府申請及支付尚未支付之補地價(如有)及其他有關費用。

iii) 根據上文附註1列出之協議，並在達成上文附註3 ii)之條件後，該物業之土地使用權可以轉讓、按揭或出租方式自由轉讓。

(4) 吾等根據群龍集團之法律顧問之法律意見按下列假設及基準編製吾等之估值：

i) 智業投資有限公司擁有該物業之合法業權，概無產權負擔，並且有權轉讓該物業土地使用權之餘下年期，而毋須向政府支付額外補地價或其他繁重徵費。

ii) 該物業(全部或按部份業權方式)可自由出售予當地及海外買家。

(5) 根據群龍集團之資料，於估值日出售該物業產生之群龍集團應付稅項估計為85,458,978港元。

估值證書

第一類物業：群龍集團在中國持有作出售之物業權益

物業		概況及年期	佔用詳情	於二零零六年三月三十一日在現況下之資本值
1	位於中國廣東省珠海市斗門區龍山工業區珠港大道及黃楊大道交界之發展地盤	該物業名為龍山中策產業園，包括一個形狀大致呈三角形之空置地盤，面積約7,000,000平方米(75,348,000平方呎)。 根據群龍集團之資料，該物業概無發展計劃。 該物業之土地使用權乃假設為已授出，為期50年，作工業用途。	該物業第1階段第1及2期之地盤平整及提供設施/公用設施之準備工程正在進行中，其餘部分則空置。	428,000,000港元 (群龍集團應佔100%權益：428,000,000港元)

附註：

(1) 根據珠海市龍山工業區管理委員會(下文統稱為「甲方」)與群龍之全資附屬公司智業投資有限公司(下文統稱為「乙方」)於二零零三年一月二十八日訂立之合作協議，雙方同意發展該物業，主要條件概述如下：

i)	位置	:	龍山工業區		
ii)	地盤面積	:	7,000,000平方米		
iii)	用途	:	工業		
iv)	年期	:	50年		
v)	分期發展	:	第1階段	:	分為3期(各期1,000,000平方米)
			第2階段	:	有待確定
vi)	建築規約	:	平整地盤及提供基本設施應於5年內完成		
vii)	責任	:	甲方	:	負責向有關地盤提供附屬設施
			乙方	:	負責提供地盤平整及有關地盤內之基本設施及進行推廣
viii)	利潤攤分	:	第1階段(分為3期)	:	乙方(100%)
			第2階段	:	甲方(20%) 乙方(80%)

估值概要

物業		於二零零六年三月三十一日之資本值 *港元*	群龍集團應佔權益百分比	群龍集團於二零零六年三月三十一日應佔之資本值 *港元*
第一類物業：群龍集團在中國持有作出售之物業權益				
1	位於中國廣東省珠海市斗門區龍山工業區珠港大道及黃楊大道交界之發展地盤	428,000,000	100%	428,000,000
第二類物業：群龍集團在中國已訂約收購之物業權益				
2	於中國上海市靜安區江寧路219號及229號之擬建樓宇	690,000,000	55.22%	381,018,000
	總計：	1,118,000,000		809,018,000

吾等在審視一切有關文件後，在頗大程度上倚賴群龍集團提供予吾等之資料，並接納有關下列事項之意見：地役權、年期、租用詳情、地盤及樓面面積及其他有關事宜。所有文件僅用作參考。除另有說明者外，估值證書內之全部尺寸、量度及面積乃根據群龍集團提供予吾等之文件所載之資料計算，故此僅為約數。吾等並無理由懷疑群龍集團提供予吾等之資料之真實性及準確性。群龍集團亦已通知吾等，在所提供之資料中，並無遺漏任何重大事項，而且吾等並無理由懷疑有任何重大資料隱瞞。

吾等曾視察該等物業之外部，並在可能情況下，亦曾視察該等物業之內部。在視察過程中，吾等並無發現任何嚴重損壞。然而，吾等並無進行結構測量，因此無法呈報此等物業是否確無腐朽、蟲蛀或任何其他損壞。吾等亦無對任何設施進行測試。

吾等之估值並無考慮該等物業權益之任何抵押、按揭或所欠款項，或完成出售可能引起之任何開支或稅項。除另有說明者外，吾等假設該等物業權益概無附帶可影響其價值之繁重負擔、限制及支銷。

吾等之估值根據香港證券及期貨事務監察委員會頒佈之公司收購、合併及股份購回守則與香港聯合交易所有限公司頒佈之證券上市規則第12項應用指引及香港測量師學會頒佈之香港測量師學會物業估值準則(第一版)內所載所有規定而編製。

除另有說明者外，吾等之估值中所列款額均為港元。吾等之估值所採用之匯率約為1港元兌人民幣1.03元，為估值日當時現行之概約匯率。

隨函附奉吾等之估值概要及估值證書。

此致

香港
九龍
觀塘
鴻圖道51號
保華企業中心8樓
群龍投資有限公司
列位董事　台照

代表
普敦國際評估有限公司
董事
王明坤
MRICS, MHKIS, RPS (G.P.)
謹啟

二零零六年五月二十六日

附註：王明坤先生為註冊專業測量師，於香港及中國物業估值方面擁有超逾13年經驗。

下文所載為普敦就群龍集團物業權益所作估值之估值報告：

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

香港灣仔
港灣道30號
新鴻基中心3830-32室
電話：(852) 2810 7337　傳真：(852) 2810 6337

敬啟者：

吾等根據指示對群龍投資有限公司(以下稱為「群龍」)及其附屬公司(以下統稱為「群龍集團」)於中華人民共和國(以下稱為「中國」)持有之物業權益(於估值概要內將作具體說明)進行估值。吾等證實曾作出有關查詢，並蒐集吾等認為必要之進一步資料，以向　閣下呈述吾等對該等物業權益於二零零六年三月三十一日(「估值日」)之價值之意見。

吾等進行之估值乃吾等根據市值所作出之意見，所謂市值，就吾等所下定義而言，乃「自願買方與自願賣方於適當市場推廣後基於公平原則，在知情、審慎及不受脅迫之情況下於估值日買賣物業之估計價值。」

在吾等之估值過程中，吾等已假設擁有人對物業權益具有有效及可強制執行之可自由轉讓業權，於獲授之整個土地使用年期內有自由及不受干擾之權利使用該物業權益，惟須先付清年度土地使用費及所有必需之補地價／應付之購買代價。

在對該等物業權益進行估值時，吾等採用直接比較法，假設該等物業權益在其現況下以分層業權之方式及即時交吉出售之情況下可供出售，並參考有關市場可資比較之銷售證明。在對第二類物業權益進行估值時，「落成時之資本值」乃指在假設該發展項目於估值日已落成之情況下，吾等對該發展項目總售價之意見。

吾等之估值乃假設擁有人在公開市場將該等物業權益出售，而並無憑藉任何遞延條款合約、售後租回、管理協議或任何類似安排，以影響該等物業權益之價值。

吾等並無就位於中國之物業進行業權查冊。吾等分別就第一類及第二類物業在頗大程度上倚賴群龍集團提供予吾等之資料及群龍集團之中國法律顧問廣東恆益律師事務所及上海中匯律師事務所分別就物業權益之業權所發表之意見。

下文為新百利所編製之釋疑函件全文，以便載入本文件：

新百利有限公司
香港
中環
金融街8號
國際金融中心二期
22樓2201室

吾等茲提述永利行評值顧問有限公司就錦興集團有限公司(「錦興」)將為吾等代表威倫有限公司(「威倫」，錦興之全資附屬公司)提出之無條件自願性證券交換建議(「群龍收購建議」)收購群龍投資有限公司(「群龍」)所有已發行股份(不包括威倫或與其一致行動之人士經已擁有之股份)而發行並作為所提供之兩類代價之一之2厘五年期可換股債券所進行之評值(「該估值」)。估值報告載於二零零六年五月二十六日威倫及群龍就群龍收購建議而刊發之綜合文件內附錄五第286至291頁內，而本函件為本文件之一部份。

吾等已考慮該估值，並與永利行評值顧問有限公司就作出該估值時所採用之基準及計算方法進行討論。

考慮永利行評值顧問有限公司所採納之基準及計算方法，吾等認為，該估值(永利行評值顧問有限公司須就此負全責)乃經審慎周詳考慮後編製而成。

此致

香港
九龍
觀塘
鴻圖道51號
保華企業中心8樓
錦興集團有限公司
董事會　台照

代表
新百利有限公司
副主席
梁美嫻
謹啟

二零零六年五月二十六日

7. 就公平值之意見

負債部份

根據吾等之調查結果及本報告所概述之分析，吾等認為錦興債券之負債部份於二零零六年三月三十一日之公平值為755,844,569港元，且無任何產權負擔。

權益部份

根據吾等之調查結果及本報告所概述之分析，吾等認為錦興債券之權益部份於二零零六年三月三十一日之公平值為120,455,120港元，且無任何產權負擔。

債券總價值

根據吾等之調查結果及本報告所概述之分析，吾等認為錦興債券於二零零六年三月三十一日之公平值為878,299,689港元，且無任何產權負擔。每份債券之價值為14.10港元，而其面值則為15港元。

此致
九龍
觀塘
鴻圖道51號
保華企業中心8樓
錦興集團有限公司
列位董事　台照

代表
永利行評值顧問有限公司

董事
麥沛霖
CFA

董事
謝偉良
MFin BSc MRICS MHKIS RPS(GP)

謹啟

永利行評值顧問有限公司為亞太區知名企業估值及顧問服務供應商，其合資格估值師隊伍於股本、債項、基於衍生工具之工具及其他混合式金融產品之估值擁有豐富經驗，包括而不限於期權、定息債券、零息票據、可換股債券及掉期交易等。客戶包括為遵例或管理層需作決策參考而需要估值的上市或私人公司。

麥沛霖為特許財務分析師，於二零零四年獲特許資格，並已於史丹福大學完成管理科技深造。彼負責管理永利行評值顧問有限公司之公司估值及顧問服務。

謝偉良為英國皇家特許測量師學會會員、香港測量學會會員、執業註冊專業測量師及合資格中國地產估值師。謝偉良先生名列香港測量師學會所公佈之就註冊成立之公司進行估值或就上市事項及有關收購及合併之通函及估值提供參考之物業估值師名單內，在評估香港、澳門及中國物業方面具十年以上經驗。

6. 限制條件

吾等估值時已審閱吾等所獲有關錦興及購股權之財務資料、管理層陳述及其他相關數據。吾等假設所獲提供之該等資料及管理層陳述均屬正確，並於得出吾等之估值意見時依賴該等資料及管理層陳述。

除非事先有此安排，吾等不應因此項估值而被要求向法庭或任何政府代理作供或要求出席聆訊及引用本文所述之計劃。

吾等不擬就估值師所用慣例以外而需要法律或其他專業技術或知識之事項發展意見。

吾等之結論乃假設任何期間為維持所估值資產之特徵及一致性均須予考慮之審慎管理政策之持續性。吾等假設該等估值資產概無附設任何可能對其市值具不良影響之隱藏或意外狀況。此外，吾等對估值日後市況之變動概不負責。

在吾等之估值中，並無考慮該資產之任何抵押、按揭或所欠負之款項，以及出售成交時可能須承擔之任何開支或稅項。吾等假定所估值之資產並不附帶可能影響其價值之繁重產權負擔、限制及支銷。

未經吾等書面批准，本報告及估值之全部或任何部分內容或對其任何提述均不得載入任何文件、通函或陳述。本報告屬就本報告所述之特定目的致客戶之機密文件。根據吾等之標準慣例，吾等必須聲明，本報告及估值僅供收信人使用，並概不因其中全部或任何部份內容而對第三者負責。

柏力克－舒爾斯公式如下：

$$C = SN(d_1)-Xe^{-r(T-t)}N(d_2)$$

其中：

C	=	期權價格
S	=	相關股份之初步市價
N(.)	=	正常分派函數
d_1	=	$\frac{Ln(S/X) + (r + \sigma^2/2)(T)}{\sigma\sqrt{T}}$
d_2	=	$\frac{Ln(S/X) + (r - \sigma^2/2)(T)}{\sigma\sqrt{T}}$
X	=	行使價
r	=	回報之無風險比率
T	=	期權之有效期

吾等之估值採用下列期權特徵：

估值日期	有效期	無風險比率(%)*	股息	錦興股份於估值日之股價(港元)	行使價(港元)	波幅(%)#
二零零六年三月三十一日	5年	4.468%	2.05%	4.88	9.00	47.27

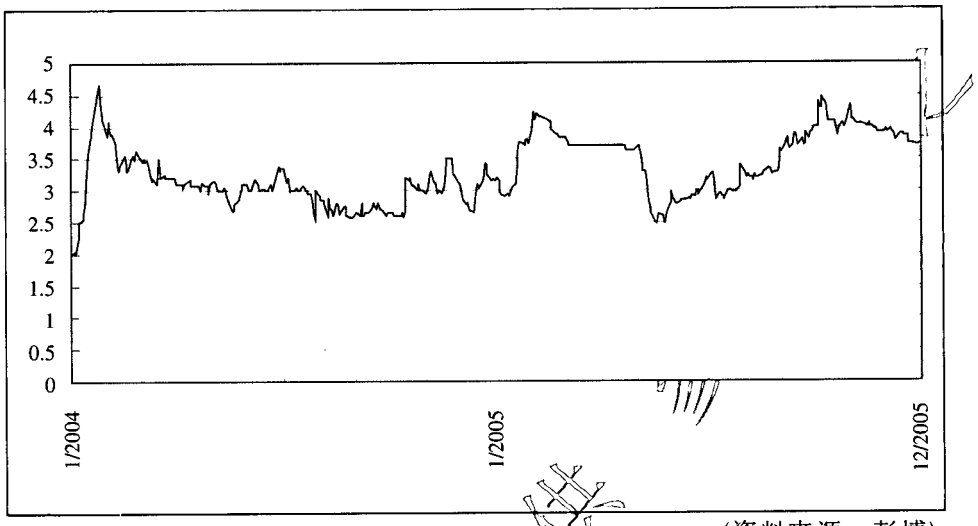
* 無風險比較指五年期香港外匯基金票據之到期孳息率(資料來源：香港金融管理局)。

\# 相關股份之波幅為相關股份於二零零四年及二零零五年各年之每日回報波幅年率。

5. 權益部份

錦興股份價格之變動

錦興股份於二零零四年至二零零五年之每日收市價如下所示：



(資料來源：彭博)

根據股價變動，錦興股份於二零零四年及二零零五年每日回報之波幅年率各為42.14%及52.39%。

估計途徑及方法

進行此估值措施時，吾等已審閱下文所述之購股權特徵及其他相關市場資料。

得出購股權公平值時曾採用下列期權價格模式：

柏力克—舒爾斯期權價格模式

此期權價格模式由Fischer Black、Myron Scholes及Robert Merton於二十世紀七十年代發展出來。此模式以無風險比率、相關股票之現行價格、行使價、相關股價之波幅及有效期為基準，為期權價值提供閉合式解決方案。

錦興已證實，除上述轉換重點外，錦興債券持有人於到期日前無權將錦興債券退回予發行人以換取現金或任何其他金融資產。此外，發行人無權於到期前贖回錦興債券。

錦興債券可分為以下各部份：

i. 權益部份－股份認購期權(「購股權」)，可於錦興債券之發行日至錦興債券之到期日前第14日期間按每股錦興股份9元之行使價，將債券轉換為錦興股份；及

ii. 負債部份－五年期每年2厘票息債券，於到期時清繳到期價值(即934,162,935港元)。

3. 估值基準

估值乃假設錦興債券於二零零六年三月三十一日發行，及群龍收購建議涉及之全數311,387,646股群龍股份根據群龍收購建議方案二選擇接納，因而有62,277,529份債券以每份15港元之面值發行。

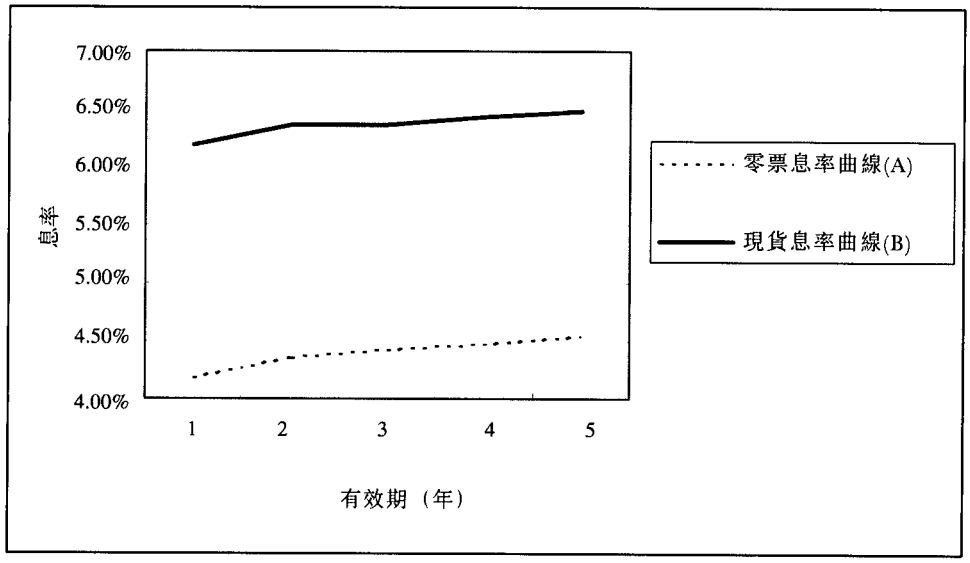
根據香港會計準則第39號，吾等對錦興債券權益部份之意見為其公平值，公平值指知情之自願交易雙方進行公平交易時，有關可予交換之資產或所結清之負債之金額。公平值之涵義暗示，乃預設該實體屬持續經營實體，並無任何清盤、大幅削減其業務規模或以不利條款及作為有效市場理論中之弱方進行交易之意向或需要。因此，公平值並非某實體於強制交易、非自願清盤或扣押出售時收取或支付之款項。

4. 負債部份

利率組合

與錦興債券之負債部份有關之公平值，乃按現貨息率貼現一切未來現金流量後估算。

訂定相關現貨價時，吾等曾參考彭博通訊(Bloomberg)之數據庫，使用摘自香港政府債券之零票息率，再於零息率加上由錦興管理層釐定以反映債券信用風險之風險溢價，以與相關現貨息率接近。下圖顯示零票息率曲線(「A」)及現貨息率曲線(「B」)：



下文為獨立估值師永利行評值顧問有限公司就錦興債券於二零零六年三月三十一日之估值編製之估值報告全文，以便載入本文件。

永利行評值顧問有限公司 | RHL Appraisal Ltd
Surveying Practices - Corporate Valuation and Property Consultancy
License No.: C-015672

HONG KONG 香港
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Tsimshatsui, Hong Kong
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F +852 2736 9284
E info@rhl-int.com
W www.rhl-int.com

日期：二零零六年五月二十六日

敬啟者：

錦興債券
於二零零六年三月三十一日
之估值

1. 指示

茲遵照錦興集團有限公司(稱為「錦興」)之指示，吾等對有關新百利有限公司代表威倫有限公司(錦興之全資附屬公司)就全部群龍投資有限公司股份(「群龍股份」)進行自願性無條件證券交易收購建議(「群龍收購建議」)(據此，每5股群龍股份發行一份錦興債券屬群龍收購建議其中一個方案(「方案二」))之錦興2厘五年期可換股債券(「錦興債券」)進行估值，吾等證實曾作出有關查詢，並取得吾等認為必要之其他資料，為錦興債券之估計公平值提供意見。

吾等估值之相關日期為**二零零六年三月三十一日**(估值日)。

本函件構成吾等之估值報告之一部份，其中解釋估值之基準及方法，並闡釋是次估值之假設及限制條件。

2. 錦興債券之主要條款

錦興債券之主要條款如下：

發行日期	二零零六年三月三十一日
到期日	二零一一年三月三十日(即發行日期起計五週年之日)
票面值及到期價值	934,162,935港元(即15港元 X 62,277,529份債券)
票息率	錦興債券將按錦興債券未償還本金額支付票息，利率為2厘，將於發行日期之每週年日期前一日每年支付上年利息
轉換重點	由發行日至到期日之前第14日，每份錦興債券可按每股股份9元價格轉換為錦興集團有限公司(股份代號：275)股本中每股面值0.01港元之普通股(「錦興股份」)
全面行使時可予發行之錦興股份數目	103,795,881股錦興股份

(ii)　新百利函件

新百利有限公司
香港
中環
金融街8號
國際金融中心二期
22樓2201室

敬啟者：

吾等茲提述載於二零零六年五月二十六日威倫有限公司(「威倫」，錦興之全資附屬公司)及群龍就吾等代表威倫提出無條件自願證券交換建議收購群龍所有已發行股份(不包括威倫或與其一致行動之人士經已擁有之股份)而刊發之綜合文件(「文件」)內附錄四第258至282頁有關錦興集團有限公司(「錦興」)及其附屬公司與群龍投資有限公司(「群龍」)及其附屬公司之未經審核備考財務資料(「備考財務資料」)。本函件為文件之一部份。

吾等經已與　閣下討論備考財務資料之編製基準。吾等亦已考慮德勤•關黃陳方會計師行於二零零六年五月二十六日發出之函件，內容有關編製備考財務資料時所採用之會計政策及計算方法。

按　閣下所採用之基準及德勤•關黃陳方會計師行所進行之程序，吾等認為，備考財務資料(錦興董事須就此負全責)乃經審慎周詳考慮後編製而成。

此致

香港
九龍
觀塘
鴻圖道51號
保華企業中心8樓
錦興集團有限公司
董事會　　台照

代表
新百利有限公司
副主席
梁美嫻
謹啟

二零零六年五月二十六日

吾等在策劃及進行審核工作時，均以取得所有吾等認為必需之資料及解釋為目標，以便獲得充分憑證，就未經審核備考財務資料已由董事按所述基準妥為編製、該基準符合貴集團之會計政策及就根據上市規則第4章第29(1)段所披露之未經審核備考財務資料而言該等調整乃屬恰當，作出合理之確定。

未經審核備考財務資料乃根據本公司董事之判斷及假設而編製，僅作說明用途，而基於其假設性質，未經審核備考財務資料並不保證或表示任何事件將於日後進行，且未必表示：

- 貴集團於二零零五年十二月三十一日或任何未來日期之財務狀況；及
- 貴集團截至二零零五年三月三十一日止年度或任何未來期間之每股盈利、業績及現金流動。

意見

吾等認為：

a) 未經審核備考財務資料乃按所述基準由董事妥善編製；

b) 該基準與 貴集團之會計政策相符；及

c) 就根據上市規則第4章29(1)段所披露之未經審核備考財務資料而言，該等調整乃屬恰當。

德勤•關黃陳方會計師行
香港
執業會計師

二零零六年五月二十六日

以下為德勤及新百利所編製之釋疑函件全文，以供載入本通函：

(i)　德勤函件

Deloitte.
德勤

就未經審核備考財務資料致錦興集團有限公司之會計師報告

吾等就錦興集團有限公司(「貴公司」)及其附屬公司(以下統稱「貴集團」)以及群龍投資有限公司(「群龍」)及其附屬公司(連同　貴集團以下統稱「經擴大集團」)就新百利有限公司代表威倫有限公司(貴公司之全資附屬公司)提出自願無條件證券交換建議收購並非由威倫有限公司及與其一致行動之人士擁有之全部群龍已發行股份於二零零六年五月二十六日刊發之綜合文件(「該文件」)附錄四所載之未經審核備考財務資料(「未經審核備考財務資料」)呈交報告。未經審核備考財務資料由　貴公司董事(「董事」)編製，僅作說明用途，旨在提供該等交易可能對呈報之財務資料所造成影響之資料。未經審核備考財務資料之編製基準載於該文件第258至282頁。

貴公司及申報會計師各自之責任

董事須根據香港聯合交易所有限公司證券上市規則(「上市規則」)第4章第29段及參考香港會計師公會頒佈之會計指引第7號「編製備考財務資料以載入投資通函」編製未經審核備考財務資料，並須對此負上全責。

吾等之責任乃按照上市規則第4章29(7)段之規定，對未經審核備考財務資料表達意見，並向閣下呈報。對於吾等先前就編製未經審核備考財務資料所用之任何財務資料而發出之任何報告，吾等除對報告發出當日之受函人負責外，概不負責。

意見基準

吾等按照香港會計師公會頒佈之香港投資通函報告工作準則第300號「投資通函中備考財務資料之會計師報告」進行工作。吾等之工作主要包括對比未經調整財務資料與原始文件、衡量有關調整之憑證以及就未經審核備考財務資料與董事討論。吾等之工作並不涉及獨立審閱任何相關財務資料。

(V) 經擴大錦興集團之未經審核備考經調整綜合有形資產淨值報表 *(續)*

(B) 根據方案二 *(續)*

附註：(續)

3. 調整指：

	千港元
部分出售中策集團15.3%權益後所得款項淨額	26,055
已出售之中策集團15.3%權益之資產淨值	(30,822)
	(4,767)

4. 根據二零零五年十二月三十一日已發行之226,143,697股錦興股份計算，於二零零五年十二月三十一日錦興之股本持有人應佔之每股錦興股份未經審核備考綜合有形資產淨值 — *港元* 9.920

5. 經計入於二零零五年十二月三十一日之226,143,697股已發行錦興股份，於部分出售前錦興之股本持有人應佔之每股錦興股份未經審核備考經調整綜合有形資產淨值 — *港元* 8.898

6. 經計入於二零零五年十二月三十一日之226,143,697股已發行錦興股份，於部分出售後錦興之股本持有人應佔之每股錦興股份未經審核備考經調整綜合有形資產淨值 — *港元* 8.876

(V) 經擴大錦興集團之未經審核備考經調整綜合有形資產淨值報表 *(續)*

(B) 根據方案二 *(續)*

附註：

1. 備考餘下錦興集團於二零零五年十二月三十一日之未經審核綜合有形資產淨值之計算如下：

	千港元
備考餘下錦興集團於二零零五年十二月三十一日之未經審核綜合有形資產淨值	2,283,052
減：備考餘下錦興集團股本持有人應佔之無形資產	(623)
計入聯營公司權益之商譽	(38,979)
	2,243,450

2. 調整指：

	千港元
群龍集團於二零零五年十二月三十一日之未經審核備考資產淨值	1,124,126
錦興集團持有群龍集團之現有29.4%權益	(330,043)
計入聯營公司權益之商譽	(12,187)
群龍集團之無形資產	(9,123)
群龍集團有關位於中國珠海市之土地開發項目之其他資產(「群龍其他資產」)，群龍集團對此享有獨家開發權及有權取得有關土地作開發用途	(229,288)
就收購群龍集團額外70.6%權益而將予發行之錦興債券(按於二零零五年十二月三十一日估計公平值)	(774,815)
	(231,330)

(V) 經擴大錦興集團之未經審核備考經調整綜合有形資產淨值報表 *(續)*

(B) 根據方案二

以下經擴大錦興集團之未經審核備考經調整綜合有形資產淨值報表乃根據錦興於二零零六年四月十日之通函內所載備考餘下錦興集團財務資料，以及摘錄自群龍集團財務資料(載於本文件附錄三)之群龍集團於二零零五年十二月三十一日之綜合資產負債表，並已就實物分派群龍股份、中策集團重組、群龍收購建議及部份出售後之影響作出備考調整後編製。

編製本未經審核備考經調整綜合有形資產淨值報表乃僅供說明用途，且基於其性質，故並不代表經擴大錦興集團於二零零五年十二月三十一日或任何未來日期之財務狀況。

	於二零零五年十二月三十一日(未經審核)	備考調整	於部分出售前備考經擴大錦興集團	備考調整	備考經擴大錦興集團
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
	(附註1及4)	*(附註2)*	*(附註5)*	*(附註3)*	*(附註6)*
有形資產淨值	2,243,450	(231,330)	2,012,120	(4,767)	2,007,353

(V) 經擴大錦興集團之未經審核備考經調整綜合有形資產淨值報表 *(續)*

(A) 根據方案一 *(續)*

附註：(續)

5.	經計入於二零零五年十二月三十一日收購群龍集團而發行之62,277,529股錦興股份，於部分出售前錦興之股本持有人應佔之每股錦興股份未經審核備考經調整綜合有形資產淨值	*港元* 9.274
6.	經計入於二零零五年十二月三十一日收購群龍集團而發行之62,277,529股錦興股份，於部分出售後錦興之股本持有人應佔之每股錦興股份未經審核備考經調整綜合有形資產淨值	*港元* 9.258

(V) 經擴大錦興集團之未經審核備考經調整綜合有形資產淨值報表 *(續)*

(A) 根據方案一 *(續)*

附註：(續)

2. 調整指：

	千港元
群龍集團於二零零五年十二月三十一日之未經審核備考資產淨值	1,124,126
錦興集團持有群龍集團之現有29.4%權益	(330,043)
計入聯營公司權益之商譽	(12,187)
群龍集團之無形資產	(9,123)
群龍集團有關位於中國珠海市之土地開發項目之其他資產(「群龍其他資產」)，群龍集團對此享有獨家開發權及有權取得有關土地作開發用途	(229,288)
就收購群龍集團額外70.6%權益而將予支付之現金代價	(112,099)
	431,386

3. 調整指：

	千港元
部分出售中策集團15.3%權益後所得款項淨額	26,055
已出售之中策集團15.3%權益之資產淨值	(30,822)
	(4,767)

	港元
4. 根據二零零五年十二月三十一日已發行之226,143,697股錦興股份計算，於二零零五年十二月三十一日錦興之股本持有人應佔之每股錦興股份未經審核備考綜合有形資產淨值	9.920

(IV) 未經審核備考財務資料附註 *(續)*

附註：(續)

(30) 調整反映因根據股份出售協議部份出售中策集團15.3%權益產生26,055,000港元銷售所得款項之現金流入。經擴大錦興集團已於部份出售完成前收取按金2,600,000港元，餘額15,639,000港元及7,816,000港元將分別於部份出售完成時及部份出售完成後六個月內收取。

(31) 調整反映於二零零五年一月一日，錦興集團收購群龍集團之現金及現金等額淨額72,481,000港元。

(V) 經擴大錦興集團之未經審核備考經調整綜合有形資產淨值報表

(A) 根據方案一

以下經擴大錦興集團之未經審核備考經調整綜合有形資產淨值報表乃根據錦興於二零零六年四月十日之通函內所載備考餘下錦興集團財務資料，以及摘錄自群龍集團財務資料(載於本文件附錄三)之群龍集團於二零零五年十二月三十一日之綜合資產負債表，並已就實物分派群龍股份、中策集團重組、群龍收購建議及部份出售後之影響作出備考調整後編製。

編製本未經審核備考經調整綜合有形資產淨值報表乃僅供說明用途，且基於其性質，故並不代表經擴大錦興集團於二零零五年十二月三十一日或任何未來日期之財務狀況。

	於二零零五年十二月三十一日(未經審核)	備考調整	於部分出售前備考經擴大錦興集團	備考調整	備考經擴大錦興集團
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
	(附註1及4)	*(附註2)*	*(附註5)*	*(附註3)*	*(附註6)*
有形資產淨值	2,243,450	431,386	2,674,836	(4,767)	2,670,069

附註：

1. 備考餘下錦興集團於二零零五年十二月三十一日之未經審核綜合有形資產淨值之計算如下：

	千港元
備考餘下錦興集團於二零零五年十二月三十一日之未經審核綜合有形資產淨值	2,283,052
減：備考餘下錦興集團股本持有人應佔之無形資產	(623)
計入聯營公司權益之商譽	(38,979)
	2,243,450

(IV) 未經審核備考財務資料附註 *(續)*

附註：(續)

(25) 調整反映根據錦興集團之會計政策，以直線法按估計可使用年期10年將負商譽24,606,000港元之變現於截至二零零五年三月三十一日止年度之備考收益表中反映(假設計入撥回調整及有關中策集團重組調整合共2,201,082,000港元後，群龍集團之淨資產公平值與淨資產賬面值(於二零零三年十二月三十一日分別為數90,784,000港元及111,041,000港元之商譽及負商譽(摘錄自本文件附錄三所載群龍集團之財務資料)調整後)相同)。

(26) 調整反映根據方案二發行之錦興債券總本金額於二零零五年十二月三十一日(即就本未經審核備考財務資料目的而言評估錦興債券公平值之最後實際可行日期)之估計公平值838,857,000港元按實際年息率6.1厘計算之利息開支，46,920,000港元並計入於截至二零零五年三月三十一日(即緊接發行日一週年前之日期)止年度之收益表。

(27) 截至二零零五年三月三十一日止年度之備考每股錦興股份基本盈利乃根據方案二計算錦興之股本持有人應佔溢利283,101,000港元及截至二零零五年三月三十一日止年度之已發行錦興股份備考加權平均數198,244,118股計算。

截至二零零五年三月三十一日止年度之備考每股錦興股份攤薄盈利乃根據方案二計算錦興之股本持有人應佔溢利283,101,000港元計算。截至二零零五年三月三十一日止年度之已發行錦興股份備考加權平均數為198,244,118股，以及假設於視為根據購股權計劃以全面行使購股權時以零代價發行之錦興股份備考加權平均數98,875股，由於錦興股份之平均市價高於購股權價格，對錦興股份於截至二零零五年三月三十一日止年度之每股基本盈利具攤薄作用。

(28) 調整反映將群龍集團之現金流量表項目重新歸類，以符合錦興集團之呈列方式。

(29) 調整反映：

— 調整反映錦興集團根據群龍收購建議方案一收購群龍額外70.6%權益所作出之現金流出112,099,000港元；及

— 於二零零五年一月一日，錦興集團收購之群龍集團之現金及現金等額淨額72,481,000港元。

(IV) 未經審核備考財務資料附註 *(續)*

附註：(續)

(18) 調整反映根據錦興集團採納之會計政策，以直線法按估計可使用年期10年將負商譽653,609,000港元之變現於截至二零零五年三月三十一日止年度之備考收益表中反映(假設計入撥回調整及有關中策集團重組調整合共2,201,082,000港元後，群龍集團之淨資產公平值與淨資產賬面值(於二零零三年十二月三十一日分別為數90,784,000港元及111,041,000港元之商譽及負商譽(摘錄自本文件附錄三所載群龍集團之財務資料)調整後)相同)。

(19) 調整反映將群龍集團收益表項目重新歸類，以符合錦興集團之呈列方式。

(20) 調整反映撥回應佔群龍集團之聯營公司虧損3,061,000港元。

(21) 調整反映將收購一間聯營公司群龍集團所產生之商譽攤銷及收購一間聯營公司群龍集團所產生之商譽減值虧損重新歸類為根據群龍收購建議收購群龍集團所產生之商譽攤銷及收購群龍集團所產生之商譽減值虧損。

(22) 調整反映撥回應佔中策集團之聯營公司虧損49,807,000港元。

(23) 調整反映根據股份出售協議部份出售中策集團15.3%權益之出售虧損4,036,000港元。

(24) 截至二零零五年三月三十一日止年度之備考每股錦興股份基本盈利乃根據方案一計算錦興之股本持有人應佔溢利392,921,000港元及截至二零零五年三月三十一日止年度之已發行錦興股份備考加權平均數260,521,648股計算。

截至二零零五年三月三十一日止年度之備考每股錦興股份攤薄盈利乃根據方案一計算錦興之股本持有人應佔溢利392,921,000港元計算。截至二零零五年三月三十一日止年度之已發行錦興股份備考加權平均數為260,521,648股，以及假設於視為根據購股權計劃以全面行使購股權時以零代價發行之錦興股份備考加權平均數98,875股；由於錦興股份之平均市價高於購股權價格，對錦興股份於截至二零零五年三月三十一日止年度之每股基本盈利具攤薄作用。

(IV) 未經審核備考財務資料附註 *(續)*

附註：(續)

(13) 調整反映收購群龍集團餘下70.6%權益產生之商譽66,084,000港元，以總代價為根據群龍收購建議方案二按面值發行錦興債券於二零零五年十二月三十一日(即就本未經審核備考財務資料目的而言評估錦興債券公平值之最後實際可行日期)之估計公平值838,857,000港元，已假設群龍集團之淨資產公平值與於二零零五年十二月三十一日之淨資產賬面值減去商譽9,123,000港元及列入聯營公司權益之商譽12,187,000港元相同。

(14) 調整反映撇銷群龍集團股本10,777,000港元。

(15) 調整反映：

— 撇銷群龍集團於二零零五年十二月三十一日收購前儲備之貸方結餘1,113,349,000港元；

— 將計入群龍集團之商譽及聯營公司權益之商譽重新歸類。

(16) 調整反映根據群龍收購建議方案二發行錦興債券，總本金額為於二零零五年十二月三十一日之估計公平值838,857,000港元予群龍集團股東，以收購群龍集團餘下70.6%權益。於二零零五年十二月三十一日，錦興債券之債項部份及兑換期權部份之估計公平值分別約為774,815,000港元(已列入非流動負債)及64,042,000港元(已列入儲備)。

(17) 由於群龍集團之經審核財務資料乃根據新香港財務報告準則編製，故此未經審核備考財務資料乃因採納新香港財務報告準則而於二零零五年一月一日開始之財政期間進行撥回對群龍集團於截至二零零五年十二月三十一日止年度之財務影響，以符合本集團之會計政策之基準而編製。

備考收益表(方案一及方案二)中之撥回調整產生之淨影響使群龍集團之虧損減少約31,144,000港元。

備考現金流量表(方案一及方案二)中之撥回調整並無對現金流量產生影響。

(IV) 未經審核備考財務資料附註 *(續)*

附註：(續)

(7) 調整反映：

— 根據群龍收購建議方案一以代價每股錦興股份3.75港元(錦興股份於二零零五年十二月三十一日之收市價)發行62,277,529股每股面值0.01港元之新錦興股份；及

— 撇銷群龍集團已發行股本10,777,000港元。

(8) 調整反映：

— 撇銷群龍集團於二零零五年十二月三十一日收購前儲備之貸方結餘1,113,349,000港元；

— 將計入群龍集團之商譽及聯營公司權益之商譽重新歸類；

— 確認錦興集團根據群龍收購建議方案一以總代價345,641,000港元收購群龍集團餘下70.6%權益時產生，於被收購方可識辨資產、負債及或然負債淨公平值之權益超出成本(「收購折讓」，前稱為「負商譽」)之427,132,000港元(將計入二零零五年十二月三十一日之收益表)，並假設群龍集團淨資產公平值與於二零零五年十二月三十一日之淨資產賬面值減去商譽9,123,000港元及列入聯營公司權益之商譽12,187,000港元相同；及

— 根據群龍收購建議方案一以代價每股錦興股份3.75港元全新發行62,277,529股每股面值0.01港元之錦興股份而產生之股份溢價232,919,000港元。

(9) 調整反映根據股份出售協議部份出售中策集團為數30,822,000港元之15.3%權益。

(10) 調整反映將中策集團為數28,247,000港元之餘下14.1%權益由聯營公司權益重新歸類為可供出售投資。

(11) 調整反映根據股份出售協議部份出售中策集團15.3%權益之銷售所得款項26,055,000港元。經擴大錦興集團已於部份出售完成前收取按金2,600,000港元，餘額15,639,000港元及7,816,000港元將分別於部份出售完成時及部份出售完成後六個月內收取。

(12) 調整反映根據股份出售協議部份出售中策集團15.3%權益之出售虧損4,767,000港元。

(IV) 未經審核備考財務資料附註

附註：

(1) 備考資產負債表之調整反映根據中策集團重組分配群龍集團為數330,043,000港元之29.4%權益。

備考收益表及備考現金流量表之調整分別反映根據中策集團重組對有關群龍集團之收益表項目及現金流量表項目進行重新分類。

(2) 就中策集團重組之調整載列如下：

— 根據中策集團重組及中策集團及群龍集團之成員公司於二零零六年五月十九日訂立之轉讓協議，由中策集團成員公司向群龍集團轉撥負債約199,731,000港元，以及由群龍集團向中策集團成員公司轉撥資產約86,822,000港元；

— 將群龍集團成員公司應付中策集團成員公司之集團內公司間款項轉撥至群龍；及

— 將中策集團成員公司應付群龍集團成員公司之集團內公司間款項轉撥至中策。

(3) 調整反映：

— 根據中策集團重組將群龍集團為數330,043,000港元之29.4%權益由聯營公司權益重新歸類為附屬公司權益；

— 根據群龍收購建議之方案一及方案二購入群龍集團餘下70.6%權益之額外投資之成本分別345,641,000港元及838,857,000港元；及

— 根據群龍收購建議之方案一及方案二撇銷群龍集團投資之成本分別675,684,000港元及1,168,900,000港元。

(4) 調整反映根據中策集團重組將群龍集團為數330,043,000港元之29.4%權益重新歸類為附屬公司權益。

(5) 調整反映將群龍集團資產負債表項目重新歸類，以符合錦興集團之呈列方式。

(6) 調整反映錦興集團根據群龍收購建議方案一收購群龍集團餘下70.6%權益之部份代價所作出之現金流出112,099,000港元。

(III) 經擴大錦興集團之未經審核備考現金流量表 *(續)*

(B) 根據方案二 *(續)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D)+(E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	備考錄下錦興集團截至二零零五年三月三十一日止年度	有關群龍股份實物分派之備考調整	錦興集團經備考調整後	群龍集團截至二零零五年十二月三十一日止年度	撥回調整	群龍集團截至二零零五年十二月三十一日止年度經撥回調整後	有關群龍收購建議之備考調整		部份出售前之備考經擴大錦興集團	有關部份出售之備考調整		備考經擴大錦興集團
	千港元	千港元 附註1	千港元	千港元	千港元 附註17	千港元	千港元	附註	千港元	千港元	附註	千港元
投資業務												
出售投資證券所得款項	150,255	–	150,255	77,547	–	77,547	–		227,802	–		227,802
聯營公司償還之款項	14,256	–	14,256	–	–	–	–		14,256	–		14,256
一間有關連公司償還應收短期貸款	32,890	–	32,890	–	–	–	–		32,890	–		32,890
償還應收短期貸款	29,588	–	29,588	–	–	–	–		29,588	–		29,588
已收利息	17,711	–	17,711	8,488	–	8,488	–		26,199	–		26,199
出售附屬公司	2,110,405	–	2,110,405	–	–	–	–		2,110,405	–		2,110,405
收取自一間聯營公司之股息	4,668	–	4,668	2,427	–	2,427	–		7,095	–		7,095
出售物業、機器及設備所得款項	989	–	989	125	–	125	–		1,114	–		1,114
出售一間聯營公司所得款項	10	–	10	–	–	–	–		10	23,455	*(30)*	23,465
購入投資證券	(123,348)	–	(123,348)	(78,259)	–	(78,259)	–		(201,607)	–		(201,607)
收購群龍集團	–	–	–	–	–	–	72,481	*(31)*	72,481	–		72,481
應收短期貸款增加	(105,755)	–	(105,755)	–	–	–	–		(105,755)	–		(105,755)
應收有關連公司之短期貸款增加	(89,758)	–	(89,758)	–	–	–	–		(89,758)	–		(89,758)
收購聯營公司權益	(44,148)	–	(44,148)	(63,152)	–	(63,152)	–		(107,300)	–		(107,300)
購入附屬公司(不包括現金及現金等額)	–	–	–	(9,651)	–	(9,651)	–		(9,651)	–		(9,651)
收購一間附屬公司額外權益	(37,320)	–	(37,320)	–	–	–	–		(37,320)	–		(37,320)
購入一項長期投資之按金	(35,000)	–	(35,000)	–	–	–	–		(35,000)	–		(35,000)
已抵押銀行存款增加	(20,014)	–	(20,014)	–	–	–	–		(20,014)	–		(20,014)
購買物業、機器及設備	(643)	–	(643)	(331)	–	(331)	–		(974)	–		(974)
收購非上市債務證券	(12,000)	–	(12,000)	–	–	–	–		(12,000)	–		(12,000)
第三方償還之款項	–	–	–	345,672	–	345,672	–		345,672	–		345,672
墊支予第三方之款項	–	–	–	(285,122)	–	(285,122)	–		(285,122)	–		(285,122)
收購物業權益所付款項	–	–	–	(8,704)	–	(8,704)	–		(8,704)	–		(8,704)
應收前同系附屬公司款項減少	–	–	–	121,572	–	121,572	–		121,572	–		121,572
投資業務產生之現金淨額	1,892,786	–	1,892,786	110,612	–	110,612	72,481		2,075,879	23,455		2,099,334
融資業務												
新增銀行貸款	185,633	–	185,633	–	–	–	–		185,633	–		185,633
發行股份所得款項	118,500	–	118,500	–	–	–	–		118,500	–		118,500
新增其他貸款	10,000	–	10,000	–	–	–	–		10,000	–		10,000
償還銀行貸款	(158,557)	–	(158,557)	–	–	–	–		(158,557)	–		(158,557)
已派股息	(10,987)	–	(10,987)	–	–	–	–		(10,987)	–		(10,987)
償還融資租約承擔	(3)	–	(3)	–	–	–	–		(3)	–		(3)
償還一名少數股東款項	(10)	–	(10)	–	–	–	–		(10)	–		(10)
應付前同系附屬公司款項減少	–	–	–	(41,964)	–	(41,964)	–		(41,964)	–		(41,964)
融資業務產生(動用)之現金淨額	144,576	–	144,576	(41,964)	–	(41,964)	–		102,612	–		102,612
現金及現金等額增加淨額	2,161,443	–	2,161,443	32,722	–	32,722	53,798		2,247,963	23,455		2,271,418
年初之現金及現金等額	141,094	–	141,094	72,481	–	72,481	(72,481)	*(31)*	141,094	–		141,094
匯率變動之影響	178	–	178	(1,709)	–	(1,709)	–		(1,531)	–		(1,531)
年終之現金及現金等額	2,302,715	–	2,302,715	103,494	–	103,494	(18,683)		2,387,526	23,455		2,410,981
現金及現金等額結存分析												
銀行結存及現金	2,321,331	–	2,321,331	103,494	–	103,494	(18,683)		2,406,142	23,455		2,429,597
銀行透支	(18,616)	–	(18,616)	–	–	–	–		(18,616)	–		(18,616)
	2,302,715	–	2,302,715	103,494	–	103,494	(18,683)		2,387,526	23,455		2,410,981

(III) 經擴大錦興集團之未經審核備考現金流量表 *(續)*

(B) 根據方案二 *(續)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D)+(E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	備考餘下錦興集團截至二零零五年三月三十一日止年度	有關群龍股份實物分派之備考調整	錦興集團經備考調整後	群龍集團截至二零零五年十二月三十一日止年度	撥回調整	群龍集團截至二零零五年十二月三十一日止年度經撥回調整後	有關群龍收購建議之備考調整		部份出售前之備考經擴大錦興集團	有關部份出售之備考調整		備考經擴大錦興集團
	千港元	千港元 附註 1	千港元	千港元	千港元 附註 17	千港元	千港元	附註	千港元	千港元	附註	千港元
經營業務												
除所得稅前溢利(虧損)	1,242,052	–	1,242,052	(54,304)	31,144	(23,160)	(41,398)	(20), (25) & (26)	1,177,494	45,771	(22) & (23)	1,223,265
就以下項目作出調整:												
利息收入	(22,141)	–	(22,141)	(29,762)	8,599	(21,163)	–		(43,304)	–		(43,304)
財務費用	24,328	–	24,328	–	–	–	46,920	(26)	71,248	–		71,248
應佔聯營公司之業績	64,909	(3,061)	61,848	(43,103)	–	(43,103)	–		18,745	(49,807)	(22)	(31,062)
應佔一間聯營公司之業績												
– 群龍集團	–	3,061	3,061	–	–	–	(3,061)	(20)	–	–		–
變現收購一間聯營公司額外權益所產生之負商譽	(2,057)	–	(2,057)	–	–	–	–		(2,057)	–		(2,057)
撥銷收購一間聯營公司產生之商譽	28,089	(20,876)	7,213	–	–	–	–		7,213	–		7,213
撥銷收購一間聯營公司產生之商譽												
– 群龍集團	–	20,876	20,876	–	–	–	(20,876)	(21)	–	–		–
撥銷收購群龍集團產生之商譽	–	–	–	–	–	–	20,876	(21)	20,876	–		20,876
收購一間聯營公司產生之商譽減值虧損	177,446	(177,446)	–	–	–	–	–		–	–		–
收購一間聯營公司產生之商譽減值虧損												
– 群龍集團	–	177,446	177,446	–	–	–	(177,446)	(21)	–	–		–
收購群龍集團產生之商譽減值虧損	–	–	–	–	–	–	177,446	(21)	177,446	–		177,446
出售附屬公司及聯營公司之收益(虧損)淨額	(1,497,101)	–	(1,497,101)	–		–	2,814	(28)	(1,494,287)	4,036	(23)	(1,490,251)
持有其他投資/持作出售投資之未變現收益	(17,223)	–	(17,223)	(1,208)		(1,208)	–		(18,431)	–		(18,431)
應收仔展貸款準備回撥	(2,387)	–	(2,387)	–		–	–		(2,387)	–		(2,387)
出售/撥薄聯營公司權益之虧損	–	–	–	2,814		2,814	(2,814)	(28)	–	–		–
變現收購群龍集團時產生之負商譽	–	–	–	–	–	–	(2,461)	(25)	(2,461)	–		(2,461)
變現收購一間聯營公司時產生之負商譽	(8)	–	(8)	–	–	–	–		(8)	–		(8)
無形資產攤銷	49,838	–	49,838	–	–	–	–		49,838	–		49,838
證銷及過時存貨撥備	1,060	–	1,060	–	–	–	–		1,060	–		1,060
呆壞賬撥備	22,269	–	22,269	18,575	–	18,575	–		40,844	–		40,844
物業、廠房及設備之折舊及攤銷	8,162	–	8,162	5,865	–	5,865	–		14,027	–		14,027
應收貸款撥備	8,338	–	8,338	–	–	–	–		8,338	–		8,338
應收貸款及利息撥備	–	–	–	31,116	–	31,116	–		31,116	–		31,116
出售物業、廠房及設備之虧損	405	–	405	–	–	–	–		405	–		405
出售投資證券之虧損淨額	29,712	–	29,712	716	–	716	–		30,428	–		30,428
非上市可換股票據之換股選擇權之公平值之變動	–	–	–	39,743	(39,743)	–	–		–	–		–
營運資金變動前之經營現金流量	115,691	–	115,691	(29,548)	–	(29,548)	–		86,143	–		86,143
其他資產減少(增加)	37,085	–	37,085	(2,121)	–	(2,121)	–		34,964	–		34,964
存貨減少(增加)	14,001	–	14,001	(96)	–	(96)	–		13,905	–		13,905
貿易及其他應收款項增加	1,434,136	–	1,434,136	–	–	–	19,272	(28)	1,453,408	–		1,453,408
其他應收款項、按金及預付款項增加	–	–	–	19,272	–	19,272	(19,272)	(28)	–	–		–
應收聯營公司款項增加	–	–	–	(15,164)	–	(15,164)	–		(15,164)	–		(15,164)
其他投資減少	13,623	–	13,623	–	–	–	–		13,623	–		13,623
應收仔展貸款減少	4,174	–	4,174	–	–	–	–		4,174	–		4,174
貿易及其他應付款項(減少)增加	(1,468,366)	–	(1,468,366)	(8,127)	–	(8,127)	–		(1,476,493)	–		(1,476,493)
應付聯營公司款項減少	–	–	–	(387)	–	(387)	–		(387)	–		(387)
應付仔展貸款減少	(587)	–	(587)	–	–	–	–		(587)	–		(587)
應付票據減少	(1,295)	–	(1,295)	–	–	–	–		(1,295)	–		(1,295)
應付同系附屬公司款項減少	(20,730)	–	(20,730)	–	–	–	–		(20,730)	–		(20,730)
應收同系附屬公司款項減少	3,526	–	3,526	–	–	–	–		3,526	–		3,526
經營所產生(動用)之現金	131,258	–	131,258	(36,171)	–	(36,171)	–		95,087	–		95,087
繳足利息及財務費用	(5,326)	–	(5,326)	–	–	–	(18,683)	(26)	(24,009)	–		(24,009)
(已繳)退還海外稅項	(2,237)	–	(2,237)	245	–	245	–		(1,992)	–		(1,992)
退還香港利得稅	386	–	386	–	–	–	–		386	–		386
經營業務產生(動用)之現金淨額	124,081	–	124,081	(35,926)	–	(35,926)	(18,683)		69,472	–		69,472

(III) 經擴大錦興集團之未經審核備考現金流量表 *(續)*

(B) 根據方案二

以下為經擴大錦興集團之未經審核備考現金流量表，乃假設中策進行之群龍股份實物分派及中策集團重組已完成，除錦興集團外之所有群龍集團股東已選擇群龍收購建議之方案二、部份出售，以及Memorex出售事項已於二零零四年四月一日(錦興集團財政期間之開始)完成。經擴大錦興集團之未經審核備考現金流量表乃根據錦興於二零零六年四月十日之通函內所載備考餘下錦興集團財務資料(以本文件附錄二所載截至二零零五年三月三十一日止年度之經審核綜合現金流量表為基準，並就Memorex出售事項作出備考調整)及本文件附錄三所載群龍集團截至二零零五年十二月三十一日止年度之經審核綜合現金流量表(摘錄自群龍集團之財務資料)編製，並已就撥回調整作出調整以符合錦興集團之會計政策，亦已就群龍股份實物分派、中策集團重組、群龍收購建議及部份出售作出相關備考調整。

編製本未經審核備考現金流量表乃僅供說明用途，且基於其性質，故並不代表經擴大錦興集團於截至二零零五年三月三十一日止年度及任何以後財政期間之真實現金流量。

(III) 經擴大錦興集團之未經審核備考現金流量表 *(續)*

(A) 根據方案一 *(續)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	備考結下錦興集團截至二零零五年三月三十一日止年度 千港元	有關群龍股份貨物分派之備考調整 千港元 附註1	錦興集團經備考調整後 千港元	群龍集團截至二零零五年十二月三十一日止年度 千港元	撥回調整 千港元 附註17	群龍集團截至二零零五年十二月三十一日止年度經撥回調整後 千港元	有關群龍收購建議之備考調整 千港元	附註	部份出售前之備考經擴大錦興集團 千港元	有關部份出售之備考調整 千港元	附註	備考經擴大錦興集團 千港元
投資業務												
出售投資證券所得款項	150,255	–	150,255	77,547	–	77,547	–		227,802	–		227,802
聯營公司償還之款項	14,256	–	14,256	–	–	–	–		14,256	–		14,256
一間有關連公司償還應收短期貸款	32,890	–	32,890	–	–	–	–		32,890	–		32,890
償還應收短期貸款	29,588	–	29,588	–	–	–	–		29,588	–		29,588
已收利息	17,711	–	17,711	8,488	–	8,488	–		26,199	–		26,199
出售附屬公司	2,110,405	–	2,110,405	–	–	–	–		2,110,405	–		2,110,405
收取自一間聯營公司之股息	4,668	–	4,668	2,427	–	2,427	–		7,095	–		7,095
出售物業、機器及設備所得款項	989	–	989	125	–	125	–		1,114	–		1,114
出售一間聯營公司所得款項	10	–	10	–	–	–	–		10	23,455	*(30)*	23,465
購入投資證券	(123,348)	–	(123,348)	(78,259)	–	(78,259)	–		(201,607)	–		(201,607)
收購群龍集團	–	–	–	–	–	–	(39,618)	*(29)*	(39,618)	–		(39,618)
應收短期貸款增加	(105,755)	–	(105,755)	–	–	–	–		(105,755)	–		(105,755)
應收有關連公司之短期貸款增加	(89,758)	–	(89,758)	–	–	–	–		(89,758)	–		(89,758)
收購聯營公司權益	(44,148)	–	(44,148)	(63,152)	–	(63,152)	–		(107,300)	–		(107,300)
購入附屬公司(不包括現金及現金等額)	–	–	–	(9,651)	–	(9,651)	–		(9,651)	–		(9,651)
收購一間附屬公司額外權益	(37,320)	–	(37,320)	–	–	–	–		(37,320)	–		(37,320)
購入一項長期投資之按金	(35,000)	–	(35,000)	–	–	–	–		(35,000)	–		(35,000)
已抵押銀行存款增加	(20,014)	–	(20,014)	–	–	–	–		(20,014)	–		(20,014)
購買物業、機器及設備	(643)	–	(643)	(331)	–	(331)	–		(974)	–		(974)
收購非上市債務證券	(12,000)	–	(12,000)	–	–	–	–		(12,000)	–		(12,000)
第三方償還之款項	–	–	–	345,672	–	345,672	–		345,672	–		345,672
墊支予第三方之款項	–	–	–	(285,122)	–	(285,122)	–		(285,122)	–		(285,122)
收購物業權益所付款項	–	–	–	(8,704)	–	(8,704)	–		(8,704)	–		(8,704)
應收前同系附屬公司款項減少	–	–	–	121,572	–	121,572	–		121,572	–		121,572
投資業務產生之現金淨額	1,892,786	–	1,892,786	110,612	–	110,612	(39,618)		1,963,780	23,455		1,987,235
融資業務												
新增銀行貸款	185,633	–	185,633	–	–	–	–		185,633	–		185,633
發行股份所得款項	118,500	–	118,500	–	–	–	–		118,500	–		118,500
新增其他貸款	10,000	–	10,000	–	–	–	–		10,000	–		10,000
償還銀行貸款	(158,557)	–	(158,557)	–	–	–	–		(158,557)	–		(158,557)
已派股息	(10,987)	–	(10,987)	–	–	–	–		(10,987)	–		(10,987)
償還融資租約承擔	(3)	–	(3)	–	–	–	–		(3)	–		(3)
償還一名少數股東款項	(10)	–	(10)	–	–	–	–		(10)	–		(10)
應付前同系附屬公司款項減少	–	–	–	(41,964)	–	(41,964)	–		(41,964)	–		(41,964)
融資業務產生(動用)之現金淨額	144,576	–	144,576	(41,964)	–	(41,964)	–		102,612	–		102,612
現金及現金等額增加淨額	2,161,443	–	2,161,443	32,722	–	32,722	(39,618)		2,154,547	23,455		2,178,002
年初之現金及現金等額	141,094	–	141,094	72,481	–	72,481	(72,481)	*(31)*	141,094	–		141,094
匯率變動之影響	178	–	178	(1,709)	–	(1,709)	–		(1,531)	–		(1,531)
年終之現金及現金等額	2,302,715	–	2,302,715	103,494	–	103,494	(112,099)		2,294,110	23,455		2,317,565
現金及現金等額結存分析												
銀行結存及現金	2,321,331	–	2,321,331	103,494	–	103,494	(112,099)		2,312,726	23,455		2,336,181
銀行透支	(18,616)	–	(18,616)	–	–	–	–		(18,616)	–		(18,616)
	2,302,715	–	2,302,715	103,494	–	103,494	(112,099)		2,294,110	23,455		2,317,565

(III) 經擴大錦興集團之未經審核備考現金流量表 *(續)*

(A) 根據方案一 *(續)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	備考除下錦興集團截至二零零五年三月三十一日止年度	有關群龍股份實物分派之備考調整	錦興集團經備考調整後	群龍集團截至二零零五年十二月三十一日止年度	撥回調整	群龍集團截至二零零五年十二月三十一日止年度經撥回調整後	有關群龍收購建議之備考調整		部份出售前之備考經擴大錦興集團	有關部份出售之備考調整		備考經擴大錦興集團
	千港元	千港元 *附註 1*	千港元	千港元	千港元 *附註 17*	千港元	千港元	*附註*	千港元	千港元	*附註*	千港元
經營業務												
除所得稅前溢利(虧損)	1,242,052	–	1,242,052	(54,304)	31,144	(23,160)	68,422	*(18) & (20)*	1,287,314	45,771	*(22) & (23)*	1,333,085
就以下項目作出調整：												
利息收入	(22,141)	–	(22,141)	(29,762)	8,599	(21,163)	–		(43,304)	–		(43,304)
財務費用	24,328	–	24,328	–	–	–	–		24,328	–		24,328
應佔聯營公司之業績	64,909	(3,061)	61,848	(43,103)	–	(43,103)	–		18,745	(49,807)	*(22)*	(31,062)
應佔一間聯營公司之業績												
－群龍集團	–	3,061	3,061	–	–	–	(3,061)	*(20)*	–	–		–
變現收購一間聯營公司額外權益所產生之負商譽	(2,057)	–	(2,057)	–	–	–	–		(2,057)	–		(2,057)
撥銷收購聯營公司產生之商譽	28,089	(20,876)	7,213	–	–	–	–		7,213	–		7,213
撥銷收購一間聯營公司產生之商譽												
－群龍集團	–	20,876	20,876	–	–		(20,876)	*(21)*	–	–		–
撥銷收購群龍集團產生之商譽	–	–	–	–	–		20,876	*(21)*	20,876	–		20,876
收購一間聯營公司產生之商譽減值虧損	177,446	(177,446)	–	–	–		–		–	–		–
收購一間聯營公司產生之商譽減值虧損												
－群龍集團	–	177,446	177,446	–	–	–	(177,446)	*(21)*	–	–		–
收購群龍集團產生之商譽減值虧損	–	–	–	–	–	–	177,446	*(21)*	177,446	–		177,446
出售附屬公司及聯營公司之(收益)虧損淨額	(1,497,101)	–	(1,497,101)	–		–	2,814	*(28)*	(1,494,287)	4,036	*(23)*	(1,490,251)
持有其他投資/持作出售投資之未變現收益	(17,223)	–	(17,223)	(1,208)		(1,208)	–		(18,431)	–		(18,431)
應收孖展貸款準備回撥	(2,387)	–	(2,387)	–		–	–		(2,387)	–		(2,387)
出售/撇薄聯營公司權益之虧損	–	–	–	2,814	–	2,814	(2,814)	*(28)*	–	–		–
變現收購群龍集團時產生之負商譽	–	–	–	–	–	–	(65,361)	*(18)*	(65,361)	–		(65,361)
變現收購一間聯營公司時產生之負商譽	(8)	–	(8)	–	–	–	–		(8)	–		(8)
無形資產撥銷	49,838	–	49,838	–	–	–	–		49,838	–		49,838
滯銷及過時存貨撥備	1,060	–	1,060	–	–	–	–		1,060	–		1,060
呆壞賬撥備	22,269	–	22,269	18,575	–	18,575	–		40,844	–		40,844
物業、廠房及設備之折舊及撥銷	8,162	–	8,162	5,865	–	5,865	–		14,027	–		14,027
應收貸款撥備	8,338	–	8,338	–	–	–	–		8,338	–		8,338
應收貸款及利息撥備	–	–	–	31,116	–	31,116	–		31,116	–		31,116
出售物業、廠房及設備之虧損	405	–	405	–	–	–	–		405	–		405
出售投資證券之虧損淨額	29,712	–	29,712	716	–	716	–		30,428	–		30,428
非上市可換股票據之換股選擇權之公平值之變動	–	–	–	39,743	(39,743)	–	–		–	–		–
營運資金變動前之經營現金流量	115,691	–	115,691	(29,548)	–	(29,548)	–		86,143	–		86,143
其他資產減少(增加)	37,085	–	37,085	(2,121)	–	(2,121)	–		34,964	–		34,964
存貨減少(增加)	14,001	–	14,001	(96)	–	(96)	–		13,905	–		13,905
貿易及其他應收款項增加	1,434,136	–	1,434,136	–	–	–	19,272	*(28)*	1,453,408	–		1,453,408
其他應收款項、按金及預付款項增加	–	–	–	19,272	–	19,272	(19,272)	*(28)*	–	–		–
應收聯營公司款項增加	–	–	–	(15,164)	–	(15,164)	–		(15,164)	–		(15,164)
其他投資減少	13,623	–	13,623	–	–	–	–		13,623	–		13,623
應收孖展貸款減少	4,174	–	4,174	–	–	–	–		4,174	–		4,174
貿易及其他應付款項(減少)增加	(1,468,366)	–	(1,468,366)	(8,127)	–	(8,127)	–		(1,476,493)	–		(1,476,493)
應付聯營公司款項減少	–	–	–	(387)	–	(387)	–		(387)	–		(387)
應付孖展貸款減少	(587)	–	(587)	–	–	–	–		(587)	–		(587)
應付票據減少	(1,295)	–	(1,295)	–	–	–	–		(1,295)	–		(1,295)
應付同系附屬公司款項減少	(20,730)	–	(20,730)	–	–	–	–		(20,730)	–		(20,730)
應收同系附屬公司款項減少	3,526	–	3,526	–	–	–	–		3,526	–		3,526
經營所產生(動用)之現金	131,258	–	131,258	(36,171)	–	(36,171)	–		95,087	–		95,087
繳訖利息及財務費用	(5,326)	–	(5,326)	–	–	–	–		(5,326)	–		(5,326)
(已繳)退還海外稅項	(2,237)	–	(2,237)	245	–	245	–		(1,992)	–		(1,992)
退還香港利得稅	386	–	386	–	–	–	–		386	–		386
經營業務產生(動用)之現金淨額	124,081	–	124,081	(35,926)	–	(35,926)	–		88,155	–		88,155

(III) 經擴大錦興集團之未經審核備考現金流量表

(A) 根據方案一

以下為經擴大錦興集團之未經審核備考現金流量表，乃假設中策進行之群龍股份實物分派及中策集團重組已完成，除錦興集團外之所有群龍集團股東已選擇群龍收購建議之方案一、部份出售，以及Memorex出售事項已於二零零四年四月一日(錦興集團財政期間之開始)完成。經擴大錦興集團之未經審核備考現金流量表乃根據錦興於二零零六年四月十日之通函內所載備考餘下錦興集團財務資料(以本文件附錄二所載截至二零零五年三月三十一日止年度之經審核綜合現金流量表為基準，並就Memorex出售事項作出備考調整)及本文件附錄三所載群龍集團截至二零零五年十二月三十一日止年度之經審核綜合現金流量表(摘錄自群龍集團之財務資料)編製，並已就撥回調整作出調整以符合錦興集團之會計政策，亦已就群龍股份實物分派、中策集團重組、群龍收購建議及部份出售作出相關備考調整。

編製本未經審核備考現金流量表乃僅供說明用途，且基於其性質，故並不代表經擴大錦興集團於截至二零零五年三月三十一日止年度及任何以後財政期間之真實現金流量。

(II) 經擴大錦興集團之未經審核備考收益表 *(續)*

(B) 根據方案二 *(續)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D)+(E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	備考截下錦興集團截至二零零五年三月三十一日止年度 *千港元*	有關群龍股份貨物分派之備考調整 *千港元 附註1*	錦興集團經備考調整後 *千港元*	群龍集團截至二零零五年十二月三十一日止年度 *千港元*	撥回調整 *千港元 附註17*	群龍集團截至二零零五年十二月三十一日止年度經撥回調整後 *千港元*	有關群龍收購建議之備考調整 *千港元*	附註	部份出售前之備考經擴大錦興集團 *千港元*	有關部份出售之備考調整 *千港元*	附註	備考經擴大錦興集團 *千港元*
收益	301,436	–	301,436	5,298	–	5,298	–		306,734	–		306,734
銷售成本	(187,040)	–	(187,040)	(4,457)	–	(4,457)	–		(191,497)	–		(191,497)
毛利	114,396	–	114,396	841	–	841	–		115,237	–		115,237
其他經營收入	105,079	–	105,079	33,622	(8,599)	25,023	–		130,102	–		130,102
分銷及銷售開支	(13,080)	–	(13,080)	(1,365)	–	(1,365)	–		(14,445)	–		(14,445)
行政開支	(139,017)	–	(139,017)	(33,802)	–	(33,802)	(31,116)	*(19)*	(203,935)	–		(203,935)
其他經營開支	(29,712)	–	(29,712)	(23,030)	–	(23,030)	–		(52,742)	–		(52,742)
變現增購一間聯營公司額外權益產生之負商譽	2,057	–	2,057	–	–	–	–		2,057	–		2,057
財務費用	(24,328)	–	(24,328)	–	–	–	(46,920)	*(20)*	(71,248)	–		(71,248)
應佔聯營公司之業績	(64,909)	3,061	(61,848)	43,103	–	43,103	–		(18,745)	49,807	*(22)*	31,062
應佔一間聯營公司之業績－群龍集團	–	(3,061)	(3,061)	–	–	–	3,061	*(20)*	–	–		–
收購一間聯營公司所產生之商譽減值虧損	(177,446)	177,446	–	–	–	–	–		–	–		–
收購一間聯營公司產生之商譽減值虧損－群龍集團	–	(177,446)	(177,446)	–	–	–	177,446	*(21)*	–	–		–
收購群龍集團產生之商譽減值虧損	–	–	–	–	–	–	(177,446)	*(21)*	(177,446)	–		(177,446)
撇銷收購聯營公司產生之商譽	(28,089)	20,876	(7,213)	–	–	–	–		(7,213)	–		(7,213)
撇銷收購一間聯營公司產生之商譽－群龍集團	–	(20,876)	(20,876)	–	–	–	20,876	*(21)*	–	–		–
撇銷收購群龍集團產生之商譽	–	–	–	–	–	–	(20,876)	*(21)*	(20,876)	–		(20,876)
出售附屬公司及聯營公司之(虧損)收益淨額	1,497,101	–	1,497,101	–	–	–	(2,814)	*(19)*	1,494,287	(4,036)	*(23)*	1,490,251
變現收購群龍集團產生之負商譽	–	–	–	–	–	–	2,461	*(25)*	2,461	–		2,461
出售/視同聯營公司權益之虧損			–	(2,814)	–	(2,814)	2,814	*(19)*	–	–		–
貸款及應收利息撥備	–	–	–	(31,116)	–	(31,116)	31,116	*(19)*	–	–		–
非上市可換股票據之換股選擇權之公平值之變動	–	–	–	(39,743)	39,743	–	–		–	–		–
除所得稅前溢利(虧損)	1,242,052	–	1,242,052	(54,304)	31,144	(23,160)	(41,398)		1,177,494	45,771		1,223,265
所得稅支出	(66,814)	–	(66,814)	(4,247)	–	(4,247)	–		(71,061)	–		(71,061)
年內溢利(虧損)	1,175,238	–	1,175,238	(58,551)	31,144	(27,407)	(41,398)		1,106,433	45,771		1,152,204
下列人士應佔：												
母公司股本持有人	323,490	–	323,490	(54,259)	9,497	(44,762)	(41,398)		237,330	45,771		283,101
少數股東權益	851,748	–	851,748	(4,292)	21,647	17,355	–		869,103	–		869,103
	1,175,238	–	1,175,238	(58,551)	31,144	(27,407)	(41,398)		1,106,433	45,771		1,152,204
每股盈利												
基本	1.63港元										*(27)*	1.43港元
攤薄	1.56港元										*(27)*	1.43港元

(II) 經擴大錦興集團之未經審核備考收益表 *(續)*

(B) 根據方案二

以下為經擴大錦興集團之未經審核備考收益表，乃假設中策進行之群龍股份實物分派及中策集團重組已完成，除錦興集團外之所有群龍集團股東已選擇群龍收購建議之方案二、部份出售，以及Memorex出售事項已於二零零四年四月一日(錦興集團財政期間之開始)完成。經擴大錦興集團之未經審核備考收益表乃根據錦興於二零零六年四月十日之通函內所載備考餘下錦興集團財務資料(以本文件附錄二所載截至二零零五年三月三十一日止年度之經審核綜合收益表為基準，並就Memorex出售事項作出備考調整)及本文件附錄三所載群龍集團截至二零零五年十二月三十一日止年度經審核綜合收益表(摘錄自群龍集團之財務資料)編製，並已就撥回調整作出調整以符合錦興集團之會計政策，亦已就群龍股份實物分派、中策集團重組、群龍收購建議及部份出售作出相關備考調整。

編製本未經審核備考收益表乃僅供說明用途，且基於其性質，故並不代表經擴大錦興集團於截至二零零五年三月三十一日止年度及任何以後財政期間之真實業績。

(II) 經擴大錦興集團之未經審核備考收益表 *(續)*

(A) 根據方案一 *(續)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D)+(E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	備考錄下錦興集團截至二零零五年三月三十一日止年度 *千港元*	有關群龍股份實物分派之備考調整 *千港元 附註1*	錦興集團經備考調整後 *千港元*	群龍集團截至二零零五年十二月三十一日止年度 *千港元*	銀回調整 *千港元 附註17*	群龍集團截至二零零五年十二月三十一日止年度經銀回調整後 *千港元*	有關群龍收購建議之備考調整 *千港元*	*附註*	部份出售前之備考經擴大錦興集團 *千港元*	有關部份出售之備考調整 *千港元*	*附註*	備考經擴大錦興集團 *千港元*
收益	301,436	–	301,436	5,298	–	5,298	–		306,734	–		306,734
銷售成本	(187,040)	–	(187,040)	(4,457)	–	(4,457)	–		(191,497)	–		(191,497)
毛利	114,396	–	114,396	841	–	841	–		115,237	–		115,237
其他經營收入	105,079	–	105,079	33,622	(8,599)	25,023	–		130,102	–		130,102
分銷及銷售開支	(13,080)	–	(13,080)	(1,365)	–	(1,365)	–		(14,445)	–		(14,445)
行政開支	(139,017)	–	(139,017)	(33,802)	–	(33,802)	(31,116)	*(19)*	(203,935)	–		(203,935)
其他經營開支	(29,712)	–	(29,712)	(23,030)	–	(23,030)	–		(52,742)	–		(52,742)
變現增陽一間聯營公司額外權益產生之負商譽	2,057	–	2,057	–	–	–	–		2,057	–		2,057
財務費用	(24,328)	–	(24,328)	–	–	–	–		(24,328)	–		(24,328)
應佔聯營公司之業績	(64,909)	3,061	(61,848)	43,103	–	43,103	–		(18,745)	49,807	*(22)*	31,062
應佔一間聯營公司之業績－群龍集團	–	(3,061)	(3,061)	–	–	–	3,061	*(20)*	–	–		–
收購一間聯營公司所產生之商譽減值撥損	(177,446)	177,446	–	–	–	–	–		–	–		–
收購一間聯營公司產生之商譽減值撥損－群龍集團	–	(177,446)	(177,446)	–	–	–	177,446	*(21)*	–	–		–
收購群龍集團產生之商譽減值撥損	–	–	–	–	–	–	(177,446)	*(21)*	(177,446)	–		(177,446)
撥銷收購聯營公司產生之商譽	(28,089)	20,876	(7,213)	–	–	–	–		(7,213)	–		(7,213)
撥銷收購一間聯營公司產生之商譽－群龍集團	–	(20,876)	(20,876)	–	–	–	20,876	*(21)*	–	–		–
撥銷收購群龍集團產生之商譽	–	–	–	–	–	–	(20,876)	*(21)*	(20,876)	–		(20,876)
出售附屬公司及聯營公司之收益(撥損)淨額	1,497,101	–	1,497,101	–	–	–	(2,814)	*(19)*	1,494,287	(4,036)	*(23)*	1,490,251
變現收購群龍集團產生之負商譽	–	–	–	–	–	–	65,361	*(18)*	65,361	–		65,361
出售／撥薄聯營公司權益之撥損	–	–	–	(2,814)	–	(2,814)	2,814	*(19)*	–	–		–
貸款及應收利息撥備	–	–	–	(31,116)	–	(31,116)	31,116	*(19)*	–	–		–
非上市可換股票據之換股選擇權之公平值變動	–	–	–	39,743	39,743	–	–		–	–		–
除所得稅前溢利(撥損)	1,242,052	–	1,242,052	(54,304)	31,144	(23,160)	68,422		1,287,314	45,771		1,333,085
所得稅支出	(66,814)	–	(66,814)	(4,247)	–	(4,247)	–		(71,061)	–		(71,061)
年內溢利(撥損)	1,175,238	–	1,175,238	(58,551)	31,144	(27,407)	68,422		1,216,253	45,771		1,262,024
下列人士應佔：												
每公司股本持有人	323,490	–	323,490	(54,259)	9,497	(44,762)	68,422		347,150	45,771		392,921
少數股東權益	851,748	–	851,748	(4,292)	21,647	17,355	–		869,103	–		869,103
	1,175,238	–	1,175,238	(58,551)	31,144	(27,407)	68,422		1,216,253	45,771		1,262,024
每股盈利												
基本	1.63港元										*(24)*	1.51港元
攤薄	1.56港元										*(24)*	1.51港元

(I) 經擴大錦興集團之未經審核備考資產負債表 *(續)*

(B) 根據方案二 *(續)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	備考餘下錦興集團於二零零五年十二月三十一日 *千港元*	有關群龍股份實物分派之備考調整 *千港元 附註1*	錦興集團經備考調整後 *千港元*	群龍集團於二零零五年十二月三十一日 *千港元*	有關中策集團重組之備考調整 *千港元 附註2*	群龍集團經備考調整後 *千港元*	有關群龍收購建議之備考調整 *千港元*	*附註*	部份出售前之備考經擴大錦興集團 *千港元*	有關部份出售之備考調整 *千港元*	*附註*	備考經擴大錦興集團 *千港元*
資本及儲備												
股本	2,261	–	2,261	10,777	–	10,777	(10,777)	*(14)*	2,261	–		2,261
儲備	2,280,791	–	2,280,791	(902,023)	2,015,372	1,113,349	(1,049,307)	*(15)&(16)*	2,344,833	(4,767)	*(12)*	2,340,066
母公司股本持有人應佔	2,283,052	–	2,283,052	(891,246)	2,015,372	1,124,126	(1,060,084)		2,347,094	(4,767)		2,342,327
少數股東權益	1,283,156	–	1,283,156	316,003	–	316,003	–		1,599,159	–		1,599,159
	3,566,208	–	3,566,208	(575,243)	2,015,372	1,440,129	(1,060,084)		3,946,253	(4,767)		3,941,486

(II) 經擴大錦興集團之未經審核備考收益表

(A) 根據方案一

以下為經擴大錦興集團之未經審核備考收益表，乃假設中策進行之群龍股份實物分派及中策集團重組已完成，除錦興集團外之所有群龍集團股東已選擇群龍收購建議之方案一、部份出售，以及Memorex出售事項已於二零零四年四月六日(錦興集團財政期間之開始)完成。經擴大錦興集團之未經審核備考收益表乃根據錦興於二零零六年四月十日之通函內所載備考餘下錦興集團財務資料(以本文件附錄二所載截至二零零五年三月三十一日止年度之經審核綜合收益表為基準，並就Memorex出售事項作出備考調整)及本文件附錄三所載群龍集團截至二零零五年十二月三十一日止年度經審核綜合收益表(摘錄自群龍集團之財務資料)編製，並已就撥回因群龍集團於截至二零零五年十二月三十一日止年度採納香港財務報告準則(「香港財務報告準則」)以符合錦興集團之會計政策而於由二零零五年一月一日開始之財政期間作出調整(「撥回調整」)，亦已就群龍股份實物分派、中策集團重組、群龍收購建議及部份出售作出相關備考調整。

編製本未經審核備考收益表乃僅供說明用途，且基於其性質，故並不代表經擴大錦興集團於截至二零零五年三月三十一日止年度及任何以後財政期間之真實業績。

(I) 經擴大錦興集團之未經審核備考資產負債表 *(續)*

(B) 根據方案二 *(續)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	備考餘下錦興集團於二零零五年十二月三十一日 *千港元*	有關群龍股份實物分派之備考調整 *千港元 附註1*	錦興集團經備考調整後 *千港元*	群龍集團於二零零五年十二月三十一日 *千港元*	有關中策集團重組之備考調整 *千港元 附註2*	群龍集團經備考調整後 *千港元*	有關群龍收購建議之備考調整 *千港元*	*附註*	部份出售前之備考經擴大錦興集團 *千港元*	有關部份出售之備考調整 *千港元*	*附註*	備考經擴大錦興集團 *千港元*
非流動資產												
物業、機器及設備	41,738	–	41,738	109,811	–	109,811	–		151,549	–		151,549
無形資產	623	–	623	9,123	–	9,123	56,961	*(13)*	66,707	–		66,707
附屬公司權益	–	–	–	–	–	–	–	*(3)*	–	–		–
聯營公司權益	637,783	(330,043)	307,740	558,738	–	558,738	(12,187)	*(15)*	854,291	(59,069)	*(9) & (10)*	795,222
一間聯營公司權益－群龍集團	–	330,043	330,043	–	–	–	(330,043)	*(4)*	–	–		–
可供出售之投資	678,399	–	678,399	–	–	–	–		678,399	28,247	*(10)*	706,646
按公平值列賬並在損益表內處理之證券投資	–	–	–	71,347	–	71,347	–		71,347	–		71,347
收購長期投資之按金	190,175	–	190,175	–	–	–	–		190,175	–		190,175
應收買方款項	195,441	–	195,441	–	–	–	–		195,441	–		195,441
收購物業權益所支付按金	–	–	–	55,716	–	55,716	–		55,716	–		55,716
	1,744,159	–	1,744,159	804,735	–	804,735	(285,269)		2,263,625	(30,822)		2,232,803
流動資產												
其他資產	–	–	–	229,288	–	229,288	–		229,288	–		229,288
存貨	6,968	–	6,968	102	–	102	–		7,070	–		7,070
貿易及其他應收款項	104,045	–	104,045	40,672	–	40,672	362,139	*(5)*	506,856	7,816	*(11)*	514,672
應收貸款及利息												
－一年內到期	–	–	–	448,961	(86,822)	362,139	(362,139)	*(5)*	–	–		–
持作買賣投資	128,894	–	128,894	–	–	–	–		128,894	–		128,894
應收短期貸款	171,979	–	171,979	–	–	–	–		171,979	–		171,979
應收有關連公司之短期貸款	186,019	–	186,019	–	–	–	–		186,019	–		186,019
應收孖展貸款	24,682	–	24,682	–	–	–	–		24,682	–		24,682
應收聯營公司款項	5,260	–	5,260	151,206	–	151,206	–		156,466	–		156,466
應收前同系附屬公司款項	–	–	–	721,091	(721,091)	–	–		–	–		–
已抵押銀行存款	20,591	–	20,591	–	–	–	–		20,591	–		20,591
銀行結存及現金	2,123,202	–	2,123,202	103,494	–	103,494	–		2,226,696	15,639	*(11)*	2,242,335
	2,771,640	–	2,771,640	1,694,814	(807,913)	886,901	–		3,658,541	23,455		3,681,996
流動負債												
貿易及其他應付款項	(274,566)	–	(274,566)	(17,475)	–	(17,475)	(583)	*(5)*	(292,624)	2,600	*(11)*	(290,024)
應付款項－一年內到期	–		–	(583)	–	(583)	583	*(5)*	–	–		–
應付孖展貸款	(152)		(152)	–	–	–	–		(152)	–		(152)
應付股息	(9,046)		(9,046)	–	–	–	–		(9,046)	–		(9,046)
應付一間聯營公司款項	(2,026)		(2,026)	(286)	–	(286)	–		(2,312)	–		(2,312)
應付稅項	(35,889)	–	(35,889)	(12,257)	–	(12,257)	–		(48,146)	–		(48,146)
應付前同系附屬公司款項	–	–	–	(3,023,016)	3,023,016	–	–		–	–		–
應付關連人士款項	–	–	–	–	(199,731)	(199,731)	–		(199,731)	–		(199,731)
借款－一年內到期	(593,790)	–	(593,790)	–	–	–	–		(593,790)	–		(593,790)
銀行透支	(26,663)	–	(26,663)	–	–	–	–		(26,663)	–		(26,663)
	(942,132)	–	(942,132)	(3,053,617)	2,823,285	(230,332)	–		(1,172,464)	2,600		(1,169,864)
流動資產(負債)淨值	1,829,508	–	1,829,508	(1,358,803)	2,015,372	656,569	–		2,486,077	26,055		2,512,132
總資產減流動負債	3,573,667	–	3,573,667	(554,068)	2,015,372	1,461,304	(285,269)		4,749,702	(4,767)		4,744,935
非流動負債												
借款－一年後到期	(7,258)	–	(7,258)	–	–	–	–		(7,258)	–		(7,258)
可換股貸款票據	–	–	–	–	–	–	(774,815)	*(16)*	(774,815)	–		(774,815)
遞延稅項負債	(201)	–	(201)	(21,175)	–	(21,175)	–		(21,376)	–		(21,376)
	(7,459)	–	(7,459)	(21,175)	–	(21,175)	(774,815)		(803,449)	–		(803,449)
資產(貸債)淨值	3,566,208	–	3,566,208	(575,243)	2,015,372	1,440,129	(1,060,084)		3,946,253	(4,767)		3,941,486

(I) 經擴大錦興集團之未經審核備考資產負債表 *(續)*

(A) 根據方案一 *(續)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	備考餘下錦興集團於二零零五年十二月三十一日 *千港元*	有關群龍股份實物分派之備考調整 *千港元 附註1*	錦興集團經備考調整後 *千港元*	群龍集團於二零零五年十二月三十一日 *千港元*	有關中策集團重組之備考調整 *千港元 附註2*	群龍集團經備考調整後 *千港元*	有關群龍收購建議之備考調整 *千港元*	*附註*	部份出售前之備考經擴大錦興集團 *千港元*	有關部份出售之備考調整 *千港元*	*附註*	備考經擴大錦興集團 *千港元*
資本及儲備												
股本	2,261	—	2,261	10,777	—	10,777	(10,154)	*(7)*	2,884	—		2,884
儲備	2,280,791	—	2,280,791	(902,023)	2,015,372	1,113,349	(453,298)	*(8)*	2,940,842	(4,767)	*(12)*	2,936,075
母公司股本持有人應佔	2,283,052	—	2,283,052	(891,246)	2,015,372	1,124,126	(463,452)		2,943,726	(4,767)		2,938,959
少數股東權益	1,283,156	—	1,283,156	316,003	—	316,003	—		1,599,159	—		1,599,159
	3,566,208	—	3,566,208	(575,243)	2,015,372	1,440,129	(463,452)		4,542,885	(4,767)		4,538,118

(B) 根據方案二

以下為經擴大錦興集團之未經審核備考資產負債表，乃假設中策進行之群龍股份實物分派及中策集團重組已完成，除錦興集團外之所有群龍集團股東已選擇群龍收購建議之方案二、部份出售，以及Memorex出售事項已於二零零五年十二月三十一日完成。經擴大錦興集團之未經審核備考資產負債表乃根據摘錄自錦興於二零零六年四月十日之通函內所載備考餘下錦興集團財務資料(以本文件附錄二所載於二零零五年十二月三十一日之就Memorex出售事項經審核綜合財務報表為基準，並就Memorex出售事項作出備考調整)及本文件附錄三所載群龍集團於二零零五年十二月三十一日經審核綜合資產負債表(摘錄自群龍集團之財務資料)編製，並已就群龍股份實物分派、中策集團重組、群龍收購建議及部份出售作出相關備考調整。

編製本未經審核備考資產負債表乃僅供說明用途，且基於其性質，故並不代表經擴大錦興集團於二零零五年十二月三十一日或任何未來日期之真實財務狀況。

(I) 經擴大錦興集團之未經審核備考資產負債表 *(續)*

(A) 根據方案一 *(續)*

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G)		(H) = (C) + (F) + (G)	(I)		(J) = (H) + (I)
	備考餘下錦興集團於二零零五年十二月三十一日 *千港元*	有關群龍股份實物分派之備考調整 *千港元 附註1*	錦興集團經備考調整後 *千港元*	群龍集團於二零零五年十二月三十一日 *千港元*	有關中策集團重組之備考調整 *千港元 附註2*	群龍集團經備考調整後 *千港元*	有關群龍收購建議之備考調整 *千港元*	*附註*	部份出售前之備考經擴大錦興集團 *千港元*	有關部份出售之備考調整 *千港元*	*附註*	備考經擴大錦興集團 *千港元*
非流動資產												
物業、機器及設備	41,738	—	41,738	109,811	—	109,811	—		151,549	—		151,549
無形資產	623	—	623	9,123	—	9,123	(9,123)	*(8)*	623	—		623
附屬公司權益	—	—	—	—	—	—	—	*(3)*	—	—		—
聯營公司權益	637,783	(330,043)	307,740	558,738	—	558,738	(12,187)	*(8)*	854,291	(59,069)	*(9) & (10)*	795,222
一間聯營公司權益 — 群龍集團	—	330,043	330,043	—	—	—	(330,043)	*(4)*	—	—		—
可供出售之投資	678,399	—	678,399	—	—	—	—		678,399	28,247	*(10)*	706,646
按公平值列賬並在損益表內處理之證券投資	—	—	—	71,347	—	71,347			71,347	—		71,397
收購長期投資之按金	190,175	—	190,175	—	—	—			190,175	—		190,175
應收買方款項	195,441	—	195,441	—	—	—			195,441	—		195,441
收購物業權益所支付按金	—	—	—	55,716	—	55,716	—		55,716	—		55,716
	1,744,159	—	1,744,159	804,735	—	804,735	(351,353)		2,197,541	(30,822)		2,166,719
流動資產												
其他資產	—	—	—	229,288	—	229,288	—		229,288	—		229,288
存貨	6,968	—	6,968	102	—	102	—		7,070	—		7,070
貿易及其他應收款項	104,045	—	104,045	40,672	—	40,672	362,139	*(5)*	506,856	7,816	*(11)*	514,672
應收貸款及利息												
— 一年內到期	—	—	—	448,961	(86,822)	362,139	(362,139)	*(5)*	—	—		—
持作買賣投資	128,894	—	128,894	—	—	—	—		128,894	—		128,894
應收短期貸款	171,979	—	171,979	—	—	—	—		171,979	—		171,979
應收有關連公司之短期貸款	186,019	—	186,019	—	—	—	—		186,019	—		186,019
應收孖展貸款	24,682	—	24,682	—	—	—	—		24,682	—		24,682
應收聯營公司款項	5,260	—	5,260	151,206		151,206	—		156,466	—		156,466
應收前同系附屬公司款項	—	—	—	721,091	(721,091)	—	—		—	—		—
已抵押銀行存款	20,591	—	20,591	—	—	—	—		20,591	—		20,591
銀行結存及現金	2,123,202	—	2,123,202	103,494	—	103,494	(112,099)	*(6)*	2,114,597	15,639	*(11)*	2,130,236
	2,771,640	—	2,771,640	1,694,814	(807,913)	886,901	(112,099)		3,546,442	23,455		3,569,897
流動負債												
貿易及其他應付款項	(274,566)	—	(274,566)	(17,475)	—	(17,475)	(583)	*(5)*	(292,624)	2,600	*(11)*	(290,024)
應付款項 — 一年內到期	—		—	(583)	—	(583)	583	*(5)*	—	—		—
應付孖展貸款	(152)		(152)	—	—	—	—		(152)	—		(152)
應付股息	(9,046)		(9,046)	—	—	—	—		(9,046)	—		(9,046)
應付一間聯營公司款項	(2,026)		(2,026)	(286)	—	(286)	—		(2,312)	—		(2,312)
應付稅項	(35,889)	—	(35,889)	(12,257)	—	(12,257)	—		(48,146)	—		(48,146)
應付前同系附屬公司款項	—	—	—	(3,023,016)	3,023,016	—	—		—	—		—
應付關連人士款項	—	—	—	—	(199,731)	(199,731)	—		(199,731)	—		(199,731)
借款 — 一年內到期	(593,790)	—	(593,790)	—	—	—	—		(593,790)	—		(593,790)
銀行透支	(26,663)	—	(26,663)	—	—	—	—		(26,663)	—		(26,663)
	(942,132)	—	(942,132)	(3,053,617)	2,823,285	(230,332)	—		(1,172,464)	2,600		(1,169,864)
流動資產(負債)淨值	1,829,508	—	1,829,508	(1,358,803)	2,015,372	656,569	(112,099)		2,373,978	26,055		2,400,033
總資產減流動負債	3,573,667	—	3,573,667	(554,068)	2,015,372	1,461,304	(463,452)		4,571,519	(4,767)		4,566,752
非流動負債												
借款 — 一年後到期	(7,258)	—	(7,258)	—	—	—	—		(7,258)	—		(7,258)
遞延稅項負債	(201)	—	(201)	(21,175)	—	(21,175)	—		(21,376)	—		(21,376)
	(7,459)	—	(7,459)	(21,175)	—	(21,175)	—		(28,634)	—		(28,634)
資產(負債)淨值	3,566,208	—	3,566,208	(575,243)	2,015,372	1,440,129	(463,452)		4,542,885	(4,767)		4,538,118

下文載列錦興集團之未經審核備考財務資料，以顯示全面接納群龍收購建議對錦興之資產、負債、溢利及業務之影響：

(I) 經擴大錦興集團之未經審核備考資產負債表

(A) 根據方案一

以下為經擴大錦興集團之未經審核備考資產負債表，乃假設中策進行之群龍股份實物分派及中策集團重組已完成，除錦興集團外之所有群龍集團股東已選擇群龍收購建議之方案一，出售錦興出售股份予要約人(「部份出售」)，以及有關出售Memorex業務之非常重大出售交易(「Memorex出售事項」)已於二零零五年十二月三十一日完成。經擴大錦興集團之未經審核備考資產負債表乃根據摘錄自錦興於二零零六年四月十日就Memorex出售事項之通函內所載錦興集團之未經審核備考財務資料(「備考餘下錦興集團財務資料」)(以本文件附錄二所載於二零零五年十二月三十一日之經審核綜合財務報表為基準，並就Memorex出售事項作出備考調整)及本文件附錄三所載群龍集團於二零零五年十二月三十一日經審核綜合資產負債表(摘錄自群龍集團之財務資料)編製，並已就群龍股份實物分派、中策集團重組、群龍收購建議及部份出售作出相關備考調整。

編製本未經審核備考資產負債表乃僅供說明用途，且基於其性質，故並不代表經擴大錦興集團於二零零五年十二月三十一日或任何未來日期之真實財務狀況。

II. 可供分派儲備

群龍於二零零五年三月一日註冊成立，因此，於二零零五年十二月三十一日，群龍並無可供分派予股東之儲備。

III. 結算日後財務報表

群龍集團、群龍或其任何附屬公司並無就二零零五年十二月三十一日後之任何期間編製經審核財務報表。

此致

錦興集團有限公司
群龍投資有限公司
列位董事　台照

德勤•關黃陳方會計師行
香港
執業會計師
謹啟

二零零六年五月二十六日

42. 退休福利計劃

群龍集團／中策為全體香港合資格僱員設有強制性公積金計劃(「強積金計劃」)。強積金計劃之資產與群龍集團之資產分開持有，存放於獨立受託人控制之基金。群龍集團及其僱員各向計劃供款相關薪金成本之5%。

在收益表扣除有關強積金計劃之退休福利計劃供款乃群龍集團按計劃規則指定之比率應向計劃作出之供款。

在中國合資附屬公司之僱員均參加由中國政府管理之國家贊助退休金計劃。合資公司須以僱員工資總額之若干百分比向退休金計劃供款，作為有關福利之資金。群龍集團須就退休金計劃承擔之唯一責任為根據該計劃進作出供款。應向退休金計劃作出之供款額乃在收益表扣除。

於各結算日，並無重大被放棄供款因僱員在未可全數獲得群龍集團之供款前退出該等計劃而產生，及可用以減低群龍集團於未來數年應付之供款。

41. 關連人士交易 *(續)*

公司名稱	交易性質	附註	截至十二月三十一日止年度 二零零三年	二零零四年	二零零五年
			千港元	*千港元*	*千港元*
香港永安旅遊有限公司	群龍集團已付及應付訂購機票及旅遊服務開支	*(c)*	73	260	—
	群龍集團銷售貨品		209	—	—
Apex	群龍集團已收及應收之貸款利息收入	*(e)*	248	3,280	2,931
Chief Altantic Profits Limited	群龍集團已收及應收之貸款利息收入	*(g)*	306	303	—

附註：

(a) 中策董事周美華女士(「周女士」)於截至二零零四年十二月三十一日止年度不再為Lucklong董事。劉高原先生(周女士之前任替任董事)為中策主要股東之董事及Lucklong董事。

(b) 錦興磁訊有限公司、保華集團管理有限公司、保華機電有限公司、旋高有限公司及Gunnell Properties Limited、保華裝飾有限公司為中策主要股東之全資附屬公司。

(c) Millennium Target Holdings Limited及香港永安旅遊有限公司為永安之全資附屬公司。

(d) 永安及中國高速為群龍集團之聯營公司。

(e) Apex於截至二零零四年十二月三十一日止年度不再為群龍集團之聯營公司。

(f) Rosedale Park Limited為Apex之全資附屬公司。

(g) Chief Altantic Profits Limited為盈大地產之全資附屬公司，而盈大地產已於截至二零零四年十二月三十一日止年度不再為群龍集團之聯營公司。

於結算日與關連人士之結餘詳情載於綜合資產負債表及附註21、22及32。

中策董事認為，上述交易乃在日常業務交易過程中進行，條款由群龍集團及關連人士互相議定。

41. 關連人士交易

於有關期間內，群龍集團與下列關連公司訂立以下交易：

公司名稱	交易性質	附註	截至十二月三十一日止年度 二零零三年	二零零四年	二零零五年
			千港元	*千港元*	*千港元*
Lucklong	群龍集團已收及應收之貸款利息收入	*(a)*	5,984		—
錦興磁訊有限公司	群龍集團銷售貨品	*(b)*	63	—	—
保華集團管理有限公司（前稱「保華德祥管理有限公司」）	群龍集團已付及應付之貸款利息	*(b)*	1,193	—	—
	群龍集團銷售貨品		687	3	—
保華機電有限公司（前稱「保華德祥機電有限公司」）	群龍集團已付及應付之維修保養費	*(b)*	58	42	—
	群龍集團已付及應付之項目管理費		872	—	—
	群龍集團已付及應付之機電服務費		7	—	—
旋高有限公司及 Gunnell Properties Limited	群龍集團已付及應付之租金支出	*(b)*	554	553	138
保華裝飾有限公司（前稱「保華德祥裝飾有限公司」）	群龍集團已付及應付之項目管理費	*(b)*	15	—	—
Millennium Target Holdings Limited	群龍集團已收及應收之貸款利息收入	*(c)*	31	—	—
永安	群龍集團已收及應收之貸款利息收入	*(d)*	2,198	1,466	3,175
中國高速	群龍集團已收及應收之貸款利息收入	*(d)*	3,249	—	—
Rosedale Park Limited	群龍集團銷售貨品	*(f)*	11	—	—
	群龍集團已付及應付之酒店開支		14	—	—

39. 經營租約承擔

承租人

群龍集團於截至二零零三年、二零零四年及二零零五年十二月三十一日止年度根據有關辦公室物業之經營租約須支付之最低租約付款分別約為25,707,000港元、7,460,000港元及零。

於結算日，群龍集團根據不可撤銷經營租約而負有未來最低租約付款之承擔，以及有關承擔之到期日如下：

	於十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
一年內	15,639	—	—
第二至第五年(包括首尾兩年)	16,930	—	—
	32,569	—	—

租約平均以一年為期進行磋商，租金平均以一年為期予以釐定。

40. 資產抵押

群龍集團於二零零四年及二零零五年十二月三十一日概無抵押任何資產。

於二零零三年十二月三十一日：

(a) 群龍集團應佔資產淨值約83,622,000港元之聯營公司權益已作抵押，作為群龍集團聯營公司所獲之備用信貸額之擔保。

(b) 賬面值為29,046,000港元之證券投資已作抵押，作為群龍集團所獲之備用信貸額及銀行信貸額之擔保。

群龍集團已動用3,000港元之保證金備用貸款，乃以銀行貸款及其他借貸列賬。

37. 主要非現金交易

於截至二零零三年十二月三十一日止年度內，主要非現金交易為有關物業、廠房及設備之融資租約安排於訂立租約時之資本值約168,000港元。

於截至二零零四年十二月三十一日止年度內，主要非現金交易如下：

(a) 就收購物業權益支付之按金增加約46,686,000港元，此乃自應收聯營公司貸款轉撥。

(b) 因出售於聯營公司之權益，導致證券投資增加約43,588,000港元。

(c) 應收聯營公司貸款70,200,000港元已按聯營公司發行可換股票據之方式償還，並已計入於聯營公司之權益中。

(d) 就收購附屬公司支付之按金增加40,000,000港元，此乃應收款項之還款。

於截至二零零五年十二月三十一日止年度，主要非現金交易為應付前股東之款項50,000,000港元已透過指讓應收外部人士之貸款及利息而償還。

38. 承擔

於結算日，群龍集團之資本承擔如下：

		於十二月三十一日		
		二零零三年	二零零四年	二零零五年
		千港元	*千港元*	*千港元*
已訂約惟未在財務報表中就下列事項作出撥備：				
(i)	收購物業權益 *(附註)*	—	377,516	—
(ii)	其他資產	91,489	91,981	93,301
(iii)	收購附屬公司 *(附註18)*	—	10,000	—
		91,489	479,497	93,301

附註：

群龍集團於二零零四年訂立一項有條件協議，按人民幣450,000,000元之代價收購位於中國上海之香樟花園物業權益，其中人民幣58,000,000元之按金已於二零零五年十二月三十一日支付，群龍集團已於二零零五年就此展開法律訴訟，以要求物業賣方履行協議項下之責任。經向法律顧問諮詢及考慮若干因素後，群龍集團目前決定行使其酌情權繼續收購該等物業。

36. 購入附屬公司 *(續)*

截至二零零三年及二零零四年十二月三十一日止年度

	截至十二月三十一日止年度	
	二零零三年	二零零四年
	千港元	*千港元*
已購入資產淨值：		
應付賬款、其他應付款項及應計費用	(12)	—
少數股東權益	410	—
	398	—
收購產生之商譽	387	—
	785	—
支付方式：		
現金	785	—
有關購入附屬公司之現金及現金等額之現金流出淨額之分析		
已付現金代價	(785)	—
有關購入附屬公司之現金及現金等額之現金外流淨額	(785)	—

收購產生之商譽於在於新市場分銷群龍集團產品之預期盈利能力。

東莞市江海及廣州耀陽於收購日期至二零零五年十二月三十一日期間，為群龍集團之營業額帶來5,298,000港元之貢獻，並為本集團之稅前虧損帶來3,735,000港元之虧損。

36. 購入附屬公司

截至二零零五年十二月三十一日止年度

於二零零五年六月三十日，群龍集團分別收購東莞市江海及廣州耀陽已發行股本之88%及100%，總現金代價為50,000,000港元。此兩家新收購附屬公司乃於中國註冊成立，從事採砂業務。該等交易以會計購買方法入賬。董事認為，假設收購於二零零五年一月一日已經生效而披露截至二零零五年六月三十日止六個月之收入及業績並不可行，蓋因賣方並無提供有關資料。

	截至二零零五年十二月三十一日止年度		
	被收購公司於合併前之賬面值	公平值調整	公平值
	千港元	*千港元*	*千港元*
已購入資產淨值：			
物業、廠房及設備	50,165	63,019	113,184
存貨	6	—	6
應收貿易賬款	75	—	75
其他應收款項、按金及預付款項	647	—	647
銀行結餘及現金	349	—	349
應付賬款、其他應付款項及應計開支	(244)	—	(244)
應付前股東款項	(49,770)	—	(49,770)
遞延税項負債	—	(20,796)	(20,796)
	1,228	42,223	43,451
少數股東權益	(48)	(2,526)	(2,574)
	1,180	39,697	40,877
收購產生之商譽			9,123
			50,000
支付方式：			
— 現金			10,000
— 為收購附屬公司已於二零零四年支付之按金			40,000
			50,000
收購產生之現金流出淨額			
已付現金代價			(10,000)
所收購現金及現金等額			349
			(9,651)

35. 出售附屬公司權益 *(續)*

	截至十二月三十一日止年度		
	二零零三年	**二零零四年**	**二零零五年**
	千港元	*千港元*	*千港元*
支付方式：			
現金	223,792	35,500	—
計入應收款項之承付票	—	6,500	—
	223,792	42,000	—
有關出售附屬公司之現金及現金等額(外流)流入淨額分析：			
已收取之現金代價	223,792	35,500	—
已出售之銀行結餘及現金	(282,356)	(22,176)	—
現金及現金等額(外流)流入淨額	(58,564)	13,324	—

於有關期間出售之附屬公司為群龍集團營業額及群龍集團稅前虧損帶來之貢獻之概約數額如下：

	截至十二月三十一日止年度		
	二零零三年	**二零零四年**	**二零零五年**
	千港元	*千港元*	*千港元*
為群龍集團營業額帶來之貢獻	2,653,540	92,262	—
為群龍集團稅前虧損帶來之(虧損)溢利	(90,362)	6,778	—

35. 出售附屬公司權益

截至二零零三年十二月三十一日止年度

群龍集團以總代價約206,000,000港元出售其於銀川中策(長城)橡膠有限公司之51%權益、於杭州中策橡膠有限公司(群龍集團擁有51%權益之附屬公司)之25%權益及於Pacific Wins Development Ltd.之50%權益。

截至二零零四年十二月三十一日止年度

群龍集團以代價42,000,000港元出售其於Tung Fong Hung Investment Limited之全部權益。

於截至二零零三年及二零零四年十二月三十一日止年度出售之附屬公司之資產及負債詳情如下：

	截至十二月三十一日止年度	
	二零零三年	二零零四年
	千港元	*千港元*
已出售資產淨值：		
物業、廠房及設備	901,368	34,924
遞延稅項資產	14,224	—
於聯營公司之權益	103,064	14,808
應收聯營公司款項	81,551	—
證券投資	5,216	—
存貨	737,767	49,319
應收貿易賬款	530,528	12,112
其他應收款項、按金及預付款項	207,315	8,436
已抵押銀行存款	70,098	—
銀行結餘及現金	282,356	22,176
應付賬款、其他應付款項及應計費用	(757,379)	(43,316)
應繳所得稅及其他應繳稅項	(34,335)	(30)
銀行貸款及其他借貸	(1,274,058)	(60,197)
融資租約債項	—	(149)
少數股東權益	(481,183)	—
	386,532	38,083
減：權益以於聯營公司權益形式保留	(178,053)	—
	208,479	38,083
已變現商譽	6,852	9,170
已變現匯兑儲備	(3,848)	13
	211,483	47,266
出售之收益(虧損)	12,309	(5,266)
	223,792	42,000

33. 銀行貸款及其他借貸 *(續)*

附註：

(a)

	最低租約付款			最低租約付款之現值		
	於十二月三十一日			於十二月三十一日		
	二零零三年	二零零四年	二零零五年	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*
根據融資租約應付金額：						
一年內	31	—	—	20	—	—
第二至第五年(包括首尾兩年)	147	—	—	131	—	—
	178	—	—	151	—	—
減：未來融資費用	(27)	—	—	—	—	—
租約債項現值	151	—	—	151	—	—
減：一年內到期之金額				(22)	—	—
一年後到期之金額				129	—	—

租約平均為期五年。截至二零零三年十二月三十一日止年度，平均實質借貸利率為6.7厘。息率於訂立合同日期釐定。所有租約按固定還款年期訂立，且並無訂立有關或然租賃付款之安排。

群龍集團之債項以出租人在租賃資產設立之押記作抵押。

(b) 於二零零三年十二月三十一日，該款項為有抵押、按每年八厘至十二厘不等之現行市場利率計息，並已於二零零四年度內全數償還。

34. 股本

為編製合併資產負債表，於二零零三年、二零零四年及二零零五年十二月三十一日之股本結餘各指現組成群龍集團之公司之股本。

33. 銀行貸款及其他借貸

	於十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
銀行貸款	12,990	—	—
融資租約債項 *(附註a)*	151	—	—
銀行透支	2	—	—
其他借貸 *(附註b)*	13,000	—	—
	26,143	—	—
有抵押	151	—	—
無抵押	25,992	—	—
	26,143	—	—
須於以下年期償還：			
一年內	26,014	—	—
一至兩年	21	—	—
兩至五年	108	—	—
	26,143	—	—
減：一年內到期並列作流動負債之款項	(26,014)	—	—
一年後到期之款項	129	—	—

銀行透支須於要求時償還。銀行貸款按八厘至十厘不等之現行市場利率計息，並以群龍集團之銀行存款及證券投資作擔保。於截至二零零五年十二月三十一日止三年，並無未動用信貸。

群龍集團之銀行及其他借貸以港元為單位。

於二零零五年十二月三十一日，群龍集團之銀行及其他借貸之公平值與相關賬面值相若。

32. 應付款項 *(續)*

附註：

(a) 應付關連公司之款項詳情如下：

		於十二月三十一日		
		二零零三年	二零零四年	二零零五年
	附註	*千港元*	*千港元*	*千港元*
保華集團管理有限公司（前稱「保華德祥管理有限公司」）	*(i)*	450	—	—
旋高有限公司及Gunnell Properties Limited	*(i)*	693	417	556
德祥企業集團有限公司	*(ii)*	744	—	—
保華機電有限公司（前稱「保華德祥機電有限公司」）	*(i)*	1,014	—	—
保華機電工程有限公司（前稱「保華德祥機電工程有限公司」）	*(i)*	280	—	—
		3,181	417	556

附註：

(i) 該等公司為中策主要股東之非全資附屬公司。

(ii) 德祥企業集團有限公司為中策主要股東之股東。

所有款項均為無抵押並按八厘至十厘不等之現行市場利息，及須應要求償還。於截至二零零五年十二月三十一日止三年，群龍集團應付款項之公平值與相關賬面值相若。

除於二零零三年十二月三十一日1,193,000港元之應付款項為於結算日起計一年後償還外，其餘款項均須應要求償還。

(b) 該等款項乃無抵押並按八厘至十厘不等之現行市場利率計息，及須應要求償還。於結算日，群龍集團應付款項之公平值與相關賬面值相若。

於結算日，群龍集團應付款項之公平值與相關賬面值相若。

31. 應付賬款、其他應付款項及應計費用

應付賬款、其他應付款項及應計費用之賬齡分析如下：

	於十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
0至90日	39,468	—	—
91至180日	1,413	—	—
180日以上	622	293	299
	41,503	293	299
加：其他應付款項及應計費用	37,331	25,204	17,176
	78,834	25,497	17,475

群龍集團於截至二零零五年十二月三十一日止年度之應付貿易賬款之賬面值與相關公平值相若。

32. 應付款項

應付款項之詳情如下：

		於十二月三十一日		
		二零零三年	二零零四年	二零零五年
	附註	*千港元*	*千港元*	*千港元*
應付關連公司款項	*(a)*	3,181	417	556
應付第三方款項	*(b)*	27,192	27	27
		30,373	444	583
減：列作流動負債之款項		(29,180)	(444)	(583)
		1,193	—	—

29. 存貨

	於十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
原料	12,146	—	102
在製品	163	—	—
製成品	54,667	—	—
	66,976	—	102

於截至二零零三年及二零零五年十二月三十一日止年度確認為開支之存貨成本分別約為2,459,991,000港元及4,457,000港元。

30. 應收貿易賬款

群龍集團一般給予貿易客戶為期90至180日之賒賬期。於結算日之應收貿易賬款之賬齡分析如下：

	於十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
0至90日	12,011	—	—
91至180日	762	—	—
180日以上	945	—	—
	13,718	—	—

群龍集團於截至二零零五年十二月三十一日止年度之應收貿易賬款之賬面值與相關公平值相若。

26. 應收(應付)前同系附屬公司之款項

於集團重組完成後，中策仍為從事電池產品製造及買賣及證券投資業務之公司之控股公司。應收(應付)前同系附屬公司之款項乃指應收(應付)中策旗下附屬公司之結餘，屬於投資性質。所有款項並無抵押，且屬免息及須於要求時償還。

應收(應付)前同系附屬公司之款項於集團重組完成時轉讓予群龍。

於各結算日，應收前同系附屬公司款項之賬面值與相關公平值相若。

於各結算日，應付前同系附屬公司款項之賬面值與相關公平值相若。

27. 銀行結餘及現金

銀行結餘及現金包括群龍集團持有之現金及原定年期為三個月或以下之短期銀行存款。該等資產之賬面值與相關公平值相若。於截至二零零五年十二月三十一日止三年，款項按2.3厘至4.0厘不等之年利率計息。

群龍集團之銀行結餘及現金一般以澳元、人民幣、港元及美元為單位。於截至二零零五年十二月三十一日止三年之銀行結餘及現金中，澳元款項分別約為9,884,000澳元、8,041,000澳元及8,286,000澳元。

28. 其他資產

此數額指中國國內土地發展項目產生之成本。該項目為珠海市龍山智業產業園之土地發展項目，位於珠海市斗門區龍山發展區，將由集團與珠海市龍山工業區管理委員會共同發展。群龍集團享有項目之獨家發展權及享有權利取得土地以再發展(「其他資產」)。群龍集團亦有權按協定代價將其他資產售予投資者。

於二零零三年、二零零四年及二零零五年十二月三十一日，群龍集團已就取得項目之獨家發展權及部份項目土地發展權分別支付約226,718,000港元、227,167,000港元及229,288,000港元。

於本報告日期，群龍集團已委聘物業代理與潛在投資者磋商，董事考慮於下年出售其他資產，而董事亦不預期出售其他資產將產生其他重大成本。

於各結算日，中策董事已參考獨立估值師普敦國際評估有限公司按公開市值基準所作估值評估其他資產之賬面值，並無發覺於有關期間有減值虧損。

24. 按公平值計入損益表之證券投資／其他投資 *(續)*

	於十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
分類為			
流動	1,142	—	—
非流動	26,164	71,959	71,347
	27,306	71,959	71,347

上市證券於結算日之公平值乃按可於相關證券交易所取得之市場買入報價釐定。

於二零零四年十二月三十一日及二零零五年十二月三十一日，香港非上市證券之賬面值包括43,498,000港元之金額，佔Apex Quality Group Limited(「Apex」) 9.77%之權益。Apex於英屬處女群島註冊成立，從事酒店及消閒相關業務。於二零零三年十二月三十一日，Apex為群龍集團擁有22.65%之聯營公司。群龍集團於二零零四年九月完成出售Apex約12.88%之權益後，於截至二零零四年十二月三十一日止年度Apex已不再為群龍集團之聯營公司。非上市股本證券之公平值乃根據按結算日之實際利率折讓之估計未來現金流量現值釐定，與相關賬面值相若。

於各結算日之非上市債務證券賬面值指一間於澳洲註冊成立並從事水果買賣之公司所發行可換股票據。該可換股票據按年率8%計息，並將於二零零八年三月二十九日到期。非上市債務證券之公平值乃根據按結算日之實際利率折讓之估計未來現金流量現值釐定，與相關賬面值相若。

25. 遞延稅項

以下為於有關期間確認之主要遞延稅項資產(負債)及其變動情況：

	呆壞賬及撥備	重估物業、廠房及設備	總額
	千港元	*千港元*	*千港元*
於二零零三年一月一日	13,454	—	13,454
計入合併收益表	770	—	770
	14,224	—	14,224
出售附屬公司時變現	(14,224)	—	(14,224)
於二零零三年及二零零四年十二月三十一日	—	—	—
收購附屬公司時產生	—	(20,796)	(20,796)
匯兑差額	—	(379)	(379)
於二零零五年十二月三十一日	—	(21,175)	(21,175)

22. 應收貸款及利息 *(續)*

該等款項為無抵押、免息及須應要求償還。

保華為中策之主要股東，而德祥企業集團有限公司則為保華之股東。

於各結算日，群龍集團之應收貸款及利息之公平值與應收款項之賬面值相若。

23. 其他應收款項、按金及預付款項

於各結算日，其他應收款項、按金及預付款項之賬面值與相關公平值相若。

24. 按公平值計入損益表之證券投資／其他投資

	於十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
股本證券：			
上市	2,761	2,252	3,297
非上市	125	43,623	43,619
	2,886	45,875	46,916
債務證券：			
非上市	24,420	26,084	24,431
總計	27,306	71,959	71,347
總計及列作：			
上市			
香港	835	—	—
其他地方	1,926	2,252	3,297
	2,761	2,252	3,297
非上市	24,545	69,707	68,050
	27,306	71,959	71,347

22. 應收貸款及利息

	於十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
應收貸款及利息			
— 有抵押 *(附註a)*	114,784	120,819	121,223
— 無抵押 *(附註b)*	190,723	558,038	355,709
應收關連公司款項 *(附註c)*	10	—	—
	305,517	678,857	476,932
減：撥備	(53,826)	(109,643)	(27,971)
	251,691	569,214	448,961
減：一年內到期並列作流動資產之款項	(251,691)	(540,931)	(448,961)
一年後到期之款項	—	28,283	—

董事認為一年後到期之應收款賬面值與其公平值相若。

附註：

(a) 有抵押貸款及應收利息中包括分別應收Lucklong Venture Limited(「Lucklong」)之款項。中策董事周美華女士於截至二零零三年十二月三十一日止年度亦為Lucklong董事。於二零零三年、二零零四年及二零零五年十二月三十一日，就應收Lucklong之貸款作出之撥備分別約為24,000,000港元、50,619,000港元及81,222,000港元，此乃參考提供予群龍集團之抵押品之市值而釐訂。若干物業持有公司之股份已抵押予群龍集團，作為應收貸款之抵押品。

(b) 此應收貸款乃按當前市場利率(由八厘至十二厘不等)計息及須於要求時償還。

(c) 應收關連公司款項之詳情如下：

	於十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
保華集團有限公司(「保華」，前稱「保華德祥建築集團有限公司」)	5	—	—
德祥企業集團有限公司	5	—	—
	10	—	—

21. 於聯營公司之權益／應收(應付)聯營公司款項 *(續)*

有關群龍集團之聯營公司之概要財務資料載列如下：

	截至十二月三十一日止年度		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
營業額	1,680,756	6,519,685	8,382,622
年度(虧損)溢利	(631,017)	(102,198)	133,498
群龍集團應佔年度(虧損)溢利	(175,697)	(37,521)	43,103

	於十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
總資產	4,097,522	5,875,595	7,431,386
總負債	(2,721,716)	(4,049,781)	(5,037,199)
資產淨值	1,375,806	1,825,814	2,394,187

	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
群龍集團所佔資產淨值：			
於十二月三十一日	508,110	309,149	523,373
群龍集團所持權益市值	323,245	311,480	317,752

21. 於聯營公司之權益／應收(應付)聯營公司款項 *(續)*

根據建議集團重組，將被群龍收購各主要聯營公司之詳情如下：

聯營公司名稱	註冊成立／註冊／成立地點	經營業務之地點	群龍集團間接持有已發行股本／註冊資本面值之比例 %	主要業務
中國高速(集團)有限公司(「中國高速」，前稱珀麗酒店集團有限公司及中國置地集團有限公司) *(附註a及b)*	百慕達	香港及中國	22.65	中國之物業投資及發展
永安(前稱辰達永安旅遊(控股)有限公司) *(附註a及b)*	百慕達	香港	27.74	提供旅遊團、旅遊、及其他相關服務之業務
杭州中策橡膠有限公司(「杭州橡膠」) *(附註c)*	中國	中國	26.0	輪胎製造

附註：

(a) 中國高速及永安之股份於香港聯交所上市。

(b) 該等公司為所屬司法權區註冊成立之有限公司。

(c) 此乃中外合資合營公司。

上表列出董事認為可構成聯營公司所佔業績或資產淨值主要部份之群龍集團聯營公司。董事認為提供其他聯營公司之詳情會令篇幅過份冗長。

21. 於聯營公司之權益／應收(應付)聯營公司款項 *(續)*

附註：(續)

(iii) 根據香港會計師公會頒佈之香港會計準則第39號「金融工具：確認及計量」，永安票據與新永安票據之換股選擇權元素屬於一種嵌入式衍生工具，必須與非上市可換股票據分開入賬，故在初次確認及其後申報日期按公平值計值。此換股選擇權之公平值為認購永安票據及新永安票據之折讓，乃以永安票據及新永安票據之認購日期以及於二零零三年、二零零四年及二零零五年十二月三十一日按柏力克－舒爾斯期權定價模式估計價值。計及截至二零零三年、二零零四年及二零零五年十二月三十一日止年度內已行使之換股選擇權的部份，此換股選擇權之公平值變動之影響分別為零港元、收益76,959,000港元及虧損39,743,000港元，並已於合併收益表確認。

(iv) 應收聯營公司之應收貸款及利息為無抵押、按現行市場利率計息(實際利率由五厘至八厘不等)及須於結算日起計一年後償還。於各結算日，群龍集團應收聯營公司之應收貸款及利息之公平值與相關賬面值相若。

(v) 於二零零四年三月，群龍集團當時持有43.06%之聯營公司盈科大衍地產發展有限公司(「盈大地產」，前稱東方燃氣集團有限公司，其股份於香港聯合交易所有限公司(「香港聯交所」)上市)與電訊盈科有限公司(「電訊盈科」，其股份於香港聯交所上市)訂立多份協議，以向電訊盈科收購若干物業權益，代價約6,557,000,000港元，其支付方式為盈大地產向電訊盈科(或按其指示)發行新股及可換股票據。上述交易於二零零四年五月完成，而群龍集團於盈大地產之權益由43.06%減至2.83%，因此盈大地產不再為群龍集團聯營公司，並錄得視為出售聯營公司之收益約28,510,000港元。群龍集團進一步出售其全部2.83%盈大地產權益，於二零零四年十二月三十一日，群龍集團並無持有盈大地產任何權益。

	於十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
應收聯營公司款項	129	54,373	151,206
應付一間聯營公司款項	—	673	286

於截至二零零三年十二月三十一日止年度，所有應收聯營公司款項為無抵押、免息及須於要求時償還。於截至二零零四年及二零零五年十二月三十一日止年度，款項須於要求時償還，且除為數分別約54,247,000港元及151,073,000港元之應收聯營公司款項按現行市場利率(實際利率由五厘至八厘不等)計息外，其餘所有應收聯營公司款項均為免息。應付一間聯營公司款項為無抵押、免息及須於要求時償還。於各結算日，應付一間聯營公司款項之賬面值與其公平值相若。

21. 於聯營公司之權益／應收(應付)聯營公司款項 *(續)*

附註：

(i) 於二零零四年十二月三十一日前，商譽按直線基準攤銷，而商譽之攤銷期為十年。負商譽分十年撥回作收入。於二零零五年一月一日及之後，概無就商譽攤銷或負商譽撥回作出撥備。

(ii) 非上市可換股票據於二零零三年十二月三十一日之賬面值即於永安旅遊(控股)有限公司(「永安」)所發行可換股票據(「永安票據」)之投資。永安票據按年息二厘計息，並須於二零零四年四月十九日以84,800,000港元連息贖回。永安票據亦賦予其持有人權利，可於永安票據發行日期起至二零零四年四月十九日隨時按每股初步換股價0.032港元(可予調整)將永安票據轉換為永安股份。於有關期間，非上市可換股票據之實際利率為八厘。

於二零零四年一月，群龍集團與永安訂立一項新可換股票據協議。據此，永安發行本金額達155,000,000港元之可換股票據(「新永安票據」)予群龍集團，當中84,800,000港元用作償還永安票據，而70,200,000港元則用作償還永安結欠之應收款項。新永安票據按年息二厘計息，並須於二零零七年六月十四日以155,000,000港元連息贖回。新永安票據賦予持有人權利，可於新永安票據發行日期起至二零零七年六月十四日隨時按每股初步換股價0.020港元(可予調整)轉換為永安股份。

於二零零四年十月及十一月，群龍集團將100,000,000港元之永安可換股票據按換股價每股0.020港元兌換為永安每股面值0.01港元之普通股。部分可換股票據持有人亦將彼等之永安可換股票據按換股價每股0.020港元兌換為永安每股面值0.01港元之普通股。據此，在群龍集團及其他可換股票據持有人將可換股票據兌換為永安每股面值0.01港元之股份後，群龍集團於永安所持權益由約32.21%增至約38.16%。群龍集團亦已出售約7.88%永安權益，代價約45,000,000港元，而群龍集團於永安所持權益已減至約30.28%。

於二零零四年十一月三十日，群龍集團與永安及配售代理再訂立兩份配售及認購協議，據此，配售代理同意代表群龍集團配售6,000,000,000股每股面值0.01港元之永安普通股，每股作價0.028港元；而群龍集團將按每股0.028港元之價格認購最多6,000,000,000股之永安新普通股。配售6,000,000,000股每股面值0.01港元之永安普通股及認購3,660,000,000股每股面值0.01港元之永安新普通股已於二零零四年十二月完成。於二零零四年十二月三十一日，群龍集團於永安之權益減至約19.58%。

群龍集團於二零零五年一月及二月另外認購8,740,000,000股每股面值0.01美元之永安新普通股，使群龍集團之權益增至約21.1%。於二零零五年四月，群龍集團另外收購6,967,700股每股面值0.01港元之永安普通股，並進一步將55,000,000港元之永安可換股票據按換股價每股0.020港元兌換為永安每股面值0.01港元之普通股，以及群龍集團於永安所持權益增至約27.74%。

21. 於聯營公司之權益／應收(應付)聯營公司款項

	於十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
於聯營公司之權益			
所佔資產淨值	537,692	354,201	546,551
商譽 *(附註(i))*			
於年初	91,785	91,785	2,006
於年初之累計攤銷	(1,148)	(10,326)	—
收購聯營公司所產生	—	3,931	10,181
減：於年內撥備之攤銷	(9,178)	(3,059)	—
視為出售聯營公司權益時變現	—	(80,325)	—
於年底	81,459	2,006	12,187
負商譽 *(附註(i))*			
於年初	(123,379)	(123,379)	(69,994)
於年初累計撥回之負商譽	—	12,338	22,936
年內撥回之負商譽	12,338	10,598	—
於二零零五年一月一日將負商譽解除確認並撥至保留溢利	—	—	47,058
出售聯營公司權益時撥回	—	53,385	—
於年底	(111,041)	(47,058)	—
	508,110	309,149	558,738

20. 商譽 *(續)*

有關商譽進行減值測試之詳情披露如下：

於二零零五年十二月三十一日之商譽賬面值乃分別歸因於收購廣州耀陽及東莞市江海之9,123,000港元。廣州耀陽及東莞市江海從事採砂活動之業務分部(「採砂之現金產生單位」)。

於截至二零零五年十二月三十一日止年度，群龍集團管理層釐定群龍集團之商譽並無就該現金產生單位出現減值。

採砂之現金產生單位之可追回金額之基準及有關主要相關假設概述如下：

該單位之可追回金額乃根據使用值計算而釐定。有關計算乃利用基於涵蓋10年、並由管理層批准之財務預算之現金流量預測以及8%之折讓率計算。該現金產生單位於首5年期間之現金流量乃使用固定增長率10%推斷，而其餘年度之現金流量則並無增長率。計算使用值之另一重大假設為預算毛利率，此乃基於單位之過往業績及管理層對市場發展之預期而釐定。管理層相信該等假設之任何合理可能變動將不會導致此現金產生單位之賬面總值高出此現金產生單位之可追回總額。

20. 商譽

	千港元
成本值	
於二零零三年一月一日	33,082
收購附屬公司所產生	387
於二零零三年十二月三十一日	33,469
出售附屬公司	(33,469)
於二零零四年十二月三十一日	—
收購附屬公司所產生	9,123
二零零五年十二月三十一日	9,123
攤銷及減值	
於二零零三年一月一日	2,129
年內撥備	1,628
已確認減值虧損	20,387
於二零零三年十二月三十一日	24,144
年內撥備	155
出售附屬公司時對銷	(24,299)
於二零零四年十二月三十一日及二零零五年十二月三十一日	—
賬面淨值	
於二零零五年十二月三十一日	9,123
於二零零四年十二月三十一日	—
於二零零三年十二月三十一日	9,325

二零零四年三月十九日，群龍集團訂立有條件協議，於二零零三年十二月三十一日後向一第三者出售其於Tung Fong Hung之全部權益。董事已審議上述出售事項之應收代價，並辨識收購Tung Fong Hung時所產生商譽應佔之減值虧損約為20,000,000港元。此數額已於合併收益表內作相應支銷。

於二零零四年十二月三十一日前，商譽按直線基準攤銷，而商譽之攤銷期為十年。

18. 就收購物業權益支付之按金 *(續)*

(b) 群龍集團取得該等物業之業權及向有關當局申請後，該等物業之用途可變為商住；

(c) 收購該等物業以完成基準計算，經考慮二零零五年十二月三十一日該等物業之預計市值後，預計將為群龍集團帶來經濟利益；及鑑於群龍集團目前之財政狀況及群龍集團可自內部產生之資金、向其控股公司及/或財務機構墊款而取得之財務資源，群龍集團符合支付收購及落成該等物業之現金流量要求之能力。

群龍董事認為，按金之賬面值不少於各結算日之可收回款項。

19. 收購附屬公司之按金

於截至二零零四年十二月三十一日止年度，群龍集團與第三方(「賣方」)訂立多項有條件協議，以收購廣州耀陽實業有限公司(「廣州耀陽」)之全部權益及東莞市江海貿易有限公司(「東莞市江海」)之88%權益，所涉及之代價分別約為人民幣27,300,000元(約25,756,000港元)及人民幣25,700,000元(約24,244,000港元)。廣州耀陽及東莞市江海均為於中國註冊成立之公司，主要從事採砂業務。根據有條件協議，其中一項條件為賣方應促使群龍集團向有關政府當局取得一切必要之批文，以按適當程序轉讓廣州耀陽及東莞市江海之所有權。為數人民幣21,200,000元(約20,000,000港元)及人民幣21,200,000元(約20,000,000港元)之按金已於有條件協議訂立時支付。如未能達成有關條件，則群龍集團有權終止該等協議，而賣方亦須向群龍集團退還按金。在截至二零零五年十二月三十一日止年度內，有關條件已經達成，而有關交易亦已完成，詳情見附註36。

18. 就收購物業權益支付之按金 *(續)*

倘上述條件未能於二零零五年六月一日或之前達成，群龍集團須同意給予不少於六十日之順延日期而不得向賣方加收罰款。若上述條件於順延期間內仍未達成，群龍集團有權終止協議，而賣方須向群龍集團退還按金，連同由訂立協議日期起至退還按金當日止期間之應計利息。利息乃按有關之當前市場息率計算。

然而，上述更改該等物業之用途之條件未必能夠於上述期間達成。因此，賣方與群龍集團訂立日期為二零零五年二月三日之另一協議，據此(其中包括)(i)群龍集團將代表賣方向該等物業之主要承建商(「主承建商」)支付人民幣22,000,000元(相等於約20,663,000港元)；及(ii)群龍集團於(i)支付之款項將自該等物業之銷售代價中減免。

此外，群龍集團根據此額外協議已額外墊付人民幣8,000,000元(相等於約7,512,000港元)予賣方，而截至二零零五年十二月三十一日群龍集團支付賣方之總額達人民幣58,000,000元(相等於約55,716,000港元)。

於二零零五年六月，群龍集團開始針對賣方之法律程序，其中包括要求賣方履行根據上述兩份協議之責任及向中國法院申請該等物業之禁制令以禁止該等物業之轉讓(「禁制令」)。群龍集團亦注意到賣方三名有抵押債權人之一及主承建商已申請及獲批禁制令，而彼等連同其他兩名有抵押債權人就該等物業較群龍集團有優先權。

作為申請禁制令之先決條件，群龍集團已發出反擔保人民幣402,000,000元(相等於約377,500,000港元)予某曾代表群龍集團提供相同擔保額予中國法院之中國機構。

群龍集團之董事同時亦與賣方就解決上述事宜進行商討，惟無法保證最終可與賣方解決有關事宜。雖有上述發展，群龍集團董事已徵詢律師並決定繼續收購該等物業，此乃經考慮下述情況：

(a) 群龍集團結清賣方結欠三名有抵押債權人及主承建商之債項時，支付尚未結清代價人民幣392,000,000元(約376,000,000港元)之交易可予繼續，而該等物業之業權可轉讓予群龍集團；

17. 物業、廠房及設備 *(續)*

上述物業、廠房及設備以直線基準法折舊，每年折舊率如下：

樓宇	2%或按租約或土地使用權之年期(以較短者為準)
傢俬及裝置	10% - 25%
機器及設備	10% - 20%
汽車	12.5% - 25%
採砂船舶	10%

於二零零三年十二月三十一日，群龍集團之樓宇均於中國以中期土地使用權持有。

汽車與傢俬及裝置於二零零三年十二月三十一日之賬面淨值包括關於根據融資租約持有之資產分別約154,000港元之款項。

18. 就收購物業權益支付之按金

於截至二零零四年十二月三十一日止年度，群龍集團與第三方(「賣方」)訂立一項有條件協議，以收購一塊位於中國上海市之土地(「土地」)及一幢建於土地上樓高24層之樓宇，連同兩層地庫停車場(「樓宇」)(統稱「該等物業」)之物業權益，代價為人民幣450,000,000元(約424,528,000港元)。於訂立有條件協議時已支付人民幣50,000,000元(47,012,000港元)之按金。

根據有條件協議，於收購事項完成前，賣方須(i)取得土地之土地使用權及樓宇之擁有權證明；(ii)取得上海市計劃委員會之批文，當中訂明該等物業之用途由辦公室改為商住用途，及一切就出售土地所產生而應付有關機構(包括上海市國土局)之有關費用已悉數繳付；(iii)與群龍集團議定該等物業之安裝、裝置及傢俬之規格及其他內部裝修事宜；(iv)促使所有於有關發展／工程中受聘之承建商與群龍集團訂立協議，約束各承建商有責任為群龍集團補救該等物業於完成有關發展／工程後可能出現之一切缺陷；及(v)促使國內銀行向群龍集團授出貸款(「貸款」)，以支付餘下之代價。

餘下之代價將於貸款授出及物業之擁有權轉讓至群龍集團後支付。

完成收購事項之其中一項條件為賣方應取得將該等物業之用途由辦公室更改為商住用途之批文。倘賣方未能於協議訂立日期後150日內取得有關批文，群龍集團有權(i)按照現有之條款及條件履行協議；或(ii)以代價人民幣70,000,000元(約65,817,000港元)收購該等物業之第1至第7層、第23層，以及兩層地下停車場。

17. 物業、廠房及設備

	樓宇 千港元	傢俬及裝置 千港元	機器及設備 千港元	汽車 千港元	採砂船舶 千港元	在建工程 千港元	總額 千港元
成本值							
於二零零三年一月一日	281,943	58,253	871,103	32,918	—	118,933	1,363,150
幣值重估	(1,301)	682	(3,514)	72	—	(419)	(4,480)
重新分類	138	1,602	—	—	—	(1,740)	—
添置	1,778	5,902	8,368	2,329	—	250,473	268,850
轉撥	29,417	—	127,136	—	—	(156,553)	—
出售	(132)	(4,728)	(27,883)	(1,209)	—	—	(33,952)
出售附屬公司	(307,253)	(30,105)	(973,696)	(31,262)	—	(209,934)	(1,552,250)
於二零零三年十二月三十一日	4,590	31,606	1,514	2,848	—	760	41,318
幣值重估	—	8	—	—	—	—	8
添置	—	828	12	837	—	187	1,864
重新分類	—	205	—	—	—	(205)	—
出售	—	(1,258)	—	—	—	—	(1,258)
出售附屬公司	(4,590)	(31,389)	(1,526)	(3,191)	—	(742)	(41,438)
於二零零四年十二月三十一日	—	—	—	494	—	—	494
幣值重估	—	—	4	—	2,062	—	2,066
添置	—	—	12	319	—	—	331
因收購附屬公司產生	—	—	164	—	113,019	—	113,183
出售	—	—	(124)	—	—	—	(124)
於二零零五年十二月三十一日	—	—	56	813	115,081	—	115,950
折舊、攤銷及減值							
於二零零三年一月一日	112,275	3,448	441,861	21,271	—	45,354	624,209
幣值重估	(485)	724	(1,880)	(65)	—	—	(1,706)
年內撥備	9,115	7,930	38,700	1,831	—	—	57,576
出售後撇除	(5,199)	(4,020)	(14,315)	(419)	—	—	(23,953)
出售附屬公司	(115,328)	(5,356)	(463,927)	(20,917)	—	(45,354)	(650,882)
於二零零三年十二月三十一日	378	2,726	439	1,701	—	—	5,244
年內撥備	24	1,822	44	141	—	—	2,031
出售後撇除	—	(487)	—	—	—	—	(487)
出售附屬公司	(402)	(4,061)	(483)	(1,568)	—	—	(6,514)
於二零零四年十二月三十一日	—	—	—	274	—	—	274
年內撥備	—	—	10	101	5,754	—	5,865
於二零零五年十二月三十一日	—	—	10	375	5,754	—	6,139
賬面淨值							
於二零零五年十二月三十一日	—	—	46	438	109,327	—	109,811
於二零零四年十二月三十一日	—	—	—	220	—	—	220
於二零零三年十二月三十一日	4,212	28,880	1,075	1,147	—	760	36,074

15. 已終止經營業務 *(續)*

截至二零零三年十二月三十一日及二零零四年十二月三十一日止年度，來自輪胎及藥品分部之溢利已計入合併收益表，分析如下：

	二零零三年一月一日至二零零三年十二月三十一日	二零零四年一月一日至二零零四年四月三十日
	千港元	*千港元*
營業額	2,884,493	96,262
銷售成本	(2,520,175)	(60,381)
其他收入	25,264	419
分銷成本	(174,955)	(21,056)
行政支出	(90,187)	(8,467)
融資成本	(34,041)	—
其他支出	(2,445)	—
應佔聯營公司業績	14,190	—
税前溢利	102,144	6,777
税項	(10,367)	—
期內溢利	91,777	6,777

銀川中策(長城)橡膠有限公司、杭州中策橡膠有限公司、Pacific Wins Development Ltd.、Tung Fong Hung Investment Limited及其附屬公司於出售日期之資產及負債賬面值披露於附註35。

16. 每股虧損

由於私人公司毋須披露每股虧損之資料，因此並無呈列每股虧損。

15. 已終止經營業務

二零零三年，群龍集團出售其於從事輪胎製造之銀川中策(長城)橡膠有限公司之51%權益、於杭州中策橡膠有限公司之25%權益及於Pacific Wins Development Ltd.之50%權益，輪胎製造業務分部於截至二零零三年十二月三十一日止年度內被視為已終止經營業務。

二零零四年，群龍集團出售其於從事藥品產銷之Tung Fong Hung Investment Limited及其附屬公司之全部權益，藥品產銷業務分部於截至二零零四年十二月三十一日止年度內被視為已終止經營業務。

截至二零零三年十二月三十一日及二零零四年十二月三十一日止年度，來自已終止經營業務之溢利分析如下：

	二零零三年	二零零四年
	千港元	*千港元*
年內輪胎及藥品分部之溢利	91,777	6,777
出售輪胎及藥品分部之收益／(虧損)	12,298	(5,266)
	104,075	1,511

14. 稅項 *(續)*

其他司法權區之稅項乃按相關司法權區之適用稅率計算。根據有關中國法律及法規，若干組成群龍集團之公司由首個獲利年度起獲豁免中國所得稅兩年，其後三年則獲稅項減半(「稅項寬減」)。由於此等公司已於截至二零零三年十二月三十一日止年度內出售，因此並無組成群龍集團之公司享有稅項寬減。

本年度稅項支出可與合併收益表內所列之稅前(虧損)溢利反映如下：

	截至十二月三十一日止年度		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
稅前(虧損)溢利	(310,310)	96,858	(54,304)
按平均所得稅率計算之稅款 *(附註a)*	(73,113)	18,258	(20,293)
分佔聯營公司業績之稅務影響	—	5,899	10,182
釐定應課稅溢利時不可課稅收入之稅務影響	(27,389)	(50,770)	(31,142)
計稅用不可扣減開支之稅務影響	92,749	29,636	35,373
去年撥備不足	238	—	1,937
未確認可扣稅臨時差額之稅務影響	12,546	1,979	8,410
未確認稅務虧損之稅務影響	—	255	—
動用先前未確認稅務虧損	(4,464)	—	(220)
本年度內的稅務支出	567	5,257	4,247

附註：

(a) 有關期間內平均所得稅率即不同司法權區營運之加權平均所得稅率，計算基準為稅前純利及相關法定稅率之有關款額。

(b) 於二零零三年、二零零四年及二零零五年十二月三十一日，群龍集團有未動用稅務虧損分別約8,364,000港元、9,214,000港元及8,480,000港元可用以抵銷未來溢利。鑑於未來溢利來源之不明朗性，故未有就未使用稅務虧損確認遞延稅項資產。

13. 融資成本

	截至十二月三十一日止年度		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
以下各項之利息：			
須於五年內悉數償還之銀行借貸	—	482	—
其他借貸及應付款項	55	1,009	—
	55	1,491	—

14. 稅項

	終止經營業務			持續經營業務			合併		
	二零零三年	二零零四年	二零零五年	二零零三年	二零零四年	二零零五年	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*
稅項支出包括：									
其他司法權區之稅項									
— 本年度	11,137	—	—	329	1,340	1,010	11,466	1,340	1,010
— 過往年度之撥備不足(超額)	—	—	—	238	—	(663)	238	—	(663)
香港利得稅									
— 本年度	—	—	—	—	3,917	1,300	—	3,917	1,300
— 過往年度之撥備不足	—	—	—	—	—	2,600	—	—	2,600
遞延稅項抵免 *(附註25)*	(770)	—	—	—	—	—	(770)	—	—
群龍集團應佔稅項	10,367	—	—	567	5,257	4,247	10,934	5,257	4,247

香港利得稅乃按截至二零零三年、二零零四年及二零零五年十二月三十一日止年度之估計應課稅溢利之17.5%計算。由於群龍與組成群龍集團之公司在截至二零零三年十二月三十一日止年度內並無應課稅溢利，故並無在該等年度之財務報表作出香港利得稅撥備。

12. 董事及僱員酬金 *(續)*

(b) 僱員酬金

於截至二零零五年十二月三十一日止三個年度各年，五名群龍集團最高薪酬人士包括零名、零名及兩名本公司董事，其薪酬於上文附註12(a)披露。其餘五名、五名及三名人士之薪酬如下：

	截至十二月三十一日止年度		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
薪金及其他福利	4,732	3,535	1,306
退休福利計劃	—	20	50
花紅	—	—	—
	4,732	3,555	1,356

	僱員人數 截至十二月三十一日止年度		
	二零零三年	二零零四年	二零零五年
零至1,000,000港元	5	5	3

於相關期間，群龍集團並無向五位最高薪酬人士支付酬金作為吸引彼等加入群龍集團或加入時支付之獎金或作為離職補償。

12. 董事及僱員酬金

(a) 董事酬金

董事於有關期間之酬金如下：

	截至十二月三十一日止年度		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
基本薪酬及津貼	77	117	458
	77	117	458
董事姓名			
陳國強	—	—	—
Yap, Allan	77	117	229
周美華	—	—	—
陳玲	—	—	229
李波	—	—	—
陳國鴻	—	—	—
呂兆泉	—	—	—
	77	117	458

董事酬金乃按猶如群龍集團之董事於相關期間或自各自之委任日期(以較短者為準)內一直獲委任而彼等就群龍集團之董事職務收取酬金而呈列。

於相關期間內，群龍集團並無向任何董事支付酬金以吸引彼等加盟群龍集團或於加盟時之獎金或離職補償。

並無董事於相關期間內放棄酬金。

10. 應收貸款及利息撥備

於二零零三年、二零零四年及二零零五年十二月三十一日，董事檢討群龍集團之應收貸款及利息之賬面值，並於經參考估計未來現金流量按初步確認之實際利率折讓計算後，釐定若干應收貸款及利息之可追回金額低於其賬面值。因此，已於截至二零零三年十二月三十一日、二零零四年十二月三十一日及二零零五年十二月三十一日止年度之收益表分別扣除為數約50,645,000港元、32,419,000港元及31,116,000港元之減值虧損。

11. 稅前(虧損)溢利

	終止經營業務			持續經營業務			合併		
	二零零三年	二零零四年	二零零五年	二零零三年	二零零四年	二零零五年	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*
稅前(虧損)溢利已扣除下列各項：									
員工成本									
－董事酬金 *(附註12(a))*	—	—	—	77	117	458	77	117	458
－其他員工成本 *(附註12(b))*	144,530	11,619	—	525	618	1,306	145,055	12,237	1,306
－退休福利計劃供款(不包括董事)	26,925	469	—	23	26	50	26,948	495	50
－冗員支出	1,938	—	—	—	—	—	1,938	—	—
總員工成本	173,393	12,088	—	625	761	1,814	174,018	12,849	1,814
核數師酬金									
本年度	725	427	—	3,174	3,286	4,721	3,899	3,713	4,721
過往年度撥備不足	—	392	—	—	—	—	—	392	—
物業、廠房及設備之折舊及攤銷	57,576	2,000	—	—	31	5,865	57,576	2,031	5,865
計算入行政支出之商譽攤銷	1,628	155	—	—	—	—	1,628	155	—

8. 其他收入

	截至十二月三十一日止年度		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
應收貸款之利息收入	24,579	38,637	24,390
銀行利息收入	3,274	3,197	350
非上市可換股票據利息收入	843	4,297	5,022
匯兑收益淨額	22,352	3,072	—
按公平值計入損益賬之證券投資之公平值變動	—	70	1,208
出售按公平值計入損益賬之證券投資收益	—	2,959	—
上市投資之股息收入	60	—	—
出售物業、廠房及設備之收益	422	—	—
其他	4,349	428	2,652
	55,879	52,660	33,622

9. 其他支出

	截至十二月三十一日止年度		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
收購附屬公司之商譽之減值虧損 *(附註)*	20,387	—	—
呆壞賬撥備	6,919	1,724	18,575
按公平值計入損益賬之證券投資之公平值變動	8,121	—	—
出售按公平值計算損益賬證券投資之虧損	1,774	—	716
應收聯營公司款項撥備	2,458	4,099	—
匯兑虧損淨額	—	—	3,739
其他	1,123	3,197	—
	40,782	9,020	23,030

附註：

於二零零四年三月十九日，群龍集團訂立有條件協議以於二零零三年十二月三十一日後出售其於Tung Fong Hung Investment Limited(「Tung Fong Hung」)之全部權益予第三方。董事已考慮上述出售之應收代價及Tung Fong Hung之經營虧損並認為收購Tung Fong Hung產生之商譽應佔之減值虧損約為20,000,000港元。有關金額已因此於合併收益表扣除。

7. 分部資料 *(續)*

群龍集團按地區市場劃分之營業額分析如下(當中並無計及貨品及服務之來源地):

	截至十二月三十一日止年度		
	二零零三年	**二零零四年**	**二零零五年**
	千港元	*千港元*	*千港元*
中國	—	—	5,298
香港	—	—	—
海外	—	—	—
	—	—	5,298

分部資產之賬面值與資本添置按資產所在地區分析如下:

	分部資產之賬面值			資本添置		
	於十二月三十一日			截至十二月三十一日止年度		
	二零零三年	**二零零四年**	**二零零五年**	**二零零三年**	**二零零四年**	**二零零五年**
	千港元	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*
中國	752,431	[illegible]	118,579	260,872	47,012	113,183
香港	1,638,133	2,371,568	2,126,456	7,978	1,864	331
海外	173,534	165,802	165,656	—	—	—
	2,564,098	2,537,370	2,410,691	268,850	48,876	113,514

7. 分部資料 *(續)*

	證券投資與墊款	採砂	其他	合併
	千港元	*千港元*	*千港元*	*千港元*
於二零零五年十二月三十一日之資產與負債				
資產				
分部資產	440,935	110,716	114,151	665,802
於聯營公司之權益	—	—	558,738	558,738
未分攤總資產				1,275,009
合併總資產				2,499,549
負債				
分部負債	(6,674)	(736)	(18,796)	(26,206)
未分攤企業負債				(3,048,586)
合併總負債				(3,074,792)
截至二零零五年十二月三十一日止年度之其他資料				
資本支出				
— 物業、廠房及設備	331	113,183	—	113,514
— 收購附屬公司之商譽	—	9,123	—	9,123
— 收購聯營公司之商譽	—	—	10,181	10,181
折舊及攤銷	40	5,811	14	5,865
呆壞賬撥備	7,823	—	10,752	18,575
應收貸款及利息之撥備	31,116	—	—	31,116

7. 分部資料 *(續)*

	證券投資與墊款	採砂	其他	合併
	千港元	*千港元 (附註)*	*千港元*	*千港元*
截至二零零五年十二月三十一日止年度				
(i) **營業額**				
— 對外	—	5,298		5,298
(ii) **其他收入**				
— 利息收入	24,395	—	5,367	29,762
— 其他	1,124	2,059	677	3,860
	25,519	2,059	6,044	33,622
業績				
分部業績	(25,528)	1,576	(26,984)	(50,936)
未分攤企業支出				(3,198)
按公平值列賬並在損益表內處理之證券投資	(716)	—	—	(716)
非上市可換股票據之換股選擇權之公平值之變動	—	—	(39,743)	(39,743)
出售附屬公司權益之虧損				(2,814)
所佔聯營公司之業績				43,103
税前虧損				(54,304)
税項				(4,247)
年度虧損淨額				(58,551)

附註：於本年度，群龍集團以50,000,000港元之現金總代價分別收購東莞市江海已發行股本之88%權益及廣州耀陽已發行本公司股本之全部權益。該兩間新收購附屬公司從事採砂業務。於收購事項完成後，採砂分部將被視作群龍集團之新業務分部。

7. 分部資料 *(續)*

業務分部 *(續)*

	藥品	證券投資與墊款	其他	合併
	千港元	*千港元*	*千港元*	*千港元*
於二零零四年十二月三十一日之資產與負債				
資產				
分部資產	—	300,009	231,803	531,812
於聯營公司之權益	—	—	309,149	309,149
非上市可換股票據及應收一間聯營公司之貸款	—	—	187,967	187,967
未分攤總資產				1,508,442
合併總資產				2,537,370
負債				
分部負債	—	(580)	(25,590)	(26,170)
未分攤企業負債				(3,073,568)
合併總負債				(3,099,738)
截至二零零四年十二月三十一日止年度之其他資料				
資本支出				
— 物業、廠房及設備	1,370	—	494	1,864
— 收購物業權益支付之按金	—	—	47,012	47,012
折舊及攤銷	2,000	—	31	2,031
貸款及應收利息撥備	—	32,419	—	32,419
呆壞賬撥備	—	—	1,724	1,724
應收聯營公司款項撥備	—	—	4,099	4,099
出售附屬公司權益之虧損	5,266	—	—	5,266

7. 分部資料 *(續)*

業務分部 *(續)*

	終止經營業務	持續經營業務				
		證券投資				
	藥品	與墊款	其他	小計	對銷	合併
	千港元	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*
截至二零零四年十二月三十一日止年度						
(i) **營業額**						
— 對外	96,262	—	—	—	—	96,262
— 分部間	—	—	1,200	1,200	(1,200)	—
	96,262	—	1,200	1,200	(1,200)	96,262
(ii) **其他收入**						
— 利息收入	17	40,622	5,509	46,131	—	46,148
— 其他	446	6,529	—	6,529	—	6,975
	463	47,151	5,509	52,660	—	53,123
業績						
分部業績	6,777	20,217	2,758	22,975	—	29,752
未分攤企業支出						(21,606)
融資成本	—	(486)	(1,005)	(1,491)	—	(1,491)
非上市可換股票據之換股選擇權之公平值之變動	—	—	76,959	76,959	—	76,959
出售附屬公司權益之虧損	(5,266)	—	—	—	—	(5,266)
出售聯營公司權益之收益	—	—	57,542	57,542	—	57,542
所佔聯營公司之業績	—	—	(37,521)	(37,521)	—	(37,521)
税前溢利	1,511			96,858		98,369
税項	—			(5,257)		(5,257)
年度溢利	1,511			91,601		93,112

分部間銷售乃按群龍集團旗下公司之間所決定及協定之條款收取。

7. 分部資料 *(續)*

業務分部 *(續)*

	輪胎	藥品	證券投資與墊款	其他	合併
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
於二零零三年十二月三十一日之資產與負債					
資產					
分部資產	—	88,395	1,335,051	70,324	1,493,770
於聯營公司之權益	—	15,416	—	492,694	508,110
非上市可換股票據及應收一間聯營公司之貸款	—	—		320,674	320,674
未分攤總資產					241,544
合併總資產					2,564,098
負債					
分部負債	—	(56,505)	(4,110)	(16,232)	(76,847)
未分攤企業負債					(3,102,039)
合併總負債					(3,178,886)
截至二零零三年十二月三十一日止年度之其他資料					
資本支出 — 物業、廠房及設備	260,872	7,978	—	—	268,850
折舊及攤銷	47,750	11,454	—	—	59,204
收購附屬公司之商譽減值虧損	—	—	—	20,387	20,387
應收貸款及利息撥備	—	—	50,645	—	50,645
墊付予聯營公司之應收款項撥備	—	—	12,712	—	12,712
呆壞賬撥備	—	—	—	6,919	6,919
按公平值計入損益賬之證券投資之公平值變動	—	—	8,121	—	8,121
應收聯營公司款項撥備	2,458	—	—	—	2,458
存貨撇銷	—	4	—	—	4
出售證券投資虧損	—	—	1,774	—	1,774

7. 分部資料

業務分部

根據集團重組，從事物業發展、採砂及投資控股將被群龍收購，亦代表群龍集團現時之主要業務分部。就業務分部之呈列而言，除於二零零五年開始經營之採砂業務外，於有關期間，物業開發及投資控股分部均撥歸「其他」分部。

於有關期間內，群龍集團旗下若干從事生產及銷售中西藥產品業務、輪胎業務、消費品、電子產品及重工業之公司，已於出售該等公司所持業務後終止經營。該等終止經營業務詳情如下。

群龍集團按業務分部分析之營業額及經營業績，以及資產與負債分類資料如下：

	終止經營業務			持續經營業務			
	輪胎	藥品	小計	證券投資與墊款	其他	小計	合併
	千港元	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*
截至二零零三年十二月三十一日止年度							
(i) **營業額**							
— 對外	2,635,235	249,258	2,884,493	—	—	—	2,884,493
(ii) **其他收入**							
— 利息收入	4,457	49	4,506	25,175	3,521	28,696	33,202
— 股息收入	—	—	—	60	—	60	60
— 出售物業、廠房及設備之收益	15,573	—	15,573	—	422	422	15,995
— 其他	2,248	2,937	5,185	—	26,701	26,701	31,886
	22,278	2,986	25,264	25,235	30,644	55,879	81,143
業績							
分部業績	100,304	(20,184)	80,120	19,548	(18,097)	1,451	81,571
未分攤企業支出							(30,763)
融資成本	(31,689)	(2,352)	(34,041)	(55)	—	(55)	(34,096)
出售附屬公司權益之收益	3,711	8,587	12,298	—	11	11	12,309
視為出售聯營公司之虧損	—	—	—	(36,480)	—	(36,480)	(36,480)
所佔聯營公司之業績	14,188	2	14,190	(202,262)	12,375	(189,887)	(175,697)
墊付予一家聯營公司之應收賬撥備	—	—	—	(12,712)	—	(12,712)	(12,712)
税前溢利／(虧損)			114,442			(310,310)	(195,868)
税項			(10,367)			(567)	(10,934)
年度溢利／(虧損)			104,075			(310,877)	(206,802)

5. 財務風險管理目標及政策 *(續)*

貨幣風險

貴公司若干附屬公司有以外幣進行銷售，使群龍集團承受外幣風險。另外，群龍集團若干應收貿易款項、應付貿易款項、銀行結餘及銀行借款以外幣為單位。群龍集團現時並無外幣對沖政策。然而，管理層監察外幣風險，並將於有需要時考慮對沖重大外幣風險。

其他價格風險

群龍集團投資於按公平值計入損益賬之證券投資乃按於各個結算日之公平值計量。因此，群龍集團承受股本證券及債項價格風險。管理層透過持有具有不同風險狀況之投資組合管理有關風險。

資金流動風險

群龍集團之目標為在資金持續性及透過其營運產生資金之靈活性之間保持平衡。董事已審慎考慮現時群龍集團將其資金流動狀況而採取之措施。年內，群龍集團繼續透過營運成本收緊成本監控，從而改善群龍集團付現金流量、盈利能力及營運。董事相信，貴集團有足夠營運資金供其未來營運所需。

6. 營業額

營業額指相關期間內向外界客戶已收及應收之款項淨額扣除銷售稅及商業稅，分析如下：

	截至十二月三十一日止年度		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
貨品銷售，扣除退貨及銷售稅	—	—	5,298

4. 主要不確定估計來源 *(續)*

應收貸款及應收利息減值估算

群龍集團應收貸款及應收利息之減值虧損乃以可收回性評估、賬目之賬齡分析及管理層之判斷進行評估。評估該等應收款項之最終變現情況時須作出不少判斷，包括各借款人或債務人現時之信用水平。倘群龍集團之借款人或債務人財政狀況轉壞，導致彼等之還款能力降低，將可能須作進一步撥備。於二零零三年、二零零四年及二零零五年十二月三十一日，已作出應收貸款及應收利息撥備分別為50,645,000港元、32,419,000港元及31,116,000港元。

5. 財務風險管理目標及政策

群龍集團之主要金融工具包括應收貸款及利息、應收聯營公司款項、應收貿易款項、其他應收款項及訂金、按公平值計入損益賬之證券投資、應付貿易款項、應付款項、應付聯營公司款項、應付關連公司款項，以及銀行及其他借款。該等金融工具之詳情分別載於附註。該等金融工具之相關風險及減低該等風險之政策載於下文。管理層管理及監控有關風險，以確保能適時有效地採取適當措施。

信貸風險

群龍集團就倘交易對手未能履行其於結算日之契約所面對最大信貸風險為綜合資產負債表有關資產負債表各項目及於綜合資產負債表呈列之外各項財務資產所呈列賬面值。為減低信貸風險，群龍集團之管理層已委派隊伍負責釐定信貸限額、信貸批核及其他監管程序，以確保能採取善後工作收回逾期債務。此外，群龍集團於每個結算日審閱各項個別貿易債務之可收回金額，以確保就無法收回之款項作出足夠減值虧損。就此，貴公司之董事認為，群龍集團之信貸風險已大大減少。

流動資金及衍生金融工具之信貸風險有限，此乃因為對手方均為獲國際信貸評級機構評定高信貸評級之銀行。

群龍集團之信貸風險並不明顯集中，所承受之風險分散至多個對手方及客戶。

3. 採納香港財務報告準則 *(續)*

香港會計準則第1號(修訂本)	「資本披露」[1]
香港會計準則第19號(修訂本)	「精算盈虧、集團計劃及披露」[2]
香港會計準則第21號(修訂本)	「海外業務之投資淨額」[2]
香港會計準則第39號(修訂本)	「預測集團內部交易之現金流量對沖會計法」[2]
香港會計準則第39號(修訂本)	「公平值選擇」[2]
香港會計準則第39號及香港財務報告準則第4號(修訂本)	「財務擔保合約」[2]
香港財務報告準則第6號	「開採及評估礦物資源」[2]
香港財務報告準則第7號	「金融工具：披露」[1]
香港財務報告準則-詮釋第4號	「釐定一項安排是否包含租賃」[2]
香港財務報告準則-詮釋第5號	「清拆、復修及環境重建基金產生之權益中之權利」[2]
香港(IFRIC) — 詮釋第6號	「因參與特定市場 — 廢料電力及電子設備產生之負債」[3]
香港(IFRIC) — 詮釋第7號	「應用香港會計準則第29號「嚴重通賬經濟之財務報告」之重列法」[4]
香港(IFRIC) — 詮釋第8號	「香港財務報告準則第2號之範圍」[5]
香港(IFRIC) — 詮釋第9號	「重估內在衍生工具」[6]

[1] 於二零零七年一月一日或以後開始之年度期間生效。
[2] 於二零零六年一月一日或以後開始之年度期間生效。
[3] 於二零零五年十二月一日或以後開始之年度期間生效。
[4] 於二零零六年三月一日或以後開始之年度期間生效。
[5] 於二零零六年五月一日或以後開始之年度期間生效。
[6] 於二零零六年六月一日或以後開始之年度期間生效。

4. 主要不確定估計來源

於應用群龍集團之會計政策時，管理層根據過往經驗、未來預期及其他資料作出若干估計。可能對已於財務資料確認之金額構成重大影響之主要不確定估計來源披露如下：

商譽減值估算

就釐定商譽有否出現減值而言，須估計經分配商譽之現金產生單位之使用價值。計算使用價值時，群龍集團須估計預期來自該現金產生單位之日後現金流量，並訂出適用折現率以計算現值。倘若實際未來現金流量少於預期，則可能產生重大減值虧損。於截至二零零五年十二月三十一日止三年內，群龍集團管理層釐定商譽並無減值。商譽減值測試詳情載於附註20。

2(c). 主要會計政策 *(續)*

稅項

所得稅開支指現時應付稅項及遞延稅項。

現時應付稅項乃按本年度／期間應課稅盈利計算。應課稅盈利與收益表中所報盈利淨額不同，乃由於前者不包括在其他期間應課稅或可扣稅收入及開支，並且不包括收益表內從未課稅及扣稅之項目。群龍集團之本期稅項負債乃按現行稅率或結算日時實際確立之稅率計算。

遞延稅項為就綜合財務報表資產及負債賬面值及計算應課稅盈利相應稅基差額而預期須支付或收回之稅項，並以資產負債表負債法處理。遞延稅項負債通常會就所有應課稅臨時差額確認，而遞延稅項資產乃按可能出現可利用臨時差額扣稅之應課稅盈利時提撥。因商譽或因業務合併以外原因開始確認其他資產及負債而引致之臨時差額既不影響應課稅溢利、亦不影響會計盈利，則不會確認該等資產及負債。

遞延稅項負債乃按因於附屬公司及聯營公司之投資而引致之應課稅臨時差異而確認，惟若群龍集團作為母公司可令臨時差額對沖及臨時差額有可能未必於可見將來對沖之情況除外。

遞延稅項資產之賬面值於每個結算日作檢討，並於沒可能會有足夠應課稅盈利恢復全部或部分資產價值時作調減。

遞延稅項乃按預期於負債清償或資產變現期間適用之稅率計算。遞延稅項於綜合收益表中扣除或計入綜合收益表。惟倘遞延稅項直接在股本權益中扣除或計入股本權益之情況(在此情況下遞延稅項亦會於股本權益中處理)除外。

3. 採納香港財務報告準則

群龍集團並無提早採納以下已頒佈但仍未生效之新準則及詮釋。群龍集團董事預期應用此等準則或詮釋將不會對群龍集團之財務報表構成重大影響，惟香港會計準則第39號(修訂本)—公平值選擇規定群龍集團須將任何過往指定為按公平值計入損益表之金融資產或金融負債解除指定，惟根據該等新訂及經修訂段落不合資格按此獲指定者除外。在一項金融資產或金融負債在解除指定後將按攤銷成本計量，而解除指定日期將視為其初步確認之日期。

2(c). 主要會計政策 *(續)*

金融工具 *(續)*

貸款及應收款項

貸款及應收款項乃並無活躍市場報價之定額或待定付款之非衍生金融工具。於初步確認後每個結算日，貸款及應收款項(包括應收款項、應收貿易賬款、應收聯營公司欠款、應收前同系附屬公司款項)以實際利率法按攤銷成本減任何已識別減值虧損入賬。減值虧損當有客觀證據顯示資產減值時於損益確認，並按資產賬面值與按原訂實際利率折算之估計未來現金流量之現值間的差額計量。倘資產之可收回金額增加客觀地與於確認減值後發生之事件有關，則減值虧損會於隨後會計期間撥回，惟該資產於減值撥回之該日之賬面值不得超過並無確認減值之攤銷成本。

金融負債及股本

群龍集團發行之金融負債及股本工具乃按所訂立合約安排之性質與金融負債及股本工具之定義分類。

股本工具為有證據顯示群龍集團於資產中扣減所有負債後有剩餘資產權益之任何合約。群龍集團之主要金融負債一般為其他金融負債。採納之會計政策載於下文。

其他金融負債

其他金融負債包括應付貿易款項、其他應付款項及應計費用、應付款項、應付聯營公司款項、應付前同系附屬公司款項、銀行貸款及其他借貸，乃其後以實際利率法按攤銷成本計量。

股本工具

本公司發行的股本工具按已收取款項扣減發行直接成本列賬。

2(c). 主要會計政策 *(續)*

金融工具 *(續)*

二零零五年一月一日開始，金融資產及金融負債於群龍集團成為工具合約條文之訂約方時於資產負債表確認。金融資產及金融負債初步按公平值計量。購入或發行金融資產及金融負債(按公平值計入損益之金融資產及金融負債除外)直接歸於應佔之交易成本於初步確認時加入金融資產或金融負債之公平值或自金融資產或金融負債之公平值扣除(按適用情況而定)。購入按公平值計入損益之金融資產或金融負債直接應佔之交易成本即時於溢利或虧損確認。

金融資產

群龍集團之金融資產分類為下列三個類別，包括按公平值計入損益之金融資產、貸款及應收款項及可供出售之金融資產。所有定期購買或出售之金融資產乃按交易日基準確認及解除確認。定期購買或出售須按市場規則或慣例設定之時限內交付資產之金融資產購買或出售。所採納之會計政策載於下文。

按公平值計入損益之金融資產

按公平值計入損益之金融資產分為兩分類，包括於初步確認時指定為持作買賣及按公平值計入損益之金融資產。於初步確認後各個結算日，按公平值計入損益之金融資產乃按公平值計量，而公平值變動在其產生之相關期間即時直接在損益反映。

內在衍生工具

若可換股票據之換股權屬於內在衍生工具，則須與可換股票據分開確認，並於首次確認時以及於其後之報告日期按公平值計算。有關換股權之公平值乃使用有關期權定價模式於認購可換股票據當日以及其後之報告日期估計。非上市可換股票據之換股權公平值之變動乃直接計入損益表。

2(c). 主要會計政策 *(續)*

外幣 *(續)*

就呈列合併財務資料目的而言，群龍集團海外業務之資產及負債均按結算日之匯率換算為本公司之呈列貨幣(即港元)，而其收入及開支項目乃按年內平均匯率換算，除非有關期間內匯率出現重大波幅，於此情況下，將採用交易日期之匯率。所產生匯兑差額(如有)確認為股本權益之獨立部份(匯兑儲備)。有關匯兑差額於該項海外業務出售之相關期間之損益確認。

於二零零五年一月一日或之後收購海外業務產生之所收購可識別資產之商譽及公平值調整，乃列作海外業務資產及負債，並按結算日當時之匯率換算。匯兑差額於匯兑儲備確認。

於二零零五年一月一日之前收購海外業務產生之商譽及公平值調整，乃列作收購人之非貨幣外幣項目處理，並按收購日當時之歷史匯率呈報。

退休福利計劃

向強制性公積金計劃及中央公積金計劃所作供款於到期應付時支銷。

金融工具

於二零零五年一月一日前，證券投資乃按交易日之基準確認及初步按成本計算。

持有至到期日債務證券以外之投資列作投資證券及其他投資。

投資證券(為持作明確長期投資目的之證券)乃於隨後之申報日期按成本計算，及減去任何非暫時性質之減值虧損。

其他投資乃按公平值計算，連同未變現收益及虧損計入期內之溢利或虧損淨額內。

2(c). 主要會計政策 *(續)*

租賃

凡根據租約條款，擁有權之絕大部份風險與回報轉歸承租人所有之租約，均列作融資租約。所有其他租約皆列作經營租約。

群龍集團為承租人

根據融資租約持有之資產乃按訂立租約當日之公平值或最低租金現值兩者之較低者，確認為群龍集團之資產。出租人之相應債務乃計入合併資產負債表作融資租賃承擔。租金乃分作財務費用及租約債務之減少，以就債務餘額以固定利率計算利息。財務費用乃直接計入損益表。

經營租約之應付租金以直線法按有關租期計入損益表。作為訂立經營租約之已收利益及應收款項以直線法按有關租期計算為租金費用之減少。

外幣

編製個別集團實體之財務報表時，以該實體功能貨幣以外貨幣(外幣)進行之交易乃按其功能貨幣(即實體主要經營之經濟環境之貨幣)於交易日期當時之匯率記錄。於各結算日，以外幣列值之貨幣項目以結算日之匯率重新換算。按公平值列賬且按外幣列值之非貨幣項目乃按釐定公平值當日匯率重新換算。以過往成本計算之外幣非貨幣項目不予重新換算。

清付貨幣項目及換算貨幣項目所產生之匯兑差額會於產生之有關期間在損益反映。重新換算按公平值列賬之非貨幣項目乃計入有關期間內損益，惟重新換算收益及虧損有關之非現金項目所產生差額會直接於股本權益確認，在此情況下，有關匯兑差額會直接於股本權益確認。

2(c). 主要會計政策 *(續)*

物業、廠房及設備

在建工程

在建工程按成本列賬，包括土地成本攤銷、相關建築成本減去累計減值虧損。在建工程均不予折舊，直至有關物業或資產落成及可供使用為止。

其他物業、廠房及設備

物業、廠房及設備(在建工程除外)乃按成本減其後之累計折舊、累計攤銷及累計減值虧損列賬。

各項物業、廠房及設備(發展中物業除外)之折舊以撇銷成本，經考慮其估計剩餘價值後，於其估計可使用年期按直線法計算。

根據融資租賃持有之資產之折舊乃按其估計可使用年期根據自置資產之相同基準或相關租賃之年期兩者之較短者計算。

物業、廠房及設備項目於出售後或當預期持續使用該資產將不會產生未來經濟利益時解除確認。解除確認資產產生之任何收益或虧損(按出售所得款項淨額與該項目賬面值之差額計算)會計入於該項目解除確認年度之綜合損益表。

持有作出售之非流動資產

倘非流動資產及出售組別之帳面值可通過銷售交易(而非通過持續使用)收回，則該項非流動資產將劃分為持作出售項目。僅於出售機會相當高及資產(或出售組別)可於現況下即時出售時，本條件方被視為達成。

劃分為持作出售項目之非流動資產(及出售組別)，乃按資產(出售組別)過往帳面值及公平價值(以較低者為準)扣減銷售成本計算。

借貸成本撥作資本

收購、建造或生產合資格資產直接應佔之借貸成本均撥充該等資產之部份成本。在該等資產大致上可供擬定用途或銷售時，有關借貸成本則不再撥充資本。特定借款在用於合資格資產前進行暫時投資所得之投資收入，在合資格撥作資本之借貸成本中扣除。

所有其他借貸成本於產生時於有關期間之損益中確認。

2(c). 主要會計政策 *(續)*

商譽 *(續)*

收購者於被收購公司之可識別資產、負債及或然負債中應佔公平淨值之權益超出成本之差額(「收購折讓」)

就收購附屬公司或聯營公司而訂立日期為二零零五年一月一日或以後之協議產生之折讓指被收購公司之可識別資產、負債及或然負債公平淨值高出業務合併成本之數額。收購聯營公司產生之折讓(以權益會計法計算)乃於釐定於收購投資相關期間，投資者所佔聯營公司之業績時計入收入。

二零零一年一月一日後收購產生之負商譽會列作資產之扣減並將根據產生有關結餘之情況之分析回撥為收益。

於二零零五年一月一日之所有負商譽已解除確認並於群龍集團之虧絀作出相應調整。

於聯營公司之權益

聯營公司之業績及資產與負債以權益會計法合併計入財務報表。根據權益法，於聯營公司之投資乃按成本(就群龍集團所佔溢利或虧損之收購後變動及聯營公司權益之變動作出調整)減任何已識別減值虧損計入綜合資產負債表。倘群龍集團應佔聯營公司之虧損相等於或超出其於該聯營公司之權益(包括實質組成群龍集團於該聯營公司投資淨額之任何長期權益)，群龍集團將終止確認其應佔之進一步虧損。僅於群龍集團產生法定或推定責任或代表該聯營公司支付款項時，始會作出額外應佔虧損撥備及確認負債。

不論是否有減值跡象，商譽(已列入聯營公司權益)按年測試減值，方法為比較其賬面值及其可收回款項。倘商譽之可收回款項估計將少於其賬面值，賬面值將減至其可收回款項，減值虧損隨即確認為支出。

當群龍集團與聯營公司進行交易時，溢利及虧損會以群龍集團佔有關聯營公司之權益為限予以撇銷。

減值虧損(不包括商譽(見上文有關商譽之會計政策))

群龍集團於每個結算日均會對其資產之賬面值作出檢討，以確認有否任何跡象顯示有關資產出現減值虧損。倘估計資產之可收回金額低於其賬面值，則會將資產之賬面值調低至可收回金額，減值虧損乃即時確認為開支。

倘減值虧損其後出現逆轉，則有關資產之賬面值將調升至經修訂之估計資產可收回金額，惟增加之賬面值不得超出假設有關資產未有於過往年度確認減值虧損時所釐定之賬面值。減值虧損之撥回即時確認為收益。

2(c). 主要會計政策 *(續)*

商譽

於二零零五年一月一日前收購產生之商譽

於二零零五年一月一日前之協議日期收購附屬公司或聯營公司產生之商譽，指收購成本高於群龍集團於收購相關附屬公司或聯營公司當日應佔有關公司可辨識資產、負債之公平值之數。

二零零一年一月一日前收購產生之商譽先前在儲備確認，已轉撥至群龍集團於二零零五年一月一日之累計虧損。

就二零零一年一月一日後產生之過往已撥充資本商譽而言，群龍集團已自二零零五年一月一日起已終止攤銷，而有關商譽乃每年或有顯示商譽有關之現金產生單位可能出現減值時，進行減值測試(見下述會計政策)。

於二零零五年一月一日或以後收購產生之商譽

就收購附屬公司或聯營公司而訂立日期為二零零五年一月一日或以後之協議產生之商譽指收購成本超逾群龍集團於收購當日應佔有關附屬公司或聯營公司可識別資產及負債公平值權益之數額。有關商譽按成本減任何累計減值虧損列賬。

收購附屬公司產生之撥充資本商譽於綜合資產負債表獨立呈列。收購聯營公司產生之撥充資本商譽(以權益會計法計算)計入有關聯營公司投資之成本。

就減值測試目的而言，收購附屬公司產生之商譽會分配至預期可自收購之協同效益獲益之各相關現金產生單位或各組現金產生單位。經分配商譽之現金產生單位會每年或於有跡象顯示該單位可能出現減值時進行減值測試。就於一個財政年度收購附屬公司所產生商譽而言，經分配商譽之現金產生單位會於該財政年度年結前進行減值測試。倘現金產生單位之可收回金額低於其賬面值，則減值虧損會先用作減低任何分配至該單位之商譽之賬面值，其後則按該單位內各項資產賬面值之比例分配至該單位之其他資產。商譽之任何減值虧損將直接於合併收益表確認。就商譽確認之減值虧損不會於往後期間撥回。

於其後出售附屬公司或聯營公司時，釐定出售損益時會計入撥充資本之商譽應佔金額。

2(b). 會計政策變動之影響摘要 *(續)*

(iii) 對資產負債表項目

採用新香港財務報告準則對於二零零四年十二月三十一日及二零零五年一月一日之累積影響概述如下：

群龍集團	於二零零四年十二月三十一日(原先呈列)	影響 香港財務報告準則第3號	影響 香港財務報告準則第39號	於二零零五年一月一日(重列)
	千港元	*千港元*	*千港元*	*千港元*
資產負債表項目				
於聯營公司之權益				
— 負商譽	(47,058)	47,058	—	—
	(47,058)	47,058	—	—
證券投資				
— 非流動	71,959	—	(71,959)	—
按公平值計入損益賬之證券投資	—	—	71,959	71,959
對資產之總影響	24,901	47,058	—	71,959
綜合產生之商譽	(59,343)	59,343	—	—
累計虧損	1,168,583	(106,401)	—	1,062,182
對權益之總影響	1,109,240	(47,058)	—	1,062,182

2(c). 主要會計政策

財務資料乃根據歷史成本慣例法編製，惟誠如下述會計政策所闡釋，證券投資及金融工具乃按公平值計量。財務資料已遵照由香港會計師公會頒佈之香港財務報告準則所載之下列主要會計政策編製。

收入之確認

營業額指就群龍集團銷售貨品之已收及應收款項之公平值減折扣撥備及退貨。

群龍集團於有關期間之收入乃按下列基準確認：

銷售貨品乃在貨品交付及貨品擁有權已轉移時予以確認。

證券投資所得股息收入乃在群龍集團收取股息之權利確定後予以確認。

利息收入乃根據未償還之本金按時間比例及適用實際息率累計，即實際上貼現於金融工具預期壽命內之估計未來收取現金至其賬面值之比率。

2(b). 會計政策變動之影響摘要

附註2(a)所述之會計政策變動對有關期間業績之影響如下：

(i) 對業績

	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
不再攤銷之商譽	—	—	456
非上市可換股票據之換股選擇權公平值之變動	—	76,959	(39,743)
分佔聯營公司業績			
— 酒店物業折舊	—	(3,192)	(8,252)
年度(虧損)溢利增加	—	73,767	(47,539)

(ii) 對收益表項目

	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
行政費用之減少	—	—	456
非上市可換股票據之換股選擇權之公平值變動	—	76,959	(39,743)
分佔聯營公司業績減少	—	(3,192)	(8,252)
	—	73,767	(47,539)

2(a). 應用香港財務報告準則／會計政策之變動 *(續)*

金融工具 *(續)*

金融資產及金融負債之分類及計量

群龍集團已採用香港會計準則第39號之相關過渡條文，內容是有關屬於香港會計準則第39號範疇內之金融資產及金融負債之分類及計量。

於二零零四年十二月三十一日或之前，群龍集團乃按照香港會計師公會頒佈之香港會計實務準則第24號「證券投資之會計」(「會計實務準則第24號」)之基準處理方法來分類及計量其債務及股本證券。債務或股本證券投資乃分類列作「投資證券」或「其他投資」(如適用)。「投資證券」按成本值減減值虧損列賬而「其他投資」則按公平值估量，並將未變現損益計入利潤或虧損。自二零零五年一月一日起，群龍集團根據香港會計準則第39號分類及計量其債務及股本證券。根據香港會計準則第39號，金融資產乃分類列作「按公平值列賬並在損益表內處理之金融資產」、「可供出售金融資產」、「貸款及應收款項」或「持至到期之金融資產」。上述分類視乎所購入資產之目的而定。「按公平值列賬並在損益表內處理之金融資產」及「可供出售金融資產」按公平值列賬，而有關公平值之變動則分別於損益及權益中確認。「貸款及應收款項」及「持至到期之金融資產」利用實際利息法按攤銷成本計量。

由二零零五年一月一日起，群龍集團根據香港會計準則第39號之規定將其債務及股本證券投資分類及計量。於二零零四年十二月三十一日，賬面值約71,959,000港元被分類為非流動資產之其他投資現重新分類為證券投資，並指定按公平值列賬並在利潤或虧損內陳述。

內在衍生工具

根據香港會計師公會頒佈之香港會計準則第39號「金融工具：確認及計量」，若可換股票據之換股權屬於內在衍生工具，則須與可換股票據分開確認，並於首次記錄時以及於其後的報告日期按公平值計量。有關換股權之公平值代表認購可換股票據之折讓，乃使用有關期權定價模式於認購可換股票據當日以及其後的報告日期估計。二零零五年一月一日前，群龍集團根據香港會計準則第39號之規定計量內在衍生工具的公平值，故此於二零零五年一月一日並無進行調整。於有關期間內，群龍集團根據規定計量內在衍生工具的公平值，並確認非上市可換股票據換股權於結算日之公平值變動及該換股權之公平值變動之影響(已計入於截至二零零三年十二月三十一日、二零零四年十二月三十一日及二零零五年十二月三十一日止年度期間行使換股權部份之影響)分別為零、收益約76,959,000港元及虧損約39,743,000港元，並已於合併收益表確認。

2(a). 應用香港財務報告準則／會計政策之變動 *(續)*

業務合併 *(續)*

群龍集團已採用香港財務報告準則第3號之相關過渡規定。二零零五年一月一日後因收購而產生之商譽於首次確認後按成本值減累計減值虧損後入賬。此項會計政策之變動，致使本期間不再計算任何商譽攤銷。二零零四年之比較數字毋須重列。

群龍集團於被收購公司之可識別資產、負債及或然負債公平淨值中之權益超出成本之差額(前稱為「負商譽」)

根據香港財務報告準則第3號，群龍集團於被收購公司之可識別資產、負債及或然負債公平淨值中之權益超出收購成本之任何差額(「收購折讓」)乃於收購發生期間即時確認損益。於過往期間，於二零零一年一月一日前因收購而產生之負商譽保留在儲備，而於二零零一年一月一日後因收購產生之負商譽則根據得出結餘之情況分析，列為資產扣減並撥回收益。根據香港財務報告準則第3號之相關過渡規定，群龍集團不再確認於二零零五年一月一日之所有負商譽(其一約59,343,000港元負商譽原先記入儲備，及約47,058,000港元原先呈列作從聯營公司權益中扣減)以致二零零五年一月一日之累計虧損出現相應數額之減少。

被收購公司之或然負債

根據香港財務報告準則第3號，倘或然負債之公平值能可靠計量，被收購公司之或然負債乃於收購日期確認。以往，被收購公司由商譽中之或然負債不分開確認。由於並無發現與本期間進行之收購有關的重大被收購公司之或然負債，故此項會計政策之變動對計算商譽並無重大影響。此外，該項經修訂會計政策已前瞻性應用於協議日期為二零零五年一月一日或以後之收購，故並無重列二零零三年及二零零四年之比較數字。

金融工具

於截至二零零五年十二月三十一日止年度，群龍集團已採納香港會計準則第32號「金融工具：披露及呈列」及香港會計準則第39號「金融工具：確認及計量」。香港會計準則第32號規定追溯應用。採納香港會計準則第32號對於金融工具在群龍集團財務報表之呈列並無重大影響。落實香港會計準則第39號對群龍集團之主要影響概列如下：

財務資料附註

1. 財務資料之編製基準

現時組成群龍集團之公司於有關期間之合併收益表、合併權益變動報表及合併現金流動表，乃假設彼等於有關期間或自彼等各自之註冊成立或收購日期起(以較短者為準)或截至出售生效日期已以單一申報實體方式組建而編製。現時組成群龍集團之公司於二零零三年、二零零四年及二零零五年十二月三十一日之合併資產負債表之編製目的為呈列分派業務於各日期之資產與負債，猶如彼等於該等日期已以單一申報實體方式組建。

相關期間之財務資料乃以中策集團有限公司(「中策」)採納之會計政策。

財務資料乃按持續經營基準編製，原因為中策已承諾向組成群龍集團之公司提供持續財政支持，應付可見將來到期應付之財務承擔。

財務報表以港元呈列，而港元亦為群龍之功能貨幣。

集團內所有重大集團內交易及往來結餘已於合併賬目時抵銷。

2(a). 應用香港財務報告準則／會計政策之變動

群龍集團於編製截至二零零五年十二月三十一日止年度之財政資料時採納多項由香港會計師公會(「香港會計師公會」)所頒佈並對二零零五年一月一日或以後開始之會計期間生效之新香港財務報告準則、香港會計準則及詮釋(下文統稱為「新香港財務報告準則」)。採用該等新香港財務報告準則導致合併收益表、合併資產負債表及合併權益變動表之呈列變更。特別是少數股東權益之呈列方式已予更改。有關呈列方式之變動已作追溯應用。採納新香港財務報告準則導致群龍集團之會計政策於以下方面出現變動，並對本期及前會計期間之業績編製及呈列產生影響：

業務合併

於截至二零零五年十二月三十一日止年度，群龍集團已採納香港財務報告準則第3號「業務合併」，適用於協議日期為二零零五年一月一日或以後之業務合併。應用香港財務報告準則第3號對群龍集團之主要影響概述如下：

商譽

於二零零四年十二月三十一日前，於二零零一年一月一日前因收購而產生之商譽保留在儲備，而於二零零一年一月一日後因收購而產生之商譽則資本化，並按其估計可使用年期攤銷。

	截至十二月三十一日止年度		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
現金及現金等額(減少)增加淨額	(49,513)	(237,940)	32,722
年初之現金及現金等額	356,829	310,944	72,481
匯率變動之影響	3,628	(523)	(1,709)
年終之現金及現金等額	310,944	72,481	103,494
現金及現金等額結餘分析			
銀行結餘及現金	310,946	72,481	103,494
銀行透支	(2)	—	—
	310,944	72,481	103,494

	附註	截至十二月三十一日止年度 二零零三年 千港元	二零零四年 千港元	二零零五年 千港元
投資業務				
償還應收貸款及利息		697,425	160,903	345,672
聯營公司償還款項		92,267	143,214	—
出售證券投資所得款項		16,711	152,642	77,547
出售物業、廠房及設備所得款項		25,994	771	125
已抵押銀行存款增加		(45,259)	—	—
已收利息		4,506	7,200	8,488
出售聯營公司權益所得款項		23,887	110,341	—
出售附屬公司權益所得款項 (已扣除出售之現金及現金等額)	*35*	(58,564)	13,324	—
證券投資所得股息		60	—	—
收取聯營公司之股息收入		—	—	2,427
於聯營公司之投資		—	—	(63,152)
墊付予應收貸款及利息之款項		(553,342)	(501,146)	(285,122)
墊付予聯營公司之款項		(260,373)	(163,828)	—
購入證券投資		(23,278)	(26,250)	(78,259)
購置物業、廠房及設備		(268,682)	(1,864)	(331)
購入附屬公司(已扣除購入之現金及現金等額)	*36*	(785)	—	(9,651)
收購物業權益所付款項		—	(326)	(8,704)
應收前同系附屬公司款項(增加)減少		(229,601)	(121,456)	121,572
投資業務(所用)所得現金淨額		(579,034)	(226,475)	110,612
融資活動				
預收第三方／有關連人士款項		29,193	13,000	—
新籌集之銀行貸款及其他借貸		994,271	39,033	—
應付前同系附屬公司款項增加(減少)		380,907	24,596	(41,964)
償還銀行貸款及其他借貸		(721,048)	(4,827)	—
償還第三方／有關連人士款項		(44,108)	(43,537)	—
已付少數股東股息		(1,431)	—	—
融資租約債項之償還款項		(181)	(1)	—
已付利息		(32,848)	(883)	—
融資活動所得(所用)現金淨額		604,755	27,381	(41,964)

合併現金流動表

	截至十二月三十一日止年度		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
經營業務			
稅前(虧損)溢利	(310,310)	96,858	(54,304)
就以下項目作出調整：			
股息收入	(60)	—	—
利息收入	(33,202)	(46,148)	(29,762)
利息支出	34,096	1,491	—
物業、廠房及設備折舊	57,576	2,031	5,865
商譽攤銷	1,628	155	—
按公平值計入損益賬之證券投資之公平值變動	8,121	(70)	(1,208)
出售聯營公司權益之(收益)虧損	—	(57,542)	2,814
出售附屬公司權益之(收益)虧損	(12,309)	5,266	—
出售證券投資計入損益賬之虧損(收益)	1,774	(2,959)	716
視為出售聯營公司之虧損	36,480	—	—
呆壞賬撥備	6,919	1,724	18,575
應收聯營公司款項撥備	2,458	4,099	—
墊付予聯營公司之應收款項撥備	12,712	—	—
收購附屬公司之商譽之減值虧損	20,387	—	—
存貨撇銷	4	—	—
應收貸款及利息撥備	50,645	32,419	31,116
非上市可換股票據之換股選擇權公平值之變動	—	(76,959)	39,743
出售物業、廠房及設備之收益	(15,995)	—	—
所佔聯營公司之業績	175,697	37,521	(43,103)
終止經營業務之溢利	114,442	1,511	—
營運資金變動前之經營現金流量	151,063	(603)	(29,548)
存貨減少(增加)	22,997	17,657	(96)
應收貿易賬款增加	(10,287)	(118)	—
其他應收款項、按金及預付款項(增加)減少	(214)	(41,655)	19,272
應付貿易賬款、其他應付款項及應計費用增加(減少)	43,903	(10,021)	(8,127)
應收聯營公司款項增加	(29,065)	(4,097)	(15,164)
應付聯營公司款項增加(減少)	—	673	(387)
其他資產增加	(226,718)	(449)	(2,121)
應付所得稅及其他應付稅項減少	(19,493)	—	—
經營現金流出淨額	(67,814)	(38,613)	(36,171)
於其他司法權區已(繳付)退回稅款	(7,420)	(233)	245
經營業務所用現金淨額	(75,234)	(38,846)	(35,926)

合併權益變動報表

	股本	股東出資	綜合限目產生之商譽	匯兑儲備	其他非供分派儲備	累計虧損	小計	少數股東權益	總計
	千港元	千港元 (附註a)	千港元	千港元	千港元 (附註b)	千港元	千港元	千港元	千港元
群龍集團									
於二零零三年一月一日	10,777	191,479	121,049	(5,160)	39,942	(990,403)	(632,316)	722,277	89,961
匯兑調整	–	–	–	301	–	–	301	553	854
應佔聯營公司儲備變動	–	–	–	2,090	(172)	–	1,918	–	1,918
直接於股權確認之收入(支出)淨額	–	–	–	2,391	(172)	–	2,219	553	2,772
本年度虧損	–	–	–	–	–	(216,323)	(216,323)	9,521	(206,802)
出售聯營公司權益時變現	–	–	(20,333)	(128)	(238)	–	(20,699)	–	(20,699)
出售附屬公司權益時變現	–	–	6,852	(3,848)	(17,863)	17,863	3,004	(481,183)	(478,179)
本年度已確認收支總額	–	–	(13,481)	(1,585)	(18,273)	(198,460)	(231,799)	(471,109)	(702,908)
收購少數股東權益	–	–	–	–	–	–	–	(410)	(410)
付予少數股東權益之股息	–	–	–	–	–	–	–	(1,431)	(1,431)
調撥	–	–	–	–	1,339	(1,339)	–	–	–
於二零零三年十二月三十一日	10,777	191,479	107,568	(6,745)	23,008	(1,190,202)	(864,115)	249,327	(614,788)
匯兑調整	–	–	–	(611)	–	–	(611)	(476)	(1,087)
應佔聯營公司儲備變動	–	–	–	(99)	(9,531)	–	9,432	–	9,432
直接於股權確認之收入(支出)淨額	–	–	–	(710)	9,531	–	8,821	(476)	8,345
本年度溢利	–	–	–	–	–	21,619	21,619	71,493	93,112
出售聯營公司權益時變現	–	–	(48,225)	(825)	–	–	(49,050)	–	(49,050)
出售附屬公司權益時變現	–	–	–	13	–	–	13	–	13
本年度已確認收支總額	–	–	(48,225)	(1,522)	9,531	21,619	(18,597)	71,017	52,420
於二零零四年十二月三十一日	10,777	191,479	59,343	(8,267)	32,539	(1,168,583)	(882,712)	320,344	(562,368)
會計政策變動之影響 *(附註2(b))*	–	–	(59,343)	–	–	106,401	47,058	–	47,058
於二零零五年一月一日－經重列	10,777	191,479	–	(8,267)	32,539	(1,062,182)	(835,654)	320,344	(515,310)
匯兑調整	–	–	–	(1,333)	–	–	(1,333)	(2,623)	(3,956)
直接於股權確認之收入(支出)淨額	–	–	–	(1,333)	–	–	(1,333)	(2,623)	(3,956)
本年度虧損	–	–	–	–	–	(54,259)	(54,259)	(4,292)	(58,551)
本年度已確認收支總額	–	–	–	(1,333)	–	(54,259)	(55,592)	(6,915)	(62,507)
因收購附屬公司而產生	–	–	–	–	–	–	–	2,574	2,574
於二零零五年十二月三十一日	10,777	191,479	–	(9,600)	32,539	(1,116,441)	(891,246)	316,003	(575,243)

附註:

(a) 有關金額代表群龍根據集團重組向群龍出繳之附屬公司投資(所依基準為集團重組於二零零三年一月一日已經生效),並代表群龍於以往年度為將被群龍收購之公司所直接付出的投資群龍。

(b) 群龍集團其他非供分派之儲備包括根據中華人民共和國(「中國」)法規須自群龍之中國附屬公司及聯營公司之除税後溢利中調撥之法定儲備。所調撥之金額由中國附屬公司董事會酌情釐訂。

合併資產負債表

	附註	群龍集團 於十二月三十一日 二零零三年 千港元	群龍集團 於十二月三十一日 二零零四年 千港元	群龍集團 於十二月三十一日 二零零五年 千港元	群龍 於十二月三十一日 二零零五年 千港元
非流動資產					
物業、廠房及設備	*17*	36,074	220	109,811	—
收購物業權益所付按金	*18*	—	47,012	55,716	—
收購附屬公司所付按金	*19*	—	40,000	—	—
商譽	*20*	9,325	—	9,123	—
於聯營公司之權益	*21*	508,110	309,149	558,738	—
於聯營非上市可換股票據及應收聯營公司之貸款	*21(ii) & 21(iv)*	320,674	187,967	—	—
應收貸款及利息 — 一年後到期	*22*	—	28,283	—	—
證券投資	*24*	26,164	71,959	—	—
按公平值列賬並在損益表內之證券投資	*24*	—	—	71,347	—
		900,347	684,590	804,735	—
流動資產					
其他資產	*28*	226,718	227,167	229,288	—
存貨	*29*	66,976	—	102	—
應收貿易賬款	*30*	13,718	—	—	—
應收聯營公司款項	*21*	129	54,373	151,206	—
應收貸款及利息 — 一年內到期	*22*	251,691	540,931	448,961	—
其他應收款項、按金及預付款項	*23*	35,861	79,800	40,672	4
其他投資	*24*	1,142	—	—	—
應收前同系附屬公司款項	*26*	756,570	878,028	721,091	—
銀行結餘及現金	*27*	310,946	72,481	103,494	—
		1,663,751	1,852,780	1,694,814	4
流動負債					
應付賬款、其他應付款項及應計費用	*31*	78,834	25,497	17,475	—
應付款項 — 一年內到期	*32*	29,180	444	583	—
應付聯營公司款項	*21*	—	673	286	—
應付所得稅及其他應付稅項		3,150	8,144	12,257	—
應付前同系附屬公司款項	*26*	3,040,386	3,064,980	3,023,016	14
銀行貸款及其他借款 — 一年內到期	*33*	26,014	—	—	—
		3,177,564	3,099,738	3,053,617	14
流動負債淨值		(1,513,813)	(1,246,958)	(1,358,803)	(10)
		(613,466)	(562,368)	(554,068)	(10)
資本及儲備					
股本	*34*	10,777	10,777	10,777	—
儲備		(874,892)	(893,489)	(902,023)	(10)
母公司股權持有人應佔權益		(864,115)	(882,712)	(891,246)	(10)
少數股東權益		249,327	320,344	316,003	—
		(614,788)	(562,368)	(575,243)	(10)
非流動負債					
銀行貸款及其他借款 — 一年後到期	*33*	129	—	—	—
應付款項 — 一年後到期	*32*	1,193	—	—	—
遞延稅項負債	*25*	—	—	21,175	—
		1,322	—	21,175	—
		(613,466)	(562,368)	(554,068)	(10)

I. 財務資料

以下為按財務資料附註1所載之基準編製之群龍集團及群龍於二零零三年、二零零四年及二零零五年十二月三十一日以及群龍集團於有關期間之財務資料。

合併收益表

		截至十二月三十一日止年度		
	附註	二零零三年	二零零四年	二零零五年
		千港元	*千港元*	*千港元*
營業額	*6*	—	—	5,298
銷售成本		—	—	(4,457)
毛利		—	—	841
其他收入	*8*	55,879	52,660	33,622
分銷成本		—	—	(1,365)
行政支出		(35,639)	(9,852)	(33,802)
其他支出	*9*	(40,782)	(9,020)	(23,030)
應收貸款及利息撥備	*10*	(50,645)	(32,419)	(31,116)
非上市可換股票據之換股選擇權之公平值之變動	*21(iii)*	—	76,959	(39,743)
融資成本	*13*	(55)	(1,491)	—
出售聯營公司權益之收益(虧損)		—	57,542	(2,814)
視為出售聯營公司之虧損		(36,480)	—	—
所佔聯營公司之業績		(189,887)	(37,521)	43,103
墊付予一家聯營公司之應收賬撥備		(12,712)	—	—
出售附屬公司權益之收益		11	—	—
税前(虧損)溢利	*11*	(310,310)	96,858	(54,304)
税項	*14*	(567)	(5,257)	(4,247)
持續經營業務之年度(虧損)溢利		(310,877)	91,601	(58,551)
終止經營業務之年度溢利	*15*	104,075	1,511	—
年度(虧損)溢利		(206,802)	93,112	(58,551)
(虧損)溢利歸屬於：				
母公司之權益持有人		(216,323)	21,619	(54,259)
少數股東權益		9,521	71,493	(4,292)
年度(虧損)溢利		(206,802)	93,112	(58,551)

吾等已審閱組成群龍集團之公司於有關期間或自各自之註冊成立或收購日期至二零零五年十二月三十一日止期間之經審核財務報表或(如適用)管理賬目(「有關財務報表」)。吾等乃根據香港會計師公會頒佈之「售股章程及申報會計師」審閱準則進行審閱。

載於本報告之群龍集團於有關期間之合併收益表及合併現金流量表，以及群龍集團於二零零三年零零四年及二零零五年十二月三十一日之合併資產負債表，乃來自組成群龍集團之公司之有關財務報表，根據財務資料附註1所載之基準，於作出吾等認為以編製收錄於該文件之報告而言適當之調整後編製。

批准刊發有關財務報表之該等公司之董事負責編製有關財務報表。中策之董事負責編製通函之內容，而本報告亦收錄於該文件。吾等之責任為編製載於本報告之財務資料(乃來自有關財務報表)，就財務資料作出獨立意見，並向閣下報告。

吾等認為，按下文附註1所載之呈列基準，就本報告而言，財務資料連同有關附註真實而公平地反映群龍集團於二零零三年、二零零四年及二零零五年十二月三十一日之財務狀況，以及群龍集團截至二零零五年十二月三十一日止三個年度各年之合併業績及合併現金流量。

附註5　*(a)*：CEL為一家股份於美國場外交易議價板買賣之公司，於香港及中國兩地經營業務。群龍集團將持有CEL之55.22%實際股權及88.8%實際表決權。吾等已審核CEL截至二零零五年十二月三十一日止三個年度各年之財務報表。CEL之法定財務報表乃按美國適用之有關會計原則及金融法規編製。就本報告而言，吾等已根據香港會計師公會頒佈之香港核數準則就CEL截至二零零五年十二月三十一日止三個年度各年按香港財務報告準則編製之財務報表進行獨立審核程序。

(b)：該等公司乃CEL之全資附屬公司，群龍集團持有CEL之55.22%實際股權。

(c)：Orion (B.V.I.) Tire Corporation及Orion Tire Corporation為CEL擁有60%權益之附屬公司，群龍集團則持有CEL之55.22%實際股權。

(d)：珀麗置業(上海)有限公司之法定財務報表乃由上海景天華聯合會計師事務所進行審核。就本報告目的而言，吾等已根據香港會計師公會頒佈之香港核數準則就截至二零零五年十二月三十一日止三個年度各年按香港財務報告準則編製獨立審核程序。

附註6：China Pharmaceutical Pty Limited及China Strategic Investments Pty Ltd.乃MRI之附屬公司。MRI為群龍集團之57.26%附屬公司。China Pharmaceutical Pty Limited及China Strategic Investments Pty Ltd.之法定財務報表乃由Deloitte Touche Tohmatsu Australia(為德勤•關黃陳方會計師行之成員公司)進行審核，並按澳洲適用之有關會計原則及金融法規編製。就本報告而言，吾等已根據香港會計師公會頒佈之核數準則就China Pharmaceutical Pty Limited及China Strategic Investments Pty Ltd.截至二零零五年十二月三十一日止三個年度各年按香港財務報告準則編製之財務報表進行獨立審核程序。

由於群龍乃於並無法定規定之國家新註冊成立，且並未進行任何業務，因此，群龍自註冊成立以來並無編製經審核財務報表。然而，吾等已審閱群龍自註冊成立日期以來之所有有關交易。

附屬公司名稱	日期及成立／註冊地點	已發行及已繳足股本／註冊資本	群龍所持有之股本／註冊資本比例		主要業務
			直接 %	間接 %	
東莞市江海貿易有限公司（「東莞市江海」）*(附註3)*	一九九七年七月十四日中華人民共和國（「中國」）	人民幣500,000元	—	88	採砂船
廣州耀陽實業有限公司（「廣州耀陽」）*(附註3)*	二零零四年十二月九日中國	人民幣1,000,000元	—	100	採砂船

附註1： 由於該等公司註冊成立之國家並無法定審核規定，因此該等公司並無刊發經審核財務報表。就本報告目的而言，吾等已根據香港會計師公會（「香港會計師公會」）頒佈之香港核數準則（「香港核數準則」）就該等公司於各有關期間或自各自之註冊成立或收購日期起（以較短者為準）按香港財務報告準則編製之管理賬目進行獨立審核程序。

附註2： 吾等於各有關期間或自各自之註冊成立或收購日期起（以較短者為準）擔任該等公司之核數師。該等公司已編製截至二零零五年十二月三十一日止三個年度各年或自各自之註冊成立日期起（以較短者為準）按香港財務報告準則編製之經審核財務報表。

附註3： 由於並無法定審核規定，故並無東莞市江海及廣州耀陽註冊成立之國家並無法定審核規定，因鵬該公司並無截至二零零五年十二月三十一日止年度之法定財務報表。吾等已根據香港會計師公會頒佈之核數準則就東莞市江海及廣州耀陽由收購起截至二零零五年十二月三十一日止期間按香港財務報告準則編製之財務報表進行獨立審核程序。

附註4 (a)： MRI為一家於澳洲證券交易所上市之公司，於澳洲及香港兩地經營業務。MRI之法定財務報表乃由Deloitte Touche Tohmatsu Australia（為德勤•關黃陳方會計師行之成員公司）進行審核，並按澳洲適用之有關會計原則及金融法規編製。就本報告而言，吾等已根據香港會計師公會頒佈之香港核數準則就MRI截至二零零五年十二月三十一日止三個年度各年按香港財務報告準則編製之財務報表進行獨立審核程序。

(b)： 該等公司乃MRI之全資附屬公司，群龍集團持有MRI之57.26%實際股權。

附屬公司名稱	日期及成立／註冊地點	已發行及已繳足股本／註冊資本	群龍所持有之股本／註冊資本比例		主要業務
			直接 %	間接 %	
盛銀國際有限公司 *(附註2)*	二零零二年八月十四日 香港	2港元	—	100	暫無業務
Ventures Kingdom Limited *(附註1)*	二零零一年六月十二日 英屬處女群島	1美元	—	55.22 *(附註5(b))*	暫無業務
Venture Leader Limited *(附註1)*	二零零一年三月二十八日 英屬處女群島	1美元	—	100	投資控股
Vision Leader Limited *(附註1)*	二零零二年六月二十六日 英屬處女群島	1美元	—	100	投資控股
Wai Cheong Limited *(附註1)*	二零零零年十二月一日 英屬處女群島	1美元	—	100	投資控股
Wealth Faith Limited *(附註1)*	二零零一年十月十八日 英屬處女群島	1美元	—	55.22 *(附註5(b))*	暫無業務
Wealthy Mark Limited *(附註1)*	二零零一年七月五日 英屬處女群島	1美元	—	100	投資控股
廣置有限公司 *(附註1)*	二零零五年六月二日 英屬處女群島	1美元	—	100	投資控股
Winning Effort Limited *(附註1)*	二零零一年三月二十八日 英屬處女群島	1美元	—	100	暫無業務
珠海中策產業園投資有限公司 *(附註1)*	二零零二年十二月十六日 英屬處女群島	1美元	—	100	物業發展

附屬公司名稱	日期及成立／註冊地點	已發行及已繳足股本／註冊資本	群龍所持有之股本／註冊資本比例		主要業務
			直接 %	間接 %	
See Ying Limited *(附註1)*	一九九七年九月一日 英屬處女群島	1美元	—	100	投資控股
業明有限公司 *(附註1)*	二零零四年十二月三日 英屬處女群島	1美元	—	100	投資控股
輝煌有限公司 *(附註1)*	二零零五年六月二日 英屬處女群島	1美元	—	100	投資控股
Sifford Limited *(附註1)*	一九九一年九月二十四日 英屬處女群島	1美元	—	100	投資控股
Sincere Ocean Limited *(附註1)*	二零零一年六月十二日 英屬處女群島	1美元	—	55.22 *(附註5(b))*	投資控股
Strawberg Limited *(附註1)*	一九九六年八月八日 英屬處女群島	1美元	—	100	暫無業務
Super Plus Limited *(附註1)*	二零零一年十一月八日 英屬處女群島	1美元	—	100	暫無業務
Supreme Solutions Limited *(附註1)*	二零零二年五月十六日 英屬處女群島	1美元	—	55.22 *(附註5(b))*	投資控股
寶通服務有限公司 *(附註2)*	一九九一年八月六日 香港	10,000港元	100	—	秘書服務
中國聯合網絡資本有限公司 *(附註2)*	一九九一年七月二十五日 香港	10,000,000港元	—	100	暫無業務

附屬公司名稱	日期及成立／註冊地點	已發行及已繳足股本／註冊資本	群龍所持有之股本／註冊資本比例		主要業務
			直接 %	間接 %	
MRI Services (Overseas) Limited *(附註1)*	一九九九年一月八日 英屬處女群島	1美元	—	57.26 *(附註4(b))*	暫無業務
Orion (B.V.I.) Tire Corporation *(附註1)*	一九九四年二月十四日 英屬處女群島	100美元	—	60 *(附註5(c))*	暫無業務
Orion Tire Corporation *(附註1)*	一九九四年三月七日 美國	不適用	—	60 *(附註5(c))*	暫無業務
Perfect City Limited *(附註1)*	二零零一年十一月二十八日 英屬處女群島	1美元	—	100	暫無業務
Pioneer Honour Limited *(附註1)*	二零零一年八月十一日 英屬處女群島	1美元	—	100	投資控股
周恩來總理基金會有限公司 *(附註2)*	一九九一年二月二十八日 香港	2港元	—	100	暫無業務
Quality Best Limited *(附註1)*	二零零一年二月二十八日 英屬處女群島	1美元	—	100	投資控股
Regal Tender Limited *(附註1)*	二零零一年七月五日 英屬處女群島	1美元	—	100	投資控股
珀麗置業(上海)有限公司 *(附註4(d))*	二零零四年八月二十八日 中國	20,000,000美元	—	55.22 *(附註5(d))*	持有物業
Ruby Services Limited *(附註1)*	一九九五年二月二十一日 英屬處女群島	1美元	—	100	暫無業務
Ruby Uniforms Limited *(附註2)*	一九八八年四月八日 香港	10,000港元	—	90	暫無業務

附屬公司名稱	日期及成立／註冊地點	已發行及已繳足股本／註冊資本	群龍所持有之股本／註冊資本比例		主要業務
			直接 %	間接 %	
港澳通訊集團有限公司 *(附註2)*	一九九一年十二月三日 香港	2港元	—	100	暫無業務
香港製藥工業有限公司 *(附註2)*	一九九一年十二月五日 香港	2港元	—	100	暫無業務
Kamthorn Limited *(附註1)*	一九九六年七月二十三日 英屬處女群島	1美元	—	100	投資控股
Katmon Limited *(附註1)*	一九九二年十一月十日 英屬處女群島	1美元	—	100	投資控股
Keen Strategic Limited *(附註1)*	二零零三年十一月二十六日 英屬處女群島	1美元	—	100	投資控股
Leading Returns Limited *(附註1)*	二零零一年六月十二日 英屬處女群島	1美元	—	55.22 *(附註4(b))*	暫無業務
Longnew Ltd. *(附註1)*	一九九七年九月十九日 英屬處女群島	1美元	—	100	投資控股
萬廣控股有限公司 *(附註1)*	二零零四年三月三日 英屬處女群島	1美元	—	55.22 *(附註4(b))*	投資控股
Million Good Limited *(附註1)*	二零零一年十一月二十八日 英屬處女群島	1美元	—	55.22 *(附註4(b))*	投資控股
MRI Holdings Limited (「MRI」) *(附註3(b))*	一九二五年八月七日 澳洲	31,184,116澳元	—	57.26 *(附註3(b))*	投資控股
MRI Infrastructure Holdings Limited *(附註1)*	一九九五年一月三日 百慕達	12,000美元	—	57.26 *(附註3(b))*	暫無業務

附屬公司名稱	日期及成立／註冊地點	已發行及已繳足股本／註冊資本	群龍所持有之股本／註冊資本比例		主要業務
			直接 %	間接 %	
Gold Label Investments Limited *(附註1)*	一九九二年四月一日 英屬處女群島	1美元	—	100	暫無業務
Golden Flower Limited *(附註1)*	一九九七年一月三日 英屬處女群島	1美元	—	100	投資控股
Good Trend Enterprises Limited *(附註1)*	二零零零年十月十八日 英屬處女群島	1美元	—	100	投資控股
Great Joint Profits Limited *(附註1)*	二零零二年一月二十九日 英屬處女群島	1美元	—	100	投資控股
Group Dragon Limited *(附註1)*	二零零三年十二月十二日 英屬處女群島	1美元	—	100	投資控股
Great Windfall Agents Limited *(附註1)*	二零零一年十一月二十八日 英屬處女群島	1美元	—	55.22 *(附註5(b))*	投資控股
Grotto Profits Limited *(附註1)*	二零零零年一月六日 英屬處女群島	1美元	—	100	暫無業務
Happy Access Limited *(附註1)*	二零零零年十二月十五日 英屬處女群島	1美元	—	100	暫無業務
Hollywood & Co., Limited *(附註2)*	一九九一年十二月五日 香港	2港元	—	100	投資控股
Honest Map Limited *(附註1)*	二零零一年十一月十五日 英屬處女群島	1美元	—	55.22 *(附註5(b))*	暫無業務
Honest Sincere Limited *(附註1)*	二零零一年二月二十八日 英屬處女群島	1美元	—	100	投資控股

附屬公司名稱	日期及成立／註冊地點	已發行及已繳足股本／註冊資本	群龍所持有之股本／註冊資本比例		主要業務
			直接 %	間接 %	
亞洲商網有限公司 *(附註2)*	一九九二年八月十八日 香港	2港元	—	100	暫無業務
Ease Wealth Limited *(附註1)*	二零零一年十二月十二日 英屬處女群島	1美元	—	100	投資控股
Easy Legend Limited *(附註1)*	二零零一年七月五日 英屬處女群島	1美元	—	55.22 *(附註5(b))*	暫無業務
Ever Excellent Limited *(附註1)*	二零零零年十二月十五日 英屬處女群島	1美元	—	100	投資控股
Evergrowth Properties Limited *(附註1)*	二零零零年十二月一日 英屬處女群島	1美元	—	100	投資控股
Expert Commerce Limited *(附註1)*	二零零零年三月八日 英屬處女群島	1美元	—	100	投資控股
Expert Solution Limited *(附註1)*	二零零一年四月二十六日 英屬處女群島	1美元	—	100	暫無業務
迅裕發展有限公司 *(附註2)*	一九九三年三月二日 香港	2港元	—	100	暫無業務
Favour Leader Limited *(附註1)*	一九九四年三月八日 英屬處女群島	1美元	—	100	投資控股
Future Returns Limited *(附註1)*	二零零一年二月二十八日 英屬處女群島	1美元	—	100	投資控股
Glory Eagle Limited *(附註1)*	一九九六年九月十八日 英屬處女群島	1美元	—	100	投資控股

附屬公司名稱	日期及成立／註冊地點	已發行及已繳足股本／註冊資本	群龍所持有之股本／註冊資本比例		主要業務
			直接 %	間接 %	
China VU.com Limited *(附註2)*	一九九一年二月五日 香港	2港元	—	100	暫無業務
中國無線集團有限公司 *(附註2)*	一九九七年一月十日 香港	2港元	—	100	暫無業務
中國世貿網有限公司 *(附註2)*	一九九二年八月十八日 香港	2港元	—	100	投資控股
China Youth Net.com Limited *(附註1)*	一九九三年十二月二十三日 開曼群島	1,000美元	—	100	暫無業務
Citybest Limited *(附註1)*	一九九七年一月三日 英屬處女群島	1美元	—	100	暫無業務
Com.com Limited *(附註2)*	一九九七年一月十日 香港	2港元	—	100	暫無業務
Container Limited *(附註1)*	一九九八年一月二十二日 英屬處女群島	1美元	—	55.22 *(附註5(b))*	暫無業務
Crown Dragon Limited *(附註1)*	二零零零年十一月二日 英屬處女群島	1美元	—	100	暫無業務
中策房產集團有限公司 *(附註2)*	一九九一年十二月十九日 香港	2港元	—	100	暫無業務
Dom.com Limited *(附註2)*	一九六六年十一月三日 香港	737,680港元	—	100	暫無業務
潤孚實業有限公司 *(附註2)*	一九八七年一月二十三日 香港	10,000,000港元	—	90	暫無業務

附屬公司名稱	日期及成立／註冊地點	已發行及已繳足股本／註冊資本	群龍所持有之股本／註冊資本比例		主要業務
			直接 %	間接 %	
中國物流網有限公司 *(附註2)*	一九九二年一月十六日 香港	2港元	—	100	暫無業務
中國微型系統集團有限公司 *(附註2)*	一九九七年一月三日 香港	2港元	—	100	暫無業務
中國製藥工業集團有限公司 *(附註2)*	一九九二年三月二十四日 香港	2港元	—	57.26 *(附註4(b))*	投資控股
China Pharmaceutical Pty Limited *(附註5)*	一九九三年十二月十七日 澳洲	1澳元	—	57.26 *(附註4(b))*	暫無業務
China Resources Holdings Limited *(附註1)*	一九九四年六月十五日 英屬處女群島	1美元	—	57.26 *(附註4(b))*	暫無業務
China Strategic (B.V.I.) Limited *(附註1)*	二零零一年七月五日 英屬處女群島	1美元	100	—	投資控股
China Strategic Investments Pty Limited *(附註5)*	一九九三年十二月十七日 澳洲	2澳元	—	57.26 *(附註4(b))*	暫無業務
中國科技集團有限公司 *(附註2)*	一九九七年一月十日 香港	2港元	—	100	暫無業務
中國國際電訊集團有限公司 *(附註2)*	一九九三年一月十二日 香港	2港元	—	51	暫無業務
中國電視集團有限公司 *(附註2)*	一九九一年二月五日 香港	2港元	—	100	暫無業務
中國大學在線有限公司 *(附註2)*	一九九一年十一月十二日 香港	2港元	—	100	投資控股

附屬公司名稱	日期及成立／註冊地點	已發行及已繳足股本／註冊資本	群龍所持有之股本／註冊資本比例		主要業務
			直接 %	間接 %	
中國電子交易網有限公司 *(附註2)*	一九九一年十二月五日 香港	2港元	—	100	暫無業務
中國電子聯繫網有限公司 *(附註2)*	一九八九年十月十一日 香港	2港元	—	100	暫無業務
中國電子印刷網有限公司 *(附註2)*	一九九二年十二月二十三日 香港	2港元	—	100	暫無業務
中國電燈集團有限公司 (附註2)	一九九七年一月十日 香港	2港元	—	100	暫無業務
中國電子工業(集團)有限公司 (附註2)	一九九一年十二月三日 香港	2港元	—	100	暫無業務
China Enterprises Limited (「CEL」) *(附註5(a))*	一九九三年一月二十八日 百慕達	附有投票權普通股30,000美元 普通股60,173美元	—	55.22 *(附註5(a))*	投資控股
中國糧食網有限公司 *(附註2)*	一九九一年十二月三日 香港	2港元	—	100	暫無業務
中國信息網有限公司 *(附註2)*	一九九四年二月八日 香港	2港元	—	100	暫無業務
中國網絡資本集團有限公司 *(附註2)*	一九九一年十二月三日 香港	2港元	—	100	暫無業務
中國網絡環球聯盟有限公司 *(附註2)*	一九九一年十一月十二日 香港	10,000港元	—	100	投資控股

附屬公司名稱	日期及成立／註冊地點	已發行及已繳足股本／註冊資本	群龍所持有之股本／註冊資本比例		主要業務
			直接 %	間接 %	
中國商網有限公司 *(附註2)*	一九九一年二月五日 香港	2港元	—	100	暫無業務
中國互貿網有限公司 *(附註2)*	一九九七年一月十日 香港	2港元	—	100	暫無業務
中國廣播(集團)有限公司 *(附註2)*	一九九二年一月十六日 香港	2港元	—	100	暫無業務
China Cable (BVI) Limited *(附註1)*	一九九五年七月十八日 英屬處女群島	3美元	—	100	暫無業務
中國水泥集團有限公司 *(附註2)*	一九八八年二月九日 香港	20港元	—	100	暫無業務
中國電腦集團有限公司 *(附註2)*	一九八七年八月二十一日 香港	20港元	—	100	暫無業務
中國數據中心有限公司 *(附註2)*	一九九一年六月四日 香港	2港元	—	100	暫無業務
中國數碼系統集團有限公司 *(附註2)*	一九九七年一月十五日 香港	2港元	—	100	暫無業務
中國電子互貿網有限公司 *(附註2)*	一九九一年十月十五日 香港	2港元	—	100	暫無業務
China eBay.com Limited *(附註2)*	一九九一年十二月十九日 香港	2港元	—	100	暫無業務

根據集團重組被群龍收購之附屬公司之詳情如下：

附屬公司名稱	日期及成立／註冊地點	已發行及已繳足股本／註冊資本	群龍所持有之股本／註冊資本比例		主要業務
			直接 %	間接 %	
Acrow Limited *(附註1)*	一九九六年八月八日 英屬處女群島	1美元	—	100	暫無業務
亞太經貿網有限公司 *(附註2)*	一九九二年十月十五日 香港	2港元	—	100	暫無業務
B2B Limited *(附註2)*	一九九二年八月十八日 香港	2港元	—	100	持有牌照
Capital Canton Limited *(附註1)*	二零零一年五月二日 英屬處女群島	1美元	—	55.22 *(附註5(b))*	投資控股
Capital Passion Limited *(附註1)*	二零零零年十二月十五日 英屬處女群島	1美元	—	100	暫無業務
Carling International Limited *(附註1)*	一九九一年九月二十四日 英屬處女群島	1美元	—	100	投資控股
Century Lead Limited *(附註1)*	二零零一年五月二日 英屬處女群島	1美元	—	55.22 *(附註5(b))*	投資控股
中國廣告集團有限公司 *(附註2)*	一九九一年十二月五日 香港	2港元	—	100	暫無業務
中國音響及通信集團有限公司 *(附註2)*	一九九七年一月十五日 香港	2港元	—	100	暫無業務
中國汽車(集團)有限公司 *(附註2)*	一九九二年一月十六日 香港	2港元	—	100	暫無業務

以下為德勤•關黃陳方會計師行就群龍集團而編製之報告全文，以供載入本通函：

Deloitte.
德勤

德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

敬啟者：

以下為吾等就群龍投資有限公司(「群龍」)及根據下文所述之集團重組(二零零六年五月十九日生效)後成為群龍附屬公司之公司(以下統稱為「群龍集團」)截至二零零五年十二月三十一日止三個年度(「有關期間」)之財務資料(按財務資料附註1所載之基準呈列)所編製之報告，以收錄於威倫有限公司(「威倫」，錦興集團有限公司之全資附屬公司及中策集團有限公司(「中策」)之股東)及群龍於二零零六年五月二十六日就新百利有限公司(錦興之財務顧問)代表威倫提出無條件自願證券交換建議收購全部並非由威倫及與其一致行動之人士擁有之群龍股份而刊發之綜合文件(「該文件」)內。

集團重組完成後，中策所有從事物業、發展、採砂及投資控股業務之附屬公司，以及中策所有從事輪胎產品製造及銷售、提供旅行團、旅遊及其他相關服務之聯營公司(「分派業務」)已被群龍收購，並繼續由中策之現有管理層經營。中策繼續為香港公眾上市公司，其附屬公司專注於電池產品產銷及證券投資業務。群龍則成為群龍集團(包括經營分派業務之公司)之控股公司，而其已發行股份已以實物股息方式分派予中策之股東(「集團重組」)。集團重組詳情載於該文件中「群龍董事會函件」一節內。集團重組已獲中策之股東於二零零五年十月六日舉行之股東特別大會上批准並於二零零六年五月十九日生效。

群龍於二零零五年三月一日在英屬處女群島根據國際業務公司法註冊成立。群龍於集團重組完成前為一間投資控股公司，並為中策之全資附屬公司。除進行於二零零六年五月十九日生效之集團重組外，群龍自註冊成立以來並無進行任何業務。

財務概要

摘錄自本附錄會計師報告之群龍集團業績、資產及負債如下：

業績

	截至十二月三十一日止年度		
	二零零五年	二零零四年	二零零三年
	千港元	*千港元*	*千港元*
	(經審核)	*(經審核)*	*(經審核)*
營業額			
— 持續業務	5,298	—	—
— 已終止業務	—	96,262	2,884,493
	5,298	96,262	2,884,493
除所得稅前(虧損)溢利	(54,304)	96,858	(310,310)
所得稅	(4,247)	(5,257)	(567)
本年度持續業務(虧損)溢利	(58,551)	91,601	(310,877)
本年度終止業務溢利	—	1,511	104,075
股息	—	—	—
每股群龍股份盈利(虧損)	不適用	不適用	不適用
每股群龍股份股息	—	—	—

資產及負債

	於十二月三十一日		
	二零零五年	二零零四年	二零零三年
	千港元	*千港元*	*千港元*
	(經審核)	*(經審核)*	*(經審核)*
非流動資產	804,735	684,590	900,347
流動資產	1,694,814	1,852,780	1,663,751
	2,499,549	2,537,370	2,564,098
非流動負債	21,175	—	1,322
流動負債	3,053,617	3,099,738	3,177,564
	3,074,792	3,099,738	3,178,886

於截至二零零三年、二零零四年及二零零五年十二月三十一日止三個財政年度，並無錄得特殊項目或非經常項目。截至二零零三年、二零零四年及二零零五年十二月三十一日止三個財政年度之會計師報告並無載有保留意見。

50. 結算日後事項 *(續)*

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元* (未經審核)	*千港元*
融資業務產生(動用)之現金淨額	62,058	80,209	(152,681)	(113,533)	292,440
現金及現金等額增加(減少)淨額	5,067	(48,738)	112,281	20,881	(114,275)
年/期初之現金及現金等額	53,927	62,367	17,841	17,841	130,803
匯率變動之影響	3,373	4,212	681	558	940
年/期終之現金及現金等額	62,367	17,841	130,803	39,280	17,468
現金及現金等額結存分析					
銀行結存及現金	62,367	17,841	159,165	39,280	17,468
銀行透支	—	—	(28,362)	—	—
	62,367	17,841	130,803	39,280	17,468

(v) 根據協議，賣方將促使各出售公司於截止日期前悉數償還及解除(如有)所有公司間結存及有關連公司結存(定義見通函)。

(b) 於二零零六年三月九日，本集團與資本策略投資有限公司(「資本策略」，本公司主要股東擁有其8.18%權益)之全資附屬公司Asset Manage Limited(「AML」)訂立一項協議，收購Rapid Growth Profits Limited(「Rapid Growth」)全部已發行股本及倫都有限公司欠負AML之所有款項，代價約39,000,000港元。Rapid Growth為一家於英屬處女群島註冊成立之公司，於香港持有投資物業。

II. 結算日後財務報表

本集團或其任何附屬公司概無就二零零五年十二月三十一日後任何期間編製經審核財務報表。

此 致

香港
九龍
觀塘
鴻圖道51號
保華企業中心8樓
錦興集團有限公司
列位董事 台照

德勤•關黃陳方會計師行
香港
執業會計師

二零零六年四月十日」

50. 結算日後事項 *(續)*

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
營運產生(動用)之現金	(21,873)	(60,058)	322,264	171,234	(348,263)
繳訖利息及財務費用	(3,816)	(5,262)	(3,043)	(2,956)	(8,692)
已收利息	501	809	412	227	875
已繳稅項	(19,977)	(41,263)	(41,370)	(27,202)	(37,683)
營運業務(動用)產生之現金淨額	(45,165)	(105,774)	278,263	141,303	(393,763)
投資業務					
出售物業、機器及設備之所得款項	175	543	285	462	117
購置物業、機器及設備	(12,001)	(15,651)	(13,586)	(7,351)	(13,069)
購入無形資產	—	(8,065)	—	—	—
投資業務動用之現金淨額	(11,826)	(23,173)	(13,301)	(6,889)	(12,952)
融資業務					
新籌集之銀行貸款	400,046	423,969	700,528	677,203	591,624
償還銀行貸款	(318,325)	(361,849)	(852,140)	(789,940)	(298,722)
償還融資租約承擔	(437)	(1,137)	(1,069)	(796)	(462)
已抵押銀行結存(增加)減少	(19,226)	19,226	—	—	—

50. 結算日後事項 *(續)*

(iv) 計入本集團綜合現金流動表為於有關期間及截至二零零四年十二月三十一日止九個月出售公司應佔現金流量，乃經對銷實體間結存後以合併基準呈列：

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
經營業務					
除所得稅前溢利	63,804	231,371	49,509	27,987	44,339
就以下項目作出調整：					
利息收入	(9,348)	(12,023)	(9,683)	(7,221)	(2,601)
利息支出及財務費用	3,816	5,262	3,043	2,956	8,692
攤銷無形資產	—	1,228	1,228	921	920
滯銷及陳舊存貨準備	18,020	24,512	24,528	(2,857)	19,449
物業、機器及設備折舊及攤銷	12,465	13,252	11,623	8,942	7,437
出售物業、機器及設備虧損	717	819	693	(30)	104
營運資金變動前之經營現金流動	89,474	264,421	80,941	30,698	78,340
存貨(增加)減少	(62,617)	(358,732)	248,638	308,360	(320,473)
貿易及其他應收款項(增加)減少	(339)	(304,818)	97,521	(108,517)	(391,553)
應收同系附屬公司款項(增加)減少	(199,878)	(11,778)	20,730	(36,976)	66,205
貿易及其他應付款項(減少)增加	(107,274)	507,811	(121,438)	(172,552)	128,066
應付同系附屬公司款項增加(減少)	257,579	(156,319)	(3,528)	150,221	91,183
應付有關連公司款項增加(減少)	1,182	(643)	(600)	—	(31)

50. 結算日後事項 *(續)*

	於三月三十一日			於二零零五年十二月
	二零零三年	二零零四年	二零零五年	三十一日
	千港元	*千港元*	*千港元*	*千港元*
非流動負債				
融資租約承擔及租購合約				
一一年後到期	1,557	462	—	—
應付同系附屬公司款項	188,114	7,147	185	140,731
應付有關連公司款項	1,182	581	32	—
	190,853	8,190	217	140,731
資產及負債總值	305,284	487,843	480,776	494,530

(iii) 計入本集團綜合收益表為於有關期間及截至二零零四年十二月三十一日止九個月出售公司應佔業績，乃經對銷實體間結存後以合併基準呈列：

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元* (未經審核)	*千港元*
收益	2,883,912	3,617,542	3,851,959	2,856,940	3,172,533
銷售成本	(1,977,695)	(2,614,755)	(2,690,494)	(2,022,707)	(2,252,703)
毛利	906,217	1,002,787	1,161,465	834,233	919,830
其他經營收入	41,462	72,697	20,320	15,069	8,420
分銷及銷售開支	(674,758)	(679,804)	(756,765)	(561,433)	(682,977)
行政開支	(115,972)	(145,498)	(160,283)	(107,646)	(115,854)
其他經營開支	(89,329)	(13,549)	(212,185)	(149,280)	(76,388)
財務費用	(3,816)	(5,262)	(3,043)	(2,956)	(8,692)
除所得稅前溢利	63,804	231,371	49,509	27,987	44,339
所得稅支出	(6,264)	(27,388)	(50,583)	(45,132)	(35,811)
年／期內溢利(虧損)	57,540	203,983	(1,074)	(17,145)	8,528

50. 結算日後事項 *(續)*

(ii) 計入本集團綜合資產負債表為下列各結算日出售公司應佔資產及負債，乃經對銷實體間結存後以合併基準呈列：

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
非流動資產				
物業、機器及設備	23,938	25,661	25,926	31,258
無形資產	40,305	47,154	45,934	45,003
遞延稅項資產	13,298	34,281	18,026	45,440
	77,541	107,096	89,886	121,701
流動資產				
存貨	484,710	844,329	568,876	868,868
貿易及其他應收款項	403,005	695,874	584,300	963,716
可退回稅項	3,424	—	17,513	5,047
銀行結存及現金	62,367	17,841	159,165	17,468
已抵押銀行存款	19,226	—	—	—
	972,732	1,558,044	1,329,854	1,855,099
流動負債				
貿易及其他應付款項	463,518	1,014,792	898,134	1,024,761
應繳稅項	—	1,829	11,789	23,876
借款－一年內到期	89,505	151,418	—	292,902
融資租約承擔				
－一年內到期	1,113	1,068	462	—
銀行透支	—	—	28,362	—
	554,136	1,169,107	938,747	1,341,539
流動資產淨值	418,596	388,937	391,107	513,560
資產總值減流動負債	496,137	496,033	480,993	635,261

49. 與有關連人士進行交易及所存之結餘 *(續)*

於各結算日在聯營公司之結餘詳情載於附註22。

附註：

a. 向／由本集團墊支之貸款及本集團應付／應收之款項均為無抵押，按當時市場利率計息及根據其各自貸款協議(若有)所述年期償還。

b. 該等交易乃根據同類交易之市價而進行。

c. 該等交易乃按有關雙方共同同意之條款釐定。

此外，於二零零三年、二零零四年、二零零五年三月三十一日及二零零五年十二月三十一日，由本公司一名董事之個人擔保作抵押之本集團若干銀行及其他融資分別達6,306,000港元、6,441,000港元、6,681,000港元及404,103,000港元。

除上文所披露者外，本集團於有關期間及截至二零零四年十二月三十一日止九個月內並無與有關連人士進行任何重大交易或於各結算日時與該等人士存有重大結餘。

50. 結算日後事項

(a) 於二零零六年一月十九日，賣方與買方訂立協議，出售若干附屬公司及商標許可證，總代價包括(1)初步代價為330,000,000美元(相等於約2,562,450,000港元)，(2)另加完成日期流動資產淨值(定義見通函)超逾87,000,000美元(相等於約675,555,000港元)之金額之款項(如有)，或減去完成日期流動資產淨值少於87,000,000美元(相等於約675,555,000港元)之金額之款項(如有)；及(3)另加額外金額，有關金額乃參照賣方之電子數據儲存業務及將由賣方出售之出售公司截至二零零七年三月三十一日、二零零八年三月三十一日及二零零九年三月三十一日止各十二個月期間之未計利息、稅項、折舊及攤銷前盈利釐定，而有關盈利乃按協議所載之協定基準計算。額外金額之累積最低額須為5,000,000美元(相等於約38,825,000港元)，而累積最高額須為45,000,000美元(相等於約349,425,000港元)。倘買方於二零零九年四月一日前任何時間轉讓業務之控制權，則買方將會向賣方支付一筆相等於使額外付款總額達45,000,000美元(相等於約349,425,000港元)之所需金額之款項。

(i) 計入本集團無形資產賬面淨值為「Memorex」商標許可證及其他有關業務之無形資產，於二零零三年、二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日分別為337,873,000港元、244,352,000港元、236,716,000港元及236,111,000港元。

49. 與有關連人士進行交易及所存之結餘

本集團於有關期間及截至二零零四年十二月三十一日止九個月與下列有關連人士進行之重大交易之詳情連同於各個結算日在該等人士所存之結餘如下：

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
主要股東及其聯繫人士：					
於年／期終時本集團之應收貸款 *(附註a)*	67,997	167,365	224,233	172,843	186,019
於年／期終時應收本集團款項 *(附註a)*	3,796	—	—	—	—
於年／期終時本集團之應付貸款 *(附註a)*	165,000	149,333	149,333	149,333	321,225
年／期內由本集團墊支(償還)之貸款 *(附註a)*	224,875	140,541	56,868	(5,479)	(38,213)
於年／期終應付本集團款項 *(附註a)*	3,339		—	—	—
本集團已收及應收之利息 *(附註a)*	4,789	3,015	12,066	8,587	17,822
本集團繳訖及應付之利息 *(附註a)*	9,857	12,263	10,490	7,901	19,871
出售一間附屬公司 *(附註c)*	—	—	238	—	—
管理費收入 *(附註c)*	5,256	1,182	—	—	—
收購物業、機器及設備 *(附註c)*	3,000	13	—	—	—
年／期內由本集團墊支(償還)之貸款 *(附註a)*	172,000	(15,667)	—	—	(88,108)
泊車費收入 *(附註b)*	—	101	68	—	—
本集團繳訖及應付之租金 *(附註b)*	1,023	1,283	1,298	958	1,836
聯營公司：					
本集團繳訖及應付之租金 *(附註b)*	2,524	1,347	1,353	1,016	653
本集團已收及應收之利息 *(附註a)*	639	1,507	94	70	85
管理費收入 *(附註c)*	9,336	6,677	3,608	2,704	2,409
年／期內由本集團墊支(償還)之貸款 *(附註a)*	6,400	(41,173)	—	—	—
採購製成品 *(附註b)*	76,894	—	—	—	—
銷售製成品 *(附註b)*	3,566	—	—	—	142
本集團已收及應收之租金 *(附註b)*	405	232	232	162	162

47. 退休福利計劃

本集團為本公司及其位於香港之附屬公司之合資格僱員推行強制性公積金(「強積金」)計劃。強積金計劃之資產乃獨立於本集團，以信託之基金形式持有。本集團就有關工資成本之5%向該計劃供款，與僱員之供款額相同。

本集團亦為其海外附屬公司(包括位於英國、美國及新加坡之附屬公司)之合資格僱員推行各種退休福利計劃。退休福利計劃之資產乃獨立於本集團，以信託人基金形式持有。本集團就有關工資成本之4%至10%向該等計劃供款，與僱員之供款額相同。

受僱於中國之附屬公司之本集團僱員為中國政府所推行之國家管理恩俸計劃成員。該等附屬公司須將工資若干百分比作為該退休福利計劃之供款，為福利提供資金。本集團對該退休福利計劃之承擔僅為作出特定之供款。

48. 資產抵押

於各結算日，本集團及本公司將下列資產作為銀行及其他融資信貸之抵押：

	於三月三十一日			於二零零五年十二月
	二零零三年	二零零四年	二零零五年	三十一日
	千港元	*千港元*	*千港元*	*千港元*
貿易及其他應收款項	174,431	217,420	105,494	286,173
聯營公司之上市證券	59,148	75,199	88,467	265,790
存貨	39,162	93,180	—	153,253
土地及樓宇	30,818	12,392	13,378	12,351
證券投資	944	813	12,816	—
可供出售之投資	—	—	—	521,808
持作買賣之投資	—	—	—	129,241
銀行存款	19,226	—	20,014	20,591
	323,729	399,004	240,169	1,389,207

46. 購股權計劃 *(續)*

截至二零零四年三月三十一日止年度，就董事及僱員接納授出之購股權而收取總代價為13港元。

截至二零零五年三月三十一日止年度，概無向董事或僱員授予或行使購股權。

			購股權數目			
授出日期	行使期	行使價 *港元*	於二零零三年四月一日尚未行使	年內行使	年內註銷／失效	於二零零四年三月三十一日及二零零五年三月三十一日尚未行使
董事						
二零零一年八月三十一日	二零零一年八月三十一日至二零零六年八月三十日	2.9888	11,500,000	(1,750,000)	(750,000)	9,000,000
僱員						
二零零一年八月三十一日	二零零一年八月三十一日至二零零六年八月三十日	2.9888	4,500,000	(3,000,000)	(1,500,000)	—
			16,000,000	(4,750,000)	(2,250,000)	9,000,000

購股權於二零零四年一月十五日獲行使。緊接購股權獲行使日期前，本公司股份之收市價為2.80港元。

			購股權數目		
授出日期	行使期	行使價 *港元*	於二零零五年四月一日尚未行使	轉撥 *(附註)*	於二零零五年十二月三十一日尚未行使
董事					
二零零一年八月三十一日	二零零一年八月三十一日至二零零六年八月三十日	2.9888	9,000,000	(1,750,000)	7,250,000
僱員					
二零零一年八月三十一日	二零零一年八月三十一日至二零零六年八月三十日	2.9888	—	1,750,000	1,750,000
			9,000,000	—	9,000,000

附註：

一名董事於二零零五年九月一日退任，故該董事擁有之購股權已轉撥至「僱員」一項。

46. 購股權計劃 *(續)*

授出日期	行使期	行使價 *港元*	購股權數目 於二零零五年四月一日尚未行使	期內轉撥 *(附註)*	期內註銷／失效	於二零零五年十二月三十一日尚未行使
董事						
二零零四年二月二十三日	二零零四年二月二十三日至二零零六年二月二十二日	3.415	6,400,000	(1,600,000)	—	4,800,000
僱員						
二零零四年二月二十三日	二零零四年二月二十三日至二零零六年二月二十二日	3.415	6,400,000	1,600,000	(2,800,000)	5,200,000
			12,800,000	—	(2,800,000)	10,000,000

附註：

一名董事已於二零零五年九月一日退任，故該董事擁有之購股權已轉撥至「僱員」一項。

二零零一年購股權計劃

授出日期	行使期	行使價 *港元* *(附註b)*	購股權數目 於二零零二年四月一日尚未行使	因本公司股份合併而調整	於二零零三年三月三十一日尚未行使
董事： *(附註a)*					
二零零一年八月三十一日	二零零一年八月三十一日至二零零六年八月三十日	2.9888	460,000,000	(448,500,000)	11,500,000
僱員：					
二零零一年八月三十一日	二零零一年八月三十一日至二零零六年八月三十日	2.9888	180,000,000	(175,500,000)	4,500,000
			640,000,000	(624,000,000)	16,000,000

附註：

a. 一名於二零零二年四月一日持有70,000,000份購股權之僱員已於截至二零零三年三月三十一日止年度獲委任為本公司董事。

b. 本公司股份於截至二零零三年三月三十一日止年度合併後(詳情載於附註38)，購股權之行使價已由0.07472港元調整為2.9888港元。

46. 購股權計劃 *(續)*

根據二零零三年購股權計劃，若未經本公司股東事先批准，於任何一年內可授予任何個人之購股權不得超過本公司已發行股份之1%。向主要股東或獨立非執行董事授出之購股權如超過本公司股本之0.1%，或其價值超過5,000,000港元，須獲得本公司股東之事先批准。

於二零零三年、二零零四年、二零零五年三月三十一日及二零零五年十二月三十一日，根據二零零三年及二零零一年購股權計劃已授出及尚未行使之購股權所涉及之股份數目為16,000,000股、21,800,000股、21,800,000股及19,000,000股，佔當日本公司之已發行股份之9.98%、11.69%、9.75%及8.40%。

有關人士須自授出日期起28日內，支付1港元之代價後接納購股權。購股權可自接納日期起，至授出日期起計十年內隨時行使。行使價由本公司董事釐定，惟不得低於下列三者中之最高者：本公司股份於授出日期之收市價；股份於緊接授出日期前五個營業日之平均收市價；或本公司股份面值。

下表披露有關期間內本公司僱員(包括董事)持有之本公司購股權及其變動詳情：

二零零三年購股權計劃

授出日期	行使期	行使價 *港元*	於二零零四年四月一日、二零零四年三月三十一日及二零零五年三月三十一日尚未行使之購股權數目
董事			
二零零四年二月二十三日	二零零四年二月二十三日至二零零六年二月二十二日	3.415	6,400,000
僱員			
二零零四年二月二十三日	二零零四年二月二十三日至二零零六年二月二十二日	3.415	6,400,000
			12,800,000

45. 營運租約承諾 *(續)*

於各結算日，本集團已與租戶訂立以下未來最低租金付款：

	於二零零三年三月三十一日		於二零零四年三月三十一日		於二零零五年三月三十一日		於二零零五年十二月三十一日	
	土地及樓宇	物業、機器及設備	土地及樓宇	物業、機器及設備	土地及樓宇	物業、機器及設備	土地及樓宇	物業、機器及設備
	千港元	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*
營運租約之屆滿年期為：								
一年內	2,662	—	4,747	20,000	6,738	20,000	2,244	20,000
第二至第五年(首尾兩年包括在內)	9,780	—	18,109	35,000	24,594	15,000	8,605	—
五年以上	12,057	—	13,914	—	14,426	—	30,814	—
	24,499	—	36,770	55,000	45,758	35,000	41,663	20,000

本集團已與租戶訂立介乎一至十年不等之租期。

46. 購股權計劃

本公司於二零零一年八月二十一日採納其購股權計劃(「二零零一年購股權計劃」)，旨在鼓勵本集團之僱員。根據二零零一年購股權計劃，本公司董事會可向本公司合資格僱員，包括董事(但不包括獨立非執行董事)及本公司任何附屬公司董事授出購股權，以認購本公司股份。

根據本公司於二零零三年三月十七日舉行之股東特別大會上通過之決議案，本公司已終止二零零一年購股權計劃並採納一項新購股權計劃(「二零零三年購股權計劃」)。根據二零零三年購股權計劃，本公司董事會可向本集團董事及僱員，以及董事會認為曾經或將會或能夠對本集團作出貢獻之本集團任何諮詢人、顧問、分銷商、承判商、供應商、代理人、客戶、業務夥伴、合營企業業務夥伴、發起人及服務供應商授出購股權。二零零三年購股權計劃旨在向參與者提供購入本集團專屬權益之機會，並鼓勵參與者致力以本集團及其股東之整體利益為依歸，提升本集團及其股份之價值。

根據二零零三年購股權計劃及本公司任何其他計劃授出及將予行使全部尚未行使之購股權獲行使時可能發行之股份總數，須不得超過本公司不時已發行股份之30%。在該條件之規限下，根據二零零三年購股權計劃可授出之購股權所涉及之股份總數，在加上根據任何其他計劃授出之購股權所涉及之任何股份數目後，不得超過於通過及採納二零零三年購股權計劃該日本公司已發行股份之10%。

45. 營運租約承諾 *(續)*

於各結算日，本集團尚有根據不可撤銷之營運租約之承諾，該等未來最低租金之到期日如下：

	於二零零三年三月三十一日		於二零零四年三月三十一日		於二零零五年三月三十一日		於二零零五年十二月三十一日	
	土地及樓宇	物業、機器及設備	土地及樓宇	物業、機器及設備	土地及樓宇	物業、機器及設備	土地及樓宇	物業、機器及設備
	千港元	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*
營運租約之屆滿年期為：								
一年內	19,403	2,594	25,096	22,678	23,008	23,121	15,532	22,314
第二至第五年(首尾兩年包括在內)	50,733	3,018	79,900	41,721	75,368	19,521	44,966	6,682
五年以上	34,437	—	53,162	705	46,519	—	73,147	—
	104,573	5,612	158,158	65,104	144,895	42,642	133,645	28,996

商議之租約年期由一年至十年不等，而租金在租約期內固定。

本集團作為出租人

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
年內，根據營運租約賺取之租金收入：				
土地及樓宇	4,754	6,568	7,426	4,916
物業、機器及設備	—	5,000	20,246	15,183
	4,754	11,568	27,672	20,099

44. 或然負債 *(續)*

聯營公司權益產生之或然負債如下：

	於三月三十一日			於二零零五年十二月
	二零零三年	二零零四年	二零零五年	三十一日
	千港元	*千港元*	*千港元*	*千港元*
就已動用銀行融資而提供擔保予銀行產生之應佔聯營公司或然負債：				
－被投資公司	—	9,758	4,551	2,349
－第三方	238,692	449	175	—
發行予下列各項之其他擔保				
－被投資公司	—	236	9,037	—
－第三方	16,567	14,210	—	9,037
	255,259	24,653	13,763	11,386

以上金額指應佔聯營公司權益產生之或然負債，乃以於二零零二年、二零零三年、二零零四年及二零零五年十二月三十一日該等聯營公司之已刊發資料為基礎。

45. 營運租約承諾

本集團作為承租人

	於三月三十一日			於二零零五年十二月
	二零零三年	二零零四年	二零零五年	三十一日
	千港元	*千港元*	*千港元*	*千港元*
年內，根據營運租約而支付之最低租金：				
土地及樓宇	24,209	27,134	30,585	19,797
物業、機器及設備	2,959	8,615	23,267	17,232
	27,168	35,749	53,852	37,029

43. 主要非現金交易 *(續)*

截至二零零五年三月三十一日止年度，本集團進行之主要非現金交易如下：

(a) 根據本集團與有關人士訂立之轉讓契約，本集團重組其若干其他應付款項15,000,000港元，該等款項以相同金額之其他應收款項支付。

(b) 償還應收短期貸款2,057,000港元之款項乃以證券投資之相同金額支付。

(c) 本集團以代價6,000,000港元出售證券投資，有關代價乃以現金1,500,000港元支付，並以應收本集團一間聯營公司之款項抵銷其餘4,500,000港元餘款。

截至二零零五年十二月三十一日止九個月，本集團進行之主要非現金交易如下：

(a) 應收短期貸款及其他應收款項分別約25,590,000港元及5,770,000港元乃一間有關連公司透過等額之持作買賣投資償付。

(b) 其他應收款項169,647,000港元乃透過應收短期貸款及應收一間有關連公司短期貸款分別118,800,000港元及50,847,000港元償付。

(c) 應收一間有關連公司短期貸款12,479,000港元乃透過等額之應收短期貸款償付。

44. 或然負債

	於三月三十一日			於二零零五年十二月三十一日
	二零零四年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
就提供擔保予銀行及其他財務機構以獲取授予附屬公司之融資之已動用金額	11,674	—	—	—

本集團於美國涉及兩項侵犯專利權訴訟，截至二零零四年及二零零五年三月三十一日止年度因訴訟而產生之賠償金額介乎約285,000美元(相等於2,213,000港元)至855,000美元(相等於6,639,000港元)。由於訴訟結果未明，本集團已於二零零四年及二零零五年三月三十一日就該等訴訟計提撥備302,000美元及302,000美元(相等於2,345,000港元)以應付董事估計之可能賠償額。

於二零零五年十二月三十一日，本集團並無或然負債。

43. 主要非現金交易

截至二零零三年三月三十一日止年度，本集團進行之主要非現金交易如下：

(a) 本集團訂立物業、機器及設備之融資租約安排，於訂立租約時之資本值為2,990,000港元。

(b) 本集團收購一間附屬公司之額外股權，代價為278,320,000港元，以轉讓應收短期貸款260,578,000港元支付。17,742,000 港元之代價餘款於二零零三年三月三十一日尚未清償。

截至二零零四年三月三十一日止年度，本集團進行之主要非現金交易如下：

(a) 本集團以代價150,000,000港元收購珠海錦興。餘下代價19,492,000港元於二零零四年三月三十一日仍未清付。

(b) 本集團以201,987,000港元出售若干附屬公司，根據本集團與一位有關人士訂立之轉讓契約，其中124,387,000港元之代價以相同金額之其他應付款項抵銷。餘下代價77,600,000港元以相同金額之其他應付款項抵銷。

(c) 本集團以代價190,000,000港元收購商標許可證。根據本集團與有關人士訂立之多項債務重組契約及協議，部分代價分別以應收短期貸款40,699,000港元及其他應收款項81,871,000港元支付，部份代價則以現金20,000,000港元支付。餘下代價47,430,000港元於二零零四年三月三十一日仍未清付。

(d) 根據本集團與有關人士訂立之多項債務重組契約，本集團重組其若干應收短期貸款42,165,000港元及其他應收款項19,360,000港元。該等款項分別以43,275,000港元之其他貸款及18,250,000港元之其他應付款項償付。

(e) 根據本集團與有關人士訂立之一份協議，其他應收款項38,710,000港元以其他貸款23,543,000港元及應付利息15,167,000 港元償付。

(f) 短期貸款22,866,000港元、應收利息1,290,000港元及應付款項24,000港元以收購一項投資之代價24,180,000港元償付。

(g) 因收購一間聯營公司而導致應收一間聯營公司貸款增加19,024,000港元，已於其後以本集團與一位有關人士訂立之一份債務重組契約項下相同金額之應收短期貸款抵銷。

(h) 本集團以16,000,000港元之代價出售若干金額之其他資產。根據本集團與一位有關人士訂立之一份債務重組契約，代價以相同金額之應收短期貸款支付。

42. 出售附屬公司

	截至三月三十一日止年度			截至二零零五年十二月三十一日止九個月
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
出售資產之淨值				
物業、機器及設備	—	—	1,483	64
一間聯營公司之權益	—	—	5,244	—
證券投資	—	78,388	—	—
貿易及其他應收款項	—	—	53	1,279
應收集團公司之款項	15,000	157,353	26,758	334
銀行結存及現金	2	5	92	179
貿易及其他應付款項	—	—	(1,832)	(3,671)
應付集團公司之款項	—	(8,853)	(27,187)	(14)
應付一間聯營公司之款項	—	(1,433)	(146)	—
應付税項	(13,027)	(22,531)	—	(214)
少數股東權益	—	—	—	280
應付一名少數股東款項	—	—	—	(2,514)
	1,975	202,929	4,465	(4,277)
已變現貨幣兑換儲備	—	(216)	7,842	583
其他已變現儲備		—	(7,810)	—
應佔資本儲備		556	(556)	—
	1,975	203,269	3,941	(3,694)
出售附屬公司之收益(虧損)	25	(1,282)	3,504	6,694
	2,000	201,987	7,445	3,000
支付方式：				
現金	2,000	—	7,445	3,000
其他應付款項	—	201,987	—	—
	2,000	201,987	7,445	3,000
出售附屬公司產生之現金流入(流出)淨額：				
現金代價	2,000	—	7,445	3,000
出售之銀行結存及現金	(2)	(5)	(92)	(179)
	1,998	(5)	7,353	2,821

有關期間內所出售之附屬公司對本集團之營業額及業績並無作出重大貢獻。有關期間內所出售之附屬公司所貢獻或動用之現金流量並不重大。

40. 儲備 *(續)*

本集團於各結算日之實繳盈餘乃：

(i) 本集團於一九九八年二月二十日及二零零三年二月十九日將股份溢價賬轉撥往本集團之實繳盈餘賬所產生之進賬；

(ii) 於一九九九年及二零零三年削減本公司股份面值所產生之進賬；及

(iii) 減去轉撥往虧絀賬以抵銷本集團分別於二零零零年一月三十一日、二零零一年一月三十一日、二零零三年三月二十日及二零零五年三月三十一日虧絀金額之結餘。

於截至二零零三年三月三十一日止年度，本集團之實繳盈餘變動乃：

(i) 根據本公司於二零零三年三月十七日舉行之股東特別大會上通過之特別決議案，將於二零零三年二月十九日列於股份溢價賬進賬之1,974,565,000港元金額全部註銷及將該等金額轉撥入本集團之實繳盈餘賬內，及透過每股註銷0.99港元之繳足股本，將本公司之股份由每股1.00港元削減至每股0.01港元而產生進賬。有關詳情載於本公司於二零零三年二月二十一日刊發之通函內；及

(ii) 根據本公司於二零零三年三月二十日舉行之董事會議上通過之決議案，減去轉撥往虧絀賬內之460,000,000港元，以抵銷本公司於二零零三年三月二十日之累積虧損。

41. 收購一間附屬公司

截至二零零四年三月三十一日止年度，本集團按代價150,000,000港元收購珠海錦興之全部已發行股本。

該收購事項已採用收購會計法入賬。該收購事項所產生之商譽金額為4,598,000港元。

	截至二零零四年三月三十一日止年度	截至二零零五年十二月三十一日止九個月
	千港元	*千港元*
收購資產之淨額		
其他資產	150,000	—
其他應付款項	(4,598)	(15)
其他應收款項	—	3,301
可供出售之投資	—	1
少數股東權益	—	(559)
	145,402	2,728
商譽	4,598	623
總代價	150,000	3,351
支付方式：		
現金	130,508	3,351
遞延代價	19,492	—
	150,000	3,351

38. 股本 *(續)*

(c) 於二零零四年一月二十八日，簽訂私人配售安排，以現金方式向獨立私人投資者私人配售由德祥企業集團有限公司(本公司主要股東)持有之本公司21,500,000股每股面值0.01港元之股份。配售價為每股4.00港元，較股份於二零零四年一月二十八日在聯交所所報之收市價每股4.35港元折讓約8%。

根據於同日訂立之認購協議，德祥企業集團有限公司以每股4.00港元之價格，向本公司認購21,500,000股每股面值0.01港元之新股份。所得款項已撥作本公司之額外營運資金。該等新股份乃依據本公司於二零零三年八月二十八日舉行之股東週年大會上授予董事之一般授權發行，並在各方面與其他已發行股份享有同等權益。

(d) 截至二零零四年三月三十一日止年度，4,750,000股每股0.01港元之本公司股份因4,750,000份購股權獲行使而按每股2.9888港元之價格予以發行。截至二零零四年三月三十一日止年度發行之股份與當時之現有股份於各方面均享有同等權益。

(e) 於二零零四年十月二十一日，本公司透過以股代息按每股2.745港元之價格發行75,210股每股面值0.01港元之股份。於截至二零零五年三月三十一日止年度發行之股份與現有之股份於各方面享有同等權益。

(f) 於二零零四年十一月二十三日，簽訂私人配售安排，以現金方式向獨立私人投資者私人配售由德祥企業集團有限公司(本公司主要股東)持有之本公司37,000,000股每股面值0.01港元之股份。配售價為每股3.22港元，較股份於二零零四年十一月二十二日在聯交所所報之收市價每股3.50港元折讓約8%。

根據於同日訂立之認購協議，德祥企業集團有限公司以每股3.22港元之價格，向本公司認購37,000,000股每股面值0.01港元之新股份。所得款項已撥作本公司之額外營運資金。該等新股份乃依據本公司於二零零四年八月三十一日舉行之股東週年大會上授予董事之一般授權發行，並在各方面與其他已發行股份享有同等權益。

(g) 於二零零五年十月二十一日，本公司透過以股代息按每股3.367港元之價格發行2,515,285股每股面值0.01港元之股份。於截至二零零五年十二月三十一日止期間發行之股份與現有之股份於各方面享有同等權益。

39. 認股權證

根據附帶於本公司認股權證之條件，各份認購股權均賦予登記持有人權利，由發行日起至二零零二年四月三日止(包括首尾兩日)隨時按經調整認購價每股0.36港元(可予調整)以現金認購一股本公司新股。於二零零三年四月三日，所有餘下尚未行使認股權證(賦予登記持有人認購922,543,833股每股面值0.025港元之本公司股份)已經失效。

本公司認股權證於截至二零零三年三月三十一日止年度之行使詳情載於附註38。

40. 儲備

資本儲備指於二零零一年四月一日前進行收購產生之商譽。

其他儲備指本集團應佔其聯營公司之商譽儲備及其他儲備。於二零零五年三月三十一日之商譽儲備13,060,000港元已根據香港財務報告準則3號之過渡條文於二零零五年四月一日轉撥至保留溢利。

38. 股本

	股份數目	價值
		千港元
法定股本：		
於二零零二年四月一日		
(每股面值0.025港元之普通股)	26,000,000,000	650,000
40股合併為1股之股份合併 *(附註a)*	(25,350,000,000)	—
調整股份面值 *(附註a)*	64,350,000,000	—
註銷股份 *(附註a)*	(45,000,000,000)	(450,000)
於二零零三年、二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日 (每股面值0.01港元之普通股)	20,000,000,000	200,000
已發行及繳足股本：		
於二零零二年四月一日		
(每股面值0.025港元之普通股)	6,412,057,523	160,301
行使認股權證 *(附註b)*	70,595	2
綜合及調整股份面值 *(附註a)*	(6,251,824,916)	(158,700)
於二零零三年三月三十一日 (每股面值0.01港元之普通股)	160,303,202	1,603
發行新股份 *(附註c)*	21,500,000	215
行使購股權 *(附註d)*	4,750,000	48
於二零零四年三月三十一日 (每股面值0.01港元之普通股)	186,553,202	1,866
以股代息發行 *(附註e)*	75,210	—
發行新股份 *(附註f)*	37,000,000	370
於二零零五年三月三十一日 (每股面值0.01港元之普通股)	223,628,412	2,236
以股代息發行 *(附註g)*	2,515,285	25
於二零零五年十二月三十一日 (每股面值0.01港元之普通股)	226,143,697	2,261

附註：

(a) 根據本公司於二零零三年三月十七日舉行之股東特別大會上通過之特別決議案：

(i) 本公司股份已按每40股每股面值0.025港元之已發行及未發行股份合併為一股面值1.00港元之股份之基準合併；

(ii) 本公司股份面值透過註銷每股0.99港元之繳足股本，由每股1.00港元削減至每股0.01港元；

(iii) 本公司之法定但未發行股份面值拆細為每股面值0.01港元之股份；而法定但未發行股份數目亦相應增加；及

(iv) 本公司之法定股本透過註銷45,000,000,000股每股面值0.01港元股份，由650,000,000港元削減至200,000,000港元。

(b) 截至二零零三年三月三十一日止年度，70,595股每股面值0.025港元之本公司股份因70,595份認股權證獲行使而按每股0.36港元之價格予以發行。於該年內發行之股份與當時之現有股份於各方面均享有同等權益。

37. 遞延稅項 *(續)*

* 遞延稅項抵免主要由於美國一間附屬公司主要資產負債表項目(如應收款項、存貨及應計費用)之賬面值與稅基所產生之臨時差額變動所致。

就資產負債表呈列方式而言，若干遞延稅項資產及負債經已抵銷。以下為就財務報告目的之遞延稅項結存分析：

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
遞延稅項資產	(13,298)	(35,480)	(18,418)	(45,440)
遞延稅項負債	750	136	114	201
	(12,548)	(35,344)	(18,304)	(45,239)

於二零零三年、二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日，本集團有未動用稅項虧損分別470,299,000港元、363,848,000港元、387,410,000港元及391,695,000港元，可用作抵銷未來溢利。於二零零三年、二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日，已分別就45,357,000港元、69,488,000港元、185,000港元及零港元之虧損確認遞延稅項資產。於二零零三年、二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日，由於未能預計未來溢利趨勢，故並無就餘下424,942,000港元、294,360,000港元、387,225,000港元及391,695,000港元確認遞延稅項。虧損可無限期結轉。

36. 應付一名少數股東款項

該金額為無抵押、免息及並無固定還款期。該等款項將不會於結算日起計之一年內償還，因此，該等款項列作非流動款項。

37. 遞延稅項

於有關期間已確認之主要遞延稅項負債(資產)及其變動如下：

	加速稅項折舊	稅項虧損	其他	總額
	千港元	*千港元*	*千港元*	*千港元*
於二零零二年四月一日				
－如原先呈列	—	—	—	—
－採納會計實務準則第12號(經修訂)時調整	1,532	(15,264)	898	(12,834)
－經重列	1,532	(15,264)	898	(12,834)
扣除自(計入)該年度之綜合收益表 *(附註15)*	551	(491)	226	286
於二零零三年三月三十一日	2,083	(15,755)	1,124	(12,548)
外幣調整	(57)	(1,922)	(20)	(1,999)
計入該年度之綜合收益表 *(附註15)*	(1,382)	(2,536)	(16,761)*	(20,679)
稅率變動之影響				
－扣除自(計入)該年度之綜合收益表 *(附註15)*	100	(255)	37	(118)
於二零零四年三月三十一日	744	(20,468)	(15,620)	(35,344)
外幣調整	(85)	(17)	(19)	(121)
扣除自(計入)該年度之綜合收益表 *(附註15)*	833	19,994	(3,666)*	17,161
出售一間附屬公司時變現	(459)	459	—	—
於二零零五年三月三十一日	1,033	(32)	(19,305)	(18,304)
外幣調整	9	—	(34)	(25)
扣除自(計入)該年度之綜合收益表 *(附註15)*	(694)	—	(26,216)	(26,910)
於二零零五年十二月三十一日	348	(32)	(45,555)	(45,239)

35. 融資租約承擔

	最低租金				最低租金現值			
				於二零零五年				於二零零五年
	於三月三十一日			十二月	於三月三十一日			十二月
	二零零三年	二零零四年	二零零五年	三十一日	二零零三年	二零零四年	二零零五年	三十一日
	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
根據融資租約應付之款項：								
一年內	1,181	1,117	487	—	1,113	1,068	462	—
兩至五年內(包括首尾兩年)	1,868	536	—	—	1,557	462	—	—
	3,049	1,653	487	—				
減：未來融資費用	(379)	(123)	(25)	—				
租約承擔現值	2,670	1,530	462	—	2,670	1,530	462	—
減：一年內到期償還之款項(列於流動負債項)					(1,113)	(1,068)	(462)	—
一年後到期償還之款項					1,557	462	—	—

本集團已根據融資租約租賃其若干裝置及設備，平均租期為2年。截至二零零三年、二零零四年及二零零五年三月三十一日止年度以及截至二零零五年十二月三十一日止九個月，平均有效借貸利率分別為12.51厘、9.32厘、6.92厘及6.92厘。利率乃於合約日期確定。所有租約均採用固定還款期還款，及並無就或然租金簽訂任何安排。

本集團之融資租約承擔乃以出租人之出租資產作為抵押。

本集團以有關集團實體功能貨幣以外貨幣計值之融資租約承擔載列如下：

	新台幣	美元
	千元	千元
於二零零五年十二月三十一日	—	—
於二零零五年三月三十一日	—	59
於二零零四年三月三十一日	—	197
於二零零三年三月三十一日	252	336

本集團之上述融資租約承擔之公平價值乃根據利用現行市場利率之估計未來現金流動現值釐定，與其賬面值相若。

34. 借款 *(續)*

本集團定息借款風險及合約到期日如下：

	於三月三十一日			於二零零五年十二月
	二零零三年	二零零四年	二零零五年	三十一日
	千港元	*千港元*	*千港元*	*千港元*
一年內到期之定息借款	9,422	—	—	200,000

本集團借款之有效利率(相等於合約利率)範圍如下：

	於三月三十一日			於二零零五年十二月
	二零零三年	二零零四年	二零零五年	三十一日
有效利率：				
定息借款	6.4厘	不適用	不適用	1.5厘
浮息借款	2.6厘至7.5厘	4.3厘至7.5厘	2.3厘至7.3厘	3.6厘至9.8厘

本集團以有關集團實體功能貨幣以外貨幣計值之借款載列如下：

	美元	新台幣	人民幣
	千元	*千元*	*千元*
於二零零五年十二月三十一日	38,268	32,951	—
於二零零五年三月三十一日	258	34,148	—
於二零零四年三月三十一日	19,758	35,501	—
於二零零三年三月三十一日	14,090	36,670	10,000

本集團之借款於各結算日之公平價值與其賬面值相若。

34. 借款

	二零零三年	於三月三十一日 二零零四年	二零零五年	於二零零五年 十二月 三十一日
	千港元	*千港元*	*千港元*	*千港元*
借款包括：				
銀行貸款	237,468	205,641	82,010	362,725
其他貸款	180,000	151,339	161,341	531,225
	417,468	356,980	243,351	893,950
分析：				
有抵押	107,140	159,583	38,531	530,433
無抵押	310,328	197,397	204,820	363,517
	417,468	356,980	243,351	893,950
上述款項須按現行市場利率計算利息，且須於以下年期償還：				
一年內或於要求時	244,473	349,059	85,881	886,692
一至兩年內	165,238	266	149,751	407
兩至五年內	843	940	1,407	1,358
超過五年	6,914	6,715	6,312	5,493
	417,468	356,980	243,351	893,950
列入流動負債項下於一年內到期之款項	(244,473)	(349,059)	(85,881)	(886,692)
一年後到期之款項	172,995	7,921	157,470	7,258

31. 應收孖展貸款／應付款項及應付票據

於二零零三年、二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日，本集團應收孖展貸款、應付孖展貸款及應付票據之公平價值與相關賬面值相若。

32. 已抵押銀行存款

該金額指抵押予銀行之存款，以作為授予本集團之短期銀行信貸之擔保，故分類為流動資產。

該筆存款按介乎2.54厘至4.36厘不等之利率計息。已抵押銀行存款將於清償有關銀行借款後解除。於各結算日之銀行存款之公平價值與相關之賬面值相若。

33. 貿易及其他應付款項

於二零零三年、二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日，貿易及其他應付款項分別包括632,561,000港元、827,620,000港元、564,154,000港元及704,507,000港元之應付貿易款項結餘。

以下為於各結算日之應付貿易款項賬齡分析：

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
未到期	319,505	445,088	417,919	524,123
逾期少於一個月	99,484	116,373	74,518	134,279
逾期一至兩個月	35,422	50,321	27,951	24,491
逾期超過兩個月	178,150	215,838	43,766	21,614
	632,561	827,620	564,154	704,507

本集團貿易及其他應付款項於各結算日之公平價值與其賬面值相若。

29. 貿易及其他應收款項 *(續)*

本集團向其貿易客戶平均提供一至兩個月不等之信貸期。以下為於各結算日之應收貿易款項賬齡分析(扣除減值虧損)：

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
未到期	354,824	624,041	548,407	831,989
逾期少於一個月	26,561	52,433	25,996	109,303
逾期一至兩個月	6,916	2,099	4,561	2,016
逾期超過兩個月	9,463	6,452	12,819	12,131
	397,764	685,025	591,783	955,439

本集團貿易應收款項於各結算日之公平價值與其賬面值相若。

30. 持作買賣投資

於各結算日之持作買賣投資包括：

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
上市證券：				
－於香港上市之股本證券 *(附註a)*	—	—	—	41,429
－於其他地方上市之股本證券 *(附註a)*	—	—	—	21,818
非上市可兑換票據 *(附註b)*	—	—	—	65,647
	—	—	—	128,894

(a) 該等投資之公平價值乃根據於有關證券交易所提供之所報市場競爭價釐定。

(b) 該金額指本集團於截至二零零五年十二月三十一日止九個月認購之三份可兑換票據之兑換權部份。非上市可兑換票據之公平價值由本公司董事參照獨立估值師行保柏國際評估有限公司進行之估值釐定。

28. 存貨

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
原材料	9,459	6,769	6,781	4,915
在製品	2,702	1,435	1,962	1,772
製成品	493,004	869,205	578,335	869,149
	505,165	877,409	587,078	875,836

於二零零三年、二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日，上述存貨包括原材料分別371,000港元、109,000港元、74,000港元及312,000港元，以及製成品分別104,422,000港元、269,854,000港元、97,486,000港元及185,497,000港元，已按其可變現淨值列賬。

29. 貿易及其他應收款項

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
貿易應收款項	463,138	736,279	653,637	1,034,394
*減：*累計減值	(65,374)	(51,254)	(61,854)	(78,955)
	397,764	685,025	591,783	955,439
其他應收款項	88,845	53,795	174,494	112,322
貿易及其他應收款項總額	486,609	738,820	766,277	1,067,761

26. 收購長期投資之按金 *(續)*

截至二零零五年十二月三十一日止九個月，本集團已向三名獨立第三方支付合共約155,175,000港元，作為收購於中國若干供水業務、採沙業務、河沙開採權業務及物業發展業務權益之投標按金(「具潛力之投資」)。倘於本集團付款後一年內尚未落實收購具潛力之投資之條款及條件，則交易各方將退回該等付款。直至報告日期，收購具潛力之投資之條款及條件尚未與其他訂約方落實。

27. 其他資產

截至二零零四年三月三十一日止年度，該數額為於中國之土地開發項目成本值。該項目為珠海錦興產業園之土地開發項目，位於中國珠海市斗門區，將由本集團與一獨立第三方共同開發。本集團享有該項目之獨家開發權，並有權取得有關土地作開發用途(「其他資產」)。本集團亦有權按各方議定之代價將其他資產出售予投資者。

截至二零零四年三月三十一日止年度，取得獨家開發權之代價150,000,000港元已由本集團支付，而本集團已就地盤平整工程支付人民幣5,750,000元(相等於約5,425,000港元)，而本集團已按代價約16,000,000港元向獨立第三方出售部分其他資產，出售其他資產之收益淨額約5,660,000港元已於截至二零零四年三月三十一日止年度之綜合收益表內確認。

因本公司董事認為其他資產乃持作銷售，故其他資產所產生之成本值列入流動資產。

董事已參考由獨立估值師行普敦國際評估有限公司所作估值，按二零零四年三月三十一日之公開市值基準評估其他資產之賬面值，且並無識別減值虧損。

截至二零零五年三月三十一日止年度，本集團已按代價39,600,000港元向一獨立第三方出售部分其他資產，出售其他資產收益淨額約2,515,000港元已於截至二零零五年三月三十一日止年度之綜合收益表內確認。

截至二零零五年十二月三十一日止九個月，本集團與獨立第三方訂立多份買賣協議，按總代價約118,800,000港元出售所有其餘其他資產，出售其他資產收益淨額約10,800,000港元已於截至二零零五年十二月三十一日止九個月之綜合收益表內確認。

25. 應收貸款 *(續)*

本集團之應收定息貸款之利率風險及其合約到期日如下：

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
應收定息貸款：				
一年內	9,100	6,387	5,533	20,265

本集團應收貸款之有效利率(相等於合約利率)範圍如下：

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
有效利率：				
應收定息貸款	3.6厘至10厘	3.6厘至10厘	3.6厘至10厘	10厘至20厘
應收浮息貸款	5厘至7.1厘	5厘至7厘	5厘至7.3厘	5.3厘至10.8厘

本集團以有關集團實體功能貨幣以外貨幣計值之應收貸款載列如下：

	美元	新台幣
	千元	*千元*
於二零零五年十二月三十一日	712	40,619
於二零零五年三月三十一日	712	78,000
於二零零四年三月三十一日	823	—
於二零零三年三月三十一日	809	—

本集團於結算日之應收貸款公平價值乃根據利用現行市場利率之估計未來現金流動現值釐定，與應收貸款之賬面值相若。

26. 收購長期投資之按金

截至二零零五年三月三十一日止年度，本集團與一獨立第三方(「賣方」)訂立有條件協議(「港口協議」)，以總代價35,000,000港元收購一項於中國成立之非上市投資項目之股本權益。該項非上市投資項目主要於中國從事港口業務。

於本報告日期，根據港口協議進行之收購非上市投資之盡職審查檢討尚未完成。因此，港口協議之條件尚未達成，故有關交易仍未完成。

24. 可供出售之投資 (續)

(c) 截至二零零五年十二月三十一日止九個月，本集團已認購總額達650,000,000港元之三份可兌換票據，該等票據乃分別向(i)祥泰行集團有限公司認購之零息可兌換票據，於二零一零年八月十日到期，贖回款額為本金額之110%；(ii)漢傳媒集團有限公司(前稱瑞力控股有限公司)認購之零息可兌換票據，於二零一零年八月九日到期，贖回款額為本金額之110%；及(iii)和記行(集團)有限公司認購之可兌換票據，按年率7.25厘計息，須每半年支付，於二零零八年九月五日到期。所有該等公司均為公眾上市公司，股份於聯交所上市。本集團已將可兌換票據之所有債務部分類為可供出售之投資，而可兌換票據之兌換權部分則分類為持作買賣投資。

於二零零五年十二月三十一日，債務部分及兌換權部分之公平價值分別約為535,611,000港元及65,647,000港元。因此，債務部分約3,072,000港元之公平價值增加及兌換權部分約51,813,000港元之公平價值減少已分別於股東權益及損益中確認。

25. 應收貸款

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
應收定息貸款	9,100	6,387	5,533	20,265
應收浮息貸款	81,538	36,745	106,318	151,714
應收免息貸款	15,073	2,939	—	—
	105,711	46,071	111,851	171,979
就呈報目的而作出之賬面值分析：				
一年內	95,523	41,173	111,851	171,979
超過一年但不超過兩年	2,351	4,898	—	—
超過兩年但不超過三年	7,837	—	—	—
	105,711	46,071	111,851	171,979

計入二零零三年、二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日之應收貸款賬面值為累計減值虧損分別28,056,000港元、39,033,000港元、39,633,000港元及39,633,000港元。

23. 證券投資 *(續)*

c. 截至二零零五年三月三十一日止年度，本集團已按總代價約150,000,000港元出售於富洋之權益。出售虧損淨額約29,712,000港元已於綜合收益表內確認。

於二零零五年三月三十一日，本集團持有下列投資證券作長期策略目的：

- Alfresco Gold Limited 40%*權益，該公司之業務為投資控股，擁有兩間於中國註冊成立之公司之85%權益。該兩間公司之主要業務為廣告設計及製作及提供廣告代理服務。
- 重慶金瀚實業有限公司(前稱重慶冠生園興綠洲食品有限公司) 33%*權益，該公司在中國持有一幅土地。
- Earnbest Holdings Limited之30%*權益，該公司之業務為投資控股，擁有一間於中國註冊成立之公司40%權益。其主要業務為渡假村及酒店建造及旅遊業務。

* 由於本集團對該等投資並無重大影響，故該等投資乃列為投資證券。

d. 於二零零五年三月三十一日之非上市債務證券乃指香港上市公司日本亞太事業投資有限公司(「日本亞太債券」，前稱中華城市燃氣集團有限公司)發行之可兌換債券。日本亞太債券按年息1厘計息，於二零零五年十一月一日到期贖回。本集團有權在債券到期前隨時按每股0.025港元之兌換價(可於兌換時作出有關調整)，將日本亞太債券兌換為日本亞太事業投資有限公司之股份。

24. 可供出售之投資

於二零零五年十二月三十一日之可供出售之投資按非流動資產分析，當中包括：

	於二零零五年十二月三十一日 *千港元*
上市投資：	
－於香港上市之股本證券 *(附註a)*	16,685
非上市投資：	
－股本證券 *(附註b)*	121,165
－債務證券 *(附註c)*	535,611
－會籍	4,938
總額	678,399

附註：

(a) 所有上市投資均按根據由聯交所提供之所報市場競爭價釐定之公平價值列賬。

(b) 非上市股本證券指於中國成立非上市實體之投資，乃於各結算日按成本值減去減值計量，原因為本公司董事認為其公平價值不能可靠地計量。截至二零零五年十二月三十一日止九個月，本公司董事已就該等非上市股本證券進行減值審閱，認為無須作出減值虧損。

23. 證券投資

於二零零三年、二零零四年及二零零五年三月三十一日之投資證券列載如下。於二零零五年四月一日應用香港會計準則第39號後，證券投資已根據香港會計準則第39號重新分類至適當類別(見附註2)。

	投資證券			其他投資			總額		
	於三月三十一日			於三月三十一日			於三月三十一日		
	二零零三年	二零零四年	二零零五年	二零零三年	二零零四年	二零零五年	二零零三年	二零零四年	二零零五年
	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
	(附註a)	*(附註b)*	*(附註c)*						
上市證券									
香港	698,407	—	—	108,548	126,114	131,563	806,955	126,114	131,563
海外	—	—	—	984	850	1,058	984	850	1,058
非上市證券									
香港	—	—	—	6,000	6,000	—	6,000	6,000	—
海外／中國	204,573	188,890	123,348	78,388		—	282,961	188,890	123,348
非上市債務證券									
香港 *(附註d)*	—	—	—	—	—	12,000	—	—	12,000
	902,980	188,890	123,348	193,920	132,964	144,621	1,096,900	321,854	267,969
上市證券之市值	10,859	—	—	109,532	126,964	132,621	120,391	126,964	132,621
就呈報目的而作出之賬面值分析：									
非流動	887,300	188,890	123,348	330	330	186	887,630	189,220	123,534
流動	15,680	—	—	193,590	132,634	144,435	209,270	132,634	144,435
	902,980	188,890	123,348	193,920	132,964	144,621	1,096,900	321,854	267,969

附註：

a. 於二零零三年三月三十一日，上市投資證券指於中策之14.55%權益，而非上市海外投資證券包括在富洋投資股份有限公司(「富洋」)之8.04%權益及在一間於台灣成立之基建公司(主要於台灣從事建立電訊網絡)(「EBT」)之0.61%權益。富洋由青宇投資有限公司、強潤投資有限公司、精德投資有限公司及至尚投資有限公司合併而於二零零二年四月二十一日在台灣成立。富洋主要在台灣從事有線播放業務。

b. 截至二零零四年三月三十一日止年度，EBT已按代價15,000,000港元出售。出售虧損淨額約380,000港元已於綜合收益表內確認。

c. 於二零零四年三月三十一日，該金額乃指富洋之8.04%權益。

22A. 應收聯營公司款項

該等金額為無抵押、免息及須按要求償還。於二零零五年十二月三十一日之應收聯營公司款項之公平價值與相應之賬面值相若。

22B. 應付一間聯營公司款項

該等金額為無抵押、免息及須按要求償還。於二零零五年十二月三十一日之應付一間聯營公司款項之公平價值與相應之賬面值相若。

22. 聯營公司權益 *(續)*

f. 有關本集團聯營公司之概要財務資料列載如下：

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
資產總值	1,264,576	3,366,013	3,452,648	3,331,625
負債總額	(679,846)	(1,307,787)	(1,308,483)	(1,203,568)
資產淨值	584,730	2,058,226	2,144,165	2,128,057
本集團應佔聯營公司資產淨值	237,865	874,174	632,201	636,452

g.

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
收入	926,817	756,681	898,270	715,748	630,559
年／期內虧損	(170,131)	(491,459)	(184,410)	(192,213)	(55,664)
本集團應佔年／期內聯營公司虧損	(36,367)	(59,857)	(64,909)	(59,175)	(20,032)

h. 本集團已終止確認其應佔若干聯營公司之虧損。未確認應佔該等聯營公司之虧損(摘錄自聯營公司有關經審核財務報表)如下：

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
年／期內之未確認應佔聯營公司虧損	(19,230)	—	—	—	—
累計未確認應佔聯營公司虧損	(19,230)	(19,230)	(19,230)	(19,230)	(19,230)

22. 聯營公司權益 *(續)*

e. 本集團之主要聯營公司於各結算日之詳情如下：

			本公司應佔股本權益比例				
						於二零零五年十二月	
	企業結構	註冊成立／	於三月三十一日				
聯營公司名稱	形式	營運地點	二零零三年	二零零四年	二零零五年	三十一日	主要業務
			%	%	%	%	
中策	企業	香港	—	29.36	29.36	29.36	投資控股
普威	企業	新加坡	27.45	27.45	21.71	24.26	供應家用消費品

中策乃於香港上市之公司，其財政年度結算日為十二月三十一日。於採用權益會計法時，本集團只有中策已刊發之財務資料可供運用。因此，本集團應佔中策於二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日之權益，乃根據中策於二零零三年、二零零四年及二零零五年十二月三十一日之資產淨值及中策成為本集團聯營公司當日起至各結算日之業績計算。

普威乃於新加坡共和國上市之公司，其財政年度結算日為十二月三十一日。本集團應佔普威於二零零三年、二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日之權益，乃根據普威於二零零三年、二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日之資產淨值(摘錄自普威已刊發之財務資料)及普威成為本集團聯營公司當日起至各結算日之業績計算。

上表列載之本集團聯營公司，乃董事認為主要影響本集團於有關期間之業績或構成本集團各財政年度末資產淨值重大部份之公司。董事認為，詳載其他聯營公司會導致篇幅過於冗長。

於二零零五年三月十日，本集團及中策另一主要股東保華集團有限公司(前稱保華德祥建築集團有限公司)(「保華」)與一獨立第三方訂立一份股份銷售協議，內容有關以總代價約52,000,000港元出售中策合共270,000,000股股份(佔本集團及保華各自持有之中策15.3%權益或135,000,000股股份)(「建議出售」)。待中策完成建議之集團重組(「中策重組」)後，建議出售方告完成。

於二零零五年四月十九日，中策與本公司聯合宣佈中策重組之資料，倘獲批准及付諸實行，將導致(i)中策繼續保持公眾上市公司之地位，其附屬公司專注於電池產品製造及貿易、證券及物業投資，以及非上市投資項目；(ii)於中策重組完成後，中策旗下經營物業發展及投資控股業務之所有其他附屬公司，以及中策旗下經營輪胎製造及銷售、提供旅行團、旅遊及其他相關服務之業務將收歸群龍投資有限公司(「群龍」)(中策之一間全資附屬公司)及其附屬公司旗下；及(iii)股本重組合併後以實物方式向於待定記錄日期當時之中策股東分派群龍股份，基準為每持有一股中策股份將收取一股群龍股份。

同日，本集團擬收購群龍之額外權益(「建議收購」)，惟須待中策重組完成後方可作實。建議收購已於二零零五年十月十七日經本公司股東批准。

建議出售及建議收購之詳情載於本公司於二零零五年九月十四日刊發之通函。是次交易於本報告日期尚未完成。

22. 聯營公司權益 *(續)*

d. 收購一間聯營公司產生之負商譽：

	千港元
毛額	
於二零零三年及二零零四年三月三十一日	—
增項	(233)
於二零零五年三月三十一日	(233)
應用香港財務報告準則第3號時撇除累計變現 *(見附註2)*	233
於二零零五年十二月三十一日	—
變現	
於二零零三年及二零零四年三月三十一日	—
年內解除	(8)
於二零零五年三月三十一日	(8)
應用香港財務報告準則第3號時撇除毛額 *(見附註2)*	8
於二零零五年十二月三十一日	—
賬面值	
於二零零五年十二月三十一日	—
於二零零五年三月三十一日	(225)
於二零零四年三月三十一日	—
於二零零三年三月三十一日	—

直至二零零五年三月三十一日，負商譽按直線法於10年內解除至收入。由二零零五年四月一日起，先前計入聯營公司權益之賬面值達225,000港元之所有負商譽已於應用香港財務報告準則第3號(附註2)後在二零零五年四月一日終止確認。

22. 聯營公司權益 *(續)*

c. 於二零零三年、二零零四年及二零零五年三月三十一日及二零零五年十二月三十一日分別計入聯營公司投資之商譽為65,520,000港元、256,629,000港元、51,094,000港元及38,979,000港元，乃因於有關期間收購聯營公司而產生。商譽變動列載如下：

	千港元
成本值	
增項及於二零零三年三月三十一日之結存	72,132
增項	208,760
於二零零四年及二零零五年三月三十一日	280,892
應用香港財務報告準則第3號時撇除累計攤銷(見附註2)	(229,798)
增項	2,276
於二零零五年十二月三十一日	53,370
攤銷及減值	
本年度準備及於二零零三年三月三十一日之結存	6,612
本年度準備	17,651
於二零零四年三月三十一日	24,263
本年度準備	28,089
本年度確認之減值虧損	177,446
於二零零五年三月三十一日	229,798
應用香港財務報告準則第3號時撇除成本(見附註2)	(229,798)
本期間確認之減值虧損	14,391
於二零零五年十二月三十一日	14,391
賬面值	
於二零零五年十二月三十一日	38,979
於二零零五年三月三十一日	51,094
於二零零四年三月三十一日	256,629
於二零零三年三月三十一日	65,520

直至二零零五年三月三十一日，商譽之攤銷期為十年。

22. 聯營公司權益 *(續)*

附註：

a. 於二零零三年三月三十一日，列入證券投資之約698,400,000港元之款項，乃指本集團於中策之14.55%股本權益。中策及其附屬公司主要從事製造、物業發展及投資、經營酒店、建築及相關業務、提供旅行團、運輸及其他相關服務。

截至二零零四年三月三十一日止年度，本集團以代價約19,300,000港元收購中策之16.65%額外權益。因此，於中策之投資增至31.20%，並由證券投資重新分類為聯營公司權益。

截至二零零五年三月三十一日止年度，由於本集團行使中策之購股權，故於中策之股本權益由31.20%攤薄至29.36%。

於二零零五年三月三十一日及二零零五年十二月三十一日，本集團持有中策29.36%股本權益。

b. 借予一間聯營公司貸款為無抵押及無固定還款期。除於二零零三年、二零零四年及二零零五年三月三十一日及二零零五年十二月三十一日分別7,516,000港元、1,336,000港元、1,331,000港元及1,331,000港元之款項須按當時市場利率計算利息外，其餘均為免息。

截至二零零三年、二零零四年及二零零五年三月三十一日止三個年度，應收聯營公司款項為無抵押、免息及並無固定還款期。該等餘款將不會於結算日起計之一年內償還，因此，該等款項列作非流動款項。

本集團借予一間聯營公司之貸款及應收聯營公司款項於結算日之公平價值乃根據利用現行市場利率貼現之估計未來現金流動現值釐定，與應收貸款之賬面值相若。

21. 無形資產 *(續)*

「Memorex」商用名稱之電腦相關產品貿易現金產生單位之可收回金額根據公平價值減出售成本計算法釐定；當中之公平價值乃參照出售事項所協定之初步代價，而出售成本則參照協議之其他條款。鑑於本集團於二零零六年一月二十六日刊發之公佈所載之現時估計代價淨額約2,454,000,000港元，商譽及商標許可證無須考慮減值。

「Dysan」及「Precision」商用名稱之電腦相關產品貿易現金產生單位之可收回金額根據使用中之價值計算法釐定。使用中之價值之主要假設為關於收購日起至二零零五年十二月三十一日期間貼現率、增長率及預期售價及直接成本變動之假設。管理層利用徵稅前稅率估計貼現率，該稅率反映現時市場對金錢時值之評估，以及該現金產生單位之特有風險。有關增長率乃根據業內增長預測所計算。售價及直接成本變動乃基於過往慣例及預期日後之市場變動。

根據管理層批准來自未來四年之最近期財務預算所產生之現金流量預測，以貼現率約11.5%計算，已識別之減值虧損為164,667,000港元，並已於截至二零零五年十二月三十一日止九個月綜合收益表中確認。

22. 聯營公司權益

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
下列聯營公司投資成本：				
－在香港上市 *(附註a)*		508,994	508,994	508,994
－在海外上市	211,612	211,162	195,736	200,024
－非上市	25,904	26,354	6,579	6,579
應佔收購後虧損及儲備，扣除已收股息	(65,171)	(128,965)	(129,977)	(118,124)
收購聯營公司之商譽減攤銷 *(附註c)*	65,520	256,629	51,094	38,979
收購一間聯營公司產生之負商譽減變現 *(附註d)*	—	—	(225)	—
	237,865	874,174	632,201	636,452
借予聯營公司貸款減準備 *(附註b)*	7,651	1,361	1,331	1,331
應收聯營公司款項 *(附註b)*	25,846	30,874	2,197	—
	271,362	906,409	635,729	637,783
上市股份之公平價值	134,561	320,500	299,240	387,859

21. 無形資產 *(續)*

截至二零零四年三月三十一日止年度，董事已檢討收購珠海錦興所產生商譽之賬面值4,598,000港元，已識別之減值虧損為4,598,000港元，並已於綜合收益表中扣除。

由二零零五年四月一日起採納香港財務報告準則第3號後，本集團已終止攤銷上述因二零零一年四月一日後進行收購所產生之商譽，而商譽則會每年進行減值測試。

b. 截至二零零五年三月三十一日止年度，該金額為二零零五年一月一日後收購賣方額外1.6%權益所產生之商譽。根據香港財務報告準則第3號，約24,430,000港元之商譽無須攤銷。

截至二零零五年十二月三十一日止九個月，商譽增項約623,000港元乃歸因於收購Createsuccess全部權益及Sino Partner 83%股本權益。

c. 於二零零二年四月一日，該金額為於一九九九年向Memorex Telex N.V.收購「Memorex」商標許可證，並按直線法於二十年內攤銷。

截至二零零四年三月三十一日止年度，本集團根據獨立估值師行中證評估有限公司進行之估值，按代價190,000,000港元向一獨立第三方收購「Dysan」及「Precision」商標許可證。商標許可證按直線法於十年內攤銷。本集團現正於有關司法管轄區辦理該等商標許可證之登記手續。

由二零零五年四月一日起採納香港會計準則第38號後，本集團已重新評估商標許可證之可用年期，並得出結論為賬面總值約226,687,000港元之商標許可證擁有無限可用年期，無須攤銷，惟須每年進行減值測試。

d. 該金額為二零零四年收購標籤製作專利之收購價。該專利權乃按直線法在十年內攤銷。

截至二零零五年十二月三十一日止九個月，商譽及商標許可證之減值測試如下：

	商譽	商標許可證
	千港元	*千港元*
電腦相關產品貿易 －「Memorex」品牌	167,908	62,020
中國之港口業務投資	623	—
電腦相關產品貿易 －「Dysan」及「Precision」品牌	—	164,667
	168,531	226,687

商譽及商標許可證之賬面值分配至「Memorex」以及「Dysan」及「Precision」商用名稱之電腦相關產品貿易，以及中國之港口業務投資之個別現金產生單位。

21. 無形資產 *(續)*

	二零零五年一月一日前收購產生之商譽	二零零五年一月一日後收購產生之商譽	商標許可證	專利權	總額
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
	(附註a)	*(附註b)*	*(附註c)*	*(附註d)*	
出售一間附屬公司部分股權時撇除	(6,075)	—	—	—	(6,075)
於二零零四年三月三十一日	117,253	—	31,065	470	148,788
本年度準備	26,693	—	23,566	807	51,066
於二零零五年三月三十一日	143,946	—	54,631	1,277	199,854
應用香港財務報告準則第3號時撇銷成本	(143,946)	—	(54,631)	—	(198,577)
本期間準備	—	—	—	605	605
於二零零五年十二月三十一日	—	—	—	1,882	1,882
賬面值					
於二零零五年十二月三十一日	143,478	25,053	62,020	6,183	236,734
於二零零五年三月三十一日	143,478	24,430	226,687	6,788	401,383
於二零零四年三月三十一日	170,171	—	250,253	7,595	428,019
於二零零五年三月三十一日	266,721	—	71,152	—	337,873

附註：

於二零零二年四月一日，該金額為於一九九三年收購Tandy Corporation之Memtek產品部及Memorex Computer Supplies業務所產生之商譽。

截至二零零三年三月三十一日止年度，商譽增項約201,572,000港元乃歸因於增購賣方14.9%權益。該商譽乃按直線法平均在十七年內攤銷。

截至二零零四年三月三十一日止年度，商譽增項約4,598,000港元乃歸因於收購珠海錦興全部權益，而本集團亦已將其於賣方之權益減少23.5%，賬面淨值約63,782,000港元之商譽已於減少權益相應解除。

21. 無形資產

	二零零五年一月一日前收購產生之商譽	二零零五年一月一日後收購產生之商譽	商標許可證	專利權	總額
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
	(附註a)	*(附註b)*	*(附註c)*	*(附註d)*	
成本值					
於二零零二年四月一日	153,093	—	91,318	—	244,411
增項	201,572	—	—	—	201,572
於二零零三年三月三十一日					
－如先前呈報	354,665	—	91,318	—	445,983
－採納會計實務準則第12號(經調整)時調整	(1,982)	—	—	—	(1,982)
－經重列	352,683	—	91,318	—	444,001
收購一間附屬公司時產生	4,598	—	—	—	4,598
增項	—	—	190,000	8,065	198,065
出售一間附屬公司部分股權時撇除	(69,857)	—	—	—	(69,857)
於二零零四年三月三十一日	287,424	—	281,318	8,065	576,807
增購一間附屬公司權益時產生	—	24,430	—	—	24,430
於二零零五年三月三十一日	287,424	24,430	281,318	8,065	601,237
應用香港財務報告準則第3號時撇銷累計攤銷	(143,946)	—	(54,631)	—	(198,577)
增項	—	623	—	—	623
商標許可證之減值虧損	—	—	(164,667)	—	(164,667)
於二零零五年十二月三十一日	143,478	25,053	62,020	8,065	238,616
攤銷					
於二零零二年四月一日	76,190	—	15,600	—	91,790
本年度準備	9,772	—	4,566	—	14,338
於二零零三年三月三十一日	85,962	—	20,166	—	106,128
本年度準備	32,768	—	10,899	470	44,137
於綜合收益表確認之減值虧損	4,598	—	—	—	4,598

20. 物業、機器及設備 *(續)*

本集團之土地及樓宇包括

	於三月三十一日			於二零零五年十二月三十一日
	二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*
香港以外地區：				
於中國其他地區之中期租約物業	25,978	25,050	24,122	23,426
於台灣之永久業權物業	12,151	12,392	13,378	12,351
於澳門之中期租約物業	1,100	—	—	—
	39,229	37,442	37,500	35,777

一九九四年於中國其他地區之中期租約土地及樓宇估值乃由一間獨立特許測量師行美國評值有限公司按公開市值基準進行。

若重估之土地及樓宇按成本值減累積折舊及攤銷入賬，其於二零零三年、二零零四年、二零零五年三月三十一日及二零零五年十二月三十一日之賬面值分別應為21,862,000港元、21,157,000港元、20,452,000港元及19,923,000港元。

於二零零三年、二零零四年及二零零五年三月三十一日，物業、機器及設備之賬面淨值包括以融資租約持有之資產，總額分別為2,660,000港元、1,985,000港元及510,000港元。

截至二零零四年三月三十一日止年度，本集團按代價1,100,000港元出售位於澳門之一項物業。因此，截至二零零三年三月三十一日止年度已參照其後售價就土地及樓宇確認1,305,000港元之減值虧損。

20. 物業、機器及設備 *(續)*

	土地及樓宇	機器及機械	模具	傢俱、裝置及設備	汽車	總額
	千港元	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*
本集團						
折舊、攤銷及減值						
於二零零二年四月一日	7,223	34,454	3,375	36,277	2,819	84,148
外幣調整	(1)	—	78	1,439	1	1,517
本年度準備	1,090	3,413	1,225	13,742	1,801	21,271
於收益表確認之減值虧損	1,305	—	—		—	1,305
出售時撇除	—	—	(1,723)	(2,920)	(220)	(4,863)
於二零零三年三月三十一日	9,617	37,867	2,955	48,538	4,401	103,378
外幣調整	7	—		2,682	4	2,693
本年度準備	1,012	1,470	7	15,968	1,175	19,632
出售時撇除	(2,056)	—	—	(4,456)	(1,928)	(8,440)
於二零零四年三月三十一日	8,580	39,337	2,962	62,732	3,652	117,263
外幣調整	31	—	—	(4,262)	24	(4,207)
本年度準備	1,014	1,106	8	16,886	771	19,785
出售及撇銷時撇除		—	—	(14,970)	(1,864)	(16,834)
出售一間附屬公司時撇除		—	—	(2,328)	—	(2,328)
於二零零五年三月三十一日	9,625	40,443	2,970	58,058	2,583	113,679
外幣調整	(32)	—	—	(375)	(28)	(435)
本期間準備	762	323	1	8,014	322	9,422
出售及撇銷時撇除	—	—	—	(601)	(42)	(643)
出售一間附屬公司時撇除	—	—	—	(86)	—	(86)
於二零零五年十二月三十一日	10,355	40,766	2,971	65,010	2,835	121,937
賬面淨值						
於二零零五年十二月三十一日	35,777	2,803	—	32,893	1,523	72,996
於二零零五年三月三十一日	37,500	3,126	1	28,128	1,802	70,557
於二零零四年三月三十一日	37,442	4,232	9	35,410	2,410	79,503
於二零零三年三月三十一日	39,229	5,702	16	35,674	3,491	84,112

20. 物業、機器及設備

	土地及樓宇	機器及機械	模具	傢俱、裝置及設備	汽車	總額
	千港元	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*
本集團						
成本值或估值						
於二零零二年四月一日	48,901	43,569	5,160	70,149	8,111	175,890
外幣調整	(55)	—	243	2,035	10	2,233
增項	—	—	—	18,699	748	19,447
出售	—	—	(2,432)	(6,671)	(977)	(10,080)
於二零零三年三月三十一日	48,846	43,569	2,971	84,212	7,892	187,490
外幣調整	331	—	—	3,473	9	3,813
增項	—	—	—	16,518	1,208	17,726
出售	(3,155)	—	—	(6,061)	(3,047)	(12,263)
於二零零四年三月三十一日	46,022	43,569	2,971	98,142	6,062	196,766
外幣調整	1,103	—	—	(4,882)	37	(3,742)
增項	—	—	—	13,528	701	14,229
出售及撇銷	—	—	—	(16,791)	(2,415)	(19,206)
出售一間附屬公司	—	—	—	(3,811)	—	(3,811)
於二零零五年三月三十一日	47,125	43,569	2,971	86,186	4,385	184,236
外幣調整	(993)	—	—	(525)	(42)	(1,560)
增項	—	—	—	13,085	250	13,335
出售及撇銷	—	—	—	(693)	(235)	(928)
出售一間附屬公司	—	—	—	(150)	—	(150)
於二零零五年十二月三十一日	46,132	43,569	2,971	97,903	4,358	194,933
成本值或估值分析：						
於二零零三年三月三十一日						
成本值	20,639	43,569	2,971	84,212	7,892	159,283
估值	28,207	—	—	—	—	28,207
	48,846	43,569	2,971	84,212	7,892	187,490
於二零零四年三月三十一日						
成本值	17,815	43,569	2,971	98,142	6,062	168,559
估值	28,207	—	—	—	—	28,207
	46,022	43,569	2,971	98,142	6,062	196,766
於二零零五年三月三十一日						
成本值	18,918	43,569	2,971	86,186	4,385	156,029
估值	28,207	—	—	—	—	28,207
	47,125	43,569	2,971	86,186	4,385	184,236
於二零零五年十二月三十一日						
成本值	17,925	43,569	2,971	97,903	4,358	166,726
估值	28,207	—	—	—	—	28,207
	46,132	43,569	2,971	97,903	4,358	194,933

19. 每股(虧損)盈利

截至二零零三年、二零零四年及二零零五年三月三十一日止三個年度及截至二零零四年及二零零五年十二月三十一日止九個月，每股基本(虧損)盈利乃分別按母公司股本持有人應佔年／期內虧損648,620,000港元、溢利13,300,000港元、虧損161,862,000港元、溢利4,094,000港元(未經審核)及虧損127,102,000港元，以及截至二零零三年、二零零四年及二零零五年三月三十一日止三個年度及截至二零零四年及二零零五年十二月三十一日止九個月已發行股份之加權平均數分別160,303,174股、164,239,677股、198,244,118股、189,936,529股及224,286,960股計算。

計算截至二零零三年及二零零五年三月三十一日止年度以及截至二零零五年十二月三十一日止九個月之每股攤薄虧損並無假設本公司之購股權已獲行使，原因是行使購股權會導致每股虧損減少。

計算截至二零零四年三月三十一日止年度及截至二零零四年十二月三十一日止九個月之每股攤薄盈利並無假設本公司未行使之購股權已獲行使，原因是該等購股權之行使價高於該年度每股平均市價。

截至二零零三年三月三十一日止年度因採納會計實務準則第12號(經修訂)而對每股基本虧損之比較數字作出之調整，並無對截至二零零三年三月三十一日止年度之每股基本虧損構成重大影響，故並無相應重列每股基本虧損。

下表概述下列事項對每股基本盈利之影響：

	截至三月三十一日止年度			截至十二月三十一日止九個月	
每股(虧損)盈利－基本	**二零零三年**	**二零零四年**	**二零零五年**	**二零零四年**	**二零零五年**
	港元	*港元*	*港元*	*港元*	*港元*
調整前之呈報數字	(4.05)	0.08	(0.81)	0.02	(0.44)
會計政策變動產生之調整 *(附註3)*	—	—	(0.01)	—	(0.13)
重列	(4.05)	0.08	(0.82)	0.02	(0.57)

17. 董事及僱員酬金 *(續)*

(b) 僱員酬金 *(續)*

本集團於有關期間及截至二零零四年十二月三十一日止九個月並無向五位最高薪人士支付任何酬金，作為彼等加盟本集團或加盟本集團後之獎勵或離職補償。

18. 股息

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
末期，已派－二零零五年					
每股6港仙					
(可選擇以股代息)					
(二零零四年：每股6港仙；					
二零零三年：每股2港仙；					
二零零二年：無)	—	3,206	11,193	11,193	13,418
中期，已派－二零零四年					
每股5港仙		8,015	—	—	—
中期，擬派－					
每股4港仙					
(可選擇以股代息)	—	—	—	—	9,045
	—	11,221	11,193	11,193	22,463

17. 董事及僱員酬金 *(續)*

(b) 僱員酬金

截至二零零三年三月三十一日止年度、截至二零零四年及二零零五年三月三十一日止兩個年度各年、截至二零零四年十二月三十一日止九個月及截至二零零五年十二月三十一日止九個月，本集團五位最高薪人士分別包括本公司兩名董事、一名董事、一名董事及一名董事，彼等之酬金詳情已呈列於上文(a)。其餘最高薪人士之酬金總額如下：

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元* (未經審核)	*千港元*
薪金及其他福利	8,802	9,788	9,916	7,519	7,966
與表現有關之獎金	1,064	3,307	3,898	3,800	5,698
退休福利計劃	50	381	252	169	185
加入時獎金	–	–	–	–	–
	9,916	13,476	14,066	11,488	13,849

	僱員人數				
	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年 (未經審核)	二零零五年
1,500,001港元至 2,000,000港元	—	—	—	2	1
2,000,001港元至 2,500,000港元	1	2	2	1	2
2,500,001港元至 3,000,000港元	—	—	1	—	—
3,000,001港元至 3,500,000港元	—	1	—	—	—
3,500,001港元至 4,000,000港元	2	—	—	—	—
5,500,001港元至 6,000,000港元	—	1	—	1	—
7,000,001港元至 7,500,000港元	—	—	1	—	—
7,500,001港元至 8,000,000港元	—	—	—	—	1
	3	4	4	4	4

17. 董事及僱員酬金 *(續)*

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
董事袍金	—	—	49	—	74
其他酬金：					
薪金及其他福利	7,175	4,952	3,778	2,850	2,904
退休福利計劃供款	378	130	104	78	79
	7,553	5,082	3,931	2,928	3,057
支付予本公司附屬公司前任董事之離職補償	—	625	—	—	—
	7,553	5,707	3,931	2,928	3,057

本集團於有關期間及截至二零零四年十二月三十一日止九個月並無向任何董事支付任何酬金，作為彼等加盟本集團或加盟本集團後之獎勵。

各董事於有關期間內概無放棄任何酬金。

17. 董事及僱員酬金 *(續)*

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
馬慧敏					
袍金	—	—	不適用	不適用	不適用
其他酬金：					
薪金及其他福利	—	—	不適用	不適用	不適用
退休福利計劃供款	—	—	不適用	不適用	不適用
	—	—	不適用	不適用	不適用
施熙德					
袍金	—	—	—	—	—
其他酬金：					
薪金及其他福利	—	—	—	—	—
退休福利計劃供款	—	—	—	—	—
	—	—	—	—	—
馬時亨					
袍金	—	不適用	不適用	不適用	不適用
其他酬金：					
薪金及其他福利	—	不適用	不適用	不適用	不適用
退休福利計劃供款	—	不適用	不適用	不適用	不適用
	—	不適用	不適用	不適用	不適用

17. 董事及僱員酬金 *(續)*

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
冼志輝					
袍金	不適用	不適用	不適用	不適用	—
其他酬金：					
薪金及其他福利	不適用	不適用	不適用	不適用	—
退休福利計劃供款	不適用	不適用	不適用	不適用	—
	不適用	不適用	不適用	不適用	—
張國華					
袍金					
其他酬金：					
薪金及其他福利	3,625	1,126	不適用	不適用	不適用
退休福利計劃供款	166	26	不適用	不適用	不適用
	3,791	1,152	不適用	不適用	不適用
支付予本公司附屬公司前任董事之離職補償	—	625	不適用	不適用	不適用
	3,791	1,777	不適用	不適用	不適用
曾令嘉					
袍金	—	—	—	—	不適用
其他酬金：					
薪金及其他福利	—	—	—	—	不適用
退休福利計劃供款	—	—	—	—	不適用
	—	—	—	—	不適用

17. 董事及僱員酬金 *(續)*

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
張漢傑					
袍金	—	—	—	—	—
其他酬金：					
薪金及其他福利	—	—	—	—	—
退休福利計劃供款	—	—	—	—	—
	—	—	—	—	—
郭嘉立					
袍金	不適用	—	24	12	36
其他酬金：					
薪金及其他福利	不適用	—	—	—	—
退休福利計劃供款	不適用	—	—	—	—
	不適用	—	24	12	36
黃景霖					
袍金	不適用	不適用	25	12	38
其他酬金：					
薪金及其他福利	不適用	不適用	—	—	—
退休福利計劃供款	不適用	不適用	—	—	—
	不適用	不適用	25	12	38
袁天凡					
袍金	—	—	—	—	—
其他酬金：					
薪金及其他福利	—	—	—	—	—
退休福利計劃供款	—	—	—	—	—
	—	—	—	—	—

17. 董事及僱員酬金 *(續)*

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
陳國鴻					
袍金	—	—	—	—	—
其他酬金：	—	—	—	—	—
薪金及其他福利	—	—	—	—	—
退休福利計劃供款	—	—	—	—	—
	—	—	—	—	—
霍建寧					
袍金	—	—	—	—	—
其他酬金：					
薪金及其他福利	—	—	—	—	—
退休福利計劃供款	—	—	—	—	—
	—	—	—	—	—
葉德銓					
袍金	—	—	—	—	—
其他酬金：					
薪金及其他福利	—	—	—	—	—
退休福利計劃供款	—	—	—	—	—
	—	—	—	—	—

17. 董事及僱員酬金

(a) 董事酬金

已付或應付予各12名(二零零三年三月三十一日：13名；二零零四年三月三十一日：13名；二零零五年三月三十一日：12名及二零零四年十二月三十一日：12名)董事之酬金如下：

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
陳國強					
袍金	—	—	—	—	—
其他酬金：					
薪金及其他福利	—	—	—	—	—
退休福利計劃供款	—	—	—	—	—
	—	—	—	—	—
Yap, Allan					
袍金	—	—	—	—	—
其他酬金：					
薪金及其他福利	2,400	2,400	2,400	1,800	1,800
退休福利計劃供款	120	12	12	9	9
	2,520	2,412	2,412	1,809	1,809
呂兆泉					
袍金	—	—	—	—	—
其他酬金：					
薪金及其他福利	1,150	1,426	1,378	1,050	1,104
退休福利計劃供款	92	92	92	69	70
	1,242	1,518	1,470	1,119	1,174

15. 所得稅支出 *(續)*

截至二零零五年十二月三十一日止九個月，一間於美國經營之主要附屬公司須按稅率41%(二零零三年三月三十一日：39.8%；二零零四年三月三十一日：41%；二零零五年三月三十一日：41%；二零零四年十二月三十一日：41%)就美國應課稅溢利繳納美國企業稅。由於本集團之主要溢利來自該附屬公司，故應採用稅率41%(二零零三年三月三十一日：39.8%；二零零四年三月三十一日：41%；二零零五年三月三十一日：41%；二零零四年十二月三十一日：41%)進行稅項調整。

在其他司法管轄區所產生之所得稅按有關司法管轄區之現行稅率計算。

16. 年／期內(虧損)溢利

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
年內(虧損)溢利已扣除(計入)以下各項：					
員工成本(包括董事酬金)：					
薪金及其他福利	151,729	170,261	170,850	125,098	121,871
退休福利計劃供款	3,854	3,160	3,178	2,391	2,320
	155,583	173,421	174,028	127,489	124,191
折舊及攤銷：					
無形資產攤銷(包括在行政開支內)	14,338	44,137	51,066	38,300	605
物業、機器及設備之折舊及攤銷	21,271	19,632	19,785	13,807	9,422
	35,609	63,769	70,851	52,107	10,027
呆壞賬準備	36,534	3,208	22,269	14,662	1,532
應收貸款準備	22,056	16,653	8,338	5,469	—
應收孖展貸款準備(準備回撥)	2,429	5,300	(2,387)	—	620
滯銷及陳舊存貨準備	12,277	24,679	25,588	3,084	19,449
核數師酬金	7,003	9,204	8,490	4,778	5,620
其他投資之已變現虧損(收益)淨額／出售持作買賣投資之虧損	83,926	(3,975)	(44,940)	(45,554)	(21,008)
出售物業、機器及設備之虧損(收益)	3,373	696	1,098	(258)	108

15. 所得稅支出 (續)

有關期間所得稅支出與綜合收益表中除所得稅前(虧損)溢利對賬如下：

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
除所得稅前(虧損)溢利	(574,444)	135,245	17,159	133,667	(120,318)
按適用稅率41%計算之稅項(二零零三年三月三十一日：39.8%；二零零四年三月三十一日：41%；二零零五年三月三十一日：41%；二零零四年十二月三十一日：41%)	(228,629)	55,450	7,035	54,803	(49,330)
應佔聯營公司業績之稅務影響	14,465	24,539	26,612	24,262	8,213
不須繳稅收入之稅務影響	(35,289)	(4,949)	(11,596)	(9,429)	(3,499)
不能扣稅支出之稅務影響	154,753	66,915	93,530	(7,354)	85,800
未確認稅項虧損之稅務影響	23,379	1,501	16,434	13,089	17,133
使用先前未確認稅項虧損	(63,843)	(43,228)	(7,308)	(3,602)	(3,665)
使用先前未確認遞延稅項資產	22,307	(24,996)	(319)	1,520	(811)
先前已確認遞延稅項資產回撥	—	—	27,273	27,273	—
確認過往年度未確認及未使用之稅項虧損	—	(24,483)	—	—	—
過往年度超額準備	141	(112)	—	—	—
於其他司法管轄區經營之附屬公司之不同稅率之影響	147,744	(26,273)	(31,551)	(11,997)	5,476
由稅率增加造成之期初遞延稅項負債增加	—	(118)	—	—	—
其他	(2,828)	1,223	(2,713)	1,863	1,757
本年度所得稅支出	32,200	25,469	117,397	90,428	61,074

香港利得稅就截至二零零四年及二零零五年三月三十一日止年度及截至二零零四年及二零零五年十二月三十一日止九個月估計應課稅溢利按17.5%稅率計算，而截至二零零三年三月三十一日止年度則按16%稅率計算。由於在香港經營之附屬公司之應課稅溢利全由結轉之稅項虧損所抵銷，故並無於截至二零零四年三月三十一日止年度以及截至二零零四年及二零零五年十二月三十一日止九個月之財務報表中作出香港利得稅準備。

14. 出售附屬公司及聯營公司之收益(虧損)淨額

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
出售附屬公司之收益(虧損)	25	(1,282)	3,504	2,991	6,694
出售一間附屬公司部分權益之收益	—	28,594	—	—	—
被視為出售聯營公司權益之虧損淨額	—	(16,935)	(19,251)	(19,251)	—
出售聯營公司權益之(虧損)收益	—	—	—	(10)	4,084
	25	10,377	(15,747)	(16,270)	10,778

15. 所得稅支出

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
現時稅項:					
香港利得稅					
現時稅項	141	—	79	—	—
過往年度超額準備	—	(112)	—	—	—
海外	31,773	46,378	100,157	129,339	87,984
	31,914	46,266	100,236	129,339	87,984
遞延稅項(*附註37*)					
本年度	286	(20,679)	17,161	(38,911)	(26,910)
稅率變動應佔	—	(118)	—	—	—
	286	(20,797)	17,161	(38,911)	(26,910)
	32,200	25,469	117,397	90,428	61,074

13. 因收購一間聯營公司而產生之商譽之減值虧損

a. 於截至二零零三年三月三十一日止年度，本公司董事已參照一間聯營公司鼎營科技股份有限公司(「鼎營」)之財務表現及業務運作，檢討收購該聯營公司時產生之商譽之賬面值(已於往年在資本儲備中列為借項)。該聯營公司於台灣註冊成立，主要從事電子產品及其他周邊設備之推銷。根據當前市況、鼎營之經營業績及折現現金流量預測，104,585,000港元減值虧損獲確立並於綜合收益表中確認。

b. 於截至二零零五年三月三十一日止年度，本公司董事已參照另一間聯營公司中策集團有限公司(「中策」)之財務表現及業務運作，檢討往年收購該聯營公司時產生之商譽之賬面值。該聯營公司於香港註冊成立，其股份於聯交所上市。經考慮當前市況及中策之經營業績，177,446,000港元減值虧損獲確立並於綜合收益表中確認。

c. 截至二零零五年十二月三十一日止九個月，本公司董事已參照另一間聯營公司普威集團有限公司(「普威」)之財務表現及業務運作，檢討往年收購該聯營公司時產生之商譽之賬面值。該聯營公司於新加坡共和國註冊成立，其股份於新加坡證券交易所上市，主要從事糧食及家居消費品供應。就普威之消費業務及保健業務分類而計入商譽之賬面值已分配至現金產生單位。

現金產生單位之可收回金額乃按照使用中之價值作基準釐定。彼等之可收回金額乃根據若干主要假設。計算使用中之價值乃使用來自未來三年之最近期財務預算所產生之現金流量預測，以貼現率約10%計算。管理層利用徵稅前稅率估計貼現率，該稅率反映現時市場對金錢時值之評估，以及該現金產生單位之特有風險。有關增長率乃根據業內增長預測所計算。

經考慮現行市況及利用貼現率約10%計算之現金流量預測，已識別之減值虧損為14,391,000港元，並已於綜合收益表中確認。

11. 其他經營開支

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
持有其他投資之未變現虧損淨額	26,482	—	—	—	—
持有作買賣投資公平價值減少	—	—	—	—	75,215
撇銷應收長期貸款及利息	10,821	—	—	—	—
物業、機器及設備之減值虧損	1,305	—	—	—	—
收購一間附屬公司所產生商譽之減值虧損	—	4,598	—	—	—
出售投資證券之虧損	—	—	29,712	—	—
	38,608	4,598	29,712	—	75,215

12. 財務費用

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
須於五年內悉數償還之借款利息：					
－銀行貸款及透支	10,458	12,070	5,722	5,011	12,051
－其他貸款	20,360	13,229	11,875	8,739	38,562
－融資租約	244	587	99	81	24
無須於五年內悉數償還之銀行借款利息	607	554	502	393	315
	31,669	26,440	18,198	14,224	50,952

9. 分類資料 *(續)*

分類資產與物業、機器及設備賬面值增項按該等資產所處地理區域列表分析如下：

	分類資產之賬面值				物業、機器及設備增項			
								截至二零零五年十二月三十一日止九個月
	於三月三十一日			於二零零五年十二月三十一日	截至三月三十一日止年度			
	二零零三年	二零零四年	二零零五年		二零零三年	二零零四年	二零零五年	
	千港元	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*
香港	1,265,517	1,249,153	1,349,581	1,758,593	4,359	1,742	501	183
北美	905,828	1,180,872	1,118,220	1,655,073	10,843	10,944	11,311	11,534
歐洲	184,075	392,483	257,408	210,114	4,080	4,717	2,111	1,314
台灣	291,384	253,034	49,178	60,071	124	234	294	278
其他	269,756	404,195	462,365	402,987	41	89	12	25
	2,916,560	3,479,737	3,236,752	4,086,838	19,447	17,726	14,229	13,334

因無形資產及遞延稅項資產不適用於劃入地域分類，故於二零零三年、二零零四年及二零零五年三月三十一日以及二零零五年十二月三十一日分別價值337,873,000港元、428,019,000港元、401,383,000港元及236,734,000港元之無形資產及13,298,000港元、35,480,000港元、18,418,000港元及45,440,000港元之遞延稅項資產未列入於分類資產賬面值分析表。

10. 其他經營收入

其他經營收入包括下列項目：

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元* (未經審核)	*千港元*
銀行存款之利息	720	2,938	1,427	2,913	1,771
應收貸款之利息	37,287	18,283	21,130	12,473	30,866
應收聯營公司貸款之利息	639	1,507	94	70	85
匯兑收益淨額	18,974	31,467	324	—	—
互聯網服務收入	5,262	3,363	3,096	2,484	366
專利收入	3,063	2,722	2,787	2,127	1,147
持有其他投資之未變現收益淨額	—	16,829	17,223	11,471	—
出售證券投資之收益淨額	—	9,577	—	—	—
租金收入	—	11,568	27,672	20,685	19,821
買賣衍生財務工具之收益淨額	—	—	15,100	15,100	—
豁免一名第三方之債項	—	—	14,415	—	—
管理費收入	5,778	8,138	3,573	2,311	2,409

9. 分類資料 *(續)*

	電腦相關產品貿易	企業	綜合
	千港元	*千港元*	*千港元*
其他資料			
截至二零零四年十二月三十一日止九個月 (未經審核)			
資本開支	7,519	12	7,531
折舊及攤銷	49,960	2,145	52,105

地域分類

本集團電腦相關產品貿易主要於北美及歐洲進行。消費電子產品貿易主要於北美進行，證券買賣主要於香港進行，及物業發展及買賣主要於中國進行。

本集團之銷售收入按地域市場列表分析如下 (不管貨品／服務來源)：

按地域市場銷售收入

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元* (未經審核)	*千港元*
北美	3,483,037	4,222,099	4,834,806	3,807,021	3,868,906
歐洲	484,362	564,896	581,085	443,959	312,407
其他	195,405	238,935	260,568	183,144	342,170
	4,162,804	5,025,930	5,676,459	4,434,124	4,523,483

9. 分類資料 *(續)*

	電腦相關產品貿易	消費電子產品貿易	證券買賣	物業發展及買賣	綜合
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
截至二零零四年十二月三十一日止九個月 (未經審核)					
收入					
外部銷售	2,962,703	1,392,577	78,844	—	4,434,124
分類業績	164,604	20,807	57,025	—	242,436
利息收入					15,456
未分配企業支出					(13,491)
財務費用					(14,224)
應佔聯營公司虧損					(59,175)
攤銷收購聯營公司所產生之商譽					(21,065)
出售附屬公司及聯營公司之虧損淨額					(16,270)
除所得稅前溢利					133,667
所得稅支出					(90,428)
期內溢利					43,239

9. 分類資料 *(續)*

	電腦相關產品貿易	消費電子產品貿易	證券買賣	物業發展及買賣	綜合
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
於二零零五年十二月三十一日之資產及負債					
資產					
分類資產	2,179,160	1,079	128,894	—	2,309,133
聯營公司權益					637,783
未分配企業資產					1,422,096
綜合總資產					4,369,012
負債					
分類負債	1,237,316	—	1,255	—	1,238,571
借款					893,950
未分配企業負債					158,609
綜合總負債					2,291,130

	電腦相關產品貿易	證券買賣	企業	綜合
	千港元	*千港元*	*千港元*	*千港元*
其他資料				
截至二零零五年十二月三十一日九個月				
資本開支	13,335	—	—	13,335
折舊及攤銷	9,887	—	140	10,027
商標許可證之減值虧損	164,667	—	—	164,667
收購一間聯營公司權益所產生商譽之減值虧損	—	—	14,391	14,391

9. 分類資料 *(續)*

	電腦相關產品貿易	消費電子產品貿易	證券買賣	物業發展及買賣	綜合
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
截至二零零五年十二月三十一日止九個月					
收入					
外部銷售	3,210,121	1,080,566	113,996	118,800	4,523,483
分類業績	105,185	20,189	(53,566)	12,307	84,115
利息收入					32,722
未分配企業收入淨額					2,109
財務費用					(50,952)
應佔聯營公司業績					(20,032)
收購一間聯營公司所產生商譽之減值虧損					(14,391)
出售附屬公司及聯營公司之收益淨額					10,778
商標許可證之減值虧損					(164,667)
除所得稅前虧損					(120,318)
所得稅支出					(61,074)
期內虧損					(181,392)

9. 分類資料 *(續)*

	電腦相關產品貿易	消費電子產品貿易	證券買賣	物業發展及買賣	綜合
	千港元	*千港元*	*千港元*	*千港元*	*千港元* (經重列)
於二零零五年三月三十一日之資產及負債					
資產					
分類資產	1,784,675	3,792	144,621	108,000	2,041,088
聯營公司權益					635,729
未分配企業資產					979,736
綜合總資產					3,656,553
負債					
分類負債	872,534		103	1,512	874,149
借款					243,351
未分配企業負債					283,062
綜合總負債					1,400,562

	電腦相關產品貿易	企業	綜合
	千港元	*千港元*	*千港元*
其他資料			
截至二零零五年三月三十一日止年度			
於二零零五年一月一日以後收購一間附屬公司額外權益所產生之商譽	24,430	—	24,430
資本開支	13,758	471	14,229
折舊及攤銷	69,290	1,561	70,851
收購一間聯營公司所產生商譽之減值虧損	—	177,446	177,446
其他非現金開支	42,876	31,280	74,156

9. 分類資料 *(續)*

	電腦相關產品貿易	企業	綜合
	千港元	*千港元*	*千港元* (經重列)
其他資料			
截至二零零四年三月三十一日止年度			
收購一間聯營公司權益所產生之商譽增加	—	208,760	208,760
收購一間附屬公司所產生之無形資產(商譽除外)增加	198,065		198,065
資本開支	16,946	780	17,726
折舊及攤銷	61,640	2,129	63,769
收購一間附屬公司所產生商譽之減值虧損		4,598	4,598
其他非現金開支	42,651	24,820	67,471

	電腦相關產品貿易	消費電子產品貿易	證券買賣	物業發展及買賣	綜合
	千港元	*千港元*	*千港元*	*千港元*	*千港元* (經重列)
截至二零零五年三月三十一日止年度					
收入					
外部銷售	3,977,713	1,565,262	93,884	39,600	5,676,459
分類業績	256,558	24,847	77,263	2,105	360,773
利息收入					22,651
未分配企業支出					(63,933)
變現收購一間聯營公司額外權益所產生之負商譽					2,057
財務費用					(18,198)
應佔聯營公司虧損					(64,909)
收購一間聯營公司所產生商譽之減值虧損					(177,446)
攤銷收購聯營公司所產生之商譽					(28,089)
出售附屬公司及聯營公司之虧損淨額					(15,747)
除所得稅前溢利					17,159
所得稅支出					(117,397)
年內虧損					(100,238)

9. 分類資料 *(續)*

	電腦相關產品貿易	消費電子產品貿易	證券買賣	物業發展及買賣	綜合
	千港元	*千港元*	*千港元*	*千港元*	*千港元* (經重列)
截至二零零四年三月三十一日止年度					
收入					
外部銷售	3,737,278	1,237,703	34,949	16,000	5,025,930
分類業績	206,695	21,881	20,804	5,656	255,036
利息收入					22,728
未分配企業支出					(48,948)
財務費用					(26,440)
應佔聯營公司虧損					(59,857)
攤銷收購聯營公司所產生之商譽					(17,651)
出售附屬公司及聯營公司之收益淨額					10,377
除所得稅前溢利					135,245
所得稅支出					(25,469)
年內溢利					109,776

	電腦相關產品貿易	消費電子產品貿易	證券買賣	物業發展及買賣	綜合
	千港元	*千港元*	*千港元*	*千港元*	*千港元* (經重列)
於二零零四年三月三十一日之資產及負債					
資產					
分類資產	2,109,537	1,561	132,964	145,085	2,389,147
聯營公司權益					906,409
未分配企業資產					647,680
綜合總資產					3,943,236
負債					
分類負債	1,105,559	—	4,467	1,512	1,111,538
借款					356,980
未分配企業負債					196,380
綜合總負債					1,664,898

9. 分類資料 *(續)*

	電腦相關產品貿易	消費電子產品貿易	證券買賣	物業發展及買賣	綜合
	千港元	*千港元*	*千港元*	*千港元*	*千港元* (經重列)
於二零零三年三月三十一日之資產及負債					
資產					
分類資產	1,395,363	983	193,920	—	1,590,266
聯營公司權益					271,362
證券投資					902,980
未分配企業資產					503,123
綜合總資產					3,267,731
負債					
分類負債	880,683		3,161	—	883,844
借款					417,468
未分配企業負債					62,254
綜合總負債					1,363,566

	電腦相關產品貿易	企業	綜合
	千港元	*千港元*	*千港元* (經重列)
其他資料			
截至二零零三年三月三十一日止年度			
收購一間附屬公司額外權益所產生之商譽增加	199,590	—	199,590
資本開支	15,810	3,637	19,447
折舊及攤銷	33,657	1,952	35,609
投資證券減值虧損	—	323,287	323,287
物業、機器及設備減值虧損	—	1,305	1,305
其他非現金開支	76,669	5,706	82,375

9. 分類資料 *(續)*

有關該等業務之分類資料呈列如下：

	電腦相關產品貿易	消費電子產品貿易	證券買賣	物業發展及買賣	綜合
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
					(經重列)
截至二零零三年三月三十一日止年度					
收入					
外部銷售	2,975,181	1,109,617	78,006	—	4,162,804
分類業績	97,875	20,177	(110,408)	—	7,644
利息收入					38,646
未分配企業支出					(38,644)
投資證券之減值虧損					(323,287)
財務費用					(31,669)
應佔聯營公司虧損					(36,367)
收購一間聯營公司所產生商譽之減值虧損					(104,585)
出售附屬公司之收益淨額					25
攤銷收購一間聯營公司所產生之商譽					(6,612)
借予聯營公司之貸款準備					(79,595)
除所得稅前虧損					(574,444)
所得稅支出					(32,200)
年內虧損					(606,644)

8. 收入

收入乃本集團於有關期間及截至二零零四年十二月三十一日止九個月售予外間客戶之貨品、與外間客戶買賣之證券及售予外間客戶之其他資產之已收及應收款項淨額，有關詳情分析如下：

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
銷售貨品	4,084,798	4,974,981	5,542,975	4,355,280	4,290,687
證券買賣	78,006	34,949	93,884	78,844	113,996
銷售其他資產 *(附註27)*	—	16,000	39,600	—	118,800
	4,162,804	5,025,930	5,676,459	4,434,124	4,523,483

9. 分類資料

根據本集團內部財務報告，本集團決定業務分類為主要報告形式，地域分類為次要報告形式。

業務分類

本集團由四種業務分類組成，即電腦相關產品、消費電子產品貿易、證券買賣以及物業發展及買賣。

於二零零五年重新評估業務後，本集團於截至二零零五年三月三十一日止年度及截至二零零五年十二月三十一日止九個月將物業發展及買賣業務視為本集團第四項核心業務，故有關收入乃披露為本集團本年度營業額。截至二零零四年三月三十一日止年度，此項業務乃計入其他收入項目。比較數字已經重列以符合二零零五年之呈列方式。

7. 財務風險管理目標及政策

本集團之主要財務工具包括股本及債務投資、借款、貿易及其他應收款項、應收短期貸款、應收孖展貸款及銀行存款或應付款項、貿易及其他應付款項以及融資租約承擔及銀行存款或應付款項。該等財務工具詳情於各附註披露。下文列載與該等財務工具有關之風險及如何降低該等風險之政策。管理層管理及監控該等風險，以確保及時和有效地採取適當之措施。

貨幣風險

本公司之若干附屬公司有以外幣計值之銷售，令本集團承受外幣風險。為降低外幣風險，本集團根據其風險管理政策就預計極可能出售之外幣訂立外幣遠期合約。

本集團若干貿易應收款項、應收短期貸款及借款乃以外幣計值。本集團現時尚無外幣對沖政策。然而，管理層監控外匯風險，並會考慮於必要時對沖重大外幣風險。

公平價值利率風險

本集團之公平價值利率風險涉及以固定利率及浮動利率計息之借款(該等借款之詳情見附註34)。對於該等固定利率借款，本集團致力於使借貸利率保持浮動。

信貸風險

倘對方於二零零五年十二月三十一日未能履行彼等之承擔，則本集團就每類已確認財務資產而須承受之最大信貸風險，為已於綜合資產負債表列值之資產之賬面金額。為降低信貸風險，本集團管理層已委派一組人員負責制訂信貸限額、信貸審批及其他監控措施，以確保採取跟進措施收回逾期未付之債項。此外，本集團於各結算日評估每項個別貿易應收債項之可收回金額，以確保就不可收回金額所作出之減值虧損已足夠。就此，本公司董事認為本集團之信貸風險已大幅降低。

本集團並無集中之信貸風險，有關風險乃分散至多個其他方及客戶。

價格風險

於各結算日，本集團之可供出售之投資及持作買賣投資乃按公平價值計量。因此，本集團須承受股本及債務證券價格風險。管理層藉持有不同風險範圍之投資之組合而管理此類風險。

6. 關鍵會計判斷及主要不確定估計來源 *(續)*

存貨準備

本集團管理層於各結算日審閱賬齡分析，並對確認為不再適合用於生產之過時及滯銷庫存品進行準備。管理層估計此等製成品及在製品之可變現淨值主要根據最近期之發票價格及目前市況而釐定。本集團於各結算日對每種產品進行盤點，並對過時品種作出準備。

商譽及商標許可證估計減值

釐定商譽及商標許可證是否出現減值時須估計商譽及商標許可證所獲分配之現金產生單位使用價值。本集團計算使用價值時須就預期源自該現金產生單位之日後現金流量及合適之折現率作出估計，以計算現值。於二零零五年十二月三十一日，商譽及商標許可證賬面值分別為168,531,000港元及62,020,000港元。有關計算可收回金額之詳情於附註21披露。

所得稅

於二零零五年十二月三十一日，有關未動用稅項虧損之遞延稅項資產約1,041,000港元已於本集團之資產負債表中確認。變現遞延稅項資產主要有賴於是否有足夠未來溢利或將來可供利用之應課稅臨時差額而定。倘產生之未來實際溢利乃少於或多於預期，遞延稅項資產可能會予以實質回撥或進一步確認，而該未來溢利會於有關回撥或進一步確認發生期間之收益表內確認。

5. 重大會計政策 *(續)*

遞延稅項負債乃按因附屬公司及聯營公司投資而引致之應課稅臨時差額而確認，惟本集團可令臨時差額對沖及臨時差額有可能未必於可見將來對沖之情況除外。

遞延稅項資產之賬面值於每個結算日作檢討，並在不可能有足夠應課稅溢利恢復全部或部份資產價值時作調減。

遞延稅項乃按預期於負債清償或資產變現期間適用之稅率計算。遞延稅項於收益表中扣除或計入，惟倘遞延稅項直接在股東權益中扣除或計入之情況(在此情況下遞延稅項亦會於股東權益中處理)除外。

退休福利成本

支付予定額供款退休福利計劃之款項於到期時列作開支扣除。

6. 關鍵會計判斷及主要不確定估計來源

應用附註5所述之本集團會計政策時，管理層曾進行下列判斷，對於財務報表中確認之金額具有重大影響。下文詳述有關日後主要假設及於結算日其他主要不確定估計來源，而該等假設及不確定估計會造成須對下一個財政年度內資產及負債賬面值作出重大調整之重大風險。

折舊及攤銷

本集團於二零零五年十二月三十一日物業、機器及設備之賬面淨值為72,996,000港元。本集團以直線法對其機器及機械於其估計可用年期三至四年內，經計及其估計剩餘價值，採用直線法以年利率2.5%至33%，由設備投入生產之日開始計算。估計可用年期及本集團將設備投入生產之日期乃反映董事於該期間內之估計，即本集團計劃將來從機器及設備之使用中可獲取之經濟利益。

呆壞賬準備

本集團之呆壞賬準備政策以可收回性評估、賬齡分析及管理層判斷為基礎。評估該等應收款項之最終變現能力需要進行大量判斷，包括客戶之現時信譽及過往收款歷史記錄。倘本集團客戶財務狀況日趨惡化，削弱其付款能力，則須提撥額外準備。

5. 重大會計政策 *(續)*

其他財務負債

其他財務負債包括貿易及其他應付款項、應付孖展貸款、應派股息、應付一間聯營公司款項、應付一名少數股東款項、借款、應付票據、融資租約承擔及銀行透支，其後利用實際利率法按攤銷成本計量。

股本工具

本公司發行之股本工具乃按已收所得款項減直接發行成本後入賬。

衍生財務工具及對沖

本集團不符合資格作對沖會計用途之衍生工具被視為持作買賣財務資產或持作買賣財務負債。有關衍生工具之公平價值變動於產生時在損益確認。

終止確認

當應收資產現金流動之權利屆滿，或財務資產被轉讓而本集團已轉讓該項財務資產擁有權之絕大部分風險及回報時，則終止確認有關財務資產。於終止確認財務資產時，該項資產賬面值與已收代價及於股東權益中直接確認之累計盈虧總數間之差額會於損益確認。

當有關合約所訂明責任獲解除、註銷或屆滿時，財務負債會自本集團資產負債表剔除。終止確認之財務負債賬面值與已付代價間差額於損益確認。

稅項

所得稅支出指現時應付稅項及遞延稅項之總和。

現時應付稅項乃按有關期間應課稅溢利計算。應課稅溢利與收益表中所報純利不同，乃由於前者不包括在其他年度應課稅或可扣減收入或開支，並且不包括收益表內從未課稅或扣稅之項目。本集團現時稅項負債乃按照結算日已頒佈或實質上已頒佈之稅率計算。

遞延稅項為就財務報表中資產及負債賬面值與計算應課稅溢利相應稅基之差額而預期應付或可收回之稅項，並以資產負債表負債法處理。遞延稅項負債通常會就所有應課稅臨時差額確認，而遞延稅項資產乃按可能出現可利用臨時差額扣稅之應課稅溢利時提撥。若於一項交易中，因商譽或因(業務合併以外原因)初步確認其他資產及負債而引致之臨時差額既不影響應課稅溢利亦不影響會計溢利，則不會確認該等資產及負債。

5. **重大會計政策** *(續)*

貸款及應收款項

貸款及應收款項(包括貿易及其他應收款項、應收短期貸款、應收有關連公司之短期貸款、應收行展貸款及銀行存款)為有固定或可確定付款而並無活躍市場報價之非衍生財務資產。於首次確認後各結算日，貸款及應收款項按攤銷成本以實際利率法減去任何已識別減值虧損入賬。當有客觀證據證明資產已減值，並按資產賬面值與按原實際利率貼現之估計日後現金流量現值之差額計算時，減值虧損在損益確認。當資產之可收回數額增加在客觀而言與確認減值後所發生之事件有關，減值虧損會於其後期間回撥，惟規定資產在回撥減值當日之賬面值不得超過如無確認減值之攤銷成本。

可供出售之財務資產

可供出售之財務資產為指定或不獲劃分為任何其他類別(如上文所載)之非衍生工具。於初步確認後各結算日，持至期滿日投資按公平價值計量。公平價值之變動於股東權益中確認，直至財務資產出售或確定出現減值為止，在此情況下，先前在股東權益確認之累計收益或虧損自股東權益撇銷，並計入損益。可供出售之財務資產之任何減值虧損計入損益，而可供出售之財務資產之減值虧損不會於其後期間回撥。至於可供出售之債務投資，倘投資公平價值之增加在客觀而言與確認減值虧損後發生之事項有關，則有關之減值虧損會於其後回撥至股本。

至於在活躍市場並無市場報價及其公平價值無法可靠地計量之可供出售之股本投資，以及與該等非上市股本投資有關並須以交付該等投資結算之衍生工具，則須於初步確認後按成本減減值虧損計量。「貸款及應收款項」及「持至期滿日財務資產」於初步確認後各結算日按成本減任何已識別減值虧損計量。當有客觀證據證明資產已減值，則減值虧損在損益確認。減值虧損金額按資產賬面值與按類似財務資產之現時市場回報率貼現之估計日後現金流量現值之差額計量。有關減值虧損不會於其後期間回撥。

財務負債及股本

集團實體發行之財務負債及股本工具根據所訂立合約協議性質以及財務負債及股本工具之定義分類。

股本工具乃證明集團資產經扣除一切負債後之剩餘權益之任何合約。本集團之財務負債一般劃分為按公平價值列賬並在損益表內處理之財務負債及其他財務負債。就財務負債及股本工具採納之會計政策載於下文。

5. 重大會計政策 *(續)*

以股份償付

股本結算及以股份償付之交易

授予僱員之購股權

參照於授出日期授出購股權之公平價值釐定之已收入服務公平價值乃於歸屬期內按直線法支銷，而股東權益(購股權儲備)則相應增加。

於行使購股權時，以往於購股權儲備確認之款項將撥入股份溢價。當購股權於屆滿日期沒收或仍未行使時，以往於購股權儲備確認之款項將繼續保留於購股權儲備。

財務工具

倘集團實體成為工具合約條文之訂約方，則於資產負債表確認財務資產及財務負債。財務資產及財務負債初步按公平價值計量。購入或發行財務資產及財務負債直接應佔之交易成本(按公平價值列賬並在損益表內處理之財務資產及財務負債除外)乃於初步確認時加入，或從財務資產或財務負債之公平價值扣除(如適用)。購入按公平價值列賬並在損益表內處理之財務資產或財務負債即時於損益中確認。

財務資產

本集團之財務資產分為四類，包括按公平價值列賬並在損益表內處理之財務資產、貸款及應收款項、持至期滿日財務資產及可供出售之財務資產。所有定期之財務資產買賣於交易日確認或終止確認。定期之財務資產買賣指購買或出售根據有關市場規則或慣例設定之時限內交付之財務資產。以下載列各類財務資產所採納之會計政策。

按公平價值列賬並在損益表內處理之財務資產

按公平價值列賬並在損益表內處理之財務資產分為兩小類，包括持作買賣財務資產及於初步確認時指定按公平價值列賬並在損益表內處理之財務資產。於初步確認後各結算日，按公平價值列賬並在損益表內處理之財務資產按公平價值計量，而公平價值之變動則於產生之期間內直接於損益確認。

5. 重大會計政策 *(續)*

本集團為承租人

根據融資租約持有之資產於訂立租約時按公平價值或最低租金付款現值(以較低者為準)確認為本集團之資產。對出租人之相應負債以融資租約承擔計入資產負債表。租約付款乃劃分為財務費用及租約責任調減，以達致責任餘額之固定利用。財務費用直接於損益中扣除。

根據經營租約應付之租金於有關租期內按直線法於損益中扣除。作為訂立經營租約獎勵之已收及應收利益於租期內按直線法確認為租金支出減少。

其他資產

其他資產(指可持作出售之土地之發展權)按成本值或可變現淨值兩者中之較低者列賬。

存貨

存貨按成本值及可變現淨值兩者中之較低者列賬。成本包括直接材料及(倘適用)將存貨達至其現地點及情況所產生之經常費用。成本按加權平均成本法計算。可變現淨值指估計銷售價格減所有估計完成成本及推廣、銷售及分銷時產生之成本。

外幣

於編製各個別集團實體之財務報表時，以實體功能貨幣以外之貨幣(外幣)進行之交易以其功能貨幣(即該實體經營之主要經濟環境之貨幣)按交易日通用之匯率記錄。於各結算日，以外幣列值之貨幣項目以結算日通用之匯率重新換算。按公平價值以外幣定值之非貨幣項目乃按於公平價值釐定當日之適用匯率重新換算。按外幣過往成本計量之非貨幣項目並無重新換算。

於結算及換算貨幣項目時產生之匯兑差額均於產生之有關間內於損益賬中確認，惟構成本集團海外業務淨投資一部分之貨幣項目所產生之匯兑差額除外，在此情況下，有關匯兑差額會於綜合財務報表內之股東權益中確認。重新換算以公平價值定值之非貨幣項目經後產生之匯兑差額於該期間列作損益，惟重新換算直接於股東權益內確認盈虧之非貨幣項目產生之差額除外，在此情況下，匯兑差額亦直接於股東權益內確認。

5. 重大會計政策 *(續)*

減值虧損其後回撥時，資產之賬面值增至其可收回金額之經調整預測數額，惟增加後之賬面值不超過假設過去年度該項資產並無確認減值虧損而釐定之賬面值。減值虧損之回撥隨即被確認為收入。就協議日期為二零零五年一月一日或之後之業務合併所產生商譽確認之減值虧損不會於往後期間回撥。

物業、機器及設備

物業、機器及設備按成本值或估值減累計折舊、攤銷及累計減值虧損列賬。

本集團採納香港會計準則第16號「物業、機器及設備」第80A段所訂之過渡安排，暫不對本集團按一九九五年九月三十日前重估金額列賬之土地及樓宇進行定期重估，故將不會再次進行土地及樓宇重估。

物業、機器及設備之折舊及攤銷準備乃根據其估計可用年期，按直線法及以下年率撇銷其成本或估值：

永久業權土地	無
租賃土地及樓宇	按租約年期或2.5% – 5%
機器及機械	10% – 20%
模具	25% – 33%
傢俱、裝置及設備	10% – 33%
汽車	20% – 25%

因資產出售或報廢而產生之收益或虧損乃根據出售資產之所得款項與賬面值之差額釐定，並於收益表中確認。

租約

凡租約條款中將擁有權之大部份風險及回報撥歸於承租人之租約均界定為融資租約。所有其他租約均歸類為經營租約。

本集團為出租人

經營租約的租金收入於有關租期內按直線法在收益表確認。磋商及安排經營租約時產生之初步直接成本乃加入租賃資產之賬面值，並於租期內按直線法確認為支出。

5. **重大會計政策** *(續)*

確認收入

出售貨品於貨品付運及所有權轉移後確認。

出售證券投資於簽訂出售合約後之交易日確認。

出售其他資產於簽訂約束性銷售協議時確認。

互聯網服務收入及專利收入於提供服務後確認。

租金收入包括來自根據經營租約出租之物業事先發出發票收取之租金收入，乃根據個別租約年期按直線法確認。

財務資產之利息收入按時間以尚未償還之本金金額及適用之實際利率計算，有關利率為於財務資產之可用年期用以準確地貼現估計未來現金收款至該資產之賬面淨值之利率。

聯營公司投資

聯營公司之業績及資產與負債利用權益會計法計入該等財務報表。根據權益法，聯營公司投資以成本(就本集團應佔該聯營公司損益及股東權益變動之收購後變動而調整)減任何已識別減值虧損於綜合資產負債表入賬。倘本集團應佔聯營公司虧損相等於或超出其於該聯營公司的權益(包括任何實際上構成本集團之聯營公司淨投資一部分之長期權益)，則本集團不會再確認其應佔之進一步虧損。倘本集團產生法定或推定責任或代表該聯營公司付款時，方會就額外應佔虧損作出準備及確認負債。

倘集團實體與本集團一間聯營公司進行交易，則以本集團於有關聯營公司之權益對銷損益。

減值(商譽、無限可用年期之無形資產及未能使用之無形資產除外)

本集團於每個結算日均會審閱資產之賬面值，以決定有關資產是否有任何跡象出現減值虧損。倘估計資產之可收回金額低於其賬面值，則該資產或現金產生單位之賬面值將降至其可收回金額。減值虧損隨即確認為開支。

5. 重大會計政策 *(續)*

於二零零五年一月一日後於收購時產生之商譽確認為一項資產，最初按成本值計量，即業務合併成本超逾本集團應佔可識別資產、負債及已確認或然負債之公平淨值之數額。

為進行減值測試，本集團將商譽分攤至預期可從合併產生之協同效益中獲益之各現金產生單位，每年均會就獲分攤商譽之現金產生單位作減值測試，或當有跡象顯示有關單位可能減值時則進行更為頻密之測試。倘現金產生單位之可收回金額低於該單位之賬面值，則首先會分攤減值虧損以減低該單位所獲分攤之商譽之賬面值，其後再根據該單位內每項資產之賬面值按比例分攤至該單位內其他資產。已確認之商譽減值虧損不會於往後期間予以回撥。

收購方於被收購方之可識別資產、負債及或然負債公平淨值之權益超出收購成本之部分(「收購折讓」)

收購附屬公司、聯營公司或共同控制實體產生之收購折讓為收購方於被收購方之可識別資產、負債及或然負債公平淨值之權益超出業務合併成本之部分。收購折讓即時確認為損益。收購聯營公司產生之收購折讓(以權益法入賬)於釐定投資人應佔聯營公司業績時計入購入投資期間之收入。

誠如上文附註2所闡述，於二零零五年四月一日之所負商譽已不予確認，而本集團之保留溢利已作出相應調整。

商標許可證

於二零零五年三月三十一日前，無形資產按十至二十年之估計可用年期攤銷。二零零五年四月一日開始之期間，未可使用之無限可用年期無形資產及商標許可證乃透過比較其賬面值與可收回金額每年進行減值測試，而不論是否有任何跡象出現減值。按成本值減攤銷及任何已確認減值虧損列賬。商標許可證之攤銷乃根據其估計可用年期按直線法撇銷其成本。倘估計資產之可收回金額低於其賬面值，則該資產之賬面值將降至其可收回金額。減值虧損隨即確認為開支。

減值虧損其後回撥時，資產之賬面值增至其可收回金額之經調整預測數額，惟增加後之賬面值不超過假設過去年度該項資產並無確認減值虧損而釐定之賬面值。

有限年期之商標許可證乃按成本值減攤銷及任何已識別減值虧損列賬。商標許可證之攤銷乃根據其估計可用年期按直線法撇銷其成本。

專利權

專利權按最初成本值計量並按其估計可用年期以直線法攤銷。

4. 會計估計之變動

折舊率之變動

於二零零四年四月一日前，若干傢俱、裝置及設備按年率10%折舊。由二零零四年四月一日起，該等傢俱、裝置及設備按年率33%折舊，有關年率反映本集團有關該等資產可用年期之過往經驗。折舊率變動已使截至二零零五年三月三十一日止年度之折舊開支增加3,003,000港元。截至二零零三年及二零零四年三月三十一日止年度及截至二零零五年十二月三十一日止九個月，折舊率並無其他變動。

5. 重大會計政策

財務資料乃按歷史成本法擬備，惟已就若干物業及財務工具(如下文所載之會計政策所闡述按經修訂金額或公平價值計量)作修訂。財務資料已遵循下列符合香港會計準則及香港財務報告準則之主要會計政策而編製。

綜合基準

綜合財務報表包括本公司及其附屬公司之財務報表。

於有關期間內所收購或出售附屬公司之業績乃自收購生效日或計至出售生效日(以適用者計)於綜合收益表入賬。

如有需要，本集團會對附屬公司之財務報表作出調整，使其會計政策符合本集團其他成員公司所用者。

本集團公司之間所有重大交易、結存、收入及開支均於綜合賬目時撇銷。

綜合附屬公司資產淨值內之少數股東權益與本集團於其中的股東權益分開識別。資產淨值內之少數股東權益包括在原業務合併日期之有關權益數額，以及自合併日期起計少數股東應佔之股權變動。適用於少數股東之虧損超出於附屬公司股東權益之少數股東權益之數額將與本集團之權益作出分配，惟少數股東具約束力責任及可以其他投資補足虧損者除外。

商譽

於綜合時產生之商譽指收購成本超逾本集團於收購附屬公司或聯營公司之日應佔可識別資產及負債之公平價值之數額。

於二零零一年四月一日前於收購時產生之商譽繼續保留於儲備內，並將於出售與商譽有關之業務或與商譽有關之現金產生單位(「現金產生單位」)減值之時，於保留盈利中扣除。

至於二零零五年四月一日後於收購時產生之已被資本化之商譽，本集團已由二零零五年一月一日起終止攤銷，而有關商譽會每年及於有跡象顯示與商譽有關之現金產生單位可能減值時，則會進行減值測試。

3. 會計政策變動影響摘要 *(續)*

採納新香港財務報告準則對本集團於二零零二年四月一日之股東權益之財務影響概述如下：

	如原先呈列	會計實務準則第12號	香港會計準則第1號	經重列
	千港元	*千港元* *(附註2)*	*千港元* *(附註2)*	*千港元*
股本	160,301	—	—	160,301
資本儲備	(138,749)	—	—	(138,749)
其他儲備	1,886,811	—	—	1,886,811
保留溢利	338,805	6,616	—	345,421
少數股東權益	—	6,218	214,611	220,829
對股東權益之總影響	2,247,168	12,834	214,611	2,474,613

本集團並無提前應用以下已頒佈但尚未生效之新準則或詮釋。本公司董事預計，應用該等準則或詮釋將不會對本集團之財務報表構成任何重大影響。

香港會計準則第1號(修訂本)	資本披露[1]
香港會計準則第19號(修訂本)	精算盈虧、集團計劃及披露[2]
香港會計準則第21號(修訂本)	外國業務淨投資[2]
香港會計準則第39號(修訂本)	預測集團內部交易之現金流量對沖會計方法[2]
香港會計準則第39號(修訂本)	公平價值期權[2]
香港會計準則第39號及香港財務報告準則第4號(修訂本)	金融擔保合約[2]
香港財務報告準則第6號	開拓及評估礦物資源[2]
香港財務報告準則第7號	財務工具：披露[1]
香港(IFRIC) — 詮釋第4號	釐定安排是否包含租賃[2]
香港(IFRIC) — 詮釋第5號	解除、恢復及環境修復基金所產生權益之權利[2]
香港(IFRIC) — 詮釋第6號	參與特定市場 — 廢物電業及電子設備所產生之負債[3]
香港(IFRIC) — 詮釋第7號	根據香港會計準則第29號惡性通貨膨脹經濟中財務報告應用重列法[4]

1 於二零零七年一月一日或之後開始之年度期間生效。

2 於二零零六年一月一日或之後開始之年度期間生效。

3 於二零零五年十二月一日或之後開始之年度期間生效。

4 於二零零六年三月一日或之後開始之年度期間生效。

3. 會計政策變動影響摘要 *(續)*

於二零零五年三月三十一日

	於二零零五年三月三十一日(如原先呈列)	追溯調整 香港會計準則第1號	追溯調整 香港詮釋第2號	於二零零五年三月三十一日(重列)	於二零零五年四月一日之調整 *(附註)*	於二零零五年四月一日(重列)
	千港元	*千港元*	*千港元*	*千港元*	*千港元*	*千港元*
物業、機器及設備	70,557	—	—	70,557	—	70,557
聯營公司權益	636,666	—	(937)	635,729	27,590	663,319
證券投資(非流動)	123,534	—	—	123,534	(123,534)	—
可供出售之投資	—	—	—	—	123,534	123,534
證券投資(流動)	144,435	—	—	144,435	(144,435)	—
持作買賣投資	—	—	—	—	144,435	144,435
其他資產淨值	1,281,736	—	—	1,281,736	—	1,281,736
對資產及負債之總影響	2,256,928	—	(937)	2,255,991	27,590	2,283,581
股本	2,236	—	—	2,236	—	2,236
資本儲備	(22,137)	—	—	(22,137)	22,137	—
其他儲備	1,685,323	—	—	1,685,323	11,947	1,697,270
保留溢利	141,889	—	(937)	140,952	(6,494)	134,458
少數股東權益	—	449,617	—	449,617	—	449,617
對股東權益之總影響	1,807,311	449,617	(937)	2,255,991	27,590	2,283,581
少數股東權益	449,617	(449,617)	—	—	—	—

附註： 計入聯營公司權益之約27,365,000港元調整代表本集團之一間聯營公司採納新香港財務報告準則。其他調整代表採納香港會計準則第39號及香港財務報告準則第3號。詳情請參閱附註2。

3. 會計政策變動影響摘要 *(續)*

於二零零四年三月三十一日

	如原先呈列	香港會計準則第1號	經重列
	千港元	*千港元*	*千港元*
資產及負債總值	2,278,338	—	2,278,338
股本	1,866	—	1,866
資本儲備	(21,581)	—	(21,581)
其他儲備	1,734,016	—	1,734,016
保留溢利	158,880	—	158,880
少數股東權益	—	405,157	405,157
對股東權益之總影響	1,873,181	405,157	2,278,338
少數股東權益	405,157	(405,157)	—

3. 會計政策變動影響摘要 *(續)*

截至二零零四年十二月三十一日止九個月

	香港會計準則第1號 *千港元* *(附註2)* (未經審核)
應佔聯營公司虧損增加	(3,507)
所得稅支出減少	3,507
	—

新香港財務報告準則對於各結算日之累積影響概述如下：

於二零零三年三月三十一日

	如原先呈列 *千港元*	香港會計準則第1號 *千港元*	經重列 *千港元*
資產及負債總值	1,904,165	—	1,904,165
股本	1,603	—	1,603
資本儲備	(34,164)	—	(34,164)
其他儲備	1,605,327	—	1,605,327
保留溢利	156,801	—	156,801
少數股東權益	—	174,598	174,598
對股東權益之總影響	1,729,567	174,598	1,904,165
少數股東權益	174,598	(174,598)	–

3. 會計政策變動影響摘要 *(續)*

截至二零零五年三月三十一日止年度

	香港會計準則第1號	香港詮釋第2號	總影響
	千港元	*千港元*	*千港元*
	(附註2)	*(附註2)*	
應佔聯營公司虧損增加	(4,247)	(937)	(5,184)
所得稅支出減少	4,247	—	4,247
年內虧損增加	—	(937)	(937)

截至二零零五年十二月三十一日止九個月

	香港會計準則第1號	香港會計準則第38號	香港會計準則第39號	香港財務報告準則第3號	總影響
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
	(附註2)	*(附註2)*	*(附註2)*	*(附註2)*	
行政開支減少		38,300	—	36,607	74,907
變現增購一間聯營公司的權益所產生之負商譽減少	—	—	—	(17)	(17)
攤銷收購聯營公司所產生之商譽減少	—	—	—	5,522	5,522
應佔聯營公司虧損增加	(1,435)	—	—	—	(1,435)
所得稅支出減少	1,435	—	—	—	1,435
非上市可換股票據換股權公平價值變動	—	—	(51,813)	—	(51,813)
	—	38,300	(51,813)	42,112	28,599

3. 會計政策變動影響摘要 *(續)*

截至二零零四年十二月三十一日止九個月

	香港會計準則第1號 *千港元* *(附註2)* (未經審核)
應佔聯營公司虧損增加	(3,507)
所得稅支出減少	3,507
	—

(ii) 對收益表項目

截至二零零三年三月三十一日止年度

	香港會計準則第1號 *千港元* *(附註2)*
應佔聯營公司虧損增加	(3,841)
所得稅支出減少	3,841
	—

截至二零零四年三月三十一日止年度

	香港會計準則第1號 *千港元* *(附註2)*
應佔聯營公司虧損增加	(2,377)
所得稅支出減少	2,377
	—

3. 會計政策變動影響摘要 *(續)*

截至二零零五年三月三十一日止年度

	香港會計準則第1號	香港詮釋第2號	總影響
	千港元	*千港元*	*千港元*
	(附註2)	*(附註2)*	
應佔聯營公司虧損增加	(4,247)	(937)	(5,184)
所得稅支出減少	4,247	—	4,247
年內虧損減少	—	(937)	(937)

截至二零零五年十二月三十一日止九個月

	香港會計準則第1號	香港會計準則第38號	香港會計準則第39號	香港財務報告準則第3號	總影響
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
	(附註2)	*(附註2)*	*(附註2)*	*(附註2)*	
變現增購一間聯營公司的權益所產生之負商譽減少	—	—	—	(17)	(17)
攤銷商譽減少	—	—	—	18,891	18,891
攤銷商標許可證減少	—	38,300	—	17,716	56,016
攤銷收購聯營公司所產生之商譽減少	—	—	—	5,522	5,522
應佔聯營公司虧損增加	(1,435)	—	—	—	(1,435)
所得稅支出減少	1,435	—	—	—	1,435
非上市可換股票據換股權公平價值變動	—	—	(51,813)	—	(51,813)
期內溢利增加(減少)	—	38,300	(51,813)	42,112	28,599

2. 會計政策變動／應用香港財務報告準則 *(續)*

酒店物業

香港詮釋第2號(「香港詮釋第2號」)「酒店物業之適用會計政策」澄清業主持作營運酒店物業之會計政策。於過往期間，本集團聯營公司自行營運之酒店物業按成本值減減值金額入賬，並不作出折舊。香港詮釋第2號將業主持作營運之物業根據香港會計準則第16號「物業、機器及設備」分類為物業、機器及設備，並用成本值模式或重估值模式作出入賬。本集團聯營公司已議決使用成本值模式將此等酒店物業入賬。在香港詮釋第2號未附任何具體過渡條文之情況，此項新會計政策已追溯應用。比較數字已予重列。截至二零零五年三月三十一日止年度已作出937,000港元之調整以減少應佔聯營公司資產淨值及減少保留溢利(財務影響見附註3)。

3. 會計政策變動影響摘要

附註2所述之會計政策變動對有關期間及截至二零零四年十二月三十一日止九個月業績之影響如下：

(i) 對業績

截至二零零三年三月三十一日止年度

	香港會計準則第1號 *千港元 (附註2)*	**會計實務準則第12號** *千港元 (附註2)*	**總影響** *千港元*
應佔聯營公司虧損增加	(3,841)	—	(3,841)
所得稅支出減少(增加)	3,841	(148)	3,693
年內虧損增加	—	(148)	(148)

截至二零零四年三月三十一日止年度

	香港會計準則第1號 *千港元 (附註2)*	**會計實務準則第12號** *千港元 (附註2)*	**總影響** *千港元*
應佔聯營公司虧損增加	(2,377)	—	(2,377)
所得稅支出減少	2,377	8,877	11,254
年內溢利增加	—	8,877	8,877

2. 會計政策變動／應用香港財務報告準則 *(續)*

財務工具 *(續)*

除債務及股本證券以外之財務資產及財務負債

由二零零五年四月一日起，本集團根據香港會計準則第39號之規定，對除債務及股本證券以外之財務資產及財務負債(以往不在會計實務準則第24號之範疇內)進行分類及計量。如上文所述，根據香港會計準則第39號，財務資產乃分類為「按公平價值列賬並在損益表內處理之財務資產」、「可供出售之財務資產」、「貸款及應收款項」或「持至期滿日財務資產」。財務負債一般分類為「按公平價值列賬並在損益表內處理之財務負債」或「其他財務負債」。其他財務負債按使用實際利率法計算之已攤銷成本列賬。除債務及股本證券外，採納香港會計準則第39號對本集團財務資產及財務負債並無重大影響。

可換股票據之投資

由二零零五年四月一日起，本集團對於截至二零零五年十二月三十一日止期間內收購之可換股票據已應用香港會計準則第39號。根據香港會計準則第39號，若可換股票據之換股權部份屬於內在衍生工具，則須與可換股票據分開列賬，並於首次確認時以及於其後之報告日期按公平價值計量。有關換股權之公平價值乃使用有關期權定價模式於認購可換股票據當日以及其後之報告日期作出估計。非上市可換股票據換股權之公平價值變動乃於溢利及虧損直接確認(財務影響見附註3)。

以股份償付

由二零零五年四月一日起，本集團已應用香港財務報告準則第2號「以股份償付」，「以股份償付」規定，當本集團以股份或股份權利作為購買貨品或取得服務之代價(「股本結算交易」)，或以其他相等值資產換取特定數目股份或股份權利之代價(「現金結算交易」)，則須確認開支。香港財務報告準則第2號對本集團之主要影響為本公司及其附屬公司董事及僱員購股權之公平價值開支乃按於歸屬期間授出購股權當日釐定者列賬。在應用香港財務報告準則第2號以前，本集團在購股權獲行使前概無確認此等購股權之財務影響。本集團對二零零五年四月一日或之後授予之股份應用香港財務報告準則第2號。至於在二零零五年四月一日前授予之股份，根據相關之過渡條文，本集團不會對於二零零二年十一月七日或之前授予之股份，以及於二零零二年十一月七日後授出並於二零零五年四月一日前歸屬之股份應用香港財務報告準則第2號。由於本集團並無於二零零二年十一月七日後授予而於二零零五年四月一日尚未歸屬之股份，因此毋須追溯重列。

2. 會計政策變動／應用香港財務報告準則 *(續)*

業主自用租賃土地權益

於過往期間，業主自用租賃土地及樓宇乃計入物業、機器及設備，並以重估模式計量。於二零零五年，本集團採納香港會計準則第17號「租約」。根據香港會計準則第17號，就租賃分類目的而言，土地及樓宇租賃中之土地及樓宇部份均被視作獨立部份，除非不能可靠地分配土地及樓宇部份之租金付款，在此情況下，整項租約一般被視為融資租約。若能可靠地分配土地及樓宇部份之租金付款，則於土地之租賃權益乃重新歸類為經營租約之預付租金付款，以成本值入賬，並於租賃期內按直線基準攤銷。此項會計政策變動已被追溯應用，由於土地及樓宇沒有可靠地分配，故對本集團於二零零五年四月一日之保留溢利並無構成重大影響。於土地之租賃權益繼續計作物業、機器及設備入賬。

財務工具

於二零零五年，本集團應用香港會計準則第32號「財務工具：披露及呈列」及香港會計準則第39號「財務工具：確認及計量」。香港會計準則第32號規定須作追溯應用。採納香港會計準則第32號對財務工具在本集團財務報表之呈列方式並無重大影響。於二零零五年一月一日或以後開始之會計期間生效之香港會計準則第39號，一般不允許追溯確認、不予確認或計量財務資產及負債。實施香港會計準則第39號對本集團之主要影響概列如下：

財務資產及財務負債之分類及計量

本集團已應用香港會計準則第39號之相關過渡條文，內容是有關屬於香港會計準則第39號範疇內之財務資產及財務負債之分類及計量。

於二零零五年三月三十一日前，本集團乃按照會計實務準則第24號之基準處理方法來分類及計量其債務及股本證券。根據會計實務準則第24號，本集團之債務或股本證券投資乃分類列作「投資證券」、「其他投資」或「持至期滿日投資」(如適用)。「投資證券」按成本值減任何已確認減值虧損列賬，而「其他投資」則按公平價值計量，並將未變現收益或虧損計入損益。持至期滿日投資以攤銷成本減任何已確認減值虧損列賬。自二零零五年四月一日起，本集團根據香港會計準則第39號分類及計量其債務及股本證券。根據香港會計準則第39號，財務資產乃分類列作「按公平價值列賬並在損益表內處理之財務資產」、「可供出售之投資」、「貸款及應收款項」或「持至期滿日財務資產」。上述分類視乎購入資產之目的而定。「按公平價值列賬並在損益表內處理之財務資產」及「可供出售之投資」按公平價值列賬，而有關公平價值之變動則分別於損益及股東權益中確認。「貸款及應收款項」及「持至期滿日財務資產」利用實際利率法計算之已攤銷成本計量(財務影響見附註3)。

2. **會計政策變動／應用香港財務報告準則** *(續)*

業務合併

由二零零五年四月一日起，本集團已應用香港財務報告準則第3號之過渡條文，主要影響概述如下：

商譽

於過往期間，於二零零一年四月一日前因收購而產生之商譽保留在儲備，而於二零零一年四月一日後因收購而產生之商譽則資本化，並按其估計可使用年期攤銷。本集團已應用香港財務報告準則第3號之相關過渡條文(「過渡條文」)。先前於儲備中確認之商譽已於二零零五年四月一日轉撥至保留溢利。就先前於二零零一年四月一日後收購而產生之商譽於資產負債表資本化並已計入在無形資產或聯營公司內而言，本集團由二零零五年四月一日起已不再將有關商譽攤銷，而商譽將最少每年進行一次減值測試。二零零五年一月一日後因收購而產生之商譽於首次確認後(如有)按成本值減累計減值虧損後入賬。此項會計政策之變動，致使截至二零零五年十二月三十一日止九個月不再計算任何商譽攤銷。根據過渡條文，本集團已於二零零五年四月一日將先前分別於資本儲備及其他儲備保留之約22,566,000港元及13,060,000港元商譽轉撥至保留溢利(財務影響見附註3)。

本集團於被收購公司之可識別資產、負債及或然負債公平淨值中之權益超出成本之差額(前稱為「負商譽」)

根據香港財務報告準則第3號，本集團於被收購公司之可識別資產、負債及或然負債公平淨值中之權益超出收購成本之任何差額乃於收購發生期間即時確認損益。於過往期間，於二零零一年四月一日前因收購而產生之負商譽約429,000港元保留在資本儲備，而二零零一年四月一日後因收購而產生之負商譽約225,000港元已列作從聯營公司權益中扣減，並將根據產生有關結餘之情況之分析回撥為收益。根據過渡條文，本集團不再確認於二零零五年四月一日之所有收購折讓，其中約429,000港元原先記入資本儲備，而約225,000港元原先呈列作從聯營公司權益中扣減(財務影響見附註3)。

應用香港會計準則第38號「無形資產」後，無形資產乃識別為擁有無限可用年期

於以往期間，無形資產乃於其估計可用年期十年至二十年內攤銷。由二零零五年四月一日開始之期間起，本集團首次應用香港會計準則38號，其規定無形資產須按個別資產之有限或無限年期予以評估。有限年期之無形資產乃按其估計可用年期內攤銷，而無限年期之無形資產則按成本減累計減值虧損(如有)列賬。無限年期之無形資產毋須攤銷，惟須每年進行減值測試，或於情況顯示有減值時更頻密地進行減值測試。根據香港會計準則38號之過渡條文，本集團已於二零零五年四月一日重新評估其無形資產可用年期，其結論為根據以往之會計準則確認之總賬面值為226,687,000港元之若干商標許可證有無限可用年期。本集團已應用經修訂可用年期，並從二零零五年四月一日起停止對無限可用年期之無形資產作攤銷。截至二零零五年十二月三十一日止九個月，並無就無限可用年期之無形資產作攤銷。鑑於此項會計估計之變動，截至二零零五年十二月三十一日止九個月之攤銷開支已減少約38,300,000港元。比較數字並無重列。

2. 會計政策變動／應用香港財務報告準則 *(續)*

截至二零零五年三月三十一日止年度，本集團首次就協議日期為二零零五年一月一日或以後之業務合併之會計方法，應用適用於協議日期為二零零五年一月一日或以後之業務合併之香港財務報告準則(「香港財務報告準則」)第3號「業務合併」。就協議日期為二零零五年一月一日以前之業務合併而言，所產生之商譽乃按照香港會計師公會頒佈之會計實務準則第30號「業務合併」(「會計實務準則第30號」)列賬。根據會計實務準則第30號，商譽乃指收購成本超逾本集團於收購附屬公司或聯營公司之日於可識別資產及負債之公平價值之權益之數額，按成本減累計攤銷及累計減值虧損列賬。根據會計實務準則第30號，負商譽乃指本集團於收購附屬公司或聯營公司之日應佔可識別資產及負債之公平價值超逾收購成本之數額，列為資產扣減。倘有關負商譽乃因於收購日期預期之虧損或開支引致，則會於有關虧損或開支產生之期間撥入收入。香港財務報告準則第3號規定，收購所產生之商譽乃指收購成本超過本集團於收購日期於可識別資產、負債及或然負債公平淨值之權益之金額。於初步確認後，香港財務報告準則第3號規定商譽須按成本減累計減值虧損列賬。香港財務報告準則第3號禁止攤銷商譽。倘經重新評估後，本集團於被收購方可識別資產、負債及或然負債公平淨值之權益超過業務合併成本，則超出部份(稱為「收購折讓」)將立即於收益表內確認。因應用香港財務報告準則第3號而引致確認之商譽為24,430,000港元(附註21(b))，有關商譽不須予以攤銷，惟須作減值評估，而因增購一間聯營公司權益產生之收購折讓為2,057,000港元，已計入截至二零零五年三月三十一日止年度之收益表。

由二零零五年四月一日起，本集團首次採納多項由香港會計師公會頒佈並對二零零五年一月一日或其後開始之會計期間生效之新香港財務報告準則、香港會計準則(「香港會計準則」)及詮釋(下文統稱為「新香港財務報告準則」)。應用新香港財務報告準則導致收益表、資產負債表及股東權益變動表之呈列方式變更，特別是少數股東權益與應佔聯營公司稅項之呈列方式已根據香港會計準則第1號「財務報表之呈列方式」而更改。有關呈列方式之變動已被追溯採納。採納新香港財務報告準則亦導致本集團於以下範圍之會計政策有變，而本會計年度或前期會計年度之業績編製及呈列方式亦因而受到影響(財務影響見附註3)。

財務資料附註

1. 一般事項

本公司於一九九一年九月三日在百慕達根據百慕達一九八一年公司法(經修訂)以豁免有限公司形式註冊成立，其股份於香港聯合交易所有限公司(「聯交所」)上市。本公司註冊辦事處之地址為Clarendon House, 2 Church Street, Hamilton HM11, Bermuda，而本公司主要營業地點之地址為香港九龍觀塘鴻圖道51號保華企業中心8樓。

於有關期間，本集團主要從事電腦相關產品、消費電子產品貿易及證券買賣以及物業發展及買賣。

財務資料乃以港元呈列，而港元乃為本公司之功能貨幣。

2. 會計政策變動／應用香港財務報告準則

於二零零四年，本集團首次採納由香港會計師公會頒佈之會計實務準則(「會計實務準則」)第12號所得稅(「會計實務準則第12號(經修訂)」)。實施會計實務準則第12號(經修訂)之主要影響為關於遞延稅項。會計實務準則第12號(經修訂)規定，除少數例外情況外，須採納按資產負債表負債法，就財務報表內資產及負債賬面值與計算應課稅溢利所用之相關稅基產生之一切臨時差額來確認遞延稅項。由於會計實務準則第12號(經修訂)並無訂明任何過渡規定，經修訂之會計政策已予追溯應用。故此，二零零三年度之比較數字已作重列。

由於此項會計政策變動，於二零零二年四月一日，保留溢利及少數股東權益結存分別增加6,616,000港元及6,218,000港元，此為更改會計政策對二零零二年四月一日前期間業績之累積影響。會計政策變動導致截至二零零三年三月三十一日止年度之虧損增加148,000港元及截至二零零四年三月三十一日止年度之溢利增加8,877,000港元。

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
現金及現金等額增加(減少)淨額	57,606	(66,200)	170,673	(119,548)	(318,601)
年／期初之現金及現金等額	141,269	202,157	141,094	141,094	312,625
匯率變動之影響	3,282	5,137	858	645	729
年／期終之現金及現金等額	202,157	141,094	312,625	22,191	(5,247)
現金及現金等額結存分析					
銀行結存及現金	224,573	164,360	359,603	40,627	21,416
銀行透支	(22,416)	(23,266)	(46,978)	(18,436)	(26,663)
	202,157	141,094	312,625	22,191	(5,247)

		截至三月三十一日止年度			截至十二月三十一日止九個月	
		二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
		千港元	*千港元*	*千港元*	*千港元*	*千港元*
					(未經審核)	
購入投資證券／可供出售之投資		(6,041)	—	(123,348)	—	(33,176)
出售投資證券之所得款項		—	9,957	150,255	—	—
有關連公司償還應收短期貸款		132,378	53,954	32,890	29,358	99,800
出售一間附屬公司部分股權之所得款項		—	274,085	—	—	—
收取自一間聯營公司之股息		—	4,257	4,668	4,608	1,481
有關連公司之應收短期貸款增加		(200,375)	(194,495)	(89,758)	(34,837)	(48,808)
收購附屬公司	*41*	—	(130,508)	—	—	(3,351)
收購專利權		—	(8,065)	—	—	—
出售一間聯營公司之所得款項		—	—	10	—	1,750
購入長期投資之按金		—	—	(35,000)	—	(155,175)
收購一間附屬公司之額外權益		—	—	(37,320)	—	—
購入非上市債務證券		—	—	(12,000)	(12,000)	(532,539)
出售非上市債務證券之所得款項		—	—	—	—	12,000
投資業務(動用)產生之現金淨額		(305,522)	5,692	(223,155)	(139,442)	(595,670)
融資業務						
新籌集之銀行貸款		858,840	575,079	886,161	777,133	803,451
新增其他貸款		326,185	94,396	10,000	10,000	746,520
發行股份之所得款項		25	99,484	118,500	118,500	—
償還銀行貸款		(899,972)	(606,873)	(1,010,697)	(872,942)	(522,103)
償還其他貸款		(443,185)	(56,239)	—	—	(376,632)
償還融資租約承擔		(3,417)	(1,137)	(1,070)	(796)	(462)
償還一名少數股東款項		(39)	—	(10)	(10)	—
已派股息		—	(11,221)	(10,987)	(10,987)	(4,949)
融資業務(動用)產生之現金淨額		(161,563)	93,489	(8,103)	20,898	645,825

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
營運資金變動前之經營現金流動	119,886	298,585	435,078	292,538	193,175
其他資產(增加)減少	—	(11,085)	37,085		108,000
存貨(增加)減少	(51,963)	(367,669)	262,639	311,663	(310,966)
貿易及其他應收款項減少(增加)	285,632	(552,508)	(36,899)	(311,114)	(455,306)
其他投資減少(增加)	73,089	38,877	13,623	29,724	(40,314)
應收孖展貸款減少(增加)	72,153	13,422	4,174	(2,575)	5,284
貿易及其他應付款項增加(減少)	103,195	468,621	(260,297)	(282,588)	291,399
應付孖展貸款減少	(20,502)	(769)	(587)	(372)	(101)
應付票據增加(減少)	402	2,458	(1,295)	(4,403)	(3,644)
營運產生(動用)之現金	581,892	(110,068)	453,521	32,873	(212,473)
繳訖利息及財務費用	(36,451)	(14,155)	(8,369)	(7,168)	(41,234)
已繳海外稅項	(19,978)	(41,262)	(43,607)	(27,095)	(115,049)
(繳訖)退還香港利得稅	(772)	104	386	386	—
營運業務產生(動用)之現金淨額	524,691	(165,381)	401,931	(1,004)	(368,756)
投資業務					
償還應收短期貸款	945,376	234,669	29,588	28,228	103,200
已抵押銀行存款(增加)減少	72,574	19,226	(20,014)	(20,014)	(577)
已收利息	33,353	21,093	18,123	15,274	29,623
聯營公司償還(墊付)之款項	19,006	19,797	14,256	(6,561)	(1,974)
出售附屬公司 *42*	1,998	(5)	7,353	7,118	2,821
聯營公司償還貸款	1,949	6,496	—	—	—
出售物業、機器及設備之所得款項	1,844	3,127	1,274	962	177
應收短期貸款增加	(1,073,932)	(270,822)	(105,755)	(105,052)	(33,464)
收購聯營公司權益	(217,195)	(19,348)	(44,148)	(38,995)	(24,123)
購置物業、機器及設備	(16,457)	(17,726)	(14,229)	(7,531)	(13,335)

綜合現金流動表

	截至三月三十一日止年度			截至十二月三十一日止九個月	
	二零零三年	二零零四年	二零零五年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
				(未經審核)	
營運業務					
除所得稅前(虧損)溢利	(574,444)	135,245	17,159	133,667	(120,318)
就以下項目作出調整：					
利息收入	(38,646)	(22,728)	(22,651)	(15,456)	(32,722)
財務費用	31,669	26,440	18,198	14,224	50,952
應佔聯營公司業績	36,367	59,857	64,909	59,175	20,032
收購一間聯營公司所產生商譽之減值虧損	104,585	—	177,446	—	14,391
商標許可證減值虧損	—	—	—	—	164,667
攤銷收購聯營公司所產生之商譽	6,612	17,651	28,089	21,065	—
出售附屬公司及聯營公司之(收益)虧損淨額	(25)	(10,377)	15,747	16,270	(10,778)
借予聯營公司之貸款準備	79,595	—	—	—	—
其他投資之未變現持有虧損(收益)淨額	26,482	(16,829)	(17,223)	(11,471)	—
持有作買賣投資之公平價值減少	—	—	—	—	75,215
應收孖展貸款準備(準備回撥)	2,429	5,300	(2,387)	—	620
變現收購一間聯營公司所產生之負商譽	—	—	(8)	—	—
攤銷無形資產	14,338	44,137	51,066	38,300	605
滯銷及陳舊存貨準備	12,277	24,679	25,588	3,084	19,449
呆壞賬準備	36,534	3,208	22,269	14,662	1,532
物業、機器及設備折舊及攤銷	21,271	19,632	19,785	13,807	9,422
應收貸款準備	22,056	16,653	8,338	5,469	—
出售物業、機器及設備虧損(收益)	3,373	696	1,098	(258)	108
物業、機器及設備之減值虧損	1,305	—	—	—	—
投資證券之減值虧損	323,287	—	—	—	—
撇銷應收長期貸款及利息	10,821	—	—	—	—
出售投資證券／可供出售之投資(收益)虧損淨額	—	(9,577)	29,712	—	—
收購一間附屬公司所產生之商譽減值虧損	—	4,598	—	—	—
變現收購一間聯營公司額外權益所產生之負商譽	—	—	(2,057)	—	—

	母公司股本持有人應佔											
	股本	股份溢價	資本儲備	實繳盈餘	外幣兌換儲備	資本贖回儲備	投資重估儲備	其他儲備	保留溢利	總額	少數股東權益	股東權益總額
	千港元	千港元	千港元 (附註40)	千港元 (附註40)	千港元	千港元	千港元	千港元 (附註40)	千港元	千港元	千港元	千港元
於股東權益中直接確認之收入(開支)淨額	—	—	—	—	1,633	—	—	(14,249)	—	(12,616)	(3,006)	(15,622)
出售附屬公司時變現	—	—	(556)	—	7,842	—	—	(7,810)	—	(524)	—	(524)
出售／被視為出售聯營公司權益時回撥	—	—	—	—	—	—	—	(187)	—	(187)	—	(187)
一間聯營公司清盤時變現	—	—	—	—	27	—	—	—	—	27	—	27
期內(虧損)溢利	—	—	—	—	—	—	—	—	4,094	4,094	39,145	43,239
期內確認之收入及支出總額	—	—	(556)	—	9,502	—	—	(22,246)	4,094	(9,206)	36,139	26,933
股份發行	370	118,976	—	—	—	—	—	—	—	119,346	—	119,346
發行股份開支	—	(640)	—	—	—	—	—	—	—	(640)	—	(640)
已派股息	—	—	—	—	—	—	—	—	(11,193)	(11,193)	—	(11,193)
於二零零四年十二月三十一日	2,236	217,557	(22,137)	1,603,329	25,928	592	—	(7,798)	151,781	1,971,488	441,296	2,412,784
外幣調整	—	—	—	—	842	—	—	—	—	842	(1,267)	(425)
期內(虧損)溢利	—	—	—	—	—	—	—	—	(165,956)	(165,956)	22,479	(143,477)
期內確認之收入及支出總額	—	—	—	—	842	—	—	—	(165,956)	(165,114)	21,212	(143,902)
收購一間附屬公司之額外權益所產生	—	—	—	—	—	—	—	—	—	—	(12,891)	(12,891)
轉撥	—	—	—	(155,127)	—	—	—	—	155,127	—	—	—
於二零零五年三月三十一日，經重列	2,236	217,557	(22,137)	1,448,202	26,770	592	—	(7,798)	140,952	1,806,374	449,617	2,255,991
採納新會計政策之影響 *(附註3)*	—	—	22,137	—	—	—	—	11,947	(6,494)	27,590	—	27,590
於二零零五年四月一日－經重列	2,236	217,557	—	1,448,202	26,770	592	—	4,149	134,458	1,833,964	449,617	2,283,581
外幣調整	—	—	—	—	(7,559)	—	—	—	—	(7,559)	5,482	(2,077)
應佔聯營公司儲備	—	—	—	—	—	—	(219)	5,781	—	5,562	—	5,562
可供出售投資公平價值之變動	—	—	—	—	—	—	(15,221)	—	—	(15,221)	—	(15,221)
於股東權益中直接確認之收入(開支)淨額	—	—	—	—	(7,559)	—	(15,440)	5,781	—	(17,218)	5,482	(11,736)
收購一間附屬公司之額外權益所產生	—	—	—	—	—	—	—	—	—	—	560	560
出售附屬公司時變現	—	—	—	—	583	—	—	—	—	583	280	863
期內(虧損)	—	—	—	—	—	—	—	—	(127,102)	(127,102)	(54,290)	(181,392)
期內確認之收入及支出總額	—	—	—	—	(6,976)	—	(15,440)	5,781	(127,102)	(143,737)	(47,968)	(191,705)
以股代息時發行股份	25	8,444	—	—	—	—	—	—	—	8,469	—	8,469
已派股息	—	—	—	—	—	—	—	—	(22,463)	(22,463)	—	(22,463)
於二零零五年十二月三十一日	2,261	226,001	—	1,448,202	19,794	592	(15,440)	9,930	(15,107)	1,676,233	401,649	2,077,882

綜合股東權益變動表

	母公司股本持有人應佔											
	股本	股份溢價	資本儲備	實繳盈餘	外幣兌換儲備	資本贖回儲備	投資重估儲備	其他儲備	保留溢利	總額	少數股東權益	股東權益總額
	千港元	千港元	千港元 (附註40)	千港元 (附註40)	千港元	千港元	千港元	千港元 (附註40)	千港元	千港元	千港元	千港元
於二零零二年四月一日												
－如原先呈列	160,301	1,974,542	(138,749)	(69,936)	(18,387)	592	–	–	338,805	2,247,168	214,611	2,461,779
－會計政策變動之影響 (附註2)	–	–	–	–	–	–	–	–	6,616	6,616	6,218	12,834
－經重列	160,301	1,974,542	(138,749)	(69,936)	(18,387)	592	–	–	345,421	2,253,784	220,829	2,474,613
外幣調整	–	–	–	–	19,793	–	–	–	–	19,793	(9,481)	10,312
於股東權益中直接確認之收入淨額	–	–	–	–	19,793	–	–	–	–	19,793	(9,481)	10,312
於綜合收益表確認之商譽減值虧損	–	–	104,585	–	–	–	–	–	–	104,585	–	104,585
年內(虧損)溢利	–	–	–	–	–	–	–	–	(648,620)	(648,620)	41,976	(606,644)
年內確認之收入及支出總額	–	–	104,585	–	19,793	–	–	–	(648,620)	(524,242)	32,495	(491,747)
收購一間附屬公司之額外權益所產生	–	–	–	–	–	–	–	–	–	–	(78,726)	(78,726)
股份發行	2	23	–	–	–	–	–	–	–	25	–	25
削減股份面值	(158,700)	–	–	158,700	–	–	–	–	–	–	–	–
轉撥	–	(1,974,565)	–	1,514,565	–	–	–	–	460,000	–	–	–
於二零零三年三月三十一日及二零零三年四月一日	1,603	–	(34,164)	1,603,329	1,406	592	–	–	156,801	1,729,567	174,598	1,904,165
外幣調整	–	–	–	–	15,236	–	–	–	–	15,236	(14,775)	461
應佔聯營公司儲備	–	–	–	–	–	–	–	14,448	–	14,448	–	14,448
於股東權益中直接確認之收入淨額	–	–	–	–	15,236	–	–	14,448	–	29,684	(14,775)	14,909
出售一間附屬公司之部分權益時變現	–	–	12,027	–	–	–	–	–	–	12,027	148,858	160,885
出售一間附屬公司時變現	–	–	556	–	(216)	–	–	–	–	340	–	340
年內溢利	–	–	–	–	–	–	–	–	13,300	13,300	96,476	109,776
年內確認之收入及支出總額	–	–	12,583	–	15,020	–	–	14,448	13,300	55,351	230,559	285,910
股份發行	263	99,934	–	–	–	–	–	–	–	100,197	–	100,197
發行股份開支	–	(713)	–	–	–	–	–	–	–	(713)	–	(713)
已派股息	–	–	–	–	–	–	–	–	(11,221)	(11,221)	–	(11,221)
於二零零四年三月三十一日及二零零四年四月一日	1,866	99,221	(21,581)	1,603,329	16,426	592	–	14,448	158,880	1,873,181	405,157	2,278,338
外幣調整	–	–	–	–	1,633	–	–	–	–	1,633	(3,006)	(1,373)
應佔聯營公司儲備	–	–	–	–	–	–	–	(14,249)	–	(14,249)	–	(14,249)

	附註	於三月三十一日 二零零三年 千港元 (經重列)	於三月三十一日 二零零四年 千港元 (經重列)	二零零五年 千港元 (經重列)	於二零零五年 十二月 三十一日 千港元
非流動負債					
借款 – 一年後到期	*34*	172,995	7,921	157,470	7,258
融資租約承擔 – 一年後到期	*35*	1,557	462	—	—
應付一名少數股東款項	*36*	2,406	2,428	2,526	—
遞延稅項負債	*37*	750	136	114	201
		177,708	10,947	160,110	7,459
資產及負債總值		1,904,165	2,278,338	2,255,991	2,077,882
資本及儲備					
股本	*38*	1,603	1,866	2,236	2,261
儲備	*40*	1,727,964	1,871,315	1,804,138	1,673,972
母公司股本持有人應佔股東權益		1,729,567	1,873,181	1,806,374	1,676,233
少數股東權益		174,598	405,157	449,617	401,649
股東權益總額		1,904,165	2,278,338	2,255,991	2,077,882

綜合資產負債表

	附註	於三月三十一日 二零零三年 千港元 (經重列)	於三月三十一日 二零零四年 千港元 (經重列)	二零零五年 千港元 (經重列)	於二零零五年 十二月 三十一日 千港元
非流動資產					
物業、機器及設備	20	84,112	79,503	70,557	72,996
無形資產	21	337,873	428,019	401,383	236,734
聯營公司權益	22	271,362	906,409	635,729	637,783
證券投資	23	887,630	189,220	123,534	—
可供出售之投資	24	—	—	—	678,399
應收長期貸款	25	10,188	4,898	—	—
收購長期投資之按金	26	—	—	35,000	190,175
遞延稅項資產	37	13,298	35,480	18,418	45,440
		1,604,463	1,643,529	1,284,621	1,861,527
流動資產					
其他資產	27	—	145,085	108,000	—
存貨	28	505,165	877,409	587,078	875,836
貿易及其他應收款項	29	486,609	738,820	766,277	1,067,761
持作買賣之投資	30	—	—	—	128,894
證券投資	23	209,270	132,634	144,435	—
應收短期貸款	25	95,523	41,173	111,851	171,979
應收有關連公司之短期貸款	49	67,997	167,365	224,233	186,019
應收孖展貸款	31	51,095	32,373	30,586	24,682
應收聯營公司款項	22A	—	—	—	5,260
可退回稅項		3,810	488	19,855	5,047
已抵押銀行存款	32	19,226	—	20,014	20,591
銀行結存及現金		224,573	164,360	359,603	21,416
		1,663,268	2,299,707	2,371,932	2,507,485
流動負債					
貿易及其他應付款項	33	890,572	1,272,283	1,011,814	1,299,327
應付孖展貸款	31	1,609	840	253	152
應付票據	31	2,481	4,939	3,644	—
應派股息		—	—	—	9,046
應付一間聯營公司款項	22B	—	—	—	2,026
應繳稅項		23,194	2,496	91,420	59,765
借款 — 一年內到期	34	244,473	349,059	85,881	886,692
融資租約承擔 — 一年內到期	35	1,113	1,068	462	—
銀行透支		22,416	23,266	46,978	26,663
		1,185,858	1,653,951	1,240,452	2,283,671
流動資產淨值		477,410	645,756	1,131,480	223,814
資產總值減流動負債		2,081,873	2,289,285	2,416,101	2,085,341

I. 財務資料

綜合收益表

	附註	截至三月三十一日止年度 二零零三年 千港元 (經重列)	二零零四年 千港元 (經重列)	二零零五年 千港元 (經重列)	截至十二月三十一日止九個月 二零零四年 千港元 (未經審核)	二零零五年 千港元
收益	8	4,162,804	5,025,930	5,676,459	4,434,124	4,523,483
銷售成本		(3,248,769)	(3,932,182)	(4,376,361)	(3,472,065)	(3,534,053)
毛利		914,035	1,093,748	1,300,098	962,059	989,430
其他經營收入	10	96,980	111,903	114,145	74,670	61,923
分銷及銷售開支		(685,793)	(688,528)	(770,262)	(570,131)	(686,424)
行政開支		(278,968)	(283,709)	(294,778)	(222,197)	(170,768)
其他經營開支	11	(38,608)	(4,598)	(29,712)	—	(75,215)
投資證券之減值虧損		(323,287)	—	—	—	—
變現收購一間聯營公司額外權益所產生之負商譽		—	—	2,057	—	—
財務費用	12	(31,669)	(26,440)	(18,198)	(14,224)	(50,952)
應佔聯營公司虧損		(36,367)	(59,857)	(64,909)	(59,175)	(20,032)
收購一間聯營公司所產生商譽之減值虧損	13	(104,585)	—	(177,446)	—	(14,391)
商標許可證減值虧損		—	—	—	—	(164,667)
攤銷收購聯營公司所產生之商譽		(6,612)	(17,651)	(28,089)	(21,065)	—
出售附屬公司及聯營公司之收益(虧損)淨額	14	25	10,377	(15,747)	(16,270)	10,778
借予聯營公司之貸款準備		(79,595)	—	—	—	—
除所得稅前(虧損)溢利		(574,444)	135,245	17,159	133,667	(120,318)
所得稅支出	15	(32,200)	(25,469)	(117,397)	(90,428)	(61,074)
年／期內(虧損)溢利	16	(606,644)	109,776	(100,238)	43,239	(181,392)
應佔：						
母公司股本持有人		(648,620)	13,300	(161,862)	4,094	(127,102)
少數股東權益		41,976	96,476	61,624	39,145	(54,290)
		(606,644)	109,776	(100,238)	43,239	(181,392)
股息	18	—	11,221	11,193	11,193	22,463
每股(虧損)盈利						
— 基本	19	(4.05)港元	0.08港元	(0.82)港元	0.02港元	(0.57)港元

附註7： 威望磁訊於各有關期間之法定財務報表乃根據中國適用之有關會計原則及財務規例編製，並由珠海安德利聯合會計師事務所進行審核。

附註8： Rich Life於各有關期間之法定財務報表乃由Deloitte & Touche Singapore(為德勤•關黃陳方會計師行之成員公司)進行審核。該等法定財務報表乃根據新加坡適用之有關會計原則及財務規例編製。

附註9： 由於該公司自註冊成立日期以來一直並無業務，因此該公司並無編製經審核財務報表。

附註10： 富聯資源有限公司於各有關期間之法定財務報表乃由Union Alpha C.P.A. Limited進行審核。該等法定財務報表乃根據有關之香港公認會計原則編製。

附註11： 本集團於二零零五年十二月三十一日後收購該等公司。

吾等於各有關期間擔任　貴公司之核數師。截至二零零三年、二零零四年及二零零五年三月三十一日止三個年度各年之經審核綜合財務報表乃根據香港公認會計原則編製。就本報告而言，吾等已根據香港會計師公會(「香港會計師公會」)頒佈之香港核數準則對　貴集團按照香港公認會計原則編製的截至二零零五年十二月三十一日止九個月的綜合財務報表進行獨立審核程序。

吾等已審閱　貴集團於有關期間的經審核綜合財務報表(「相關財務報表」)。吾等乃根據香港會計師公會推薦的核數指引第3.340號「售股章程及申報會計師」進行審閱。

本報告所載　貴集團於各有關期間的綜合收益表及綜合現金流動以及於二零零三年、二零零四年、二零零五年三月三十一日及二零零五年十二月三十一日的綜合資產負債表乃建基就編製供收錄於通函之吾等報告之有關期間之相關財務報表。

相關財務報表由　貴公司董事負責，而該等董事亦批准刊發財務報表。　貴公司董事負責收錄本報告之通函之內容。吾等之責任為自相關財務報表編撰財務資料、就財務資料作出獨立意見，並向　閣下報告。

吾等認為，就本報告而言，財務資料連同有關附註真實而公平地反映　貴集團於二零零三年、二零零四年及二零零五年三月三十一日及二零零五年十二月三十一日之財務狀況，以及　貴集團截至二零零五年三月三十一日止三個年度各年及截至二零零五年十二月三十一日止九個月之綜合業績及現金流動。

貴集團截至二零零四年十二月三十一日止九個月之比較綜合收益表、綜合股東權益變動表及綜合現金流動表連同有關附註(「二零零四年十二月三十一日財務資料」)乃　貴公司董事純為本報告而編製。吾等已根據香港會計師公會頒佈之核數準則第700號「審閱中期財務報告之委聘」審閱二零零四年十二月三十一日財務資料。吾等之審閱工作主要包括向管理層作出查詢及對二零零四年十二月三十一日財務資料進行分析程序，據此評估會計政策及呈列方式，除另作披露者外是否貫徹一致。審閱工作不包括監控測試及資產、負債與交易核證等審核程序。審閱工作所涵蓋之範圍遠不及審核，故吾等不會就二零零四年十二月三十一日財務資料發表審核意見。根據吾等之審閱工作(並不構成審核)，吾等並不知悉任何應對二零零四年十二月三十一日財務資料作出之任何重大修訂。

附屬公司名稱	註冊成立／登記地點及日期	已發行及繳足股本／註冊資本	本公司持有之股本／註冊資本比例 直接	間接	本集團持有之股東權益	主要業務
Ultimate Strategy Limited *(附註1)*	英屬處女群島 二零零三年 八月二十八日	1美元	—	100%	100%	投資控股
Wealthy Label International Limited *(附註1)*	英屬處女群島 二零零五年 一月四日	1美元	—	100%	100%	投資控股
威倫有限公司 *(附註2)*	香港 二零零零年 八月二十一日	2港元	—	100%	100%	投資控股
Zhuhai Hanny Property Investment Limited (「珠海錦興」) *(附註1)*	英屬處女群島 二零零二年 十二月五日	1美元	—	100%	100%	暫無業務
美瑞思科技股份有限公司 *(附註6)*	台灣 二零零零年 九月十六日	新台幣4,000,000元	—	68.68%	45.2%	買賣及分銷電腦媒體產品及影音產品
美億格股份有限公司 *(附註6)*	台灣 二零零零年 九月十一日	新台幣4,000,000元	—	100%	100%	買賣及分銷電腦媒體產品及影音產品

附註1： 由於該等公司註冊成立之國家並無法定審核規定，因此該等公司並無編製經審核財務報表。

附註2： 吾等於各有關期間或自各自之註冊成立或收購日期起(以較短者為準)擔任該等公司之核數師。該等公司已編製截至二零零五年三月三十一日止三個年度各年或各自之註冊成立日期起(以較短者為準)按香港公認會計原則編製之經審核財務報表。

附註3： MCL截至二零零三年三月三十一日止年度之法定財務報表乃根據加拿大適用之有關會計原則及財務規例編製，並由Deloitte & Touche Canada(為德勤•關黃陳方會計師行之成員公司)進行審核。

附註4： 該等公司於各有關期間之法定財務報表乃由Deloitte & Touche, LLP United Kingdom(為德勤•關黃陳方會計師行之成員公司)進行審核。MPEL及DPEL截至二零零三年、二零零四年及二零零五年三月三十一日止三個年度各年之法定財務報表乃根據英國適用之有關會計原則及財務規例編製。

附註5： MPI於各有關期間之法定財務報表乃由Deloitte & Touche United States, LLP(為德勤•關黃陳方會計師行之成員公司)進行審核。MPI截至二零零三年、二零零四年及二零零五年三月三十一日止三個年度各年之法定財務報表乃根據美國適用之有關會計原則及財務規例編製。

附註6： 美瑞思科技股份有限公司及美億格股份有限公司於各有關期間之法定財務報表乃由勤業眾信會計師事務所(為德勤•關黃陳方會計師行之成員公司)進行審核。美瑞思科技股份有限公司及美億格股份有限公司截至二零零五年三月三十一日止三個年度各年之法定財務報表乃根據台灣適用之有關會計原則及財務規例編製。

附屬公司名稱	註冊成立／登記地點及日期	已發行及繳足股本／註冊資本	本公司持有之股本／註冊資本比例 直接	間接	本集團持有之股東權益	主要業務
Multimedia Info-Duplication (Far East) Limited *(附註2)*	英屬處女群島 一九九七年 一月九日	1美元	—	100%	100%	暫無業務
Multimedia Technology (Far East) Limited *(附註1)*	英屬處女群島 一九九七年 一月九日	1美元	—	100%	100%	暫無業務
Multimedia Technology Overseas Limited *(附註1)*	英屬處女群島 一九九六年 十二月二十日	2美元	—	100%	100%	暫無業務
Next Prospect Inc. *(附註1)*	英屬處女群島 二零零四年 三月三十日	1美元	—	100%	100%	投資控股
Pacernic Limited *(附註1)*	英屬處女群島 二零零五年 一月七日	1美元	—	100%	100%	投資控股
Pariet Tradings Limited *(附註1)*	英屬處女群島 二零零四年 四月七日	1美元	—	100%	100%	暫無業務
Powervote Technology Limited *(附註1)*	英屬處女群島 二零零零年 七月十八日	1美元	—	100%	100%	投資控股
Pure Delight Assets Limited *(附註1)*	英屬處女群島 一九九七年 三月十二日	1美元	—	100%	100%	投資控股
Rapid Growth Profits Limited *(附註11)*	英屬處女群島 二零零一年 一月三日	1美元	—	100%	100%	投資控股
Regal Wealth Ltd. *(附註1)*	英屬處女群島 一九九九年 十一月二十三日	1美元	—	100%	100%	投資控股
Rich Life Holdings Pte Ltd.(「Rich Life」) *(附註8)*	新加坡 二零零二年 三月十九日	2新加坡元	—	100%	100%	投資控股
Sino Partner Holdings Limited(「Sino Partner」) *(附註1)*	英屬處女群島 二零零四年 九月三日	200美元	—	83%	83%	投資控股
Strong Talent Technology Limited *(附註1)*	英屬處女群島 二零零二年 七月二日	1美元	—	100%	100%	暫無業務
Success Wealth Ltd. *(附註1)*	英屬處女群島 二零零零年 一月十二日	1美元	—	100%	100%	投資控股
Tower Hill Profits Limited *(附註1)*	英屬處女群島 一九九九年 七月八日	1美元	—	100%	100%	投資控股
Trifame Limited *(附註1)*	英屬處女群島 二零零五年 一月五日	1美元	—	100%	100%	投資控股

附屬公司名稱	註冊成立／登記地點及日期	已發行及繳足股本／註冊資本	本公司持有之股本／註冊資本比例 直接	間接	本集團持有之股東權益	主要業務
Memorex Canada Ltd. (「MCL」) *(附註3)*	加拿大 一九九零年 一月九日	2加拿大元	—	68.68%	45.2%	分銷電腦媒體產品及影音產品
Memorex Holdings Limited *(附註2)*	百慕達 二零零三年 十一月三日	100,000美元	—	65%	65%	投資控股
賣方 *(附註2)*	英屬處女群島 一九九七年 二月二十日	1,000,000美元	—	68.68%	45.2%	投資控股及持有商標許可證
Memorex Products Europe Limited (「MPEL」) *(附註4)*	英國 一九九九年 十月六日	2英鎊	—	68.68%	45.2%	買賣及分銷電腦媒體產品及影音產品
Memorex Products GmbH *(附註4)*	德國 一九九八年 七月七日	100,000馬克	—	68.68%	45.2%	買賣及分銷電腦媒體產品及影音產品
Memorex Products S.A.S. *(附註4)*	法國 二零零零年 四月十日	50,000歐元	—	68.68%	45.2%	買賣及分銷電腦媒體產品及影音產品
Memorex Products, Inc. (「MPI」) *(附註5)*	美國 一九九三年 十一月十八日	79,001,000美元	—	68.68%	45.2%	買賣及分銷電腦媒體產品及影音產品
美億格(澳門離岸商業服務)有限公司 *(附註1)*	澳門 二零零四年 八月十八日	1澳門元	—	100%	100%	暫無業務
美億格亞洲有限公司 *(附註2)*	香港 二零零三年 二月五日	2港元	—	100%	100%	投資控股
Metrorich Worldwide Ltd. *(附註11)*	英屬處女群島 二零零四年 九月八日	1美元	—	100%	100%	投資控股
Micro-Tech Ltd. *(附註1)*	英屬處女群島 一九九九年 七月二十三日	1美元	—	100%	100%	投資控股

附屬公司名稱	註冊成立／登記地點及日期	已發行及繳足股本／註冊資本	本公司持有之股本／註冊資本比例 直接	本公司持有之股本／註冊資本比例 間接	本集團持有之股東權益	主要業務
Hanny Magnetics (Overseas) Limited *(附註1)*	英屬處女群島 一九九一年 十一月二十二日	1美元	—	100%	100%	暫無業務
威望(珠海)磁訊有限公司 (「威望磁訊」) *(附註7)*	中華人民共和國 (「中國」) 一九八八年 三月十四日	45,740,000美元	—	100%	100%	製造磁訊媒體產品
Hanny Magnetics Europe Limited *(附註4)*	英國 一九九三年 十一月十二日	2英鎊	—	68.68%	45.2%	暫無業務
錦興磁訊有限公司 *(附註2)*	香港 一九七一年 四月二十七日	1,100,000,200港元 普通股 6,000,000港元 5%無投票權遞延股份	—	100%	100%	投資控股及買賣及推銷電腦媒體產品及有關週邊產品及配件
錦興管理有限公司 *(附註2)*	香港 一九九一年 九月三日	2港元	—	100%	100%	向本集團提供秘書及代名人服務
錦興策略投資有限公司 *(附註2)*	香港 一九九六年 六月十三日	10,000,000港元	—	100%	100%	投資控股
威望珠海有限公司 *(附註2)*	香港 一九九五年 十一月三十日	2港元	—	100%	100%	暫無業務
Hemmant Holdings Limited *(附註1)*	英屬處女群島 一九九七年 四月二十九日	1美元	—	100%	100%	投資控股
Honest Goodwill Limited *(附註1)*	英屬處女群島 二零零五年 四月六日	1美元	—	100%	100%	暫無業務
倫都有限公司 (附註11)	香港 一九九三年 二月九日	100港元	—	100%	100%	物業投資
建晉有限公司 *(附註2)*	香港 一九九九年 三月三十一日	2港元	—	100%	100%	投資控股
Kedleston Management Limited *(附註1)*	英屬處女群島 二零零二年 七月二日	1美元	—	100%	100%	暫無業務
Loyal Concept Limited *(附註1)*	英屬處女群島 二零零一年 八月十三日	1美元	—	100%	100%	投資控股
Maximum Potential Limited *(附註1)*	英屬處女群島 一九九七年 一月二十三日	1美元	—	100%	100%	投資控股

附屬公司名稱	註冊成立／登記地點及日期	已發行及繳足股本／註冊資本	本公司持有之股本／註冊資本比例 直接	本公司持有之股本／註冊資本比例 間接	本集團持有之股東權益	主要業務
Cyber Generation Limited *(附註1)*	英屬處女群島 二零零零年 七月五日	1美元	—	100%	100%	投資控股
Digital Communications Limited *(附註1)*	英屬處女群島 一九九九年 九月九日	10美元	—	60%	60%	投資控股
Dynamic Way Technology Limited *(附註1)*	英屬處女群島 二零零零年 二月八日	1美元	—	100%	100%	投資控股
Dysan Magnetics Limited *(附註4)*	英國 一九九零年 一月八日	100英鎊	—	68.68%	45.2%	暫無業務
Dysan Products Europe Limited(「DPEL」) *(附註4)*	英國 一九九四年 四月十九日	102英鎊 8,500,000美元	—	68.68%	45.2%	買賣及分銷電腦媒體產品及影音產品
Dysan.com Products Inc. *(附註9)*	加拿大 二零零五年 四月七日	1股無面值股份	—	68.68%	45.2%	暫無業務
E-Award Limited *(附註1)*	英屬處女群島 二零零零年 五月十八日	4美元	—	100%	100%	投資控股
eMemorex Inc. *(附註1)*	美國 一九九九年 九月二十四日	1美元	—	60%	60%	買賣電腦媒體產品
eMemorex.com Inc. *(附註1)*	加拿大 一九九九年 十一月二十三日	100股無面值股份	—	60%	60%	買賣電腦媒體產品
Genius Ideas Limited *(附註1)*	英屬處女群島 一九九九年 二月十八日	1美元	—	100%	100%	投資控股
Gold Regent Limited *(附註1)*	英屬處女群島 二零零零年 一月二十日	1美元	—	100%	100%	投資控股
Hackthorne Limited *(附註1)*	英屬處女群島 一九九五年 十月三十一日	1美元	—	100%	100%	投資控股
Hanny (Taishan) Property Investments Limited *(附註1)*	英屬處女群島 二零零五年 一月四日	1美元	—	100%	100%	暫無業務
禧利有限公司 *(附註2)*	香港 二零零三年 十一月二十六日	2港元	—	100%	100%	暫無業務
Hanny International, Inc. *(附註1)*	開曼群島 一九九一年 八月二十三日	1,000美元	—	100%	100%	暫無業務

於本報告日期，本公司擁有以下附屬公司，全部均屬私營有限公司：

附屬公司名稱	註冊成立／登記地點及日期	已發行及繳足股本／註冊資本	本公司持有之股本／註冊資本比例 直接	間接	本集團持有之股東權益	主要業務
Hanny Magnetics (B.V.I.) Limited *(附註1)*	英屬處女群島（「英屬處女群島」）一九九零年五月二十二日	40,000,000港元普通股 8,000,000港元優先股	100%	—	100%	投資控股
Acropolis Investment Group Limited *(附註1)*	英屬處女群島 二零零零年七月十一日	50,000美元	—	100%	100%	投資控股
Best Position Limited *(附註1)*	英屬處女群島 二零零六年二月二日	1美元	—	100%	100%	投資控股
Better Gain Investments Limited *(附註1)*	英屬處女群島 一九九九年六月二日	1美元	—	100%	100%	投資控股
潤金有限公司 *(附註2)*	香港 一九九九年六月十四日	2港元	—	100%	100%	投資控股
Bocane Enterprises Limited *(附註1)*	英屬處女群島 二零零五年一月七日	2美元	—	100%	100%	投資控股
Central Top Group Limited	英屬處女群島 二零零五年十一月三十日	1美元	—	100%	100%	投資控股
Chancellor Global Limited *(附註1)*	英屬處女群島 二零零五年一月七日	1美元	—	100%	100%	投資控股
Cobble Hill Holdings Limited *(附註1)*	英屬處女群島 一九九七年四月二十九日	1美元	—	100%	100%	投資控股
Collegate Limited *(附註1)*	英屬處女群島 二零零五年一月四日	1美元	—	100%	100%	投資控股
Cosmos Regent Ltd. *(附註1)*	英屬處女群島 二零零零年八月二十八日	1美元	—	100%	100%	投資控股
Create Ahead Technology Limited *(附註1)*	英屬處女群島 二零零二年七月二日	10,000美元	—	95%	95%	暫無業務
Createsuccess Limited（「Createsuccess」） *(附註1)*	英屬處女群島 二零零四年十二月三日	1美元	—	100%	100%	投資控股
Cross Profit Capital Limited *(附註1)*	英屬處女群島 二零零四年七月二十二日	1美元	—	100%	100%	投資控股
富聯資源有限公司 *(附註10)*	香港 一九九一年五月二十三日	12,500,000港元	—	100%	100%	暫無業務

2. 經審核財務資料

以下載列摘錄自本錦興於二零零六年四月十日刊發之通函之錦興集團會計師報告，報告內載列錦興集團經審核綜合財務報表，連同隨附之附註：

Deloitte.
德勤

德勤•關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

敬啟者：

以下為吾等就錦興集團有限公司(「貴公司」)及其附屬公司(以下統稱為「貴集團」)截至二零零三年、二零零四年及二零零五年三月三十一日止三個年度各年及截至二零零五年十二月三十一日止九個月(「有關期間」)之財務資料(「財務資料」)所編製之報告，以收錄於　貴公司於二零零六年四月十日就非常重大出售交易而刊發之通函(「通函」)。根據該交易，　貴集團將(i)透過其非全資附屬公司Memorex International Inc.(「賣方」)出售賣方於Hanny Magnetics Europe Limited、Memorex Canada Ltd.、Memorex Products Europe Limited、Memorex Products S.A.S.、Memorex Products GmbH、美瑞思科技股份有限公司及Memorex Products, Inc.(「出售公司」)之全部權益，並(ii)出售賣方之商標許可證及其他有關以「Memorex」商用名稱買賣電腦相關產品之業務之資產(包括賣方及出售公司進行之電子數據儲存所用硬件、媒體及配件之設計、開發、市場推廣、分銷及銷售之業務(「業務」，連同出售公司統稱為「出售資產」))(「出售事項」)。有關出售事項乃根據賣方與Imation Corp.(「買方」，根據美利堅合眾國(「美國」)德拉華州法律組成之公司，其股份於紐約證券交易所上市)於二零零六年一月十九日訂立之協議(「協議」)進行。

貴公司於一九九一年九月三日在百慕達註冊成立。　貴公司為一間投資控股公司。

附註：

1. 截至二零零四年及二零零五年十二月三十一日止九個月之數字乃根據由二零零五年一月一日或其後開始之會計期間生效，由香港會計師公會頒佈之香港財務報告準則、香港會計準則及詮釋(下文統稱為「新香港財務報告準則」)編製。採納新香港財務報告準則之詳情載於本附錄「經審核財務資料」分節所載錦興集團會計師報告之附註2。

2. 截至二零零三年、二零零四年及二零零五年三月三十一日止三年度之數字乃根據新香港財務報告準則編製。已就先前刊登之數字重新編列。新香港財務報告準則影響之詳情載於本附錄「經審核財務資料」分節所載錦興集團會計師報告之附註3。

3. 於截至二零零三年、二零零四年及二零零五年三月三十一日止三個財政年度各年及截至二零零四年及二零零五年十二月三十一日止九個月概無錄得任何特殊或非經常性項目，錦興集團於上述財政年度／期間內之年報／會計師報告概無載有保留意見。

1. 財務概要

摘錄自錦興於二零零六年四月十日刊發之通函內之錦興集團業績、資產及負債如下：

業績

	截至十二月三十一日止九個月		截至三月三十一日止年度		
	二零零五年	二零零四年	二零零五年	二零零四年	二零零三年
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
	(經審核)	*(未經審核)*	*(經審核及重列)*	*(經審核及重列)*	*(經審核及重列)*
	(附註1)	*(附註1)*	*(附註2)*	*(附註2)*	*(附註2)*
收益	4,523,483	4,434,124	5,676,459	5,025,930	4,162,804
除所得稅前(虧損)溢利	(120,318)	133,667	17,159	135,245	(574,444)
利得稅支出	(61,074)	(90,428)	(117,397)	(25,469)	(32,200)
年度／期間(虧損)溢利	(181,392)	43,239	(100,238)	109,776	(606,644)
應佔：					
母公司股本持有人	(127,102)	4,094	(161,862)	13,300	(648,620)
少數股東權益	(54,290)	39,145	61,624	96,476	41,976
	(181,392)	43,239	(100,238)	109,776	(606,644)
股息	22,463	11,193	11,193	11,221	—
每股錦興股份(虧損)盈利 — 基本	(0.57港元)	0.02港元	(0.82港元)	0.08港元	(4.05港元)
每股錦興股份股息 — 末期，已付	0.06港元	0.06港元	0.06港元	0.02港元	—
— 中期，已付	—	—	—	0.05港元	—

資產及負債

	於十二月三十一日		於三月三十一日	
	二零零五年	二零零五年	二零零四年	二零零三年
	千港元	**千港元**	**千港元**	**千港元**
	(經審核)	*(經審核及重列)*	*(經審核)*	*(經審核)*
非流動資產	1,861,527	1,284,621	1,643,529	1,604,463
流動資產	2,507,485	2,371,932	2,299,707	1,663,268
	4,369,012	3,656,553	3,943,236	3,267,731
流動負債	2,283,671	1,240,452	1,653,951	1,185,858
非流動負債	7,459	160,110	10,947	177,708
	2,291,130	1,400,562	1,664,898	1,363,566

方式按接納表格內所載名稱及地址退回予有關人士或代理人，惟不論方式為何，風險概由有權收取之人士承擔。倘並無列明有關名稱，則按名列首位之持有人之註冊地址退回予該名持有人。

(v) 於本文件及接納表格內對群龍收購建議之提述應包括群龍收購建議之任何延長及／或修訂。

(vi) 接納表格所載之條文構成群龍收購建議條款之一部分。

(vii) 意外遺漏向任何獲提出群龍收購建議之人士寄發本文件及／或接納表格，在任何方面均不會令群龍收購建議無效。

(viii) 群龍收購建議及其所有之接納、接納表格、所訂立而有關群龍收購建議之所有合約，以及根據群龍收購建議條款所採取或作出或視作採取或作出之一切行動，將在各方面均受香港法例所規管及按其詮釋。群龍合資格股東或其代表將就已簽署之接納表格將構成該股東向香港非獨有司法權法院遞交有關群龍收購建議所產生或與群龍收購建議有關之所有事宜及接納表格。

(ix) 已正式簽署之接納表格將構成授權要約人及／或新百利之任何董事或彼等各自之代理人，代表接納群龍收購建議之群龍合資格股東填妥及簽署接納表格及任何其他文件，並採取任何其他可能屬必需或權宜之行動，藉此將接納所涉及之群龍股份轉歸於要約人或要約人將指示之人士。

(x) 就群龍收購建議之任何接納所涉及　閣下透過中央結算系統持有之群龍股份而言，要約人保留權利作出可能屬必須或適當之修改、增加或修訂，以使任何擬對群龍收購建議之接納及轉讓生效，而不論是否因而符合中央結算系統或其他系統之安排或規定，惟有關修改、增加或修訂須與收購守則或其他守則之規定貫徹一致或在取得執行理事之同意下作出。

(xi) 接納群龍收購建議之群龍合資格股東根據群龍收購建議應收取之代價，將根據群龍收購建議之條款全數支付，該款項不附帶任何留置權、抵銷權、反索償或其他要約人可或聲稱可向該名股東行使之類似權利。

(xii) 謹請群龍合資格股東在作出決定時，務必依據彼等本身對要約人及群龍，以及群龍收購建議條款之審查，包括所涉及之得益與風險。本文件之內容(包括本文件所載之任何一般意見或推薦建議)及接納表格並不構成法律或商業意見。群龍合資格股東應向彼等本身之律師或財務顧問徵詢法律或財務意見。此外，本文件並不包括任何有關美國稅項之資料。謹請可能須在美國繳納稅項之群龍合資格股東，就擁有或出售群龍股份之美國聯邦、國家、地方或其他稅務後果諮詢彼等之稅務顧問。

(xiii) 群龍收購建議乃透過於二零零六年五月二十六日刊發及寄發本文件及相關接納表格而作出。

(xiv) 群龍收購建議乃根據收購守則而作出。

— **群龍合資格股東在有關接納表格內填報美國地址或其位於美國註冊地址，而在各情況下，其並無在有關接納表格內填上位於美國以外之個人代理人之姓名及地址，藉此將根據群龍收購建議有權收取之代價寄發予該名個人代理人；**

— **群龍合資格股東在有關接納表格內填上位於美國之個人或代理人之姓名及地址，藉此將根據群龍收購建議有權收取之代價寄發予該名人士或代理人；或**

— **群龍合資格股東所接獲之有關接納表格乃置於蓋有美國郵戳或要約人或其代理人認為乃寄自美國之信封內，**

其接納將屬無效，惟要約人有權按其絕對酌情權進一步調查該股東之性質及居住地點，倘核實該股東與美國並無任何關連，則容許其接納有效。

(vi) 要約人進一步保留權利，透過報章公佈向並非居於香港之群龍合資格股東知會任何事宜(包括(但不限於)提出、修訂或延長群龍收購建議)，而有關報章可能不會於該等股東居住之司法權區內流通。儘管該等股東無法接獲或閱覽該公佈，惟就該公佈有關事宜之通知將被視為已獲充份作出。

(vii) 任何海外群龍合資格股東接納群龍收購建議將構成該名人士所作出之保證，保證乃根據所有適用法例獲准許接獲及接納群龍收購建議以及其任何延長或修訂；而根據所有適用法例，有關接納將屬有效及具約束力。

一般事項

(i) 任何人士對群龍收購建議之接納將被視為構成該名人士或該等人士向要約人所作出之保證，保證乃根據群龍收購建議所收購之群龍股份由該名人士或該等人士出售，而不附帶任何留置權、押記、產權負擔、優先購買權及任何性質之任何其他第三者權利，並會附帶該等群龍股份所附帶之一切權利(包括全數收取於群龍股份發行日期後宣派、派付或作出之所有股息及分派)。

(ii) 任何代名人就群龍收購建議之接納將被視為構成該代名人向要約人所作出之保證，保證乃按接納表格所示之群龍股份數目為該代名人代接納群龍收購建議之實益擁有人所持有之群龍股份總數，以及接納群龍收購建議之群龍股份總數。

(iii) 所有由群龍合資格股東送交或接收或寄出之通訊、通告、接納表格、股票或債券票據、其他所有權文件(或就此之賠償保證)或任何其他性質之股款須由群龍合資格股東或彼等之指定代理人送交或接收或寄出，風險概由彼等或彼等之指定代理人承擔；而要約人、新百利、群龍或接收代理人概不就上述風險所產生之任何損失或可能因此而引起之任何其他責任承擔任何責任。

(iv) 倘群龍收購建議以收購守則所容許之方式撤銷，則有關　閣下之群龍股份之接納表格須儘快及在任何情況下於群龍收購建議被撤銷或(視情況而定)於要約人以公佈形式規定之期間內接納群龍收購建議之群龍合資格股東獲授出權利以撤銷接納(按執行理事要求)當日起計10日內以郵寄

(ii) 倘要約人無法遵守收購守則第19條就群龍收購建議而發表公佈之任何規定(其概要已載於本附錄「公佈」一節之(i)及(ii))段，執行理事可規定要約人按執行理事認為可以接納之條款授予有關接納群龍收購建議之群龍合資格股東撤回權力，直至要約人能夠遵守上述之規定為止。

海外群龍合資格股東

(i) 於任何香港以外司法權區或向當地群龍合資格股東提出群龍收購建議可能會受有關司法權區法例影響。身為香港以外司法權區之市民、居民或國民之群龍合資格股東，彼等應知道有關司法權區之一切適用法例及監管規定，並加以遵守。在執行理事同意下，(i)美籍人士及群龍之股東名冊所示地址屬馬來西亞境內之人士將不得參與群龍收購建議；及(ii)本文件派發予名列群龍之股東名冊且名冊所示地址屬美國或馬來西亞境內之人士僅供參考及不連接納表格。經執行董事批准後，要約人保留權利，為並非居於香港之群龍合資格股東就群龍收購建議條款作出其他安排。

(ii) 任何欲接納群龍收購建議之海外群龍合資格股東，均有責任就此全面遵守任何有關司法權區之一切適用法例及監管規定，包括在該司法權區取得任何可能需要之政府或其他同意、符合任何其他必要正式手續及支付任何到期之發行、轉讓或其他税項。

(iii) 身為美籍人士之群龍合資格股東概不得接納群龍收購建議。

(iv) 各接納群龍收購建議之群龍合資格股東將須在接納表格有關空格內填上「否」，以向要約人及新百利聲明及保證，彼等：

- **概無於美國接獲本文件或隨附之接納表格，亦不會於美國寄發填妥之接納表格或使用任何美國法管轄內之方式送交填妥之接納表格；**
- **於送達接納表格或於接納群龍收購建議時並非身在美國；**
- **非美籍人士；或**
- **非為美國之主事人按非酌情基準行事之代理人或受信人。**

(v) 倘：

- **群龍合資格股東並無在接納表格有關空格內清楚標明「否」，因而並無給予上文(iv)段所載之聲明及保證；或**

(iii) 倘群龍收購建議獲延長或修訂，則會就有關延長或修訂發出公佈，並列明下個截止日期，或群龍收購建議將仍然可供接納，直至另行通知為止(在後者之情況下，將於群龍收購建議截止前向該等尚未接納群龍收購建議之群龍合資格股東發出最少14日通知)。倘群龍收購建議獲延長或修訂，則其將仍然在不少於14日的期間內可供接納，惟倘群龍收購建議先前已獲延長或修訂，則須於其後之截止日期截止。接納之最後時限將為該截至日期下午四時正。

(iv) 在任何情況下，倘群龍收購建議獲修訂，則所有先前已接納群龍收購建議之群龍合資格股東將可享有在收購建議中所作任何修訂的利益。任何於修訂前已簽署任何接納表格以表示接納群龍收購建議之群龍合資格股東或其代表將被視為構成接納經修訂群龍收購建議，除非如下文「撤回權利」一段所載，有關股東有權並正式撤回其接納則另作別論。

(v) 倘截止日期獲延長，則本文件及接納表格內對截止日期之任何提述將(惟倘文義另有所指除外)被視為提述獲延長之截止日期。

公佈

(i) 於截止日期(或執行理事可在特殊情況下准許之較後日期)下午六時正前，要約人將知會執行理事及聯交所有關其就群龍收購建議之修訂、延長或屆滿之決定。要約人將於截止日期下午七時正在聯交所網站刊登公佈，列明群龍收購建議是否已獲修訂、延長或屆滿。該公佈將根據收購守則第12.2條規定在下一個營業日再次刊登。公佈將列明群龍股份之總數及有關下列群龍股份之權利：

— 已接獲群龍收購建議之接納書所涉及之群龍股份；

— 要約人或其於群龍收購建議期間前之一致行動人士所持有、控制或指示之群龍股份；及

— 由要約人或其任何一致行動人士於群龍收購建議期間內所收購或同意收購之群龍股份。

公佈將列明此等數目所佔之相關股本類別百分比及投票權百分比。

(ii) 公佈將分別列明有效接納群龍收購建議及在各方面尚未整理妥當或有待核實之接納所涉及之群龍股份數目。

(iii) 按收購守則之規定，有關在執行理事及(如適用)聯交所已確認其群龍收購建議下並無其他意見之所有公佈，將根據上市規則而作出。

撤回權利

(i) 除下文所規定者外，群龍合資格股東就群龍收購建議所提交之接納書均屬不可撤回及撤銷。

(b) 倘　閣下於接納表格丙欄(就方案一代價而言)及丁欄(就方案二代價而言)所填寫之群龍股份總數超過以　閣下名義登記之群龍股份數目，超過之數目將首先於丁欄所填寫之數目內扣減(而該數目將被視為相應減少)，而扣減後所餘下之數目將於丙欄所填寫之數目內扣減(而該數目將被視為相應減少)。

(c) 倘丙欄內之群龍股份數目(經上述條文(如適用)修改後)並非5或5之完整倍數，則計算(i)該數目及(ii) 5或最接近該數目之5的完整倍數之差額，而　閣下將給予之款項乃就該差額按公式1.8港元 x (差額/5)計算。

舉例：

倘　閣下以下列方式填妥接納表格：

根據**方案**一提交之群龍股份數目	丙欄	數目 九	大寫 玖
根據**方案**二提交之群龍股份數目	丁欄	數目 零	大寫 零

則　閣下將(假設相關數目之群龍股份乃以　閣下名義登記)有權收取一(1)股錦興股份及3.24港元(即1股錦興股份及有關5股群龍股份之1.80港元+有關其餘4股群龍股份之1.80港元x4/5)

或

倘　閣下以下列方式填妥接納表格：

根據**方案**一提交之群龍股份數目	丙欄	數目 九	大寫 玖
根據**方案**二提交之群龍股份數目	丁欄	數目 八	大寫 捌

則　閣下將(假設相關數目之群龍股份乃以　閣下名義登記)有權收取兩(2)股錦興股份、一(1)份錦興債券及4.32港元(即兩(2)股錦興股份及有關10股群龍股份之3.60港元(由於　閣下將被視為就丁欄內之3股群龍股份選擇方案一代價，故將以方案一代價結清之群龍股份總數為12股群龍股份)+有關其餘2股群龍股份之1.80港元x2/5+一(1)份錦興債券(有關　閣下於丁欄選擇方案二代價之5股群龍股份))。

(vii) 根據收購守則之規定，要約人可保留權利，按其絕對酌情權視任何非完全符合規定之群龍收購建議接納為有效。

(viii) 任何接納表格、股票、過戶收據、其他所有權文件及／或任何就　閣下之群龍股份所需之彌償保證概不會發出收據。

群龍收購建議之接納期、修訂及延長

(i) 群龍收購建議乃於二零零六年五月二十六日提出，並可於該日期起及此後接納收購建議。

(ii) 除非群龍收購建議先前已獲延長或經修訂，否則群龍收購建議將於截止日期下午四時正截止。在收購守則之規限下，要約人可保留權利，於寄發本文件後延長或修訂群龍收購建議。

接納手續

(i) 閣下根據群龍收購建議可提呈接納並於二零零六年五月十九日以　閣下名義登記之群龍股份數目(假設　閣下並無出售或轉讓任何群龍股份)載於本文件隨附之接納表格內。接納群龍收購建議時，　閣下須根據接納表格上列印之指示填妥接納表格，有關指示為群龍收購建議之部份條款及條件。

(ii) 待收到群龍收購建議之接納表格後，務必在實際可行之情況下盡快填妥表格並以郵寄、速遞或以其他類似速遞服務方式或親身交回接收代理人，標準證券登記有限公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓，惟無論如何須按照收購守則於二零零六年六月十六日下午四時正及／或要約人可能釐定及公佈之較遲時間及／或日期前將表格送交接收代理人。

(iii) 倘　閣下所持有之群龍股份乃透過　閣下之註冊證券交易商或託管銀行或其他代理人寄存於中央結算系統，應指示　閣下之註冊證券交易商或託管銀行或其他代理人授權香港中央結算(代理人)有限公司，在香港中央結算(代理人)有限公司指定限期當日或之前代　閣下接納群龍收購建議。為趕及香港中央結算(代理人)有限公司指定之期限，　閣下應向　閣下之註冊證券交易商或託管銀行或其他代理人查詢處理　閣下指示所需時間，並按其要求向　閣下之註冊證券交易商或託管銀行或其他代名人呈交指示。

(iv) 倘　閣下所持有之群龍股份乃透過投資者參與者賬戶寄存於中央結算系統，則　閣下最遲須於香港中央結算(代理人)有限公司指定限期當日或之前透過「結算通」電話系統或中央結算系統互聯網系統發出　閣下之指示。

(v) 在向有權收取代價之人士寄發群龍收購建議的代價前，接納須經核實。根據接納將予支付之代價將儘快及在任何情況下不遲於接收代理人在接獲一切有關文件並表示群龍收購建議之接納屬完整及有效之日後第十日寄發。倘該日並非營業日，則將予寄發群龍收購建議代價之日期將延至下一個營業日。

(vi) 群龍合資格股東在接納群龍收購建議但於接納表格內並無清晰表示選擇方案一代價或方案二代價，將被視作就與該接納表格有關之群龍股份選擇收取方案一代價。接納表格包括有關計算根據群龍收購建議　閣下將之接納收取方案一代價或方案二代價之群龍股份數目之條文。

(a) 倘　閣下於接納表格丁欄(就方案二代價而言)填寫之群龍股份數目並非5或5之完整倍數，　閣下將被視為選擇：

(i) 就於丁欄填寫之群龍股份數目下調至5或最接近所填寫數目之5的完整倍數收取方案二代價(而丁欄內之數目將被視為相應減少)；及

(ii) 就餘下群龍股份數目收取方案一代價(而丙欄內之數目將被視為相應增加)。

此外，吾等建議擬變現於群龍之投資以得到部份之即時資金流動性，惟同時又想得到最大投資回報之群龍合資格股東考慮同時選擇方案一及方案二，惟該等群龍合資格股東需：

(i) 對錦興集團(包括群龍集團)之業務有信心，並擬投資其業務；

(ii) 看好經擴大錦興集團之未來前景；

(iii) 明白，錦興債券已將轉換價設定為9.0港元，較股份於最後實際可行日期之收市價溢價120.9%，而如此高之轉換溢價顯示，錦興債券持有人有較少機會將錦興債券轉換成轉換股份；

(iv) 知道錦興債券不會於任何證券交易所上市；

(v) 了解並接受有關投資錦興債券之風險，尤其是：相對於方案一有部份為現金，方案二須承受不履約風險；

(vi) 明白，概不保證錦興可於今後維持相若之派息水平，甚至可能不會派息；

(vii) 知悉，視乎彼等之股權多寡及所收取方案一及方案二之接納水平而定，錦興股份未必存在足夠活躍之市場，使擬將群龍股份提呈群龍收購建議並出售錦興股份或轉換股份之群龍合資格股東可於短期內落實，而錦興股份之市價亦可能會出現下調壓力；及

(viii) 了解並接受按現時錦興股份之價位，根據同選方案一及方案二可予變現之貨幣價值遠比方案二為低。

由於方案一及方案二之引申價值將按錦興股份之市價變動而不斷變化，由本函件日期至群龍收購建議截至日期仍有一段時間，群龍合資格股東於決定選擇方案一或方案二或同時選擇兩者前，務請注意(其中包括)香港及國際股票市場、金融、經濟、市場及其他狀況之任何變化，以及群龍集團及錦興集團經營環境、行業及前景之最新發展。群龍合資格股東須於作出選擇前考慮接近群龍收購建議截止日期時方案一及方案二之引申價值，並參閱本函件「(9)方案一及方案二之分析」一節所載之表11。

務請各位群龍合資格股東細閱文件附錄一詳述接納群龍收購建議之手續，且務須因應個別處境、本身之投資目標及税務狀況，決定變現還是保留彼等於群龍股份之投資。此外，考慮選擇方案一或方案二或同時選擇兩者時，務請各位群龍合資格股東考慮與出售錦興股份或轉換股份相關之市場風險及交易成本。群龍合資格股東務請審慎地自行考慮彼等之處境。

此致

列位群龍合資格股東 台照

代表
凱利融資有限公司
董事總經理
顧福身
謹啟

二零零六年五月二十六日

考慮上述各項後，吾等認為，按方案一及方案二之引申價值公平估值下，群龍收購建議為群龍合資格股東變現彼等於群龍投資之大好時機。另外，群龍收購建議整體上對群龍合資格股東而言屬公平合理。因此，吾等建議群龍合資格股東接納群龍收購建議。

在選擇方案一及方案二時，吾等建議群龍合資格股東選擇方案二(以錦興股份於最後實際可行日期之收市價4.075港元為基準，每股群龍股份約值2.82港元，而根據方案一每股群龍股份之引申價值則為1.175港元)，惟該等群龍合資格股東需：

(i) 並無即時之流動資金需要；

(ii) 對錦興集團(包括群龍集團)之業務有信心，並擬投資其業務；

(iii) 看好經擴大錦興集團之未來前景；

(iv) 明白，錦興債券已將轉換價設定為9.0港元，較股份於最後實際可行日期之收市價溢價120.9%，而如此高之轉換溢價顯示，錦興債券持有人有較少機會將錦興債券轉換成轉換股份；

(v) 知道錦興債券不會於任何證券交易所上市；

(vi) 了解並接受有關投資錦興債券之風險，尤其是方案二須承受不履約風險；

(vii) 並無除收取現金以外其他更好投資方式；及

(viii) 了解並接受在轉換錦興債券時，將來出售轉換股份時可變現之貨幣價值會比現時根據方案一之每股群龍股份引申價值約1.175港元為高或低。

然而，如群龍合資格股東欲變現於群龍之投資並尋求即時之資金流動性，吾等則建議彼等考慮選擇方案一，惟該等群龍合資格股東需：

(i) 知悉，視乎彼等之股權多寡及所收取方案一及方案二之接納水平而定，錦興股份未必存在足夠活躍之市場，使擬將群龍股份提呈群龍收購建議並出售錦興股份或轉換股份之群龍合資格股東可於短期內落實，而錦興股份之市價亦可能會出現下調壓力；

(ii) 明白，概不保證錦興可於今後維持相若之派息水平，甚至可能不會派息；及

(iii) 了解並接受按現時錦興股份之價位，根據方案一可予變現之貨幣價值遠比方案二為低。

(iv) 知道錦興債券不會於任何證券交易所上市；

(v) 了解並接受有關投資錦興債券之風險，尤其是：相對於方案一有部份為現金，方案二須承受不履約風險；

(vi) 明白，概不保證錦興可於今後維持相若之派息水平，甚至可能不會派息；

(vii) 知悉，視乎彼等之股權多寡及所收取方案一及方案二之接納水平而定，錦興股份未必存在足夠活躍之市場，使擬將群龍股份提呈群龍收購建議並出售錦興股份或轉換股份之群龍合資格股東可於短期內落實，而錦興股份之市價亦可能會出現下調壓力；及

(viii) 了解並接受按現時錦興股份之價位，根據同選方案一及方案二可予變現之貨幣價值遠比方案二為低。

概要

吾等之意見乃以下列主要考慮因素為基準：

1. 在財政上，群龍於二零零五年財政年度經營之分派業務錄得虧損，且不能保證群龍以後可以獲利或其虧損不會增加。

2. 於最後實際可行日期，概無申請群龍股份於聯交所或任何其他證券交易所上市之意向，群龍之現金資源擬保留作用於未來業務擴展之營運資金，最少於往後數年不會宣派任何股息。因此，群龍股份之持有人將難以透過收取群龍股息或在認可證券交易所出售群龍股份之方式變現彼等之投資回報(如有)。故此，群龍收購建議乃群龍合資格股東變現彼等於群龍投資之大好機會。倘彼等選擇方案一，彼等將即時變現部份投資為現金，並可交換流動性較高之餘下錦興股份。倘彼等選擇方案二，彼等可將投資交換成由上市公司發行之帶息可換股債券，並可於轉換期內轉換為轉換股份。

3. 群龍之業務帶有風險。群龍作為非上市公眾公司，未必有足夠資金經營業務。倘須要大筆資金經營業務，倘未能獲得資金，對其增長前景及未來盈利能力會產生重大不利影響；任何新造借貸可能包括一些條款，限制其財政靈活性、派付股息或管理擬進行業務之能力。

4. 按方案一及方案二為基準，群龍之價格對賬面值比率分別為0.5倍及1.1倍，在可資比較公司之範圍(0.1倍至11.3倍)內。

5. 與群龍股份比較，錦興股份之流動性大得多，原因為群龍股份為非上市股份。

6. 錦興之市盈率、價格對賬面值比率及股息回報率均在行業可資比較公司之範圍內。

誠如表5 — 錦興與經甄選行業可資比較公司之財務比率對比，及按「(7)b. 過往之財政表現」一節所討論，與經甄選之市場同儕比較之下，錦興之長期債務水平較低，支付利息之能力亦較高。

(i) 並無即時之流動資金需要；

(ii) 對錦興集團(包括群龍集團)之業務有信心，並擬投資其業務；

(iii) 看好經擴大錦興集團之未來前景；

(iv) 明白，錦興債券已將轉換價設定為9.0港元，較股份於最後實際可行日期之收市價溢價120.9%，而如此高之轉換溢價顯示，錦興債券持有人有較少機會將錦興債券轉換成轉換股份；

(v) 知道錦興債券不會於任何證券交易所上市；

(vi) 了解並接受有關投資錦興債券之風險，尤其是方案二須承受不履約風險；

(vii) 並無除收取現金以外其他更好投資方式；及

(viii) 了解並接受在轉換錦興債券時，將來出售轉換股份時可變現之貨幣價值會比現時根據方案一之每股群龍股份引申價值約1.32港元為高或低。

然而，如群龍合資格股東欲變現於群龍之投資並尋求即時之資金流動性，吾等則建議彼等考慮選擇方案一，惟該等群龍合資格股東需：

(i) 知悉，視乎彼等之股權多寡及所收取方案一及方案二之接納水平而定，錦興股份未必存在足夠活躍之市場，使擬將群龍股份提呈群龍收購建議並出售錦興股份或轉換股份之群龍合資格股東可於短期內落實，而錦興股份之市價亦可能會出現下調壓力；

(ii) 明白，概不保證錦興可於今後維持相若之派息水平，甚至可能不會派息；及

(iii) 了解並接受按現時錦興股份之價位，根據方案一可予變現之貨幣價值遠比方案二為低。

此外，吾等建議擬變現於群龍之投資以得到部份之即時資金流動性，惟同時又想得到最大投資回報之群龍合資格股東考慮同時選擇方案一及方案二，惟該等群龍合資格股東需：

(i) 對錦興集團(包括群龍集團)之業務有信心，並擬投資其業務；

(ii) 看好經擴大錦興集團之未來前景；

(iii) 明白，錦興債券已將轉換價設定為9.0港元，較股份於最後實際可行日期之收市價溢價120.9%，而如此高之轉換溢價顯示，錦興債券持有人有較少機會將錦興債券轉換成轉換股份；

然而，方案一及方案二之引申價值將按錦興股份之市價變動而不斷變化。下文表11顯示方案一及方案二按不同股價水平計算之引申價值(假設一切其他因素(錦興之信貸評級、當時之市場利率及零票息率票據回報率等)保持不變)。

表11：方案一及方案二之引申價值

錦興股份價格 *港元*	方案一之引申價值 *港元* *(附註1)*	方案二之引申價值 *港元* *(附註2)*	方案二引申價值相對於方案一引申價值之溢價(折讓)
1	2.8	12.2	336.2%
2	3.8	12.3	224.9%
3	4.8	12.6	162.5%
4	5.8	13.0	123.5%
5	6.8	13.4	97.2%
6	7.8	13.9	78.5%
7	8.8	14.5	64.7%
8	9.8	15.1	54.1%
9	10.8	15.8	45.9%
10	11.8	16.4	39.3%
15	16.8	20.2	20.1%
20	21.8	24.2	11.1%
25	26.8	28.4	6.1%
35	36.8	37.1	0.8%
50	51.8	50.4	(2.7)%
75	76.8	72.8	(5.2)%

附註：

1. *按錦興股價加1.8港元計算。*

2. *此欄由永利行提供，並按(i)錦興債券之負債部份價值；及(ii)按不同水平之錦興股份價格以柏力克－舒爾斯期權價格模式釐定之錦興債券權益部份價值之和計算。*

誠如表11顯示，於1.0港元至35港元之價幅內，方案二之價值比方案一高，而差距則隨著錦興股份價值之上升而下降。此現象顯示，隨著錦興股份價格上升，兩套方案之引申價值趨於會合，當錦興股份價格超過35港元，方案一及方案二之引申價值之間差額會少於0.8%。然而，鑑於錦興股份現時之價位，錦興股份於群龍收購建議在二零零六年六月十六日截至時未必可達到35港元。

以錦興股份於二零零六年三月三十一日之收市價為基準，方案二之引申價值比方案一多一倍。吾等認為，於本函件日期，在財務上吾等建議按變現群龍投資及追求持續收入之群龍合資格股東考慮選擇方案二，惟該等群龍合資格股東需：

(8) 錦興之意向

誠如本文件新百利函件內「錦興有關群龍之意向」一節所述，錦興之意向為除非取得其股東之事先批准，否則群龍集團將不會進行分派業務以外之任何業務，亦不會持有除來自中策集團重組所得與分派業務有關之資產以外之任何其他資產。群龍之董事會不擬於群龍收購建議完成後出售群龍集團之任何資產。錦興之意向為其將不會將任何資產注入群龍或建議群龍之董事會批准出售任何資產或更改群龍集團之主要業務。將不會向聯交所或任何其他證券交易所作有關群龍股份之新上市之申請。

(9) 方案一及方案二之分析

以於最後實際可行日期每股錦興股份之收市價4.075港元為基準，方案一中每股群龍股份之價值為1.75港元。

以永利行所編製錦興債券於二零零六年三月三十一日之估值為基準，每份錦興債券之價值為14.10港元。因此，方案二中每股群龍股份之價值約為2.82港元。

為評估錦興債券之估值是否公平合理，吾等曾與永利行磋商，並審議估值時所採用之方法、基準及關鍵假設。吾等於與永利行之磋商中注意到，錦興債券之價值包括兩個部份，即負債部份及權益部份。負債部份乃以相關現貨息率(即以摘自香港政府債券之零票息率加上由錦興管理層釐定之風險溢價)貼現一切未來現金流量後估算。就反映錦興債券信貸風險之風險溢價而言，永利行亦已參考錦興集團過往之借貸息率。錦興債券之權益部份相等於香港會計準則第39號所規定之公平值。釐定權益部份時，永利行曾考慮錦興股份之價格波動性。吾等了解，錦興債券之負債部份將按(其中包括)錦興之信貸評級、現行市場利率及零票息債券回報率、息差而變動，而錦興債券之權益部份則將按錦興股份價格之變化而變動。估值乃以假設錦興股份已於二零零六年三月三十一日發行及按群龍收購建議全數接納之全部311,387,646股群龍股份均根據方案二作出為基準，因此，62,277,529份債券乃按每份15港元之面值發行。根據吾等與永利行之磋商及就估值報告進行之審議，吾等認為基準及假設乃審慎而客觀地作出，且屬公平、合理及恰當，原因為該等基準及假設乃以就可得市場數據所作合理估計為基準，故該估值屬公平合理。

群龍合資格股東務請注意，視乎彼等之股權多寡及所收取方案一及方案二之接納水平而定，錦興股份未必存在足夠活躍之市場，使擬將群龍股份提呈群龍收購建議並出售錦興股份或轉換股份之群龍合資格股東可於短期內落實，而錦興股份之市價亦可能會出現下調壓力。

此外，於最後實際可行日期，錦興尚有9,000,000份未行使購股權，授權持有人認購最多9,000,000股錦興股份。

雖然如此，與群龍股份比較，錦興股份之流動性大得多，原因為群龍股份為非上市股份。

(e) 錦興之派息記錄

下文表10載列有關錦興股東應佔溢利／(虧損)、每股錦興股份之股息及錦興集團派息比率之最新資料：

表10：錦興之派息記錄

	於截至十二月三十一日止九個月	截至三月三十一日止年度		
	二零零五年	二零零五年	二零零四年	二零零三年
母公司股本持有人應佔溢利(虧損)*(千港元)*	(127,102)	(161,862)	13,300	(648,620)
每股基本盈利(虧損)*(港元)*	(0.57)	(0.82)	0.08	(4.05)
每股股息*(港元)*	0.06	0.06	0.07	—
派息比率*(附註1)*	n.a.	n.a.	87.5%	n.a.

資料來源：錦興之年報及中期報告

附註：

1. 每股股份股息除以期內每股盈利。

n.a. 表示不適用，原因為錦興錄得每股虧損。

就回顧期間而言，錦興不論是否獲利，於各申報期間均有派息，惟二零零三年財政年度除外。於錦興錄得純利之二零零四年財政年度，錦興之派息比率為87.5%。

雖然如此，群龍合資格股份務請注意，概不保證錦興可於今後維持相若之派息水平，甚至可能不會派息。追求持續收入之群龍合資格股份可能會認為錦興債券乃較佳選擇，比錦興股份可能提供之股息派發更加吸引。

下表載列於回顧期間內錦興股份之平均每日成交量、每月成交量分別佔已發行股本及錦興股份之公眾持股量之百分比。

表9 — 錦興股份之歷史成交值及成交量

	總成交量 *(股)*	平均每日成交量 *(股)*	總成交量佔已發行股份總數 *(附註1)*	總成交量佔公眾持股量 *(附註2)*
二零零五年				
五月	9,010,040	450,502	3.8%	5.3%
六月	4,427,893	201,268	1.9%	2.6%
七月	3,749,253	187,463	1.6%	2.2%
八月	3,269,830	142,167	1.4%	1.9%
九月	5,136,578	244,599	2.2%	3.0%
十月	17,925,023	896,251	7.6%	10.5%
十一月	2,957,224	1,234,419	1.2%	1.7%
十二月	5,668,510	283,426	2.4%	3.3%
二零零六年				
一月	6,111,725	321,670	2.6%	3.6%
二月	12,622,773	631,139	5.3%	7.4%
三月	2,901,542	126,154	1.2%	1.7%
四月	1,903,981	111,999	0.8%	1.1%
五月(截至最後實際可行日期)	2,205,398	137,857	0.9%	1.3%

資料來源：聯交所網頁

附註：

1. *以最後實際可行日期已發行之237,253,402股股份為基準。*
2. *以最後實際可行日期公眾人士所持之171,488,454股股份為基準。*

於回顧期間內，錦興每月總成交量佔其已發行股本總數之百分比範圍為約0.8%至7.6%不等，佔其公眾持股量之百分比範圍則為約1.1%至10.5%不等。除二零零五年十月及二零零六年二月外，錦興股份於回顧期間內之成交量相對較為淡靜。

於回顧期間內，錦興股份於2.475港元至5.450港元之範圍內進行買賣，錦興股份之交投量頗為波動。吾等注意到，於二零零五年十月二十一日，錦興發出公佈確認，錦興董事並不知悉錦興股份之成交量上升之任何原因，惟錦興獲其主要股東及德祥企業集團有限公司之間接全資附屬公司其威投資有限公司(「其威」)知會，其威已於今日從市場以每股4.00港元之價格購入11,000,000股錦興股份，佔錦興股份於當日總成交量之93.65%，而其威於錦興之權益由20.61%增加至25.48%。於二零零六年一月二十七日，錦興發出公佈確認，除錦興於二零零六年一月二十六日刊發有關出售Memorex International Inc.有關電子數據儲存所用硬件、媒體及配件之設計、開發、市場推廣、分銷及銷售之資產之非常重大出售事項公佈外，錦興並無任何有關收購或變賣之商談或協議為根據上市規則第13.23條而須予公開者。

下文表8載列於回顧期間內各月之最高及最低收市價與平均每日收市價。

表8 — 錦興股份之收市價

	最高收市價	最低收市價	平均每日收市價
	港元	*港元*	*港元*
二零零五年			
五月	3.700	2.475	2.876
六月	3.200	2.775	2.924
七月	3.400	2.850	3.025
八月	3.525	3.150	3.266
九月	4.000	3.600	3.806
十月	4.475	3.875	4.145
十一月	4.175	3.925	4.023
十二月	3.975	3.700	3.836
二零零六年			
一月	4.625	3.700	3.932
二月	5.450	4.625	5.100
三月	5.050	4.550	4.754
四月	4.875	4.700	4.769
五月(截至最後實際可行日期)	4.800	4.075	4.631

資料來源：聯交所網頁

於回顧期間內，錦興股份於聯交所所報之最高收市價為二零零六年二月十日之5.45港元，而錦興股份於聯交所所報之最低收市價為二零零六年五月十八日之2.475港元。

如表8所示，錦興股份自二零零五年五月起大致穩定向上，價格由2.475港元升至二零零六年二月5.45港元。後來，股價由5.45港元回落至5.05港元。於回顧期間內，錦興股份於聯交所所報之收市價平均值約為3.91港元。

營公司之盈利構成其收益表之主要部分。群龍亦依賴其聯營公司派發股息。群龍之聯營公司之盈利或其投資之派付股息能力如有任何減少，對群龍之盈利及經營業績將產生重大不利影響。此外，由於群龍採砂業務之經營記錄相對較短，該業務須受商業風險之不穩定性影響，其未來營運表現亦無保證。

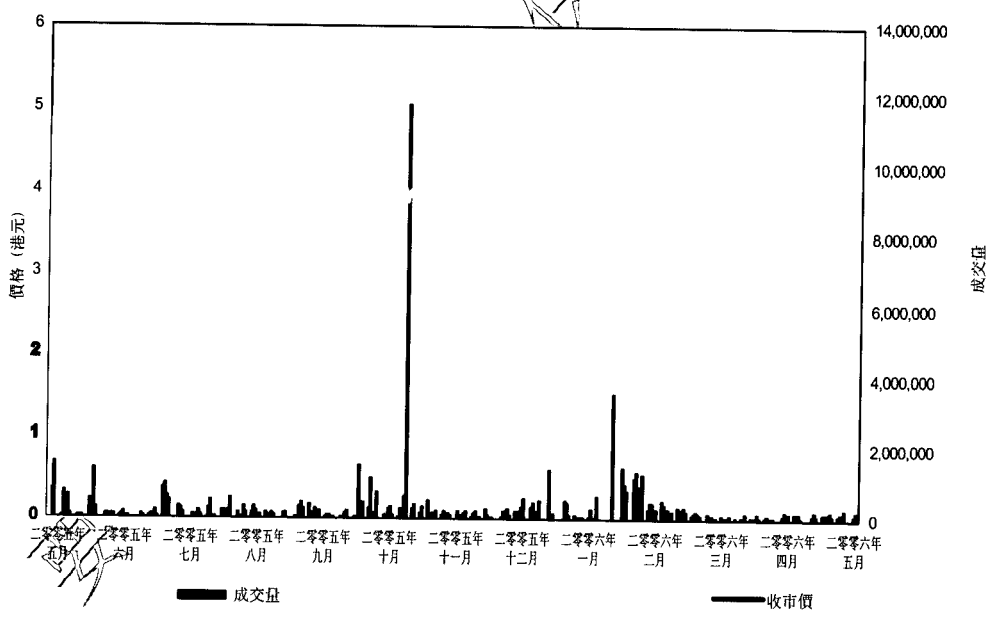
在財務角度看來，群龍於二零零五年財政年度經營之分派業務錄得虧損，並將繼續蒙虧，且不可保證其虧損於未來不會增加。此外，吾等獲群龍管理層知會，群龍於最後實際可行日期並無銀行信貸融資。就此而言，群龍未必可為其業務營運獲得所須資金，倘未能獲得資金，對其增長前景及未來盈利能力會產生重大不利影響；任何新造借貸可能包括一些條款，限制其財政靈活性、派付股息或管理擬進行業務之能力。

因此，群龍合資格股東須審慎考慮持有錦興股份或錦興債券投資相聯之風險。

(d) *錦興股份之交投表現*

下圖載有錦興股份於最後實際可行日期前十二個完整月份期間(「回顧期間」)之歷史收市價圖表：

圖1：錦興股份之交投表現



資料來源：聯交所網頁

附註：就並無股份買賣之交易日而言，收市價等於前一交易日之收市價。

(c) 風險一覽

二零零六年四月，錦興集團出售Memorex International Inc.有關電子數據儲存所用硬件、媒體及配件之設計、開發、市場推廣、分銷及銷售之業務。出售該等資產後，錦興集團不再從事電腦相關產品及消費電子產品貿易，而上述業務自九十年代中起為錦興集團之營業額及經營業績帶來大部份貢獻。誠如錦興董事會函件所指，錦興集團現時從事證券、物業投資及買賣與其他策略性投資。吾等自錦興年報中注意到(i)對錦興而言，電腦相關產品及消費電子產品貿易比物業發展及買賣業務更大；(ii)物業發展及買賣業務於二零零四年財政年度起展開，主要於中國進行；(iii)買賣證券以香港股票為主。

雖然物業發展及買賣業務自展開以來錄得正數業績，由於經營歷史較短，概不保證該業務以後可持續獲利。吾等認為，該等業務極易受到商業風險之不穩定性影響。此外，證券買賣、物業投資及買賣與其他策略性投資之前景及營運表現極為受到香港及中國之一般金融、經濟及市場狀況影響。

吾等自錦興於二零零六年一月二十六日發表之公佈中注意到，策略性投資包括於聯交所上市之聯營公司之投資，以及於聯交所上市公司發行之長期可換股票據之投資。根據上述公佈，錦興將積極開拓其他投資機會。某些特定收購事項可能有關於所收購業務本身之風險、有關該業務所經營行業之風險，以及有關該公司本身之風險。錦興可能因任何收購或策略性投資而招致財務承擔或負債；亦可能因而招致更多債務或其他負債。另外，未來之策略性投資未必成功，對營運業績可能產生不利影響。

吾等亦從同一份公佈中注意到，出售Memorex International Inc.資產之代價，包括一筆額外金額，有關金額乃參照出售業務截至二零零七年三月三十一日、二零零八年三月三十一日及二零零九年三月三十一日止各十二個月期間之EBITDA釐定，而額外金額之累積最低額須為5,000,000美元(相等於約38,825,000港元)，而累積最高額為45,000,000美元(相等於約349,425,000港元)。因此，錦興將於未來三個財政年度收取更多收入。根據錦興於二零零六年四月十日發表之通函，錦興將在出售事項中收取673,100,000港元收益。

吾等曾將群龍之風險一覽與錦興比較。除於二零零五年收購並主要從事採砂業務之東莞市江海貿易有限公司及廣州耀陽實業有限公司外，群龍於二零零五年財政年度並無任何其他營運附屬公司，為其營業額帶來貢獻。誠如上文「(4)群龍集團之未來前景及展望」一節所討論，群龍集團大部份業務由其聯營公司承辦，未能全面控制其聯營公司之董事會。因此其聯營公司之業務如有任何變動，對群龍集團之前景將有影響。另外，群龍應佔聯

誠如表6所顯示，錦興所有買賣倍數均在行業可資比較公司之範圍內，而其市盈率則為行業可資比較公司中最低者。然而，吾等注意到在十一家行業可資比較公司中，有七家未能計算其股息回報率，此乃因為彼等於相應財務年度內並無宣派股息。

各位接納群龍收購建議之群龍合資格股東，將透過彼等於錦興之股權繼續擁有群龍之權益。然而，群龍合資格股東務請注意，一旦接納群龍收購建議，彼等於群龍之實際權益會被攤薄。下文表7載列在兩個不同假設下群龍合資格股東接納群龍收購建議之水平對錦興集團之純利及資產淨值之備考影響。以下備考財務影響乃本文件附錄四所載整份備考財務資料之概要。為方便顯示，已忽略可能出現之方案一及方案二組合。

表7：按群龍收購建議之接納水平計算下對錦興集團之備考影響

	群龍收購建議前 *(附錄3)*	群龍收購建議後 *(附錄4)*			
		100%方案一	變動百分比	100%方案二	變動百分比
每股股份基本盈利 *(港元)(附註1)*	1.63	1.51	(7.4)%	1.43	(12.3)%
每股股份攤薄盈利 *(港元)(附註1)*	1.56	1.51	(3.2)%	1.43	(8.3)%
每股股份有形資產淨值 *(港元)(附註2)*	9.92	9.26	(6.7)%	8.88	(10.5)%

附註：

1. *以本文件附錄四「(II)經擴大錦興集團之未經審核備考收益表」一節為基準。*

2. *以本文件附錄四「(V)經擴大錦興集團之未經審核備考經調整綜合有形資產淨值報表」一節為基準。*

3. *並無計及有關(i)以實物方式派付群龍股份；(ii)撥回調整(定義見本文件附錄四)；及(iii)向要約人出售錦興銷售股份之備考調整。*

已計及有關(i)以實物方式派付群龍股份；(ii)撥回調整(定義見本文件附錄四)；及(iii)向要約人出售錦興銷售股份之備考調整。

誠如表5所顯示，錦興之流動比率、總負債對權益比率及長期負債均在行業可資比較公司之範圍內，而其權益回報比率及盈利對利息倍數則為行業可資比較公司中最高者。錦興之長期負債對權益比率比可資比較公司之平均數低很多。吾等認為，與經甄選之市場同儕比較之下，錦興之長期債務水平較低，支付利息之能力亦較高。

表6：錦興與經甄選行業可資比較公司之估值倍數對比

可資比較公司	市值 *(百萬港元)*	市盈率 *(倍)*	價格對賬面值比率 *(倍)*	股息回報率 *(倍)*
建懋國際有限公司 (108)	**32.7**	10.0	0.6	n.a.
成功控股 (香港) 有限公司 (288)	**59.1**	n.a.	1.0	n.a.
添利工業國際 (集團) 有限公司 (93)	**998.8**	n.a.	1.3	n.a.
川河集團有限公司 (281)	**495.6**	26.4	0.6	n.a.
華廈置業有限公司 (278)	**183.9**	7.3	0.3	2.6
中國資源開發集團有限公司 (661)	**237.2**	n.a.	4.0	n.a.
星獅地產 (中國) 有限公司 (535)	**802.9**	5.5	0.7	n.a.
丹楓控股有限公司 (271)	**533.7**	3.0	0.3	n.a.
爪哇控股有限公司 (251)	**2,314.1**	2.1	0.5	2.4
金朝陽集團有限公司 (878)	**571.8**	0.7	0.2	1.5
資本策略投資有限公司 (497)	**964.9**	8.8	0.7	2.1
最高值	**2,314.1**	**26.4**	**4.0**	**2.6**
最低值	**32.7**	**0.7**	**0.2**	**1.5**
平均值	**648.6**	**8.0**	**0.9**	**2.2**
錦興 *(附註2)*	**966.8**	**2.5**	**0.3**	**1.5**

附註：

1. *該等行業可資比較公司之估值倍數乃來自彭博(Bloomberg)。*

2. *錦興之買賣倍數乃以(i)錦興股份之收市價；及(ii)本文件附錄四「(II)經擴大錦興集團之未經審核備考收益表」一節「備考餘下錦興集團截至二零零五年十二月三十一日止年度」一欄內之每股基本盈利；及(iii)本文件附錄四「(I)經擴大錦興集團之未經審核備考資產負債表」一節「備考餘下集團於二零零五年十二月三十一日」一欄內之每股資產淨值，以及於二零零五年十二月三十一日已發行226,143,691股錦興股份為基準計算。*

附註：

1. *行業可資比較公司之財務比率乃以彼等各自之最近期已出版經審核財務報表為基準計算。*

2. *錦興之財務比率乃以本文件附錄四(i)「(II)經擴大錦興集團之未經審核備考收益表」一節「備考餘下錦興集團於二零零五年十二月三十一日」一欄；及(ii)「(I)經擴大錦興集團之未經審核備考資產負債表」一節「備考餘下錦興集團於二零零五年十二月三十一日」一欄為基準計算。*

3. *此乃截至二零零五年九月三十日止九個月之業績，此乃由於其會計年度結算日更改。*

4. *n.a.表示不適用。此乃由於該等行業可資比較公司於相應財政年度錄得虧損。*

5. *n.a.表示不適用。此乃由於該等行業可資比較公司於相應財政年度錄得虧損，未能計算其權益回報比率。*

6. *n.a.表示不適用。此乃由於該等行業可資比較公司於相應財政年度錄得未計利息及稅項前虧損，未能計算其盈利對利息倍數。*

表5：錦興與經甄選行業可資比較公司之財務比率對比

行業可資比較公司	主要業務	財政年度結算日	權益回報比率 (附註4)	流動比率 (倍)	盈利對利息倍數 (倍) (附註5)	總負債對權益	長期負債對權益比率
建懋國際有限公司 (108)	物業發展及買賣、物業投資	零零五年二一月三十一日	5.8%	25.4	12.5	9.4%	5.3%
成功控股(香港)有限公司(288)	物業投資、發展及投資控股	二零零五年四月三十日	n.a.	1.6	n.a.	103.0%	96.6%
添利工業國際(集團)有限公司(93)	物業發展及投資	二零零五年三月三十一日	n.a.	44.0	0.0	2.1%	0.0%
川河集團有限公司(281)	物業發展及投資及證券買賣	二零零五年十二月三十一日	2.2%	2.7	0.0	0.0%	0.0%
華度置業有限公司(278)	投資控股、物業發展及管理及建築承辦	二零零五年三月三十一日	4.5%	86.3	0.0	0.7%	0.0%
中國資源開發集團有限公司(661)	證券買賣及企業投資、物業投資及管理顧問	二零零五年四月三十日	n.a.	3.3	n.a.	47.5%	25.6%
星獅地產(中國)有限公司(535)	物業投資、開發及管理、商業園項目之開發及管理、基礎設施投資及證券	二零零五年九月三十日 (附註3)	7.4%	4.7	6.5	104.1%	57.8%
丹楓控股有限公司(271)	物業投資及發展、屋村管理及投資控股	二零零五年十二月三十一日	9.8%	2.4	31.1	19.8%	0.0%
爪哇控股有限公司(251)	物業發展、物業投資、成衣製造及貿易，以及金融工具投資	二零零五年十二月三十一日	22.5%	2.6	13.6	70.1%	29.6%
金朝陽集團有限公司(878)	於香港發展、投資、買賣、管理物業，及城市基礎設施發展	二零零五年十二月三十一日	25.2%	0.6	13.9	78.4%	45.3%
資本策略投資有限公司(497)	物業投資及證券投資	二零零五年三月三十一日	7.8%	2.9	15.5	64.8%	41.0%
最高值			**25.2%**	**86.3**	**31.1**	**104.1%**	**96.6%**
最低值			**2.2%**	**0.6**	**0.0**	**0.0%**	**0.0%**
平均值			**10.6%**	**16.0**	**10.3**	**45.4%**	**27.4%**
錦興	證券買賣、物業投資及買賣及其他策略投資		33.0%	2.9	52.1	62.6%	0.3%

截至二零零四年三月三十一日止年度

營業額及毛利分別增長20.7%及19.7%。明顯增長主要由於在存貨定價策略方面持續嚴控成本、在全球擁有強大及廣泛之業務網絡及年內加強推廣活動所致。由於收購聯營公司產生之商譽並無重大減值虧損，錦興於當年錄得純利109,800,000港元。

於二零零四年三月三十一日之流動資產淨值上升35.3%至645,800,000港元。增長主要來自(i)存貨水平上升(由二零零三年505,200,000港元升至二零零四年877,400,000港元)，此乃由於預期銷售額將在未來數年呈增長趨勢而進行大批量採購以取得更佳價格所致；(ii)貿易及其他應收款項(由二零零三年486,600,000港元升至二零零四年738,800,000港元)；及(iii)其他資產145,100,000港元，表示中國一項土地發展項目所產生之成本。總負債上升22.1%，主要由於貿易及其他應付賬款上升所致。隨著扣除利息、稅項、折舊及攤銷前盈利大升，盈利對利息倍數亦改善至6.1倍。長期負債對權益比率亦改善至0.4%。

截至二零零三年三月三十一日止年度

來自電腦及消費相關產品銷售之營業額達4,200,000,000港元。投資證券所錄得之減值虧損323,300,000港元耗盡了錦興之溢利。因年內錄得因收購一間聯營公司產生之大筆商譽減值虧損以及就借予聯營公司貸款錄得龐大準備，使年內虧損淨額進一步惡化至648,600,000港元。

於二零零三年三月三十一日之流動資產淨值為477,400,000港元，流動比率為1.40倍。錦興於二零零三年三月三十一日錄得合共174,600,000港元之長期債項，導致長期負債對權益比率相對較高，達10.1%。

吾等曾分析錦興及其可資比較公司(「行業可資比較公司」)之主要財務比率及估值倍數。選擇錦興之行業可資比較公司時，吾等已甄選其他於聯交所主板上市並主要從事物業投資、發展及買賣，以及證券買賣，與錦興大致相似。

於截至二零零五年十二月三十一日止九個月

營業額上升2.0%至4,500,000,000港元。增長主要來自(i)電腦相關產品銷售上升8.3%至3,200,000,000港元；(ii)證券買賣上升44.6%至113,900,000港元；及(iii)物業發展及買賣之貢獻118,800,000港元，合共抵銷消費電子產品貿易方面22.4%之跌幅(由去年同期1,400,000,000港元降至1,100,000,000港元)。毛利上升2.8%至989,400,000港元。除税前虧損達120,300,000港元，去年同期之除税前溢利則為133,700,000港元。出現除税前虧損，主要來自(i)其他營運支出75,200,000港元，包括持有其他投資之未變現虧損淨額26,500,000港元、撇銷應收長期貸款及應收利息10,800,000港元及物業、廠房及設備之減值虧損1,300,000港元；(ii)財務費用上升258.2%至51,000,000港元；(iii)收購一家聯營公司所產生商譽之減值虧損14,400,000港元；及(iv)商標許可證減值虧損164,700,000港元。年內錄得虧損淨額181,400,000港元，去年同期則錄得純利43,200,000港元。

於二零零五年十二月三十一日之流動資產淨值下降80.2%至223,800,000港元。減少主要來自短期借貸水平上升(由二零零五年三月三十一日85,900,000港元升至二零零五年十二月三十一日886,700,000港元)及貿易及其他應付款項增加(由二零零五年三月三十一日1,000,000,000港元升至二零零五年十二月三十一日1,300,000,000港元)，因而導致總負債對權益比率上升至136.7%。由於非流動借貸下降95.4%，長期負債對權益比率亦降至0.4%。

截至二零零五年三月三十一日止年度

營業額上升12.9%至5,700,000,000港元，增長主要來自(i)電腦相關產品及消費電子產品銷售因拓展新零售店批發及推出若干新產品而上升11.4%至5,500,000,000港元；(ii)證券買賣上升168.6%至93,900,000港元；及(iii)銷售其他資產上升147.5%至39,600,000港元。錦興於年內錄得虧損淨額100,200,000港元，主要來自(i)出售投資證券虧損29,700,000港元；(ii)收購一間聯營公司產生之商譽減值虧損177,400,000港元；(iii)分佔聯營公司之虧損上升8%至64,900,000港元；(iv)攤銷收購聯營公司產生之商譽上升59.1%至28,100,000港元；及(v)出售附屬公司及聯營公司之虧損淨額15,700,000港元。

於二零零五年三月三十一日之流動資產淨值上升75.2%至1,131,500,000港元。增長主要來自(i)短期借貸減少(由二零零四年373,400,000港元降至二零零五年133,300,000港元)；(ii)銀行結餘、現金及已抵押銀行存款增加(由二零零四年164,400,000港元增至二零零五年379,600,000港元)；(iii)應收短期貸款增加(由二零零四年208,500,000港元增至二零零五年336,000,000港元)。流動比率由1.4倍微升至1.9倍。盈利對利息倍數及總負債對權益比率分別上升至1.9倍及62.1%，然而，由於非流動借貸大幅上升，長期負債對權益比率亦大升至8.7%。

	於十二月三十一日	於三月三十一日		
	二零零五年	二零零五年	二零零四年	二零零三年
	千港元	*千港元*	*千港元*	*千港元*
	(經審核)	*(經審核及重列)*	*(經審核及重列)*	*(經審核及重列)*
總資產	**4,369,012**	**3,656,553**	**3,943,236**	**3,267,731**
非流動資產	1,861,527	1,284,621	1,643,529	1,604,463
流動資產	2,507,485	2,371,932	2,299,707	1,663,268
總負債	**2,291,130**	**1,400,562**	**1,664,898**	**1,363,566**
流動負債	2,283,671	1,240,452	1,653,951	1,185,858
非流動負債	7,459	160,110	10,947	177,708
流動資產淨值	**223,814**	**1,131,480**	**645,756**	**477,410**
總資產及負債	**2,077,882**	**2,255,991**	**2,278,338**	**1,904,165**
總權益	**2,077,882**	**2,255,991**	**2,278,338**	**1,904,165**
母公司股本持有人應佔權益	1,676,233	1,806,374	1,873,181	1,729,567
少數股東權益	401,649	449,617	405,157	174,598
權益回報比率(附註1)	*n.a.*	*n.a.*	*0.7%*	*n.a.*
流動比率(倍)	*1.1*	*1.9*	*1.4*	*1.4*
盈利對利息倍數(倍)(附註2)	*n.a.*	*1.9*	*6.1*	*n.a.*
總負債／權益	*136.7%*	*77.5%*	*88.9%*	*78.8%*
長期貸款／權益	*0.4%*	*8.7%*	*0.4%*	*10.1%*

附註：

1. *n.a.表示不適用，此乃由於錦興錄得虧損，不能得出權益回報比率。*

2. *n.a.表示不適用，此乃由於錦興錄得未計利息及所得稅前虧損，不能得出盈利對利息倍數。*

(b) *過往之財政表現*

下文表4概述錦興集團於截至二零零五年十二月三十一日止九個月及截至二零零五年三月三十一日止三年之綜合財務業績及財務狀況。

表4：錦興集團之財務摘要

	於截至十二月三十一日止九個月		於截至三月三十一日止年度		
	二零零五年	**二零零四年**	**二零零五年**	**二零零四年**	**二零零三年**
	(經審核)	***(未經審核)***	***(經審核及重列)***	***(經審核及重列)***	***(經審核及重列)***
	千港元	*千港元*	*千港元*	*千港元*	*千港元*
營業額	**4,523,483**	**4,434,124**	**5,676,459**	**5,025,930**	**4,162,804**
毛利	**989,430**	**962,059**	**1,300,098**	**1,093,748**	**914,035**
毛利率	*21.9%*	*21.7%*	*22.9%*	*21.8%*	*22.0%*
其他經營收入	61,923	74,670	114,145	111,903	96,980
分銷及銷售開支	(686,424)	(570,131)	(770,262)	(688,528)	(685,793)
行政開支	(170,768)	(222,197)	(294,778)	(283,709)	(278,968)
其他經營開支	(75,215)	—	(29,712)	(4,598)	(38,608)
投資證券之減值虧損	—	—	—	—	(323,287)
變現收購一間聯營公司額外權益產生之負商譽	—	—	2,057	—	—
財務費用	(50,952)	(14,224)	(18,198)	(26,440)	(31,669)
應佔聯營公司虧損	(20,032)	(59,175)	(64,909)	(59,857)	(36,367)
收購一間聯營公司產生應佔聯營公司業績之商譽減值虧損	(14,391)	—	(177,446)	—	(104,585)
商標許可證減值虧損	(164,667)	—	—	—	—
攤銷收購聯營公司產生之商譽	—	(21,065)	(28,089)	(17,651)	(6,612)
出售附屬公司及聯營公司之(虧損)／收益淨額	10,778	(16,270)	(15,747)	10,377	25
借予聯營公司之貸款準備	—	—	—	—	(79,595)
除所得稅前溢利(虧損)	**(120,318)**	**133,667**	**17,159**	**135,245**	**(574,444)**
所得稅	(61,074)	(90,428)	(117,397)	(25,469)	(32,200)
期內溢利(虧損)	**(181,392)**	**43,239**	**(100,238)**	**109,776**	**(606,644)**
純利率	—	*1.0%*	—	*2.2%*	—
應佔：					
母公司股本持有人	**(127,102)**	**4,094**	**(161,862)**	**13,300**	**(648,620)**
少數股東權益	**(54,290)**	**39,145**	**61,624**	**96,476**	**41,976**
	(181,392)	**43,239**	**(100,238)**	**109,776**	**(606,644)**
每股基本盈利(虧損) *(港元)*	**(0.57)**	**0.02**	**(0.82)**	**0.08**	**(4.05)**

4. 乃第一太平有限公司截至二零零五年十二月三十一日止年度之年報所披露之經調整每股資產淨值。

5. 每股資產淨值約0.059美元已按1美元=7.8港元之匯率轉換為港元。

6. n.a.表示不適用，因華潤萬眾電話有限公司股份之上市地位已於二零零六年三月二十九日取消。

誠如表3顯示，按方案一計算之引申價格對賬面值比率約為0.5倍，按方案二計算之引申價格對賬面值比率約為1.1倍，在可資比較收購建議之範圍(介乎0.1倍至11.3倍)內。基於上述因素，吾等認為群龍收購建議對群龍合資格股東而言屬公平合理。

(7) 與錦興有關之考慮因素

選擇接納群龍收購建議之群龍合資格股東將成為錦興之股東或債權人。下文將討論與錦興股份及錦興債券(視情況而定)有關連之錦興經營業務、財政表現、股價表現及派息記錄以及相關投資風險及信貸風險。

(a) 經營業務

群龍合資格股東務請參閱新百利函件所載「要約人及錦興集團之資料」及「經擴大錦興集團之前景」，取得錦興之其他資料。

錦興為投資控股公司，屬於百慕達註冊成立之有限公司，其股份於聯交所主板上市。出售錦興之非全資附屬公司Memorex International Inc.從事電子數據儲存所用硬件、媒體及配件之設計、開發、市場推廣、分銷及銷售之資產(請參閱錦興於二零零六年一月二十六日發表之公佈及於二零零六年四月十日發表之通函)後，錦興集團現時主要從事證券買賣、物業投資及其他策略投資。

另外於二零零六年三月，錦興宣佈有條件同意收購一項位於美國銀行中心31樓之物業及四個位於美國銀行中心4樓之停車位。收購已於二零零六年三月二十八日完成。根據該公佈，該物業約一半將由錦興用作其總辦事處之新址，另一半則擬持有作租賃用途。預期該物業可為錦興帶來持續收入來源。

公司 (股份代號)	主要業務	市值 百萬港元 *(附註1)*	公佈日期	股份收購價 港元	每股 資產淨值 港元 *(附註2)*	價格對 賬面值比率 *(倍)*
港通控股有限公司 (32)	經營駕駛訓練中心、經營西區海底隧道及電子道路收費業務及財資	1,925.4	二零零六年 四月十日	4.083	7.04	0.6
第一太平有限公司 (142)	電訊及消費食品	10,523.2	二零零六年 四月二十八日	2.200	0.94	2.3
					4.210 *(附註4)*	0.5
華潤上華科技有限公司 (597)	於中國擁有及經營開放式半導體晶圓代工廠，為CMOS邏輯、數模混合信號、高壓、NVM、EEPROM IC及DMOS IC提供製造服務	1,096.9	二零零六年 五月十二日	0.420	0.457 *(附註5)*	0.9
				0.430 (以股份之調撥為基準)		0.9
最高值						11.3
最低值						0.1
平均值 *(附註3)*						**1.7**
群龍		517.9 1,243.0		方案一 1.175 方案二 2.820	2.55	0.5 1.1

資料來源：聯交所網頁

附註：

1. *可資比較公司之市值乃摘錄自彭博(Bloomberg)，貴公司之市值即按群龍收購建議之收購價乘以於最後實際可行日期已發行之440,797,543股群龍股份計算。*

2. *乃將各自之公佈日期前最近期結算日之經審核／未經審核資產淨值除以已發行股份數目而得出。n.a.表示不適用，此乃由於此等可資比較公司於各自之公佈日期前最近期結算日錄得經審核／未經審核淨虧絀。*

3. *不包括屬部份收購建議之慶鈴汽車股份有限公司。據此，每名合資格股東向要約人出售保證配額H股之30.45%。倘合資格股東接納部份收購建議之H股超過保證配額，超額H股未必全部(或任何)被接收。*

公司 (股份代號)	主要業務	市值 *百萬港元* *(附註1)*	公佈日期	股份收購價 *港元*	每股 資產淨值 *港元* *(附註2)*	價格對 賬面值比率 *(倍)*
太元集團有限公司 (620)	海事工程及提供各項工程與管理服務	141.3	二零零五年 九月七日	0.040	n.a.	n.a.
捷美能源控股有限公司 (702)	經營原油運輸、儲存及卸油服務、經營天然氣管道網絡及供應汽車用天然氣及液化石油氣之補給站，及銷售罐裝液化石油氣	141.5	二零零五年 九月八日	0.0362	0.116	0.3
金澤超分子科技控股有限公司 (2362)	銷售及推廣化學農藥	425.0	二零零五年 九月十二日	0.200	0.144	1.4
中國資源開發集團有限公司 (661)	證券買賣及投資、物業投資、物業管理及電腦相關服務	237.2	二零零五年 九月十四日	0.033	0.021	1.6
華潤萬眾電話有限公司 (331)	於香港提供流動話音及數據通訊服務	n.a. *(附註6)*	二零零五年 十月二十日	4.550	1.402	3.2
曼盛生物科技集團有限公司 (512)	投資控股；健康產品、健康飲品及藥品之製造、貿易及銷售；藥物及生物科技相關項目之研究及開發	101.0	二零零五年 十二月十六日	0.075	0.089	0.8
潤迅通信國際有限公司 (989)	提供國際電信服務、移動通信服務及分銷與零售連鎖店	99.8	二零零六年 一月十二日	0.069	0.209	0.3
中國南峰集團有限公司 (979)	建築承建商及提供管理服務	145.3	二零零六年 一月二十六日	0.093	0.008	11.3
俊和集團有限公司 (711)	土木工程、機電工程、地基及樓宇建築工程、物業發展及物業投資	610.5	二零零六年 二月二十二日	0.840	1.034	0.8
耐力國際集團有限公司 (660)	運動鞋、運動型輕便鞋及球鞋之製造及出口	126.1	二零零六年 三月三十日	0.4700	0.751	0.6

公司 (股份代號)	主要業務	市值 *百萬港元* *(附註1)*	公佈日期	股份收購價 *港元*	每股 資產淨值 *港元* *(附註2)*	價格對 賬面值比率 *(倍)*
和寶國際控股有限公司(39)	製造及銷售手袋產品及有關配件；提供有關分包服務；以及製造手袋及有關產品所需原料之貿易	174.0	二零零五年四月十五日	0.027	0.447	0.1
恆光行實業有限公司(663)	設計、製造及銷售鏡框、太陽眼鏡及鏡片	371.9	二零零五年四月十八日	0.030	n.a.	n.a.
吉利汽車控股有限公司(175)	於中國製造及買賣汽車零件及有關汽車組件	3,296.2	二零零五年五月十日	0.090	0.159	0.6
慶鈐汽車股份有限公司(1122)	生產及銷售輕型商用車、多功能汽車、皮卡車、重型車、其他汽車和汽車零件及部件	2,755.3	二零零五年五月二十日	1.920	2.729	0.7
金澤超分子科技控股有限公司(2362)	銷售及推廣化學農藥	425.0	二零零五年五月二十四日	0.100	0.144	0.7
大中華實業控股有限公司(431)	生產及銷售有機肥料、物業投資及投資控股	111.5	二零零五年六月十七日	0.500	0.558	0.9
Sunday Communications Limited (866)	銷售流動電話及配件、流動電話服務、國際電訊及其他服務	1,584.7	二零零五年六月二十二日	0.650	0.235	2.8
香港建屋貸款有限公司(145)	投資控股、提供按揭貸款及其他相關服務及庫務投資	297.0	二零零五年七月六日	1.0932	0.975	1.1
中國投資基金公司(612)	投資於上市及非上市證券	72.0	二零零五年八月五日	0.1625	0.149	1.1
萬基藥業控股有限公司(835)	醫療設備、藥品及酒類產品分銷	183.2	二零零五年八月十二日	0.100	0.012	8.2
新高準控股有限公司(690)	包裝產品、紙製禮品及宣傳品之製造及貿易以及投資控股	993.6	二零零五年九月一日	0.497	0.420	1.2

表3：可資比較收購建議

公司 (股份代號)	主要業務	市值 *百萬港元* *(附註1)*	公佈日期	股份收購價 *港元*	每股 資產淨值 *港元* *(附註2)*	價格對 賬面值比率 *(倍)*
人人控股有限公司 (59)	提供互聯網電訊服務及產品、一般貿易、提供金融意見及服務、證券及物業投資	954.1	二零零四年 十一月二日	0.011	0.007	1.5
資本策略投資有限公司(497)	進行策略投資、物業投資及證券投資	964.5	二零零四年 十一月十五日	0.480	1.850	0.3
威華達控股有限公司(622)	於中國供電及投資控股	2,249.5	二零零四年 十二月六日	0.630	0.564	1.1
中民燃氣控股有限公司(681)	投資在中國分銷及供應管道天然氣之業務，持有及租用位於中國之物業	1,356.2	二零零四年 十二月二十日	0.100	0.050	2.0
中建科技國際有限公司(261)	以原設計製造及原設備製造基準銷售、製造、設計及開發電訊及電子產品	1,544.8	二零零五年 一月三十一日	0.023	0.015	1.5
				0.023 (以可換股票據之選擇為基準)		1.5
天行國際(控股)有限公司(993)	黃金、證券及期貨經紀及買賣業務、提供孖展及貸款融資、金屬及廢金屬付運銷售及持有投資物業	94.2	二零零五年 二月二十二日	0.088	0.179	0.5
華基電腦科技有限公司(859)	設計、開發、製造及銷售以TOMATOBOARD為品牌之電腦主板及電腦系統；優質電腦組件貿易	183.8	二零零五年 四月一日	0.420	0.103	4.1
萬能國際集團有限公司(305)	投資控股、物業投資、證券買賣及經紀業務、放款及孖展融資	58.4	二零零五年 四月八日	0.047	n.a.	n.a.

(c) 股息回報率

由於缺乏以往派息記錄，故以股息回報率作為評估群龍收購建議之收購價之參考亦不恰當。

(6) 可資比較公司之分析

於截至二零零五年十二月三十一日止財政年度，群龍之營業額主要來自於二零零五年財政年度收購之採砂業務。另外，群龍於截至二零零五年十二月三十一日止三個財政年度各年之收益由不同業務組成。因此，吾等認為將群龍收購建議與從事採砂業務之公司所提出之收購建議比較並不恰當。由於群龍收購建議涉及在現金連股份或可換股債券之間選擇，吾等認為將群龍收購建議與聯交所主板上市公司提出之股份收購建議及可換股債券收購建議比較，從而核證群龍收購建議條款是否公平合理乃屬合宜。然而，根據聯交所網頁，於最後實際可行日期前十八個完整月份內，僅中建科技國際有限公司提出之現金收購建議有提供可換股債券之選擇，而華潤上華科技有限公司提出之現金收購建議則提供股份之選擇。由於缺乏足夠可資比較之股份或可換股債券收購建議，吾等將群龍收購建議與聯交所主板上市公司(「可資比較公司」)在最後可行日期前十八個完整月份內所提出之所有現金收購建議(「可資比較收購建議」)作出比較，以核證方案一及方案二是否公平合理。

誠如上文所述，群龍集團大部份業務(即輪胎製造及銷售、提供旅行團、旅遊及其他相關服務之業務，及部份物業發展業務)由群龍集團之聯營公司承辦。由於群龍集團未能全面控制其聯營公司之董事會，其聯營公司所經營業務如有任何變動，對群龍集團之前景將有影響。

吾等曾與群龍管理層商討，並注意到概無打算申請群龍股份於聯交所及任何其他證券交易所上市。就此而言，群龍股份持有人未必可出售其股份或難以以合理價格將之出售。倘彼等未能獲得資本增益，彼等投資之收入或回報可能僅包括股息收入。

根據本文件附錄四「(I)經擴大錦興集團之未經審核備考資產負債表」一節「群龍集團經備考調整後」一欄，假設中策集團重組於二零零五年十二月三十一日完成，於完成認購永安所發行、本金額300,000,000港元之五年期可換股可交換票據後，群龍集團之備考銀行及現金結餘為103,500,000港元，其現金結餘未必足夠派付未來股息。然而，吾等已獲群龍管理層知會，彼等擬保留其現金資源作未來拓展業務之營運資金，且不擬於可見將來宣派任何股息。故此，群龍股份持有人可能難以用收取群龍股息或於認可證券交易所出售群龍股份之方式變現其投資之回報(如有)。因此，吾等認為群龍收購建議乃群龍合資格股東變現於群龍所作投資之大好機會。倘彼等選擇方案一，該等股份可換作流動性較高之現金及錦興股份；倘彼等選擇方案二，該等股份可換作上市公司發行之可換股債券，而可換股債券可於轉換期內轉換成轉換股份。

(5) 指導性估值基準

(a) 價格對賬面值比率

以本文件附錄四「(I)經擴大錦興集團之未經審核備考資產負債表」一節「群龍集團經備考調整後」一欄為基準，每股群龍股份之資產淨值約為2.55港元。以股份於最後實際可行日期之收市價每股錦興股份4.075港元為基準，方案一每股群龍股份之引申價值較每股群龍股份之資產淨值折讓約53.9%及表示價格對賬面值比率約0.5倍；方案二每股群龍股份之引申價值較每股群龍股份之資產淨值溢價約10.6%及表示價格對賬面值比率為1.1倍。

(b) 市盈率

吾等從本文件附錄四內「(II)經擴大錦興集團之未經審核備考收益表」一節「群龍集團經撥回調整後截至二零零五年十二月三十一日止年度」一欄中注意到，群龍集團於截至二零零五年十二月三十一日止年度錄得備考虧損淨額約27,400,000港元。此外，誠如中策於二零零五年九月十日發表之通函內第85至86頁「(a)指導性估值基準」分節闡述，由於(i)群龍集團大部分有收益貢獻之附屬公司已於二零零二年至二零零四年財政年度內被出售；及(ii)群龍集團於二零零二年及二零零三年財政年度錄得虧損，故以市盈率(適用於評估持續經營之相關業務之潛在盈利)作為評估群龍收購建議之收購價之參考並不恰當。

- ***MRI之57.26%權益***

  於二零零五年財政年度，MRI錄得虧損淨額約120,900澳元，於二零零四年財政年度則為790,833澳元(重列)。業績改善主要歸因於(i)外幣交易之匯兑收益淨額143,833澳元；(ii)出售投資溢利7,228澳元；及(iii)非流動資產之公平值虧損減少464,614澳元。

  吾等從MRI之二零零五年年報注意到，MRI於二零零六年一月以4,000,000澳元作價認購Zest Health Clubs Ltd(「Zest」)5,000,000股股份，佔該公司已發行股本之8.4%。Zest為澳洲第二大健康及健身連鎖店，以市場佔有率計算於澳洲其中三個五大健身市場中排名第一。根據MRI之二零零五年年報，Zest會員逾65,000名，馳名於珀斯、布里斯本及阿德雷德。Zest於二零零二年財政年度成立，並由截至二零零五年六月三十日止年度錄得434,000澳元之正數EBITDA(按銷售收益40,400,000澳元計算)。Zest經營29間會所，並將於短期內進一步拓展。

  完成收購Zest後，MRI股份在二零零六年一月十三日於澳洲證券交易所恢復買賣。

- ***Apex Quality Group Limited之9.8%權益***

  由於永安擁有Apex Quality Group Limited之67.9%權益，該項投資之前景已列入上文就永安前景之分析內。

- ***Vertex Technology Fund(II) Ltd.之194股可贖回優先股及200股普通股***

  吾等獲群龍管理層知會，群龍自中策於二零零五年九月十日發表之通函日期起至今並無從該項投資收取任何股息。

採砂

- ***東莞市江海貿易有限公司之88%權益***
- ***廣州耀陽實業有限公司之100%權益***

  採砂業務佔二零零五年財政年度之全部營業額。根據群龍管理層，東莞市江海貿易有限公司及廣州耀陽實業有限公司主要為挖砂營辦商，擁有兩艘運砂船，用作挖砂。採自中國河床之建築用碎石乃售予中國及香港之建築業者。作為挖砂商，彼等與沙坑營辦商攤分銷售碎石所產生之溢利。作為挖砂商，彼等與沙坑營辦商攤分銷售所產生之溢利。雖然自二零零五年六月收購以來，採砂業務已證明有利可圖，惟其營運業績可能受到北京於二零零六年四月宣佈壓抑中短線水泥行業過度投資之宏觀經濟政策影響。中國政府於二零零六年五月中宣佈涉及税項、信貸及土地供應之政策，以穩定內地物業市場，抑制主要城市價格之升勢。該等措施將對中國整體建築業帶來影響。

永安亦透過擁有67.9%之附屬公司Apex Quality Group Limited提供酒店及休閒服務。Apex Quality Group Limited為一家投資控股公司，主要持有三間位於香港及內容以「珀麗」為品牌之酒店以及中國洛陽金水灣大酒店。誠如永安二零零五年年報所顯示，該等酒店之入住率及房價大大受惠於二零零五年擴大之更緊密經貿關係安排及放寬內地個人遊計劃訪港限制。由於個人遊計劃擴展至44個內地城市，加上二零零八年主辦奧運會，該等酒店之整體房價及入住率可望大幅提升。

此外，在聯合國教科文組織將澳門加入世界遺產名錄及新主題公園漁人碼頭揭幕後，預期未來幾年內，前往澳門旅客人數將大幅上升。永安可透過其分行網絡及金域酒店擴大市場佔有率。

其他業務及資產與負債

- ***CEL之55.2%權益***

CEL之二零零四年年報已於二零零六年三月十四日呈交存檔。二零零三年出售於杭州中策之25%股本權益後，CEL於二零零四年財政年度並無錄得營業額。CEL於二零零四年財政年度之財務業績僅包括錦興應佔其從事輪胎及旅遊業務之聯屬公司之業績。

於二零零四年財政年度，CEL錄得綜合純利人民幣181,900,000元，於二零零三年財政年度則為虧損淨額人民幣64,500,000元。二零零四年財政年度之溢利主要歸因於與永安之可換股票據相聯之認購期權之公平值增加共人民幣60,000,000元，以及錦興應佔杭州中策及永安溢利人民幣104,500,000元。

CEL之前景主要視乎其聯營公司之表現及有關位於中國上海市靜安區江寧路219號至229號之一幢樓宇之物業發展項目之訴訟之結果而定。此外，根據CEL之二零零四年年報，CEL擬積極物色中國之潛在投資，集中將投資組合多元化。收購新業務帶來重大風險及不穩定性。

於最後實際可行日期，CEL尚未將其二零零五年年報呈交EDGAR存檔。

然而，誠如永安及實公司於二零零六年三月二十七日發表之聯合公佈所載，CEL同意認購由永安發行、本金額300,000,000港元之五年期可換股可交換票據，票據之票息率為2厘，於到期時可按110%贖回，到期孳息率約為3.85厘。該項交易於最後實際可行日期尚未完成。

- ***中國高速(集團)有限公司(「中國高速」)之22.7%權益***

吾等獲群龍管理層知會，群龍已於二零零六年五月出售於中國高速之22.65%權益。合共62,821,662股中國高速股份已以總代價30,000,000港元或每股中國高速股份約0.4775港元出售。

輪胎製造及銷售

- ***透過CEL持有杭州中策之14.4%實際權益***

吾等從CEL之二零零四年年報中注意到，杭州中策繼續受惠於中國輪胎市場增長，於二零零四年財政年度之營業額錄得明顯改善。營業額於二零零四年財政年度上升32.9%至人民幣5,131,000,000元。然而，經審核綜合溢利淨額由二零零三年財政年度人民幣106,300,000元降至二零零四年財政年度人民幣105,300,000元。根據CEL之二零零四年年報，杭州中策之淨業績改善幅度比營業額為小，原因為原材料價值大幅上升所致。

由於CEL於最後實際可行日期尚未向EDGAR呈交二零零五年年報存檔，故杭州中策於二零零五年財政年度之財政表現尚未公開呈列。

提供旅行團、旅遊及其他相關服務之業務

- ***透過CEL持有永安之11.1%實際權益***

於永安之二零零五年年報內，若干二零零四年財政年度之比較數字已由採納新近生效之香港財務報告準則而予以重列。重列後，二零零四年財政年度之虧損淨額為2,800,000港元，重列前則為純利35,400,000港元。於二零零五年財政年度，永安錄得純利32,200,000港元。上述改善主要歸因於(i)毛利率由二零零四年財政年度17.2%改善至二零零五年財政年度19.1%；(ii)衍生金融工具之變現收益5,700,000港元；(iii)撥回在建工程之減值虧損900,000港元；及(iv)應佔於澳門從事酒店業，名為金域酒店有限公司之聯營公司之業績8,000,000港元。

吾等從永安二零零五年年報中注意到，永安與廣東中旅(集團)有限公司組成合營公司，以於中國提供酒店、航空及其他交通工具之訂票服務和活動服務、經營電話服務中心，以及推廣該等服務及其他旅遊相關服務。該合營公司作為永安於廣東省之地接商，抓緊中國入境旅客及網上旅遊交易大增之良機，以及二零零八年舉辦之北京奧運會及將於二零一零年落成之上海迪士尼主題公園計劃之影響。

此外，永安已增強其休閒服務部門，並積極與供應商磋商，為自助遊旅客提供特價機票、高質素之住宿、交通及膳食服務。預期其入境旅遊業務將因香港迪士尼樂園及亞洲國際博覽館於二零零五年開幕、通往寶蓮寺之纜車(昂平360)及濕地公園於二零零六年中旬開放、「幻彩詠香江」於二零零五年十一月被列入健力士世界紀錄、位於舊啟德機場之郵輪碼頭計劃，以及香港將協辦二零零八年奧運會馬術項目而受惠。故此，預期永安之旅遊及相關服務將持續增長。

雖然應收聯營公司款項(升幅145.8%)及應收貸款及利息(升幅21.3%)報升，二零零五年十二月三十一日之流動資產卻減少17.5%至886,900,000港元。減少之主要原因為現金及銀行結餘減少75.1%至103,500,000港元。

即使應付所得稅及其他稅項上升(升幅52.1%)，二零零五年十二月三十一日之流動負債下降3.4%至230,300,000港元。減少之主要原因為一年內到期之應付款項減少99.7%及應付賬款、其他應付款項及應計費用減少47.2%。

流動比率由二零零五年四月三十日4.5倍降至二零零五年十二月三十一日3.9倍。於二零零五年十二月三十一日之流動資產淨值減少21.5%至約656,600,000港元。

於二零零五年十二月三十一日之非流動資產上升5.6%至804,700,000港元，原因為物業、廠房及設備大幅上升(上升109,000,000港元至109,800,000港元)。

於二零零五年十二月三十一日之資產淨值減少9.9%至約1,400,000,000港元。於二零零五年十二月三十一日之總負債／權益比率由47.7%改善至17.5%。

(4) 群龍集團之未來前景及展望

下文載列吾等就分派業務所作分析之最新資料。本節須與中策於二零零五年九月十日發表之通函第74至78頁所載「表9：分派業務之展望」一併閱讀。

物業發展

- ***位於中國上海市靜安區之物業權益***

群龍集團擁有有關位於中國上海市靜安區江寧路219號至229號之一幢樓宇之物業發展項目之全部物業權益。吾等曾與群龍集團之管理層商討，並注意到於二零零五年六月展開之法律訴訟行動尚在進行中(詳情請參閱附錄三所載群龍集團財務資料附註18)。誠如附錄三所載群龍集團財務資料附註18所披露，群龍集團董事已與賣方就解決上述事宜進行商討，惟無法保證最終可與賣方解決有關事宜。吾等亦從上述附註中注意到，群龍集團可能為繼續收購該等物業而須結清賣方結欠三名有抵押債權人及主承建商之債項，從而可能使用作營運資金或進一步拓展業務之財政資源減少，對其財政狀況有不利影響。即使如此，該發展項目之前景須視乎訴訟結果及／或群龍集團與賣方之商討結果而定。

- ***位於中國廣東省珠海市斗門區龍山工業區之物業權益***

群龍集團擁有位於中國廣東省珠海市斗門區龍山工業區珠港大道及黃楊大道交易之發展地盤之全部物業權益。吾等獲群龍之管理層知會，該物業某部分之地盤平整及提供設施／公用設施之建築工程仍在進行中，於最後實際可行日期尚未決定上述建築工程之完成日期。根據群龍管理層，群龍集團已委聘一名物業代理與潛在投資者磋商。預期該物業將於二零零七年出售，故此，此項出售將視乎當時之市況而定。

(3) 群龍集團之備考綜合資產負債表

下列表2為本文件附錄四「(i)經擴大錦興集團之未經審核備考資產負債表」一節內「群龍集團經備考調整後」一欄及中策於二零零五年九月十日發表之通函附錄二所載，群龍集團之未經審核備考資產負債表概要。

表2：群龍集團之未經審核備考資產負債表

	於二零零五年十二月三十一日 *千港元*	於二零零五年四月三十日 *千港元*
非流動資產		
物業、廠房及設備	109,811	794
收購物業權益所付按金	55,716	54,524
收購附屬公司所付款項		40,000
無形資產	9,123	—
於聯營公司之權益	558,738	575,995
按公平值列賬並在損益表內處理之證券投資	71,347	90,729
	804,735	762,042
流動資產		
其他資產	229,288	229,287
存貨	102	—
應收聯營公司款項	151,206	61,526
應收貸款及利息 — 一年內到期	362,139	298,638
應收賬款及其他應收款項、按金及預付款項	40,672	69,730
可收回稅項	—	88
銀行結餘及現金	103,494	415,588
	886,901	1,074,857
流動負債		
應付賬款及其他應付款項及應計費用	(17,475)	(33,113)
應付款項 — 一年內到期	(583)	(196,499)
應付聯營公司款項	(286)	(800)
應付所得稅及其他應付稅項	(12,257)	(8,060)
融資租約承擔	—	(9)
應付有關連人士款項	(199,731)	—
	(230,332)	(238,481)
流動資產淨值	656,569	836,376
非流動負債		
遞延稅項負債	(21,175)	—
	1,440,129	**1,598,418**
資本及儲備		
股本	10,777	10,777
儲備	1,113,349	1,274,546
母公司權益持有人應佔權益	1,124,126	1,285,323
少數股東權益	316,003	313,095
	1,440,129	**1,598,418**
流動比率(倍)	3.9	4.5
總負債／權益	17.5%	47.7%
長期貸款／權益	—	—

截至二零零五年十二月三十一日止年度與截至二零零四年十二月三十一日止年度比較

於截至二零零五年財政年度，營業額約為5,300,000港元，來自於二零零五年六月收購之採砂業務。由於不再將從事輪胎產品產銷之附屬公司綜合入賬及於二零零四年五月出售藥品業務後，持續經營業務於二零零四年財政年度並無錄得營業額。群龍集團應佔聯營公司溢利約為43,100,000港元，於二零零四年財政年度應佔聯營公司虧損則約為37,500,000港元，惟仍錄得虧損淨額約54,300,000港元。錄得虧損淨額，主要由於(i)其他收入(包括利息收入及其他收入)減少36.2%；(ii)經營支出上升；(iii)非上市可換股票據之轉換期權公平值下降約39,700,000港元；及(iv)出售聯營公司權益之虧損約2,800,000港元。

截至二零零四年十二月三十一日止年度與截至二零零三年十二月三十一日止年度比較

由於不再將從事(i)食品製造及買賣；(ii)電子產品製造及買賣；(iii)拖拉機及汽車相關產品製造及買賣；(iv)經營收費高速公路；及(v)酒店經營及物業投資之附屬公司綜合入賬，以及出售／攤薄從事輪胎產品產銷之附屬公司權益，持續經營業務於二零零三年財政年度並無錄得營業額。群龍集團於二零零四年財政年度錄得純利約93,100,000港元，而於二零零三年財政年度則錄得虧損淨額約206,800,000港元。業績得以改善，主要由於(i)經營支出減少；(ii)上市可換股票據之轉換期權公平值上升約77,000,000港元；(iii)出售聯營公司權益之收益約57,500,000港元；(iv)應佔聯營公司虧損減少80.2%；及(v)應收貸款及利息撥備減少36.0%。

(2) 群龍集團之財務表現

下列表1為群龍集團之合併收益表概要，乃摘錄自文件附錄三。

表1：群龍集團之財務表現

	截至十二月三十一日止年度		
	二零零五年	**二零零四年**	**二零零三年**
	千港元	*千港元*	*千港元*
營業額	**5,298**	—	—
毛利	**841**		—
毛利率	*15.9%*	—	—
其他收入	33,622	52,660	55,879
分銷成本	(1,365)	—	—
行政支出	(33,802)	(9,852)	(35,639)
其他支出	(23,030)	(9,020)	(40,782)
應收貸款及利息撥備	(31,116)	(32,419)	(50,645)
非上市可換股票據之換股選擇權之公平值變動	(39,743)	76,959	—
融資成本	—	(1,491)	(55)
出售聯營公司權益之收益(虧損)	(2,814)	57,542	—
視為出售聯營公司之虧損	—	—	(36,480)
所佔聯營公司之業績	43,103	(37,521)	(189,887)
墊付予一家聯營公司之應收賬撥備	—	—	(12,712)
出售附屬公司權益之收益	—	—	11
税前溢利(虧損)	**(54,304)**	**96,858**	**(310,310)**
税項	(4,247)	(5,257)	(567)
持續經營業務之年度溢利(虧損)	(58,551)	91,601	(310,877)
已終止經營業務之年度溢利	—	1,511	104,075
年度溢利(虧損)	**(58,551)**	**93,112**	**(206,802)**
溢利(虧損)應佔：			
母公司權益持有人	(54,259)	21,619	(216,323)
少數股東權益	(4,292)	71,493	9,521
年度溢利(虧損)	**(58,551)**	**93,112**	**(206,802)**

提出群龍收購建議一事已於錦興在二零零五年十月七日舉行之股東特別大會上獲錦興獨立股東批准，中策集團重組亦已於二零零六年五月十九日完成。

群龍收購建議之條款(其後經錦興修訂，詳情載於錦興及要約人於二零零六年五月八日發表之聯合公佈)如下：

方案一：

每五股群龍股份 一股錦興股份另加1.8港元現金

以每股錦興股份於最後實際可行日期之收市價4.075港元為基準，方案一中每股群龍股份之價值約為1.175港元。

方案二：

每五股群龍股份 一份面值15.0港元之錦興債券

錦興將根據方案二發行之錦興債券將以年利率2.0厘之固定利率計息。錦興債券可據此按30,000港元或其完整倍數之款項(倘若不足此數，則為該錦興債券轉讓人所持之全部錦興債券)轉讓，並可於轉換期內按每股轉換股份9.0港元之初步轉換價轉換為轉換股份。以永利行所編製錦興債券於二零零六年三月三十一日之估值，每份錦興債券之價值為14.10港元。(詳情情參閱附錄五 — 錦興債券之估計價值。)

群龍合資格股東及保華可就群龍收購建議之接納選擇收取方案一代價或方案二代價，又或者兩者同選。

群龍收購建議乃按群龍合資格股東所持有每五(5)股群龍股份進行，及就較多及較少數目之群龍股份按因接納群龍收購建議而將按比例支付之代價(將按本文件附錄一所載基準計算)進行，惟不會發行錦興股份或錦興債券之零碎部份。

群龍收購建議之其他條款(包括接納手續)載於文件內之新百利函件及附錄一。

錦興董事及要約人之董事願就文件所載資料(關於群龍及中策集團者除外)之準確性共同及個別承擔全部責任，而群龍及中策之董事亦願就文件所載資料(關於錦興集團及要約人者除外)之準確性共同及個別承擔全部責任。錦興、要約人、群龍及中策之董事於作出一切合理查詢後確認，據彼等深知，於文件所發表之意見(就錦興董事及要約人之董事而言，關於群龍集團及中策集團者除外；就群龍及中策之董事而言，關於錦興集團及要約人者除外)乃經審慎周詳考慮後達致，而文件亦無遺漏任何其他事實，導致文件所載之任何聲明有所誤導。

吾等在未經獨立核證下，依賴吾等就此意見審閱之資料，並假設該等資料準確及完備。吾等就此行動而言，並無就錦興集團及群龍集團之業務、財務狀況或事務或未來前景進行任何獨立詳盡調整或審核。吾等之意見須以最後實際可行日期時有效之財務、經濟及其他狀況，以及吾等可得資料為基準。

吾等並無考慮接納或不接納群龍收購建議對群龍合資格股東產生之稅務後果，皆因稅務後果乃因人而異。尤其是，身為香港境外居民或需受香港境外之稅項或香港證券買賣稅項規限之群龍合資格股東須考慮彼等與群龍收購建議有關之稅務狀況，如有任何疑問，應諮詢彼等之專業顧問。

此外，茲提述本文件內所載群龍董事會函件及新百利函件，當中載有群龍收購建議之完整詳情，以及本文件內之附錄，載有收購守則所規定有關群龍及錦興之其他資料。吾等建議群龍合資格股東於決定彼等所採取行動時細閱文件。

主要考慮因素及理由

吾等評估群龍收購建議及達致吾等之意見時，吾等所考慮之主要因素及理由如下。達致吾等之結論時，吾等已考慮所有因素並進行個別分析，最終按所有分析之整體結果達致吾等之意見。

(1) 群龍收購建議之背景

群龍為非上市公眾公司，屬於英屬處女群島註冊成立之有限公司，原為中策之全資附屬公司。中策集團重組於二零零六年五月十九日完成後，群龍股份已按一股中策股份兑一股群龍股份之基準，以實物方式分派予於二零零六年五月十九日名列中策股東名冊之中策股東。

於二零零五年四月十九日，錦興聯同中策、群龍、威倫及中策要約人宣佈，(其中包括)待中策集團重組完成及獲錦興獨立股東批准群龍收購建議後，新百利代表威倫向群龍合資格股東提出群龍收購建議以收購全部群龍股份(不包括威倫、其聯繫人士及與彼等一致行動之人士當時經已擁有之群龍股份)(惟將會向保華提出群龍收購建議)。

下文為凱利編撰以載入本文件之建議函件全文：

凱利

凱利融資有限公司

香港
中環
都爹利街11號
律敦治大廈1503室

敬啟者：

新百利有限公司
代表威倫有限公司
(錦興集團有限公司之全資附屬公司)
提出無條件自願證券交換建議
收購群龍投資有限公司全部已發行股份
(不包括威倫有限公司或與其一致行動之人士經已擁有之股份)

吾等茲提述吾等獲委任為獨立財務顧問，就群龍收購建議之條款向群龍合資格股東提出建議，群龍收購建議之詳情載於日期為二零零六年五月二十六日之致群龍合資格股東綜合文件(「文件」)，本函件亦為文件一部份。除文義另有所指外，本函件所採用之詞彙與文件中所界定者具有相同涵義。

由於群龍董事會現時由中策全體執行董事及替任董事組成，並無委任非執行董事，故不能根據收購守則第2.8條成立獨立董事委員會。因此，吾等已獲委聘為獨立財務顧問，就群龍收購建議之條款對群龍合資格股東而言是否公平合理直接向群龍合資格股東提供意見。

在達致吾等之推薦意見時，吾等已審閱(其中包括)文件及若干相關協議及若干可公開取閱之財務報表及與錦興及群龍有關之其他業務及財務資料。吾等亦已審閱中策管理層所提供有關群龍營運、財務狀況及前景之資料。吾等已考慮永利行所評定錦興債券於二零零六年三月三十一日之估值。吾等亦已考慮於最後可行日期前十八個完整月份內聯交所主板上市公司之其他現金收購建議條款，以及吾等認為相關之其他資料，財務研究、分析及調查及財務、經濟及市場因素。然而，吾等並無就錦興或群龍、彼等之業務、財務狀況及前景進行深入檢討。

經執行理事同意，(i)群龍收購建議不會向美籍人士或群龍之股東名冊所示地址屬馬來西亞境內之人士提出；及(ii)本文件派發予名列群龍之股東名冊而名冊所示地址屬美國或馬來西亞境內之人士僅供參考及不連接納表格。

群龍收購建議僅於美國境外向非美籍人士及於馬來西亞境外作出。美籍人士不得同意參予上述收購建議，而指稱由美籍人士或具美國地址人士提交之證券亦將不獲接納。

各接納群龍收購建議之群龍合資格股東，須證明(i)其並非於美國接獲本文件或接納表格，亦不會於美國寄出接納表格或使用任何美國法管轄內之方式送交填妥之接納表格；(ii)其於送交接納表格或接納群龍收購建議時並非身在美國；(iii)其並非美籍人士；及(iv)其並非為身在美國之人士按非酌情基準行事之代理人或受信人。

群龍收購建議之其他條款

其他條款

群龍收購建議之其他條款(包括接納手續及接納期間、群龍收購建議之修訂及延期)載列於該文件附錄一及接納表格。

群龍股份

群龍股份於被收購時將不會附有任何留置權、質押、產權承擔、優先購買權及任何其他任何性質之第三方權利，並將附有收取於群龍股份發行日期後宣派、作出或派付之所有股息及其他分派(如有)之權利。

印花稅

由於群龍為於英屬處女群島註冊成立之公司，而其股東名冊設於當地，故轉讓群龍股份時毋須繳納香港印花稅。

買賣於錦興香港股東分冊登記之錦興股份須繳納香港印花稅。買賣錦興債券時須於將設於香港之錦興債券持有人之名冊內登記，故須繳納香港印花稅。

稅務及獨立意見

群龍合資格股東如對接納或拒絕群龍收購建議之稅務影響有任何疑問，務請諮詢彼等本身之專業顧問。謹此強調，要約人、錦興、新百利或彼等各自之董事或聯屬人或任何其他涉及群龍收購建議之人士，概不因任何人士接納或拒絕接納群龍收購建議而引致之任何稅務責任或其他稅務影響或負債承擔任何責任。

其他資料

謹請　閣下垂注本文件所載預期時間表及群龍董事會及凱利之函件，以及本文件各附錄之其他資料。

此致

列位群龍合資格股東　台照

代表
新百利有限公司
副主席
梁美嫻
謹啟

二零零六年五月二十六日

停牌前若干時間營運不足以及其過半資產以現金持有。完成收購Zest Health Clubs Ltd.後，MRI股份在二零零六年一月十三日恢復買賣。隨著群龍收購建議之完成，錦興董事及群龍集團之管理層將為MRI尋求合適之投資機會，並對MRI之前景表示樂觀。

接納及交收手續

接納手續

閣下須根據隨附接納表格及文件附錄一印備之指示填妥該表格，以接納群龍收購建議。有關指示亦為群龍收購建議條款之組成部份。

填妥之接納表格最遲須於二零零六年六月十六日(星期五)下午四時正(或要約人按收購守則規定所宣佈之較後時間及日期)前以郵寄、快件或其他類似速遞服務或親身遞交等方式送達接收代理人標準證券登記有限公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓，方為有效。

接獲任何接納表格後，將不會發出任何通知。

敬請　閣下留意本文件附錄一及接納表格內之有關接納手續之其他資料。

交收

倘有效接納表格按本文件及接納表格之條款送達，有關接納收購建議之群龍合資格股東交出之群龍股份應付上述股東之款項之銀行本票／支票及錦興股份數目之股票(有關**方案一代價**)；**及／或**有關接納收購建議之群龍合資格股東交出之群龍股份應付上述股東之錦興債券數目之債券證書(有關**方案二代價**)，將在接收代理人接獲使有關接納完整及有效的一切有關文件當日起計10日內，以平郵方式寄發予接納收購建議之群龍合資格股東，郵誤風險概由其承擔。倘該日期並非營業日，則將予寄發上述代價之日期將延至下一個營業日。

倘　閣下透過持牌證券交易商、受託銀行或其他代名人持有　閣下之群龍股份，則　閣下須向　閣下之代名人代理指示有關　閣下對群龍收購建議之意向，方可接納群龍收購建議。為確保公平對待所有群龍合資格股東，該等以代名人身分為超過一名實益擁有人持有群龍股份之登記股東，須在實際可行情況下分開處理各實益擁有人之股權。

海外群龍合資格股東

於任何香港以外司法權區或向當地之群龍合資格股東提出收購建議可能會受有關司法權區法例影響。身為香港以外司法權區之市民、居民或國民之群龍合資格股東，應知道彼等有關司法權區之一切適用法例及監管規定，並加以遵守。

任何欲接納群龍收購建議之非香港居民群龍合資格股東，均有責任就此全面遵守任何有關司法權區之一切適用法例及監管規定，包括在該司法權區取得任何可能需要之政府或其他同意、符合任何其他必要正式手續及支付任何到期之發行、轉讓或其他稅項。

群龍董事會

群龍董事會現時由中策所有執行董事及彼等之替任董事組成，惟並無中策獨立非執行董事曾獲委任為群龍之董事。於群龍收購建議結束後，群龍董事會成員可能有所更改。倘若群龍於群龍收購建議結束後繼續為一間公眾公司，其將委任三名獨立非執行董事，並須繼續遵守收購守則之條文規定。群龍將會於適當時就此另行發表公佈。

要約人及錦興集團之資料

要約人屬投資控股公司，乃於香港註冊成立之有限公司，為錦興之間接全資附屬公司。錦興集團主要從事證券買賣、物業投資及買賣與其他策略投資，包括於聯交所上市聯營公司及由聯交所上市公司發行之長期可換股票據之投資。錦興則為投資控股公司。

經擴大錦興集團之前景

於二零零六年四月二十八日完成出售電腦相關產品及消費者電子產品貿易，以及數據儲存媒體之製造、分銷及推廣之業務後，錦興集團專注於證券買賣、物業投資及買賣與其他策略投資。

因著群龍收購建議，錦興可增持其群龍股權，從而使群龍成為錦興之附屬公司。如出現此情況，錦興將控制兩間海外上市公司，即從事部份分派業務之CEL及MRI之權益。錦興董事認為，錦興集團在出售其於中策之部份權益後達致精簡架構及通過群龍收購建議整合錦興於群龍之權益，讓錦興集團管理層可利用更具效率之方式管理及經營分派業務，並可以錦興之管理層提升其發展潛力。

CEL為群龍擁有55.2%之附屬公司，將繼續持有杭州中策26%股本權益，杭州中策主要於中國及海外從事輪胎製造及銷售。杭州中策經營之業務近年均錄得盈利。根據其截至二零零四年十二月三十一日止三個年度各年之經審核財務報表，杭州中策錄得純利分別約人民幣118,000,000元(約相等於111,200,000港元)、人民幣85,500,000元(約相等於80,200,000港元)及人民幣107,100,000元(約相等於100,700,000港元)。根據中華人民共和國國家統計局刊發之資料，於中國生產之汽車總數，由一九九九年至二零零三年錄得上升趨勢。鑑於杭州中策於過往數年錄得溢利業績，以及中國近年汽車生產顯著增長，錦興董事對群龍集團將於未來從事之輪胎製造及銷售業務之前景充滿信心。

MRI之主要業務為投資控股。作為公眾上市之投資公司，MRI進行投資之準則，由經股東批准之投資授權嚴格釐定，該投資授權准許MRI投資於上市或非上市證券或公司。然而，投資目標並不包括對MRI投資之任何實體或業務之管理行使控制權。MRI於澳洲及香港享有經營優勢。於二零零五年十二月三十一日，MRI錄得淨虧損120,932澳元(相當於約700,000港元)，於截至二零零四年十二月三十一日止年度則為790,833澳元(相當於約4,600,000港元)。MRI於二零零六年一月以4,000,000澳元(相當於約23,400,000港元)作價認購Zest Health Clubs Ltd.之8.4%權益。據MRI截至二零零五年十二月三十一日止年度年報，Zest Health Clubs Ltd.為澳洲大型健康及健身公司之一，會員逾65,000名，執珀斯、布里斯本及阿德雷德市場之牛耳。MRI股份於二零零四年七月九日暫停在澳洲證券交易所買賣，原因是

新百利信納要約人擁有充足之財務資源以提供在群龍收購建議被全數接納時所需之資金。

強制性收購或贖回

要約人無意引用英屬處女群島適用法例項下之任何強制性收購或贖回條文，惟保留此權利。倘若要約人決定引用有關強制性收購或贖回條文，其將再作公佈。

群龍合資格股東之意向

直至最後實際可行日期，要約人及錦興並無收到保華或任何其他群龍合資格股東就接納或拒絕群龍收購建議又或有關就彼等之接納收取方案一代價或方案二代價之選擇而作出任何指示或不可撤回之承諾。然而，保華於二零零六年五月八日宣佈，保華決議以分派撤資中策所得價值(即群龍股份價值)之方式向保華股東宣派特別股息，並擬根據其股東之選擇接納群龍收購建議。

提出群龍收購建議之原因

錦興與保華及中策要約人於二零零五年三月十日訂立股份出售協議，據此，中策要約人有條件地同意以總現金代價52,110,000港元(錦興及保華各26,055,000港元)分別向錦興及保華收購135,000,000股當時之現有中策股份(相當於67,500,000股中策股份)。完成股份出售協議之其中一項先決條件為中策要約人對中策之資本重組及中策集團重組之付諸實行表示合理滿意。因此，錦興認為向中策董事會提呈有關中策集團重組之建議對錦興及錦興股東有利。

由於群龍股份將不會在任何證券交易所上市，錦興董事認為，藉著提出群龍收購建議，為身為群龍股份持有人之中策獨立股東提供機會將彼等於群龍之投資套現乃適當之做法。此外，中策集團重組完成後，兩間海外上市公司CEL與MRI將成為群龍之非全資附屬公司。錦興可因群龍收購建議增持其群龍股權，從而使群龍成為錦興之附屬公司。如出現此情況，錦興將控制兩間從事部份分派業務之海外上市公司之權益。通過根據股份出售協議出售中策之部份權益及提出群龍收購建議，錦興董事相信將可精簡現有上市集團之架構，從而使錦興可更有效率地管理其權益或經營分派業務。錦興董事相信，精簡後之集團架構將有助錦興管理層提升分派業務之潛力。

錦興有關群龍之意向

群龍為於英屬處女群島註冊成立之有限公司。群龍之主要業務將為投資控股，而其附屬公司則主要從事分派業務。錦興之意向為群龍集團將不會進行分派業務以外之任何業務，亦不會持有除根據中策集團重組收購並與分派業務有關之資產以外之任何其他資產。群龍之董事會不擬於群龍收購建議完成後出售群龍集團之任何資產。錦興不擬將任何資產注入群龍或建議群龍之董事會批准出售任何資產或更改群龍集團之主要業務。

將不會向聯交所或任何其他證券交易所作有關群龍股份之新上市之申請。

轉換股份 於轉換時發行之轉換股份，於配發及發行時將與當時所有已發行之錦興股份於各方面均享有同等權益，並享有記錄日期為轉換通知之日或之後的所有股息及其他分派。

證書 根據方案二接納群龍收購建議之各群龍合資格股東將收取一張代表其持有之全部應獲錦興債券之證書。

於方案二中，群龍股份之收購代價已考慮中策集團重組完成後，群龍集團之估計綜合資產淨值後釐定。

錦興將於群龍收購建議結束時就錦興根據群龍收購建議而發行之錦興債券總數及本金金額(以及以最初轉換價轉換該等錦興債券而將予發行之轉換股份之數目)再作公佈。

按每五股群龍股份可收取一份面值15.0港元之錦興債券計算，群龍收購建議項下之每股群龍股份附帶之錦興債券之隱含值約為3.0港元，即較每股群龍股份於完成中策集團重組時之未經審核備考資產淨值2.55港元溢價約17.6%。

錦興債券之估計價值

根據收購守則附件一第30段，永利行已向錦興董事表示，倘錦興債券已於二零零六年三月三十一日發行，估計一份錦興債券之公平值將為14.10港元。與錦興債券之估計公平值有關之其他詳情載於本文件附錄五。

總代價

根據於中策集團重組完成後之預期已發行440,797,543股群龍股份計算，根據方案一(按錦興股份於最後實際可行日期之收市價計算)，群龍收購建議將群龍全部已發行股本定值為約517,900,000港元，根據方案二則將之定值為約1,322,400,000港元。

根據要約人將實益擁有之129,409,897股群龍股份計算，根據群龍收購建議而收購之群龍股份數目將為311,387,646股(佔群龍之預期已發行股本約70.6%)，有關群龍股份於方案一(按錦興股份於最後實際可行日期之收市價計算)之估值將約為365,900,000港元，而於方案二之估值將約為934,200,000港元。

條件

群龍收購建議並無條件。惟倘出現收購守則第19.2條所載之情況時，即要約人未能遵照就群龍收購建議發表公佈之規定，條非符合上述規定，執行理事則可要求接納收購建議之群龍合資格股東按執行理事可以接受之條款獲授撤銷權利。除上述者外，群龍合資格股東根據群龍收購建議提出之接納書乃屬不可撤回亦不得撤銷。

群龍收購建議之財政來源

錦興將以兩間證券行(即大福證券有限公司及實德證券有限公司(前稱利高證券有限公司))提供之融資撥付方案一項下合共約112,100,000港元現金代價。要約人不擬主要依賴群龍之業務就任何負債(或然負債或其他)支付利息、償還該等負債或作出擔保。

投票權

錦興債券持有人不會僅因作為錦興債券持有人而有權出席錦興任何股東大會並於會上投票。

利息

除非已贖回，錦興債券由發行日期起截至及包括到期日或(若較早，則就任何已轉換錦興債券而言)就轉換發出轉換通知當日按錦興債券未償還本金額計算利息，年利率為2厘。錦興將於發行日期之每週年日期當日每年支付上年利息。錦興將於發行日期起計首週年當日支付第一筆利息。

轉換期

於發行日期後，錦興債券之持有人有權於直至到期日之前第14日(包括該日)期間隨時將錦興債券本金額之全部或部份轉換為轉換股份。不會發行錦興股份之零碎部份，亦不會就轉換支付任何款項代替錦興股份。

轉換價

於上述轉換期內，錦興債券可按初步轉換價每股錦興轉換股份9.0港元(可按錦興債券條款作出調整)轉換為轉換股份。

初步轉換價每股轉換股份9.0港元較：

— 錦興股份於最後交易日在聯交所之每股收市報價3.7港元溢價143.2%；

— 錦興股份截至最後交易日(包括該日)止連續十個交易日平均收市價每股3.810港元溢價136.2%；

— 錦興股份截至最後交易日(包括該日)止連續三十個交易日平均收市價每股3.923港元溢價129.4%；

— 錦興股份於最後實際可行日期在聯交所之每股收市報價4.075港元溢價120.9%；

— 錦興股份於二零零五年十二月三十一日之每股經審核綜合資產淨值7.41港元溢價21.5%；及

— 每股錦興股份備考綜合資產資值10.10港元(按錦興集團於二零零五年十二月三十一日之經審核綜合資產淨值經錦興集團於二零零六年四月完成出售其有關電子數據儲存所用硬件、媒體及配件之設計、開發、市場推廣、分銷及銷售之業務之影響予以調整(於本文件附錄四未經審核備考資產負債表所載「備考餘下錦興集團於二零零五年十二月三十一日」一欄披露)及於二零零五年十二月三十一日已發行226,143,697股錦興股份計算)折讓10.9%。

轉換價可不時根據錦興債券文據所載條文作出調整，其中包括以下情況：(i)錦興股份因股份合併或拆細而變為不同面值；(ii)透過溢利或儲備資本化而發行新錦興股份；(iii)股本分派；(iv)供股；(v)授出購股權或認股權證以認購新錦興股份；及(vi)可對錦興債券持有人之權益構成攤薄影響之若干其他事項。

方案一

於方案一中，群龍股份之收購代價乃經考慮群龍於中策集團重組完成後之估計綜合資產淨值，以及中策股份與錦興股份於二零零五年三月八日暫停於聯交所買賣錦興股份及中策股份前之市場表現後釐定。

按方案一代價送交之新錦興股份彼此間於繳足或入賬列為繳足及發行時將在各方面享有同等地位並與當時已發行之錦興股份享有同等地位，及可收取其後宣派、作出或派付之所有股息及其他分派。將向聯交所申請批准根據方案一將予配發及發行之新錦興股份上市及買賣。

於二零零四年十月十四日(即於緊接初步公佈日期前錦興股份於聯交所之最後一個交易日)，錦興股份於聯交所之收市報價為每股錦興股份2.675港元。按每五股群龍股份可收取一股錦興股份連1.8港元現金，以及上述每股錦興股份之收市價計算，群龍收購建議項下之一股群龍股份之隱含價值為0.895港元，即較每股群龍股份於完成中策集團重組時之未經審核備考資產淨值約2.55港元折讓約64.9%。

於最後交易日，錦興股份於聯交所之收市報價為每股錦興股份3.70港元。按每五股群龍股份可收取一股錦興股份連1.8港元現金，以及上述每股錦興股份之收市價計算，群龍收購建議項下之一股群龍股份之隱含價值為1.1港元，即較每股群龍股份於完成中策集團重組時之未經審核備考資產淨值約2.55港元折讓約56.9%。

於最後實際可行日期，錦興股份於聯交所之收市報價為每股4.075港元。按每五股群龍股份可收取一股錦興股份另加1.8港元現金及上述每股錦興股份收市價計算，群龍收購建議項下之一股群龍股份之隱含價值為1.175港元，即較每股群龍股份於完成中策集團重組時之未經審核備考資產淨值約2.55港元折讓約53.9%。

方案二

以下為根據方案二將發行之錦興債券之主要條款：

本金額

將發行之錦興債券每份面值為15.0港元。錦興最終根據群龍收購建議發行之錦興債券總數量及價值將於群龍收購建議結束後確定。

到期日

發行日期起計五週年之日。除持有錦興債券當時之未償還本金額75%或以上之錦興債券持有人事先批准外，錦興不得在到期日前贖回錦興債券之任何部份。

除非已在先前轉換，否則錦興債券將於到期日按已發行錦興債券之本金額100%連同所有未付之應計利息贖回。

可轉讓性

錦興債券可於任何時間以30,000港元之完整倍數(或若低於30,000港元，則為錦興債券轉讓人所持有之全部債券)予以轉讓。

上市

並無向聯交所或任何其他證券交易所申請批准錦興債券上市及買賣，但將就根據轉換而將予配發及發行之轉換股份提交上市申請。

下文為新百利編撰以載入本文件之函件全文：

新百利有限公司
香港
中環
金融街8號
國際金融中心二期
22樓2201室

敬啟者：

新百利有限公司
代表威倫有限公司
(錦興集團有限公司之全資附屬公司)
提出無條件自願證券交換建議
收購群龍投資有限公司全部已發行股份
(不包括威倫有限公司或與其一致行動之人士經已擁有之股份)

緒言

二零零五年四月十九日，茲宣佈新百利將代表威倫提出群龍收購建議，惟須待錦興獨立股東於股東特別大會上批准及完成中策集團重組後方可作實。群龍收購建議已於二零零五年十月七日於股東特別大會上獲錦興獨立股東批准。中策集團重組已於二零零六年五月十九日完成。除文義另有所指外，本函件所採用之詞彙與要約人及群龍就群龍收購建議於二零零六年五月二十六日刊發之綜合文件(「該文件」)中所界定者具有相同涵義。本函件及該文件附錄一與隨附接納文件載列群龍收購建議之條款。

群龍收購建議

新百利有限公司茲代表威倫，按以下基準收購群龍合資格股東擁有之所有群龍股份：

方案一：

每五(5)股群龍股份 ..... 一(1)股股份另加1.8港元現金

方案二：

每五(5)股群龍股份 ..... 一(1)份面值15.0港元之錦興債券

群龍合資格股東可就接納群龍收購建議選擇收取方案一代價或方案二代價，又或者兩者同選。

群龍收購建議乃按群龍合資格股東所持有每五(5)股群龍股份進行，及就較多及較少數目之群龍股份按將因接納群龍收購建議所支付代價之比例(按本文件附錄一所載基準計算)進行，惟不會發行錦興股份或錦興債券之零碎部份。

新百利代表威倫(錦興之間接全資附屬公司),按以下基準向群龍合資格股東提出自願性收購建議,以收購所有群龍股份(不包括威倫、其聯繫人士及其一致行動人士(惟將會向保華提出群龍收購建議)當時經已擁有或同意收購之群龍股份):

方案一:

每五股群龍股份* 一股錦興股份另加1.8港元現金

方案二:

每五股群龍股份* 一份面值15.0港元之錦興債券

* *群龍股份將根據於二零零六年五月十九日之已發行中策合併股份數目而發行。群龍收購建議乃按群龍合資格股東所持有每五(5)股群龍股份進行,及就較多及較少數目之群龍股份按將因接納群龍收購建議所支付代價之比例(按本文件附錄一所載基準計算),惟不會發行錦興股份或錦興債券之零碎部份。*

群龍合資格股東及保華可就接納群龍收購建議而言選擇接納方案一代價或方案二代價或兩者同選。

於最後實際可行日期,群龍並無任何可轉換群龍股份或有權要求發行收購群龍股份之未行使證券、購股權或認股權證。

群龍收購建議下方案一及方案二之詳情載於本文件之新百利函件。

根據群龍收購建議,群龍股份被收購時將附有收取於群龍股份發行日期或之後宣派、派付或作出之所有股息及分派之權利,且不會附有任何第三方權利。

由於群龍為於英屬處女群島註冊成立之公司,而其股東名冊設於該地,轉讓群龍股份時毋須繳納轉讓稅。

群龍收購建議之其他條款及條件(包括接納手續)載於本文件第11至第18頁所載之新百利函件、本文件附錄一及接納表格內。

推薦意見

務請　閣下垂注凱利(群龍合資格股東之獨立財務顧問)函件,函件內載有凱利就群龍收購建議之推薦意見及彼達至此推薦意見時所考慮之主要因素。

其他資料

群龍合資格股東在考慮就群龍收購建議所採取之行動時,務請考慮彼等之稅務狀況。如有任何疑問,務請向彼等之專業顧問查詢。

謹請群龍合資格股東細閱本文件及隨附之接納表格,以得知群龍收購建議之詳情。

此致

列位群龍合資格股東　台照

代表董事會
群龍投資有限公司
主席
陳國強博士
謹啟

二零零六年五月二十六日

群龍集團之財務資料

下表概述群龍集團於截至二零零五年十二月三十一日止三年各年之經審核財務資料。群龍集團於截至二零零五年十二月三十一日止三年各年之經審核合併收益表及經審核合併資產負債表載於本文件附錄三。

	截至十二月三十一日止年度		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
營業額	—	—	5,298
持續經營業務之年度(虧損)／溢利	(310,877)	91,601	(58,551)
終止經營業務之年度溢利	104,075	1,511	—
年度(虧損)／溢利	(206,802)	93,112	(58,511)

	十二月三十一日		
	二零零三年	二零零四年	二零零五年
	千港元	*千港元*	*千港元*
未計少數股東權益前虧絀淨額	(864,115)	(882,712)	(891,246)
未計少數股東權益前有形虧絀淨額	(873,440)	(882,712)	(900,369)

完成中策集團重組時群龍集團之備考財務資料

根據本文件附錄四所載之未經審核備考資產負債表，於中策集團重組完成時，群龍集團之未經審核備考未計少數股東權益前資產淨額為1,124,126,000港元，即每股群龍股份約2.55港元。完成中策集團重組時群龍集團之未經審核備考資產負債表詳情載於本文件附錄四「(I) 經擴大錦興集團之未經審核備考資產負債表」一段中「群龍集團於二零零五年十二月三十一日」、「有關中策集團重組之備考調整」及「群龍集團經備考調整後」等各欄。

群龍收購建議

於中策集團重組完成後，(i)中策將有440,797,543股已發行中策合併股份，根據此股數計算，440,797,543股群龍股份將分派予於二零零六年五月十九日名列中策股東名冊之中策股東；(ii)保華與錦興將各自間接擁有合共129,409,897股群龍股份之權益，各約佔群龍預期已發行股本之29.4%。因此，錦興、保華及彼等之一致行動人士將間接擁有之群龍股份總數為258,819,794股，佔群龍於中策集團重組完成後之已發行股本約58.8%。

(ii) *輪胎製造及銷售*

- 透過CEL持有杭州中策之14.4%實際權益

(iii) *提供旅遊團、旅遊及其他相關服務之業務*

- 透過CEL持有永安之11.1%實際權益 *(附註1)*

(iv) *其他業務*

- CEL之55.22%實際股本權益 *(附註2)*
- MRI之57.26%權益 *(附註3)*
- Apex之9.8%權益 *(附註4)*
- Vertex Technology Fund (II) Ltd.之194股可贖回優先股及200股普通股 *(附註5)*
- 廣州耀陽實業有限公司之100%權益及東莞市江海貿易有限公司之88%權益 *(附註6)*

附註：

1. 永安之股份於聯交所主板上市。

   群龍之聯營公司永安於二零零六年三月一日宣佈，永安與配售代理訂立配售協議，據此，配售代理同時按竭誠盡力基準，將最多達175,000,000股永安股份配售予不少於六位獨立第三者。配售協議已於二零零六年四月二十五日完成，並於完成時發行175,000,000股新永安股份。根據永安於二零零六年三月一日刊發之公佈，配售事項之所得款項淨額約119,700,000港元擬用作永安集團之一般營運資金。配售行動之其他詳情載於永安分別於二零零六年三月一日及二零零六年四月二十五日刊發之公佈。

   永安及中策於二零零六年三月二十七日聯合宣佈，永安已與11名認購人訂立多份有條件認購協議，據此，永安同意向認購人發行本金總額1,000,000,000港元之2厘可換股可交換票據。CEL(群龍之附屬公司，於認購協議日期為中策之附屬公司，惟於最後實際可行日期則不然)為認購人之一，已有條件同意認購本金額300,000,000港元之2厘可換股可交換票據。CEL進行認購須經(其中包括)中策股東批准後方可作實。中策股東特別大會將於二零零六年六月五日舉行，以審議及批准認購協議及據此擬進行之交易。有關2厘可換股可交換票據及據此擬進行之交易之其他詳情載於永安及中策於二零零六年三月二十七日聯合刊發之公佈及永安與中策分別於二零零六年四月二十一日及二零零六年五月十九日刊發之通函。

2. CEL股份於美國場外證券交易議價板上市，CEL主要從事投資控股活動。

3. MRI於澳洲證券交易所上市，MRI主要從事投資控股業務。

4. Apex為投資控股公司，持有香港、廣州及北京之「中策」酒店及中國洛陽金水灣大酒店。

5. Vertex Technology Fund (II) Ltd.主要業務為投資於美國、歐洲及亞洲指定行業內的後起之秀。

6. 該等公司之主要業務為採砂船隻之投資控股。

份)(惟將會向保華提出群龍收購建議),基準(其後經錦興修訂,詳見錦興及要約人於二零零六年五月八日刊發之聯合公佈)為:(i)每五股群龍股份可換取一股錦興股份加1.8港元現金;或(ii)每五股群龍股份可換取一份錦興債券,每份錦興債券之面額為15.0港元,可於到期日前隨時按初步轉換價每股轉換股份9.0港元(可按本文件所載新百利函件「方案二」分節錦興債券之主要條款所載進行正常反攤薄調整)轉換為一股轉換股份;

— 中策董事會已獲錦興及保華通知,其於二零零五年三月十日與中策要約人訂立股份出售協議,據此,中策要約人同意向保華及錦興各收購67,500,000股中策股份,於股份出售協議訂立日期,該等股份共佔中策已發行股本約30.6%,作價52,110,000港元(相當於每股中策股份0.386港元);及

— 待股份出售協議完成後,金利豐證券有限公司將代表中策要約人按每股中策股份0.386港元之價格提出強制性現金收購建議,以收購中策要約人及與其一致行動之人士尚未持有之全部中策股份。

集團重組於二零零六年五月十九日完成,此後,中策繼續保持公眾上市公司之地位,其附屬公司(不包括群龍集團)專注於電池產品製造及銷售、證券及物業投資,以及非上市投資項目之投資(即餘下業務)。中策旗下經營物業發展之所有其他附屬公司及/或其他持有業務及採砂船隻之投資控股公司,以及中策集團旗下經營輪胎製造及銷售、提供旅行團、旅遊及其他相關服務及酒店營運之業務(合稱分派業務)之所有其他聯營公司將收歸群龍旗下,並將會繼續由中策目前之管理層管理。群龍股份已按當時所持有一股中策股份兑一股群龍股份之基準,以實物分派之方式分派予於二零零六年五月十九日名列中策股東名冊之股東,但群龍之股票將僅於群龍收購建議截止申請後寄發予不接納群龍收購建議之中策股東。新百利代表威倫(該公司之間接全資附屬公司)向群龍合資格股東提出群龍收購建議以收購全部群龍股份(不包括威倫及與其一致行動之人士當時經已擁有之群龍股份)(惟將會向保華提出群龍收購建議),基準為:(i)每五股群龍股份可換取一股錦興股份加1.8港元現金;及/或(ii)每五股群龍股份可換取一份錦興債券,每份錦興債券之面額為15.0港元,可於到期日前隨時按初步轉換價每股轉換股份9.0港元(可進行正常反攤薄調整)轉換為一股轉換股份。

本文件旨在為　閣下提供有關錦興集團、群龍集團及群龍收購建議之資料,載列凱利載有其為群龍合資格股東提供有關群龍收購建議之建議函件。

群龍之資料

群龍之主要業務為投資控股,而其附屬公司將主要從事下列業務:

(i) 物業發展

- 中國上海靜安區之物業權益
- 中國廣東省珠海市斗門區龍山工業區之物業權益

以下為群龍董事會函件全文，乃為載入本文件而編製：

群龍投資有限公司

(於英屬處女群島註冊成立之有限公司)

董事：
陳國強博士
Yap, Allan博士
周美華女士
陳玲女士
李波先生
陳國鴻先生
(陳國強博士之替任董事)
呂兆泉先生
(Yap, Allan博士之替任董事)

註冊辦事處：
P. O. Box 957
Offshore Incorporations Centre,
Road Town,
Tortola,
British Virgin Islands

香港通信地址：
香港九龍
觀塘鴻圖道51號
保華企業中心8樓

敬啟者：

新百利有限公司
代表威倫有限公司
(錦興集團有限公司之全資附屬公司)
提出無條件自願證券交換建議
收購群龍投資有限公司全部已發行股份
(不包括威倫有限公司或與其一致行動之人士經已擁有之股份)

緒言

錦興、中策、群龍、威倫及中策要約人於二零零五年四月十九日共同宣佈(其中包括)：

— 保華及錦興(當時中策之控股股東)共同要求中策董事會向股東提出集團重組之建議，導致股東可按彼等各自於中策之持股量，按就此而言之記錄日期時一股中策股份兑一股群龍股份之比例收取群龍股份；

— 新百利將代表威倫(錦興之間接全資附屬公司)向群龍合資格股東提出群龍收購建議以收購全部群龍股份(不包括威倫、其聯繫人士及與其一致行動之人士當時經已擁有或同意收購之群龍股

「股份出售協議」	指	指一份日期為二零零五年三月十日由中策要約人、保華與錦興簽訂就中策要約人向保華及錦興收購合共270,000,000股當時之現有中策股份之買賣協議，該等股份佔中策於股份出售協議訂立日期之已發行股本約30.6%
「新百利」	指	新百利有限公司，錦興及要約人之財務顧問
「聯交所」	指	香港聯合交易所有限公司
「收購守則」	指	香港公司收購及合併守則
「美國證券法」	指	一九三三年美國證券法(經修訂)
「威倫」及「要約人」	指	威倫有限公司，於香港註冊成立之公司，錦興之間接全資附屬公司
「永安」	指	永安旅遊(控股)有限公司，於百慕達註冊成立之有限公司，其股份於聯交所主板上市
「澳元」	指	澳元，澳洲法定貨幣
「港元」	指	港元，香港法定貨幣
「人民幣」	指	人民幣，中國法定貨幣
「坡元」	指	坡元，新加坡法定貨幣
「美元」	指	美元，美國法定貨幣
「美籍人士」	指	美國證券法規例S所界定者
「美國」	指	美利堅合眾國、其屬土及領土、美國任何州份，以及哥倫比亞特區

「最後實際可行日期」	指	二零零六年五月二十四日，即本文件付印前為確定其所載若干資料之最後實際可行日期
「上市規則」	指	聯交所證券上市規則
「到期日」	指	發行錦興債券日起計第五個週年日
「MRI」	指	MRI Holdings Limited，中策擁有57.3%權益之附屬公司，其股份於澳洲證券交易所上市
「普敦」	指	普敦國際評估有限公司，獨立專業物業估值師
「方案一」	指	每五(5)股群龍股份可換取一(1)股錦興股份加1.8港元現金，屬群龍合資格股東根據群龍收購建議可提呈之兩類代價之一
「方案二」	指	每五(5)股群龍股份可換取一(1)份錦興債券，屬群龍合資格股東根據群龍收購建議可提呈之兩類代價之一
「保華」	指	保華集團有限公司(前稱保華德祥企業建築集團有限公司)，於百慕達註冊成立之有限公司，其股份於聯交所主板上市
「中國」	指	中華人民共和國
「接收代理人」或「群龍股份登記處」或「過戶代理人」	指	標準證券登記有限公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓
「餘下業務」	指	於中策集團重組完成後將繼續由中策集團經營之業務，包括電池產品製造及買賣、證券及物業投資，以及投資於非上市投資項目
「永利行」	指	永利行評值顧問有限公司，獨立專業估值師
「漢傳媒」	指	漢傳媒集團有限公司(前稱瑞力控股有限公司)，於百慕達註冊成立之有限公司，其股份於聯交所主板上市
「證監會」	指	證券及期貨事務監察委員會
「證券及期貨條例」	指	香港法例第571章證券及期貨條例
「股東特別大會」	指	錦興於二零零五年十月七日舉行之股東特別大會，以批准(其中包括)提出群龍收購建議(包括根據方案一配發及發行新錦興股份及根據方案二發行錦興債券及配發及發行轉換股份)

「錦興」	指	錦興集團有限公司，於百慕達註冊成立之有限公司，其股份於聯交所主板上市
「錦興董事會」	指	錦興董事會
「錦興債券」	指	錦興根據方案二將按面額每份15.0港元發行之可換股債券，可於發行後及於到期日前隨時按初步轉換價每股錦興股份9.0港元轉換為新股份
「錦興董事」	指	錦興董事
「錦興集團」	指	錦興及其附屬公司
「錦興銷售股份」	指	由威倫持有之67,500,000股中策股份，佔中策已發行股本約15.3%
「錦興股份」	指	錦興股本中每股面值0.01港元之普通股
「錦興股東」	指	錦興股份之持有人
「凱利」	指	凱利融資有限公司，群龍合資格股東之獨立財務顧問
「香港」	指	中國香港特別行政區
「中策獨立股東」	指	保華、錦興及彼等各自之聯繫人士，以及與彼等一致行動之人士及於提出群龍收購建議及股份出售協議有重大權益之任何人士以外之中策股東
「錦興獨立股東」	指	德祥企業、其聯繫人士(包括保華)、與彼等一致行動之人士，以及於群龍收購建議及股份出售協議擁有重大權益之任何各方以外之錦興股東
「初步公佈」	指	中策於二零零四年十月十五日就可能全面收購所有中策股份而刊發之公佈
「德祥企業」	指	德祥企業集團有限公司，於百慕達註冊成立之有限公司，其股份於聯交所主板上市
「聯合公佈」	指	日期為二零零五年四月十九日由錦興、威倫、中策、群龍及中策要約人就(其中包括)群龍收購建議刊發之聯合公佈
「最後交易日」	指	二零零五年三月七日，此為錦興股份暫停買賣以待刊發聯合公佈前，錦興股份於聯交所之最後一個交易日

「關連人士」	指	上市規則所賦予之涵義
「轉換」	指	錦興債券持有人根據構成錦興債券之文據內條款將之轉換成錦興股份
「轉換股份」	指	於轉換後將由錦興配發及發行之新錦興股份
「道亨證券」	指	道亨證券有限公司，中策及群龍之財務顧問
「德勤」	指	德勤•關黃陳方會計師行
「分派業務」	指	除餘下業務外，於中策集團重組完成後將由群龍集團營運之所有業務，包括物業發展、輪胎製造及銷售、提供旅行團、旅遊及其他相關服務，以及其他投資控股業務
「經擴大錦興集團」	指	經由群龍集團擴大之錦興集團
「執行理事」	指	證監會企業融資部執行理事及其任何代表
「接納表格」	指	隨附之群龍收購建議接納及過戶表格
「群龍」	指	群龍投資有限公司，於英屬處女群島註冊成立之有限公司
「群龍董事會」	指	群龍之董事會
「群龍集團」	指	於中策集團重組完成後之群龍及其附屬公司
「群龍收購建議」	指	新百利代表要約人按本文件及接納表格所載條款收購威倫及與其一致行動之人士尚未持有之全部群龍股份之自願性無條件收購建議
「群龍合資格股東」	指	除(i)群龍、其聯繫人士及其一致行動人士(惟包括保華及其附屬公司)；(ii)美國證券法規例S所界定之美籍人士；及(iii)群龍之股東名冊所示地址屬馬來西亞境內之人士外之群龍股東
「群龍股份」	指	群龍目前之已發行股本中每股面值0.01美元之普通股
「杭州中策」	指	杭州中策橡膠有限公司，於中國成立之公司，主要在中國及海外從事輪胎製造及銷售

釋義

於本文件內，除文義另有所指外，下列詞彙具有以下涵義：

「Apex」	指	Apex Quality Group Limited
「聯繫人士」	指	上市規則所賦予之涵義
「營業日」	指	聯交所開門辦公之日
「英屬處女群島」	指	英屬處女群島
「英屬處女群島公司法」	指	二零零四年英屬處女群島商業公司法
「中央結算系統」	指	由香港結算設立及管理之中央結算及交收系統
「CEL」	指	China Enterprises Limited，於百慕達註冊成立之有限公司，其股份於美國場外證券交易議價板買賣，由中策擁有55.22%實際股本權益及88.8%實際投票權益
「中策」	指	中策集團有限公司，於香港註冊成立之有限公司，其股份於聯交所主板上市
「中策集團」	指	中策及其附屬公司
「中策集團重組」	指	中策於二零零六年五月十九日完成之內部集團重組，導致(i)中策繼續保持公眾上市公司地位，自行或透過其附屬公司(不包括群龍集團)專注於餘下業務；(ii)群龍會透過其附屬公司專注於分派業務；及(iii)中策股東透過實物分派方式收取群龍股份，基準為每持有一股中策合併股份將收取一股群龍股份
「中策收購建議」	指	根據中策及Nation Field Limited於二零零六年五月二十六日刊發之綜合收購建議文件，按現金每股中策股份0.386港元之價格收購中策要約人及與其一致行動之人士尚未擁有或未同意收購之全部中策股份之強制性現金收購建議
「中策要約人」	指	Nation Field Limited，於英屬處女群島註冊成立之有限公司，由高央先生實益全資擁有
「中策股份」	指	中策股本中每股面值0.10港元之普通股
「中策股東」	指	中策股份之持有人
「截止日期」	指	二零零六年六月十六日或(倘群龍收購建議延期)要約人根據收購守則將群龍收購建議延期後之截止日期

預期時間表

二零零六年

群龍收購建議之開始日期 ..... 五月二十六日(星期五)

接納群龍收購建議之最後時間及日期 *(附註1)* ..... 六月十六日(星期五)下午四時正

截止日期 *(附註2)* ..... 六月十六日(星期五)

於聯交所網站公佈群龍收購建議之結果 ..... 六月十六日(星期五)下午七時正

於報章公佈群龍收購建議之結果 ..... 六月十九日(星期一)

根據群龍收購建議就所接獲之收購建議
有效接納而寄出款項之最後日期 *(附註3)* ..... 六月二十六日(星期一)

附註：

1. 要約人須遵守收購守則第19條之規定，接納群龍收購建議後不可撤回及撤銷。

2. 群龍收購建議為無條件之收購建議，並將於二零零六年六月十六日(星期五)截止(除非要約人根據收購守則之規定修訂或延長群龍收購建議，則作別論)。群龍要約人保留權利將群龍收購建議延期至其決定之日期。群龍要約人將於截止日期下午七時正前透過聯交所網站發表公佈說明群龍收購建議是否已屆滿，或就群龍收購建議是否延期說明下一個截止日期或群龍收購建議將繼續有效直至另行通知為止。有關公佈將於其後下一個營業日在報章重新刊發。倘群龍要約人決定將群龍收購建議延期，而先前就延長群龍收購建議而刊發之公佈並無說明下一個截止日期，則須於群龍收購建議截止前向尚未接納群龍收購建議之群龍合資格股東發出最少十四日之書面通知。

3. 根據群龍收購建議交回之群龍股份之款項將於接收代理人接獲所有有關文件，而群龍收購建議之有關接納書因此成為完整並有效當日後十日內，以平郵方式寄發予有關群龍合資格股東，郵誤風險概由彼等承擔。

本文件及接納表格內所載之所有時間均指香港時間。

目錄

	頁次
預期時間表	ii
釋義	
群龍董事會函件	6
新百利函件	11
凱利之建議函件	19
附錄一 — 群龍收購建議之其他條款	55
附錄二 — 錦興集團之財務資料	61
附錄三 — 群龍集團之財務資料	175
附錄四 — 未經審核備考財務資料	258
附錄五 — 錦興債券之估計價值	286
附錄六 — 群龍集團之物業估值	293
附錄七 — 錦興集團之一般資料	301
附錄八 — 群龍集團之一般資料	313
附錄九 — 其他資料	318

隨附文件(不包括群龍股東名冊所示地址屬美國或馬來西亞境內之本文件收件人):

— 接納及過戶表格

本頁特意留白

重要事項

本收購建議僅於美國境外向非美籍人士作出。美籍人士不得同意參予上述收購建議，而指稱由美籍人士或具美國地址人士提交之證券亦將不獲接納。提交證券之股東將須證明彼等並非美籍人士或在美國境內。本收購建議亦不會向群龍投資有限公司之股東名冊所示地址屬馬來西亞境內之人士提出。

閣下如對本收購建議之任何方面**有疑問**，應諮詢　閣下之持牌證券交易商或註冊證券機構、銀行經理、律師、專業會計師或其他專業顧問。

閣下如已將名下之**群龍投資有限公司**之股份全部**售出或轉讓**，應立即將本文件及隨附之接納及過戶表格交予買主或承讓人，或經手買賣或轉讓之持牌證券交易商或註冊證券機構或其他代理人，以便轉交買主或承讓人。

香港證券及期貨事務監察委員會、香港聯合交易所有限公司及香港中央結算有限公司對本文件及隨附之接納及過戶表格之內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不會就因該等文件全部或任何部份內容而產生或因倚賴該等內容而引致之任何損失承擔任何責任。

HANNY

VISIONS AHEAD

HANNY HOLDINGS LIMITED
錦興集團有限公司*

(於百慕達註冊成立之有限公司)

(股份代號：275)

威倫有限公司
(於香港註冊成立之有限公司)

群龍投資有限公司
(於英屬處女群島註冊成立之有限公司)

有關
新百利有限公司
代表威倫有限公司
(錦興集團有限公司之全資附屬公司)
提出無條件自願證券交換建議
收購群龍投資有限公司全部已發行股份
(不包括威倫有限公司或與其一致行動之人士經已擁有之股份)
之綜合收購建議及回應文件

錦興集團有限公司及威倫有限公司之財務顧問

新百利有限公司

群龍投資有限公司之財務顧問

道亨證券有限公司
DaoHengSecurities Ltd.
A Member of the Guoco Group

群龍合資格股東之獨立財務顧問

凱利

凱利融資有限公司

凱利融資有限公司之建議函件載於本文件第19至第54頁，當中載有凱利就群龍收購建議向群龍合資格股東提供之獨立建議。

群龍收購建議之接納及交收程序載於本文件第55至60頁，以及隨附之接納及過戶表格。接納群龍收購建議之申請須於二零零六年六月十六日(星期五)下午四時正(或要約人根據收購守則之規定可能公佈之較後時間及／或日期)前送達標準證券登記有限公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓。

二零零六年五月二十六日

* *僅供識別*

本頁特意留白

附　錄　一

件連同有關股票須於二零零六年五月二十三日下午四時正前已送交本公司之香港股份過戶登記處秘書商業服務有公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓。

分派計劃之詳情

根據分派計劃，每持有500股保華股份之保華股東，將透過以下其中一種形式收取40股群龍股份之價值：

(i) 8股錦興股份另加現金14.4港元；或

(ii) 8份錦興債券。

保華股東可選擇接納上述其中一項方案或兩者組合(有關組合乃以每持有500股保華股份為每一選擇之基數)。

根據分派計劃，持有500股以下保華股份之人士將無權收取群龍價值分派。此外，任何持有超過500股或其倍數之保華股份將向下調整至最接近之有關倍數，而餘數將不獲計算在股息享有權內。

錦興及群龍就群龍收購建議所刊發之綜合收購建議及回應文件(「群龍文件」)已轉載於本通函附錄一，僅作參考之用，旨在向　閣下提供群龍收購建議之進一步資料。為避免誤解，本公司及其任何董事均毋須就群龍文件之內容負上任何責任，錦興及群龍乃根據香港公司收購及合併守則刊發群龍文件予群龍股份持有人。

選擇表格

隨函附奉選擇表格。任何保華股東如欲就其群龍價值分派僅收取錦興債券，則毋須填寫選擇表格。如欲收取錦興股份另加現金，或錦興股份另加現金及錦興債券組合之任何保華股東則必須填妥選擇表格，並於二零零六年六月十二日(星期一)下午四時正或之前將表格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，地址為香港灣仔皇后大道東28號金鐘匯中心26樓。

倘任何保華股東在填寫選擇表格時並未有指明其選取之方案，則其將被視為已選擇以收取錦興債券之形式就其登記持有之全部保華股份收取群龍價值分派。倘其選擇以錦興債券、錦興股份及現金之組合方式所收取之保華股份，超過其於二零零六年五月二十六日所登記之持股量，則其將被視為按選擇表格丁欄所列之保華股份數目，行使選擇權以錦興債券之形式，收取群龍價值分派，而登記持股量之保華股份餘額則以錦興股份另加現金方式收取(故選擇表格丙欄所列之保華股份數目將作相應調低)。

海外股東

根據於二零零六年五月二十六日(為記錄日期以決定可收取特別股息之保華股東)本公司之股東名冊所載，除一位保華股東位於澳門、一位保華股東位於馬來西亞及一位保華股東位於台灣外，其餘所有保華股東之登記地址均位於香港。

在香港以外司法權區之保華股東參與分派計劃，可能會受到有關司法權區之法例影響。倘保華股東為香港以外司法權區之公民、居民或國民，應自行了解及遵守有關司法權區之任何適用法例及規例之規定。

非香港居民之保華股東如欲參與分派計劃，須自行完全遵守有關司法權區在此方面之所有適用法例及規例，包括獲得任何可能需要之政府或其他批准或同意或辦理其他必需之手續，並支付該司法權區之任何發行或過戶費用或其他應繳稅項。

寄發所有權文件

錦興股份或錦興債券之證書及特別股息現金部份之支票預期於二零零六年六月下旬左右以郵遞方式寄予各保華股東，如有郵誤，概由保華股東負責。　閣下當收到將發行錦興股份之有關股票後，可以買賣。錦興債券並無於聯交所或其他證券交易所上市或買賣。

並無本公司之股本或債務證券在任何其他證券交易所上市或買賣，現時亦無申請或建議申請在任何其他證券交易所上市或買賣。

印花稅

分派計劃所產生之印花稅或其他轉讓稅概由本公司承擔。

分派計劃之優點

分派計劃將可為保華股東提供機會變現彼等於中策股份之間接投資，並再投資於錦興之證券，錦興亦為一家於聯交所上市之公司。

推薦意見

選擇全部或部份收取錦興股份另加現金或錦興債券是否對　閣下有利，將視乎　閣下本身之情況而定，就此而作出之決定及由此而引致之後果均須由各保華股東自負責任。**　閣下如對應採取之行動有任何疑問，應立即諮詢　閣下之持牌證券交易商、銀行經理、律理、專業會計師及其他專業顧問。**

此致

本公司列位股東　台照

承董事局命
保華集團有限公司
公司秘書
黃麗堅

二零零六年五月二十九日

此乃要件　請即處理

閣下如對本文件之內容**有任何疑問**，應諮詢　閣下之持牌證券交易商、銀行經理、律師、專業會計師或其他專業顧問。

閣下如已將名下之保華集團有限公司(「本公司」)之股份全部**售出或轉讓**，應立即將本文件送交買主或承讓人或經手買賣之銀行經理、持牌證券交易商或其他代理商，以便轉交買主或承讓人。

香港聯合交易所有限公司(「聯交所」)對本文件之內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不就因本文件全部或任何部份內容而產生或因倚賴該等內容而引致之任何損失承擔任何責任。

保華集團有限公司*

PYI Corporation Limited

(於百慕達註冊成立之有限公司)
(股份代號：498)

周明權 OBE, JP(獨立非執行主席)
劉高原(副主席兼董事總經理)
陳國強(非執行董事)
郭少強(獨立非執行董事)
陳樹堅(獨立非執行董事)

註冊辦事處：
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

香港之主要營業地點：
香港
九龍
觀塘
鴻圖道51號
保華企業中心31樓

敬啟者：

以分派群龍股份價值之方式宣派特別股息

於二零零六年五月八日，本公司公佈，本公司董事會(「董事會」)於二零零六年五年四日舉行之董事會會議上議決透過分派因撤資中策集團有限公司(「中策」)所得價值之方式，宣派特別股息(「特別股息」)予本公司股東(「保華股東」)。

中策早前已完成集團重組，當中涉及以實物分派群龍投資有限公司(「群龍」)股份(「群龍股份」)予於二零零六年五月十九日名列股東名冊之中策股東，基準為每持有1股中策合併股份可獲發1股群龍股份(「中策集團重組」)。於該日，本公司持有中策129,409,897股合併股份，因此可收取129,409,897股群龍股份。錦興集團有限公司(「錦興」)現將按以下基準向群龍股東提出自願性全面收購建議(「群龍收購建議」)，以收購所有群龍股份(不包括威倫有限公司(錦興之全資附屬公司)、其聯繫人士及與其一致行動人士已擁有或同意收購之群龍股份)：

方案一：

每五股群龍股份 ..... 獲一股錦興股份(每股指「錦興股份」)另加現金1.8港元

方案二：

每五股群龍股份 ..... 獲一份由錦興發行，面值為15.0港元之2厘息5年期可換股債券(每份指「錦興債券」)

本公司擬就從中策集團重組中所享有之全部群龍股份接納群龍收購建議。特別股息指本公司接納群龍收購建議所產生之價值分派(「群龍價值分派」)予於二零零六年五月二十六日(星期五)名列本公司股東名冊之保華股東(「分派計劃」)。保華股東每持有500股本公司股份(各稱為「保華股份」)將可收取40股群龍股份應佔之群龍價值分派。本公司已於二零零六年五月二十四日至二零零六年五月二十六日期間(包括首尾兩日)，暫停辦理股東登記手續，期間將不會進行任何股份轉讓。為符合資格收取特別股息，所有股份過戶文

* 僅資識別