



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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Any significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Property, plant and equipment and freehold land, are stated at cost or valuation less accumulated depreciation and amortisation and accumulated impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

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

No amortisation is provided in respect of freehold land.

Amortisation is provided to write off the valuation of leasehold land over the remaining period of the relevant lease using the straight-line method. The valuation of buildings is depreciated, using the straight-line method, over their estimated useful lives of fifty years or the remaining period of the relevant lease, whichever is shorter.

Depreciation is provided so as to write off the cost of items of other property, plant and equipment over their estimated useful lives, using the straight-line method, at rates ranging from 10% to 33 $\frac{1}{3}$ % per annum.

In previous years, motor vehicles, and furniture and fixtures were depreciated at 10% per annum. With effect from 1st April, 2003, they are depreciated at 20% per annum which reflects the Group's previous experience of the useful lives of its assets. The change in depreciation rate has increased the depreciation charge for the year by approximately HK\$15,769,000.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

#### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

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

#### **Investment properties** *(continued)*

Investment properties are stated at open market value at balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment properties revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of revaluation decrease over the balance on the investment properties revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment properties revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is twenty years or less.

#### **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, an associate or a jointly controlled entity at the date of acquisition.

Goodwill arising on acquisition on or after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate and the jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

#### **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, an associate or a jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill will be released to the income statement based on an analysis of the circumstances from which the balance resulted. To the extent that the 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. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying amount of that associate and jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Interests in associates**

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment in the value of individual investments.

**Interests in jointly controlled entities**

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the relevant jointly controlled entities, less any identified impairment loss. The Group's share of the post-acquisition results of jointly controlled entities is included in the consolidated income statement.

**Investments in securities**

Investments in securities are recognised on a trade date basis and are initially measured at cost.

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 year.

**Inventories**

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

**Impairment**

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

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

**Construction contracts**

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred. Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profit less recognised loss exceed progress billings, the excess is shown as amount due from a customer for contract work. Where progress billings exceed contract costs incurred to date plus recognised profit less recognised loss, the excess is shown as amount due to a customer for contract work.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

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

#### **Convertible notes**

Convertible notes are separately disclosed and regarded as debts unless conversion actually occurs. The finance costs recognised in the income statement in respect of the convertible notes are calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible notes for each accounting period.

The costs incurred in connection with the issue of convertible notes are deferred and amortised on a straight-line basis over the terms of the convertible notes, that is from the dates of issue of the notes to their final redemption dates. If any of the notes are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised cost will be charged immediately to the income statement.

#### **Revenue recognition**

Revenue from a fixed price construction contract is recognised on the percentage of completion method, measured by reference to the value of work certified during the year.

Sales of goods are recognised when goods are delivered and title has passed.

Service revenue is recognised when services are rendered.

Sales of securities are recognised when the sale agreement becomes unconditional.

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

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

#### **Capitalisation of borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, 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 capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### **Foreign currencies**

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

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

The tax currently payable is based on taxable profit for the year. 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 amounts 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 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 negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited 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 benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense or capitalised in contracts in progress, where appropriate, as they fall due.

**Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant leases.

**4. TURNOVER AND SEGMENTAL INFORMATION**

Turnover represents the net amounts received and receivable from outside customers for the year and is analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Building construction	2,418,339	407,653
Civil engineering	463,440	123,048
Specialist works	448,849	189,672
Construction materials	3,448	6,192
Property leasing	48,269	13,735
Investment and finance	46,142	22,346
Others	6,179	6,051
	<u>3,434,666</u>	<u>768,697</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 4. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

#### Business segments

For management purposes, the Group's operations are currently organised into seven operating divisions namely building construction, civil engineering, specialist works, construction materials, engineering and infrastructure services, property leasing, and investment and finance. These divisions are the basis on which the Group reports its primary segment information.

Business segment information for the year ended 31st March, 2004 is presented below:

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Property leasing	Investment and finance	Others	Corporate	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>											
External sales	2,418,339	463,440	448,849	3,448	-	48,269	46,142	6,179	-	-	3,434,666
Inter-segment sales	28,713	-	76,384	71,029	-	17,022	800	88	-	(194,036)	-
Total	<u>2,447,052</u>	<u>463,440</u>	<u>525,233</u>	<u>74,477</u>	<u>-</u>	<u>65,291</u>	<u>46,942</u>	<u>6,267</u>	<u>-</u>	<u>(194,036)</u>	<u>3,434,666</u>
<b>RESULT</b>											
Segment result	<u>(8,633)</u>	<u>(5,632)</u>	<u>(4)</u>	<u>(24,923)</u>	<u>-</u>	<u>14,935</u>	<u>57,128</u>	<u>802</u>	<u>-</u>	<u>-</u>	<u>33,673</u>
Release of negative goodwill											53,139
Unallocated corporate expenses											(15,050)
Profit from operations											71,762
Finance costs											(38,722)
Net investment expenses	-	-	-	-	-	(2,152)	11,840	-	(52,871)	-	(43,183)
Deficit arising from revaluation of investment properties	-	-	-	-	-	(14,000)	-	-	-	-	(14,000)
Allowance for amounts due from associates and a related company											(40,985)
Net gain on disposal and dilution of interests in subsidiaries and associates	-	-	-	-	246,653	-	-	-	(163,053)	-	83,600
Share of results of associates	334	(16)	-	1,793	191,879	-	-	-	(37,590)	-	156,400
Share of results of jointly controlled entities	-	9,074	-	-	-	-	-	-	-	-	9,074
Profit before taxation											183,946
Taxation											(53,719)
Profit before minority interests											130,227
Minority interests											(101,295)
Profit for the year											<u>28,932</u>

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

## 4. TURNOVER AND SEGMENTAL INFORMATION (continued)

## Business segments (continued)

	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Construction materials HK\$'000	Engineering and infrastructure services HK\$'000	Property leasing HK\$'000	Investment and finance HK\$'000	Others HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
<b>BALANCE SHEET</b>										
ASSETS										
Segment assets	924,550	450,958	179,949	64,738	-	568,057	798,246	1,169	525,535	3,513,202
Interests in associates	21,019	249	-	4,582	634,941	-	-	-	1,089,698	1,750,489
Interests in jointly controlled entities	-	14,817	-	-	-	-	-	-	-	14,817
Negative goodwill	-	-	-	-	-	-	-	-	(314,540)	(314,540)
Other assets	-	-	-	-	-	-	-	-	18,545	18,545
Total assets	<u>945,569</u>	<u>466,024</u>	<u>179,949</u>	<u>69,320</u>	<u>634,941</u>	<u>568,057</u>	<u>798,246</u>	<u>1,169</u>	<u>1,319,238</u>	<u>4,982,513</u>
LIABILITIES										
Segment liabilities	775,262	297,904	99,633	31,295	-	22,676	1,881	810	268,953	1,498,414
Convertible notes, bank borrowings and other loans	-	-	-	-	-	-	-	-	881,614	881,614
Other liabilities	-	-	-	-	-	-	-	-	53,938	53,938
Total liabilities	<u>775,262</u>	<u>297,904</u>	<u>99,633</u>	<u>31,295</u>	<u>-</u>	<u>22,676</u>	<u>1,881</u>	<u>810</u>	<u>1,204,505</u>	<u>2,433,966</u>
<b>OTHER INFORMATION</b>										
Capital additions	2,374	992	2,975	1,999	-	351	90	-	56,030	64,811
Depreciation and amortisation of property, plant and equipment	22,039	6,415	21,072	6,544	-	11,694	298	3	10,912	78,977
Amortisation of deferred expenditure on issuance of convertible notes	-	-	-	-	-	-	-	-	485	485
Release of negative goodwill	-	-	-	-	-	-	-	-	53,139	53,139
Impairment loss on property interests	-	-	-	-	-	1,496	-	-	-	1,496
Loss on option agreement	-	-	-	-	-	-	-	-	52,871	52,871



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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 4. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

#### Business segments *(continued)*

Business segment information for the year ended 31st March, 2003 is presented below:

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Property leasing	Investment and finance	Others	Corporate	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>(As restated)</b>											
<b>TURNOVER</b>											
External sales	407,653	123,048	189,672	6,192	-	13,735	22,346	6,051	-	-	768,697
Inter-segment sales	543	-	39,807	23,136	-	4,428	829	29	-	(68,772)	-
Total	<u>408,196</u>	<u>123,048</u>	<u>229,479</u>	<u>29,328</u>	<u>-</u>	<u>18,163</u>	<u>23,175</u>	<u>6,080</u>	<u>-</u>	<u>(68,772)</u>	<u>768,697</u>
<b>RESULT</b>											
Segment result	<u>19,956</u>	<u>(40,519)</u>	<u>14,573</u>	<u>(7,244)</u>	<u>-</u>	<u>5,988</u>	<u>66,731</u>	<u>604</u>	<u>-</u>	<u>-</u>	60,089
Release of negative goodwill											18,412
Unallocated corporate expenses											<u>(11,632)</u>
Profit from operations											66,869
Finance costs											<u>(36,680)</u>
Net investment expenses	-	-	-	-	-	-	(20,409)	-	-	-	<u>(20,409)</u>
Share of results of associates	2,004	(9)	-	114	(541)	-	-	-	(345,972)	-	<u>(344,404)</u>
Share of results of jointly controlled entities	-	1,895	-	-	-	-	-	-	-	-	<u>1,895</u>
Loss before taxation											<u>(332,729)</u>
Taxation											<u>(28,019)</u>
Loss before minority interests											<u>(360,748)</u>
Minority interests											<u>2,224</u>
Loss for the year											<u>(358,524)</u>

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

## 4. TURNOVER AND SEGMENTAL INFORMATION (continued)

## Business segments (continued)

	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Construction materials HK\$'000	Engineering and infrastructure services HK\$'000	Property leasing HK\$'000	Investment and finance HK\$'000	Others HK\$'000	Corporate HK\$'000	Consolidated HK\$'000 (As restated)
<b>BALANCE SHEET</b>										
ASSETS										
Segment assets	1,053,076	368,008	193,942	96,312	-	622,262	1,256,831	773	309,482	3,900,686
Interests in associates	43,231	293	-	3,093	649,099	-	-	-	658,911	1,354,627
Interests in jointly controlled entities	-	8,743	-	-	-	-	-	-	-	8,743
Negative goodwill	-	-	-	-	-	-	-	-	(423,474)	(423,474)
Other assets	-	-	-	-	-	-	-	-	10,622	10,622
<b>Total assets</b>	<b>1,096,307</b>	<b>377,044</b>	<b>193,942</b>	<b>99,405</b>	<b>649,099</b>	<b>622,262</b>	<b>1,256,831</b>	<b>773</b>	<b>555,541</b>	<b>4,851,204</b>
LIABILITIES										
Segment liabilities	871,883	298,347	95,744	47,353	-	22,789	1,486	660	37,995	1,376,257
Convertible notes, bank borrowings and other loans	-	-	-	-	-	-	-	-	1,340,644	1,340,644
Other liabilities	-	-	-	-	-	-	-	-	65,668	65,668
<b>Total liabilities</b>	<b>871,883</b>	<b>298,347</b>	<b>95,744</b>	<b>47,353</b>	<b>-</b>	<b>22,789</b>	<b>1,486</b>	<b>660</b>	<b>1,444,307</b>	<b>2,782,569</b>
<b>OTHER INFORMATION</b>										
Capital additions	769	70	182	8,667	-	88	80	-	2,167	12,023
Depreciation and amortisation of property, plant and equipment	4,096	1,605	5,532	1,733	-	3,044	340	6	2,569	18,925
Amortisation of deferred expenditure on issuance of convertible notes	-	-	-	-	-	-	-	-	2,385	2,385
Release of negative goodwill	-	-	-	-	-	-	-	-	18,412	18,412

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 4. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

#### Geographical segments

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	2004 HK\$'000	2003 HK\$'000
Hong Kong	3,341,252	760,602
The People's Republic of China other than Hong Kong (the "PRC")	89,611	4,943
Others	3,803	3,152
	<u>3,434,666</u>	<u>768,697</u>

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 segment assets		Capital additions	
	2004 HK\$'000	2003 HK\$'000 (As restated)	2004 HK\$'000	2003 HK\$'000
Hong Kong	4,205,209	4,036,331	62,677	3,303
The PRC	109,087	116,290	2,118	8,640
Pacific region and South East Asia	636,435	674,946	-	-
Others	31,782	23,637	16	80
	<u>4,982,513</u>	<u>4,851,204</u>	<u>64,811</u>	<u>12,023</u>

### 5. OTHER OPERATING INCOME

	2004 HK\$'000	2003 HK\$'000 (As restated)
Surplus arising from revaluation of land and buildings	273	242
Release of negative goodwill	53,139	18,412
Net gain on disposal of listed other investments	26,643	669
Net unrealised holding gain (loss) on listed other investments	36	(3,049)
Bad debts recovered	-	10,503
Compensation recovered from a default purchaser in respect of disposal of property in previous year	-	57,917
	<u>80,091</u>	<u>84,694</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

## 6. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	2,544	1,081
Cost of inventories recognised as expenses	3,733	3,718
Depreciation and amortisation of property, plant and equipment (note (a) below)	74,969	18,756
Impairment loss on property interests	1,496	–
Loss on disposal of property, plant and equipment	–	2,746
Minimum lease payments under operating leases in respect of:		
Premises	4,096	1,743
Plant and machinery	3,616	262
Staff costs, including directors' emoluments (note (b) below)	128,115	48,004
and after crediting:		
Gain on disposal of property, plant and equipment	3,875	–
Interest income	42,904	19,612
Rental income under operating leases in respect of:		
Premises, net of outgoings of HK\$20,171,000 (2003: HK\$2,512,000)	19,474	9,052
Plant and machinery	385	94

Notes:

	2004 HK\$'000	2003 HK\$'000
(a) Depreciation and amortisation of property, plant and equipment:		
Owned assets	78,977	18,925
Less: Amount capitalised in respect of contracts in progress	(4,008)	(169)
	<u>74,969</u>	<u>18,756</u>
(b) Staff costs, including directors' emoluments:		
Salaries and other benefits	333,511	110,697
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$1,536,000 (2003: HK\$2,241,000)	8,794	1,366
	<u>342,305</u>	<u>112,063</u>
Less: Amount capitalised in respect of contracts in progress	(214,190)	(64,059)
	<u>128,115</u>	<u>48,004</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and the five highest paid individuals for the year are as follows:

#### (a) Directors' emoluments

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Directors' fees:		
– executive	72	84
– independent non-executive	240	240
	<u>312</u>	<u>324</u>
Other emoluments (executive directors):		
– salaries and other benefits	13,888	11,824
– discretionary bonus	16,400	–
– retirement benefit scheme contributions	1,139	829
	<u>31,427</u>	<u>12,653</u>
	<u><u>31,739</u></u>	<u><u>12,977</u></u>

Emoluments of the directors were within the following bands:

	2004 <i>Number of directors</i>	2003 <i>Number of directors</i>
Nil to HK\$1,000,000	5	5
HK\$1,500,001 to HK\$2,000,000	–	4
HK\$2,500,001 to HK\$3,000,000	1	2
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$8,000,001 to HK\$8,500,000	3	–
	<u><u>3</u></u>	<u><u>–</u></u>

#### (b) Employees' emoluments

The five highest paid individuals in the Group for the year ended 31st March, 2004 included four directors and one employee (2003: five directors) and information regarding their emoluments are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees	40	50
Salaries and other benefits	13,787	10,173
Discretionary bonus	16,200	–
Retirement benefit scheme contributions	1,144	730
	<u>31,171</u>	<u>10,953</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2004

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

Emoluments of the five highest paid individuals were within the following bands:

	<b>2004</b> <i>Number of employees</i>	2003 <i>Number of employees</i>
HK\$1,500,001 to HK\$2,000,000	–	3
HK\$2,500,001 to HK\$3,000,000	–	2
HK\$3,000,001 to HK\$3,500,000	2	–
HK\$8,000,001 to HK\$8,500,000	<b>3</b>	–

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

**8. FINANCE COSTS**

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Amortisation of deferred expenditure on issuance of convertible notes	<b>485</b>	2,385
Interest payable on:		
Bank borrowings wholly repayable within five years	<b>14,467</b>	4,394
Bank borrowings not wholly repayable within five years	–	276
Convertible notes	<b>19,152</b>	27,247
Other borrowings wholly repayable within five years	<b>8,454</b>	2,817
Other finance charges	<b>1,218</b>	274
	<b>43,776</b>	37,393
Less: Amount capitalised in respect of contracts in progress	<b>(5,054)</b>	(713)
	<b>38,722</b>	36,680

**9. NET INVESTMENT EXPENSES**

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Gain on disposal of investment securities	<b>17,180</b>	–
Impairment loss on investment securities	<b>(5,340)</b>	(20,410)
(Loss) gain on disposal of investment properties	<b>(2,152)</b>	1
Loss on option agreement	<b>(52,871)</b>	–
	<b>(43,183)</b>	(20,409)

**10. NET GAIN ON DISPOSAL AND DILUTION OF INTERESTS IN SUBSIDIARIES AND ASSOCIATES**

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Loss on disposal and dilution of interests in subsidiaries	<b>(104,961)</b>	–
Gain on disposal of interests in associates	<b>221,355</b>	–
Loss on dilution of interests in associates	<b>(32,794)</b>	–
	<b>83,600</b>	–

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 11. TAXATION

	2004 HK\$'000	2003 HK\$'000 (As restated)
Hong Kong Profits Tax		
Current year	–	176
Underprovision in previous years	<u>166</u>	<u>–</u>
	166	176
Overseas taxation	<u>3,322</u>	<u>1</u>
	3,488	177
Deferred tax <i>(note 34)</i>		
Effect on change in tax rate	–	3,483
Credit for the year	<u>(6,832)</u>	<u>(1,199)</u>
	(6,832)	2,284
Taxation attributable to the Company and its subsidiaries	<u>(3,344)</u>	<u>2,461</u>
Share of taxation attributable to associates	<u>57,063</u>	<u>25,558</u>
	<u>53,719</u>	<u>28,019</u>

Hong Kong Profits Tax is calculated at the rate of 17.5% (2003: 16%) of the estimated assessable profit for the year. The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment.

No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

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

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

	2004 HK\$'000	2003 HK\$'000
Profit (loss) before taxation	<u>183,946</u>	<u>(332,729)</u>
Tax at the Hong Kong Profits Tax rate of 17.5% (2003: 16%)	32,190	(53,237)
Tax effect of expenses not deductible for tax purposes	41,308	10,626
Tax effect of income not taxable for tax purposes	(59,856)	(14,409)
Tax effect of deductible temporary differences not recognised	245	347
Tax effect of utilisation of deductible temporary differences previously not recognised	(8,219)	–
Tax effect of tax losses not recognised	39,757	6,240
Tax effect of utilisation of tax losses previously not recognised	(19,981)	(10,528)
Tax effect of different tax rates of associates and jointly controlled entities operating in other jurisdictions	28,109	85,497
Increase in opening deferred tax liabilities resulting from an increase in applicable tax rate	–	3,483
Underprovision in prior year	<u>166</u>	<u>–</u>
Tax charge for the year	<u>53,719</u>	<u>28,019</u>

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

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

FOR THE YEAR ENDED 31ST MARCH, 2004

**12. DIVIDENDS**

The directors do not recommend the payment of a dividend to ordinary shareholders for the year ended 31st March, 2004.

Preference share dividend on the 267,980,000 compulsorily convertible cumulative preference shares at HK\$0.069 per share per annum has not been accrued for the year in the financial statements.

**13. EARNINGS (LOSS) PER SHARE**

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i> (As restated)
Profit (loss) for the year	<b>28,932</b>	(358,524)
Dividend for preference shares	<b>(18,491)</b>	(18,491)
Profit (loss) for the purposes of basic earnings (loss) per share	<b>10,441</b>	(377,015)
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	<b>(2,963)</b>	(1,370)
Profit (loss) for the purposes of diluted earnings (loss) per share	<b>7,478</b>	(378,385)
	<b>2004</b> <b>Number</b> <b>of shares</b>	2003 <i>Number</i> <i>of shares</i>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<b>636,379,717</b>	630,960,774

For the year ended 31st March, 2004, the convertible notes and compulsorily convertible cumulative preference shares are anti-dilutive as the exercise of these convertible notes and compulsorily convertible cumulative preference shares resulted in an increase in earnings per share (2003: a decrease in loss per share).

The adjustment to comparative basic and diluted loss per share, arising from the changes in accounting policy shown in note 2 above, is as follows:

	Basic <i>HK\$</i>	Diluted <i>HK\$</i>
Reconciliation of 2003 loss per share:		
Reported figures before adjustments	(0.59)	(0.59)
Adjustment arising from the adoption of SSAP 12 (Revised)	(0.01)	(0.01)
Restated	<b>(0.60)</b>	<b>(0.60)</b>



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

FOR THE YEAR ENDED 31ST MARCH, 2004

**14. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings <i>HK\$'000</i>	Plant, machinery and office equipment <i>HK\$'000</i>	Motor vehicles and vessels <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>					
<b>COST OR VALUATION</b>					
At 1st April, 2003	255,914	441,325	72,690	142,076	912,005
Translation adjustments	2,478	37	90	128	2,733
On acquisition of subsidiaries	–	–	53,758	74	53,832
Additions	141	3,926	3,385	3,527	10,979
Disposals	(15,622)	(30,872)	(29,781)	(6,932)	(83,207)
Written back on revaluation	(10)	–	–	–	(10)
	<u>242,901</u>	<u>414,416</u>	<u>100,142</u>	<u>138,873</u>	<u>896,332</u>
At 31st March, 2004					
Comprising:					
At cost	–	414,416	100,142	138,873	653,431
At directors' valuation – 2004	727	–	–	–	727
At valuation – 2004	<u>242,174</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>242,174</u>
	<u>242,901</u>	<u>414,416</u>	<u>100,142</u>	<u>138,873</u>	<u>896,332</u>
<b>DEPRECIATION AND AMORTISATION</b>					
At 1st April, 2003	–	310,826	43,507	68,341	422,674
Translation adjustments	–	32	79	112	223
Provided for the year	5,263	39,407	11,557	22,750	78,977
Eliminated on disposals	(20)	(26,262)	(21,516)	(4,875)	(52,673)
Written back on revaluation	(5,243)	–	–	–	(5,243)
	<u>–</u>	<u>324,003</u>	<u>33,627</u>	<u>86,328</u>	<u>443,958</u>
At 31st March, 2004					
<b>NET BOOK VALUES</b>					
At 31st March, 2004	<u>242,901</u>	<u>90,413</u>	<u>66,515</u>	<u>52,545</u>	<u>452,374</u>
At 31st March, 2003	<u>255,914</u>	<u>130,499</u>	<u>29,183</u>	<u>73,735</u>	<u>489,331</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2004

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

Land and buildings of the Group were revalued either by RHL Appraisal Ltd., an independent professional property valuer on an open market value basis or by the directors of the Group on an existing use basis as at 31st March, 2004. This revaluation gave rise to a surplus on revaluation of HK\$5,233,000 (2003: HK\$1,490,000) of which HK\$273,000 (2003: HK\$242,000), HK\$2,731,000 (2003: HK\$805,000) and HK\$2,229,000 (2003: HK\$443,000) has been credited to the income statement, properties revaluation reserve and shared by the minority shareholders of a subsidiary of the Company respectively.

The net book values of land and buildings held by the Group as at the balance sheet date comprised:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Freehold properties in Canada	<b>21,574</b>	19,087
Long term leasehold properties in the PRC	<b>141</b>	2,623
Medium term leasehold properties in:		
Hong Kong	<b>220,600</b>	233,600
The PRC	<b>586</b>	604
	<b><u>242,901</u></b>	<u>255,914</u>

As at 31st March, 2004, had the Group's land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value would have been approximately HK\$240,407,000 (2003: HK\$258,155,000).

**15. INVESTMENT PROPERTIES**

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<b>VALUATION</b>		
At 1st April	<b>572,608</b>	1,125
Transfer from deposits and prepayments	<b>5,600</b>	–
On acquisition of subsidiaries	–	572,608
Disposals	<b>(49,208)</b>	(1,125)
Deficit arising on revaluation	<b>(14,000)</b>	–
At 31st March	<b><u>515,000</u></b>	<u>572,608</u>

The Group's investment properties are held for rental purposes under operating leases.

The investment properties situated in Hong Kong held under medium term leases were revalued on 31st March, 2004, on an open market value basis, by RHL Appraisal Ltd., an independent professional property valuer. The valuation attributable to these investment properties amounted to approximately HK\$455,000,000 and no surplus or deficit arose on revaluation of these properties.

The Group's investment properties situated in Hong Kong held under long lease were revalued by the directors at approximately HK\$60,000,000 with reference to the value as quoted in the sale and purchase agreement. The deficit arose on revaluation of these properties amounted to HK\$14,000,000 were charged to the income statement.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

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

The carrying amount of investment properties held by the Group as at the balance sheet date comprises the following:

	2004 HK\$'000	2003 HK\$'000
Long-term leasehold properties in Hong Kong	60,000	74,000
Medium-term leasehold properties in:		
Hong Kong	455,000	455,000
The PRC	–	43,608
	<u>515,000</u>	<u>572,608</u>

### 16. NEGATIVE GOODWILL

	THE GROUP HK\$'000
<b>GROSS AMOUNT</b>	
At 1st April, 2003	
– as previously reported	455,535
– prior period adjustment ( <i>note 2</i> )	<u>(11,608)</u>
– as restated	443,927
Eliminated on disposal and dilution of interests in subsidiaries	<u>(64,736)</u>
At 31st March, 2004	<u>379,191</u>
<b>RELEASED TO INCOME</b>	
At 1st April, 2003	
– as previously reported	20,955
– prior period adjustment ( <i>note 2</i> )	<u>(502)</u>
– as restated	20,453
Released on disposal and dilution of interests in subsidiaries	<u>(8,941)</u>
Released in the year	<u>53,139</u>
At 31st March, 2004	<u>64,651</u>
<b>CARRYING AMOUNTS</b>	
At 31st March, 2004	<u>314,540</u>
At 31st March, 2003 (As restated)	<u>423,474</u>

The negative goodwill is released to income statement over a period of eight years.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

**17. INTERESTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	<b>2,677,178</b>	2,910,837
	<b>2,677,179</b>	2,910,838
Less: Allowances for amounts due from subsidiaries	<b>(957,929)</b>	(960,877)
	<b>1,719,250</b>	1,949,961

Particulars of the Company's principal subsidiaries as at 31st March, 2004 are set out in note 47.

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Of these amounts, an amount of approximately HK\$2,420,866,000 (2003: HK\$2,651,577,000) bears interest at commercial rates and the remaining balance is interest-free. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

**18. INTERESTS IN ASSOCIATES**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
		(As restated)
Share of net assets of associates:		
Listed in Hong Kong	<b>920,360</b>	503,820
Listed overseas	<b>552,433</b>	652,590
Unlisted	<b>23,828</b>	(2,986)
Goodwill ( <i>note a</i> )	<b>245,323</b>	554
Negative goodwill ( <i>note b</i> )	<b>(17,855)</b>	(17,262)
	<b>1,724,089</b>	1,136,716
Amounts due from associates ( <i>note h</i> )	<b>26,400</b>	217,911
	<b>1,750,489</b>	1,354,627
Market value of listed securities:		
Hong Kong	<b>286,319</b>	42,075
Overseas	<b>1,158,296</b>	964,965
	<b>1,444,615</b>	1,007,040

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

FOR THE YEAR ENDED 31ST MARCH, 2004

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

Notes:

(a) Movement of goodwill is analysed as follows:

	<i>HK\$'000</i>
Cost	
At 1st April, 2003	196,039
Arising from acquisition of additional interests in associates	313,131
Eliminated on disposal and dilution of interests in associates	<u>(248,355)</u>
At 31st March, 2004	<u>260,815</u>
Amortisation and impairment	
At 1st April, 2003	195,485
Charge for the year	17,601
Eliminated on disposal and dilution of interests in associates	<u>(197,594)</u>
At 31st March, 2004	<u>15,492</u>
Net book values	
At 31st March, 2004	<u><u>245,323</u></u>
At 31st March, 2003	<u><u>554</u></u>

The goodwill is amortised over a period of ten to twenty years.

(b) Movement of negative goodwill is analysed as follows:

	<i>HK\$'000</i>
Gross amount	
At 1st April, 2003	
– as previously reported	18,217
– prior period adjustment ( <i>note 2</i> )	<u>35</u>
– as restated	18,252
Arising from acquisition of additional interests in associates	4,541
Eliminated on dilution of interests in associates	<u>(3,206)</u>
At 31st March, 2004	<u>19,587</u>
Released to income	
At 1st April, 2003	
– as previously reported	988
– prior period adjustment ( <i>note 2</i> )	<u>2</u>
– as restated	990
Released in the year	996
Released on dilution of interests in associates	<u>(254)</u>
At 31st March, 2004	<u>1,732</u>
Carrying amounts	
At 31st March, 2004	<u><u>17,855</u></u>
At 31st March, 2003 (As restated)	<u><u>17,262</u></u>

The negative goodwill is released to income statement over a period of twenty years.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

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

- (c) The Group's equity interest in Hanny Holdings Limited ("Hanny") was diluted from 28.26% at the beginning of the year to 24.55% at the end of the year. Extracts of the consolidated results and financial position of Hanny from its audited financial statements for the year ended 31st March, 2004 are set out in note 48.
- (d) Following a placement of shares by SMI Corporation Limited ("SMI", formerly known as Star East Holdings Limited) on 19th December, 2003, the Group's equity interest in SMI was diluted to less than 20% and the Group is no longer in a position to exercise significant influence over SMI such that the carrying amount of the Group's investment in SMI has been recorded as cost and dealt with in accordance with the Group's accounting policy for investment securities.
- (e) During the year, the Group's equity interest through Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC"), a subsidiary of the Company, in China Strategic Holdings Limited ("China Strategic") increased from 14.55% to 29.36%. Accordingly, the investment has been reclassified from investments in securities to interests in associates during the year.
- (f) Downer EDI Limited ("Downer"), an associate of the Group, is a company listed in Australia and New Zealand and its financial year end date is 30th June. Since only published financial information of Downer was available and used by the Group in applying the equity method, the Group's share of interest in Downer at 31st March, 2004 is calculated based on the net assets of Downer at 31st December, 2003 and the results from 1st January, 2003 to 31st December, 2003 whilst the Group's share of interest in Downer at 31st March, 2003 was calculated based on the net assets of Downer at 31st December, 2002. Extracts of the published consolidated results and financial position of Downer for the year ended 31st December, 2003 are set out in note 48.

Paul Y. - ITC has not accounted for its share of losses of Downer amounting to HK\$123,711,000 as those losses arise on a contract are recoverable in full under guarantees provided by an ex-shareholder of Downer. Paul Y. - ITC proceeded a court action against the ex-shareholder to recover the losses together with interest and other expenses incurred. The directors of Paul Y. - ITC, having taken legal advice, believe that the suit is valid and the losses can be fully recovered from the ex-shareholder.

During the year, Paul Y. - ITC entered into a deed of settlement with Downer whereby Paul Y. - ITC agreed to settle the net amount, including those losses arising on the aforesaid contract, payable to Downer. Accordingly, the net amount payable to Downer has been included in amounts due to associates and an amount of approximately HK\$123,711,000 to be recovered from the ex-shareholder of Downer has been included in debtors, deposits and prepayments at 31st March, 2004.

- (g) China Strategic is a company listed on the Hong Kong Stock Exchange and its financial year end date is 31st December. Since only published financial information of China Strategic was available and used by the Group in applying the equity method, the Group's share of interest in China Strategic at 31st March, 2004 is calculated based on the net assets of China Strategic at 31st December, 2003 and the results from the date China Strategic became an associate of the Group to 31st December, 2003. Extracts of the consolidated results and financial position of China Strategic from its audited financial statements for the year ended 31st December, 2003 are set out in note 48.
- (h) The amounts due from associates are unsecured. Of these amounts, an amount of approximately HK\$26,400,000 (2003: HK\$214,603,000) bears interest at commercial rate and the remaining balance is interest-free. In the opinion of the directors, the amount will not be repayable within twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

Particulars of the Group's principal associates as at 31st March, 2004 are set out in note 47.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	12,817	3,743
Amount due from a jointly controlled entity	2,000	5,000
	<u>14,817</u>	<u>8,743</u>

The amount due from a jointly controlled entity is unsecured and interest-free. In the opinion of the directors, the amount will not be repayable within twelve months from the balance sheet date. Accordingly, the amount is shown as non-current.

Particulars of the Group's jointly controlled entities as at 31st March, 2004 are set out in note 47.

### 20. INVESTMENTS IN SECURITIES

#### THE GROUP

	Investment securities		Other investments		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Listed equity securities:						
– Hong Kong	9,401	658,457	39,374	26,527	48,775	684,984
– Elsewhere	1,481	3,623	–	–	1,481	3,623
	<u>10,882</u>	<u>662,080</u>	<u>39,374</u>	<u>26,527</u>	<u>50,256</u>	<u>688,607</u>
Other unlisted investments	–	–	5,035	5,035	5,035	5,035
Unlisted club debentures	–	–	8,977	8,977	8,977	8,977
	<u>–</u>	<u>–</u>	<u>8,977</u>	<u>8,977</u>	<u>8,977</u>	<u>8,977</u>
Total	<u>10,882</u>	<u>662,080</u>	<u>53,386</u>	<u>40,539</u>	<u>64,268</u>	<u>702,619</u>
Market value of listed securities	<u>13,971</u>	<u>22,877</u>	<u>39,374</u>	<u>26,527</u>	<u>53,345</u>	<u>49,404</u>
Carrying amount analysed for reporting purposes as:						
Current	–	–	39,374	26,527	39,374	26,527
Non-current	10,882	662,080	14,012	14,012	24,894	676,092
	<u>10,882</u>	<u>662,080</u>	<u>53,386</u>	<u>40,539</u>	<u>64,268</u>	<u>702,619</u>

### 21. CONVERTIBLE NOTES RECEIVABLE

The convertible notes were guaranteed by a company with its shares listed on the Hong Kong Stock Exchange (the "Guarantor"), bore interest at 5% per annum and would be matured on 29th August, 2005. During the year, the convertible notes were converted by the Group into shares of the Guarantor at a specified price and were disposed of at market value.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

**22. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS**

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred to date	35,203,304	32,580,432
Recognised profits less recognised losses	<u>862,708</u>	<u>865,832</u>
	36,066,012	33,446,264
Less: Progress billings	<u>(36,248,942)</u>	<u>(33,740,185)</u>
	<u>(182,930)</u>	<u>(293,921)</u>
Analysed for reporting purposes are:		
Amounts due from customers for contract works included in current assets	273,210	200,934
Amounts due to customers for contract works included in current liabilities	<u>(456,140)</u>	<u>(494,855)</u>
	<u>(182,930)</u>	<u>(293,921)</u>

At 31st March, 2004, retentions held by customers for contract works included in debtors, deposits and prepayments amounted to approximately HK\$369,983,000 (2003: HK\$367,453,000).

**23. DEBTORS, DEPOSITS AND PREPAYMENTS**

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$503,395,000 (2003: HK\$482,111,000) and their aged analysis at the balance sheet date is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Trade debtors		
0-30 days	403,517	400,424
31-60 days	29,584	5,724
61-90 days	2,750	5,224
Over 90 days	<u>67,544</u>	<u>70,739</u>
	<u>503,395</u>	<u>482,111</u>

The Group's credit terms for its contracting business are negotiated with, and entered into under, normal commercial terms with its trade customers. Trade debtors arise from property leasing business are payable monthly in advance and the credit terms granted by the Group to other trade debtors normally range from 30 days to 90 days.

**24. AMOUNTS DUE FROM ASSOCIATES**

The amounts due from associates of the Group are unsecured and repayable within one year. Of these amounts, an amount of approximately HK\$324,028,000 (2003: HK\$86,851,000) bears interest at commercial rates and the remaining balance is interest-free.



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

FOR THE YEAR ENDED 31ST MARCH, 2004

**25. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES**

The amounts due from jointly controlled entities of Group are unsecured, interest-free and have no fixed terms of repayment.

**26. AMOUNTS DUE FROM RELATED COMPANIES**

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
China Velocity Group Limited (formerly known as Rosedale Hotel Group Limited) and its subsidiaries	–	131,546
China Strategic and its subsidiaries	–	158,093
Associates of China Strategic	89,935	–
Other related companies	289	10,209
	<b>90,224</b>	<b>299,848</b>

The Group has either indirect beneficial interests or common directors in the above related companies.

The amounts are unsecured and repayable within one year. Of the amounts, an amount of approximately HK\$86,881,000 (2003: HK\$278,380,000) bears interest at commercial rates and the remaining balance is interest-free. Details of the transactions and balances with related companies are set out in note 46.

**27. LOANS RECEIVABLE**

The amounts are receivable within one year except for HK\$50,000,000 (2003: Nil) which is receivable after one year. Of the Group's amounts, amounts of approximately HK\$246,215,000 (2003: HK\$20,898,000) bear interest at commercial rates and the remaining balance is interest-free.

As at 31st March, 2003, the Company's loan receivable bore interest at commercial rates.

**28. CREDITORS AND ACCRUED EXPENSES**

Included in creditors and accrued expenses are trade payables of approximately HK\$354,324,000 (2003: HK\$326,987,000) and their aged analysis at the balance sheet date is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Trade creditors		
0-30 days	315,826	273,309
31-60 days	18,742	24,780
61-90 days	1,476	9,342
Over 90 days	18,280	19,556
	<b>354,324</b>	<b>326,987</b>

**29. AMOUNTS DUE TO ASSOCIATES/JOINTLY CONTROLLED ENTITIES/RELATED COMPANIES**

The balances of the Group are unsecured, interest-free and have no fixed terms of repayment, except for an amount due to an associate of HK\$92,000,000 under a deed of settlement which is repayable in April 2004.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

## 30. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Convertible notes due 2006 (note)	289,500	392,500
Less: Unamortised deferred expenditure	(450)	(701)
	<u>289,050</u>	<u>391,799</u>

Note:

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 9th October, 2002, the Company issued on 3rd March, 2003 HK\$250,000,000 and HK\$142,500,000 convertible notes to Dr. Chan Kwok Keung, Charles, a director and a substantial shareholder of the Company, and independent investors by way of subscription and placement, respectively.

The notes bear interest at the best lending rate of Hong Kong dollar quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Best Lending Rate") and payable semi-annually in arrears.

All the noteholders have an option to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK\$0.30 per ordinary share, subject to adjustment, on or before 3rd March, 2006. The ordinary shares to be issued upon such conversion are to rank pari passu in all respects with the ordinary shares of the Company in issue on the relevant conversion date.

On 7th January, 2004, HK\$7,000,000 convertible notes were converted into 23,333,333 ordinary shares of the Company at HK\$0.30 per ordinary share. On 27th February, 2004, HK\$96,000,000 convertible notes were redeemed by the Company pursuant to redemption agreements dated 16th January, 2004 (the "Redemption") and the Redemption was approved by the disinterested shareholders at a special general meeting of the Company held on 25th February, 2004.

## 31. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank borrowings comprise:				
Mortgage loans	364,000	446,135	-	-
Bank loans	180,000	290,000	-	-
Trust receipt loans	-	23,358	-	-
Bank overdrafts	31,247	45,535	-	9,936
	<u>575,247</u>	<u>805,028</u>	<u>-</u>	<u>9,936</u>
Analysed as:				
Secured	558,199	736,354	-	-
Unsecured	17,048	68,674	-	9,936
	<u>575,247</u>	<u>805,028</u>	<u>-</u>	<u>9,936</u>
The bank borrowings are repayable as follows:				
Within one year or on demand	58,247	167,853	-	9,936
More than one year, but not exceeding two years	217,000	30,900	-	-
More than two years, but not exceeding five years	300,000	578,700	-	-
More than five years	-	27,575	-	-
	<u>575,247</u>	<u>805,028</u>	<u>-</u>	<u>9,936</u>
Less: Amounts due within one year or on demand shown under current liabilities	(58,247)	(167,853)	-	(9,936)
Amounts due after one year	<u>517,000</u>	<u>637,175</u>	<u>-</u>	<u>-</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2004

**32. OTHER LOANS**

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Secured loans	-	60,000	-	-
Unsecured loans	<u>17,317</u>	<u>83,817</u>	<u>17,317</u>	<u>83,817</u>
	<u>17,317</u>	<u>143,817</u>	<u>17,317</u>	<u>83,817</u>
The other loans are repayable as follows:				
Within one year or on demand	17,317	77,317	17,317	17,317
More than one year, but not exceeding two years	<u>-</u>	<u>66,500</u>	<u>-</u>	<u>66,500</u>
	17,317	143,817	17,317	83,817
Less: Amounts due within one year or on demand shown under current liabilities	<u>(17,317)</u>	<u>(77,317)</u>	<u>(17,317)</u>	<u>(17,317)</u>
Amounts due after one year	<u>-</u>	<u>66,500</u>	<u>-</u>	<u>66,500</u>

The loans bear interest at commercial rates.

**33. PROVISION FOR LONG SERVICE PAYMENTS**

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
At 1st April	1,727	-
On acquisition of subsidiaries	<u>-</u>	<u>1,727</u>
At 31st March	<u>1,727</u>	<u>1,727</u>

The provision represents long service payments made in respect of qualified employees of the Group pursuant to the requirements under the Employment Ordinance.

**34. DEFERRED TAX**

THE GROUP	2004	2003
	HK\$'000	HK\$'000 (As restated)
Deferred tax liabilities	(52,882)	(61,165)
Deferred tax assets	<u>2,714</u>	<u>4,165</u>
	<u>(50,168)</u>	<u>(57,000)</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

## 34. DEFERRED TAX (continued)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK\$'000	Undistributed earnings of an associate HK\$'000	Tax losses HK\$'000	Recognition of contracting income HK\$'000	Others HK\$'000	Total HK\$'000
At 1st April, 2002						
- As previously reported	-	-	-	-	-	-
- Prior period adjustment (note 2)	546	-	(546)	-	-	-
- As restated	546	-	(546)	-	-	-
Acquisition of subsidiaries (as restated)	46,265	28,101	(14,306)	(3,135)	(2,210)	54,715
(Credit) charge to income statement	(7,724)	1,816	2,953	(424)	2,180	(1,199)
Effect on change in tax rate	3,035	-	(27)	226	249	3,483
Realised on dilution of interest in an associate	-	(204)	-	-	-	(204)
Exchange differences	-	205	-	-	-	205
At 31st March, 2003	42,122	29,918	(11,926)	(3,333)	219	57,000
(Credit) charge to income statement	(9,557)	11,056	3,075	(93)	(204)	4,277
Effect of change in tax rate	60	-	(60)	-	-	-
Realised on dilution of interest in an associate	-	(19,799)	-	-	-	(19,799)
Exchange differences	-	8,690	-	-	-	8,690
At 31st March, 2004	32,625	29,865	(8,911)	(3,426)	15	50,168

At the balance sheet date, the Group has unused tax losses of approximately HK\$1,403,000,000 (2003: HK\$1,307,000,000) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately HK\$49,000,000 (2003: HK\$66,000,000) of such losses. No deferred tax asset in respect of the remaining tax losses has been recognised due to the unpredictability of future profit streams.

## THE COMPANY

At the balance sheet date, the Company has unused tax losses of approximately HK\$161,000,000 (2003: HK\$150,000,000). No deferred tax asset has been recognised in relation to such assets due to the unpredictability of future profit streams.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 35. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2002	2,000,000,000	200,000
Increase during the year ( <i>note a</i> )	<u>1,000,000,000</u>	<u>100,000</u>
At 31st March, 2003 and 2004	<u>3,000,000,000</u>	<u>300,000</u>
Compulsorily convertible cumulative preference shares of HK\$0.10 each		
At 1st April, 2002, 31st March, 2003 and 31st March, 2004	<u>280,000,000</u>	<u>28,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2002 and 31st March, 2003	630,960,774	63,096
Conversion of convertible notes ( <i>note b</i> )	<u>23,333,333</u>	<u>2,333</u>
At 31st March, 2004	<u>654,294,107</u>	<u>65,429</u>
Compulsorily convertible cumulative preference shares of HK\$0.10 each		
At 1st April, 2002, 31st March, 2003 and 31st March, 2004	<u>267,980,000</u>	<u>26,798</u>

*Notes:*

- (a) On 9th October, 2002, the authorised ordinary share capital of the Company was increased from HK\$200,000,000 to HK\$300,000,000 by the creation of 1,000,000,000 ordinary shares of HK\$0.10 each.
- (b) On 7th January, 2004, 23,333,333 ordinary shares of the Company of HK\$0.10 each were issued upon conversion of the convertible notes in the principal amount of HK\$7,000,000 at the conversion price of HK\$0.30 per ordinary share. The ordinary shares issued by the Company ranked pari passu with the then existing ordinary shares of the Company in all respects.

The preference shares are non-voting, non-redeemable and are entitled to a cumulative dividend of HK\$0.069 per share per annum. The preference shares rank in priority to the ordinary shares in the Company as to dividends and return of capital. The preference shares are convertible into ordinary shares of the Company at the option of the holders at any time. However, the preference shares are subject to compulsory conversion at the option of the Company in any of the following cases:

- the closing price of the ordinary shares in the Company on the Hong Kong Stock Exchange is 125% or more of the adjusted conversion value of HK\$21.20, subject to further adjustments, for twenty consecutive trading days; or
- there are less than 50,000,000 preference shares in issue.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 36. SHARE OPTIONS

#### (a) Share options of the Company

The Company adopted a share option scheme (the "ITC Scheme") on 16th January, 2002 (the "Adoption Date") for the purpose of providing incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Company. The board of directors of the Company may in its absolute discretion, subject to the terms of the ITC Scheme, grant options to any employees (including directors) of the Company and its subsidiaries to subscribe for ordinary shares of the Company.

The maximum number of ordinary shares which may be issued upon the exercise of all options to be granted under the ITC Scheme and any other share option scheme(s) adopted by the Company must not in aggregate exceed 10% of the total number of issued ordinary shares of the Company as at the Adoption Date. The total number of ordinary shares available for issue under the ITC Scheme was 63,096,077 representing approximately 9.64% of the aggregate number of issued ordinary shares of the Company as at the date of this report.

Unless approved by the shareholders of the Company in general meeting, the total number of ordinary shares of the Company issued and to be issued upon exercise of the options granted and to be granted (whether exercised, cancelled or outstanding) under the ITC Scheme and any other share option scheme(s) of the Company to any eligible person in any 12-month period expiring on the date of offer shall not exceed 1% of the total number of the Company's ordinary shares in issue from time to time.

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

The exercise price of the options will be determined by the directors of the Company (subject to adjustments as provided in the rules of the ITC Scheme) which shall be at least the higher of (i) the nominal value of the ordinary shares of the Company; (ii) the closing price of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer, which must be a business day; and (iii) the average of the closing price of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer.

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

As at 31st March, 2004 and 2003, there were no outstanding share options granted by the Company pursuant to the ITC Scheme. No share options were granted, exercised, cancelled or lapsed during current and prior year.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

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

#### (b) Share options of Paul Y. - ITC

##### (i) Initial Share Option Scheme of Paul Y. - ITC

In accordance with the Paul Y. - ITC's share option scheme (the "Paul Y. - ITC Initial Scheme") which was adopted on 1st September, 1993 for recognition of past services contributed by the eligible directors and employees, and expired on 31st August, 2003, the directors of Paul Y. - ITC may at their discretion grant options to any directors or full time employees of Paul Y. - ITC or any of its subsidiaries ("Paul Y. - ITC Group") to subscribe for shares in Paul Y. - ITC.

The maximum number of shares in respect of which options may be granted under the Paul Y. - ITC Initial Scheme was not permitted to exceed 10% of the issued share capital of Paul Y. - ITC from time to time.

No option may be granted to any individual under the Paul Y. - ITC Initial Scheme which, if exercised in full, would result in the total number of shares of Paul Y. - ITC already issued and issuable under all the options previously granted and to be granted to him which were for the time being subsisting and unexercised exceed 25% of the aggregate number of shares of Paul Y. - ITC for the time being issued and issuable under the Paul Y. - ITC Initial Scheme.

The offer of a grant of options may be accepted within 28 days from the date of offer of options, upon payment of a consideration of HK\$1.00 by the grantee. In each grant of options, the directors of Paul Y. - ITC may at their discretion determine the specific exercise period and in any event such period of time should not exceed a period of three years commencing on the expiry of six months after the date of acceptance of options. The exercise price was determined by the directors of Paul Y. - ITC, and would not be less than the higher of the nominal value of the shares of Paul Y. - ITC, and 80% of the average closing prices of the shares of Paul Y. - ITC on the five trading days immediately preceding the date of offer of options.

The following table discloses details of Paul Y. - ITC's share options under the Paul Y. - ITC Initial Scheme and movements in such holdings during both years:

Date of grant	Exercise price per share HK\$	Number of shares of Paul Y. - ITC to be issued upon exercise of the share options				
		Balance at 1.4.2002	Lapsed during the year	Balance at 31.3.2003	Lapsed during the year	Balance at 31.3.2004
18th December, 1998	0.6048	38,349,206	(38,349,206)	-	-	-
17th December, 1999	0.5552	16,100,000	-	16,100,000	(16,100,000)	-
		<u>54,449,206</u>	<u>(38,349,206)</u>	<u>16,100,000</u>	<u>(16,100,000)</u>	<u>-</u>

All options granted under the Paul Y. - ITC Initial Scheme were lapsed during the year ended 31st March, 2004.

##### (ii) New Share Option Scheme of Paul Y. - ITC

On 27th August, 2002, Paul Y. - ITC adopted a new share option scheme (the "Paul Y. - ITC New Scheme") for the purpose of providing incentive or reward to any employees, executives or officers, directors of the Paul Y. - ITC Group or any invested entity and any celebrity, consultant, adviser or agent of any member of the Paul Y. - ITC Group or any invested entity, who have contributed or will contribute to the growth and development of the Paul Y. - ITC Group or any invested entity (the "Eligible Person"). The Paul Y. - ITC New Scheme will remain in force for a period of ten years from that date.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

**36. SHARE OPTIONS** *(continued)***(b) Share options of Paul Y. - ITC** *(continued)**(ii) New Share Option Scheme of Paul Y. - ITC (continued)*

Under the Paul Y. - ITC New Scheme, the directors of Paul Y. - ITC may at their discretion grant options to any Eligible Person to subscribe for shares in Paul Y. - ITC without consideration. The directors of Paul Y. - ITC may at their discretion determine the specific exercise period which should expire in any event no later than ten years from date of adoption of the Paul Y. - ITC New Scheme. The exercise price is determined by the directors of Paul Y. - ITC and will be at least the higher of (i) the subscription price as is permissible under the Listing Rules from time to time; and (ii) the nominal value of Paul Y. - ITC's share.

The maximum number of shares may be issued upon the exercise of all options to be granted under the Paul Y. - ITC New Scheme and any other share option scheme(s) adopted by Paul Y. - ITC must not in aggregate exceed 10% of the total number of issued shares of Paul Y. - ITC, i.e. 103,674,472 shares, as at its adoption date. An ordinary resolution relating to the refreshing of the scheme limit on grant of options under the Paul Y. - ITC New Scheme and any other share option scheme(s) of Paul Y. - ITC up to 10 per cent. of the shares of Paul Y. - ITC in issue as at the date of such general meeting, i.e. 107,266,479 shares, representing 7.97% of the issued share capital of Paul Y. - ITC as at the date of this report, was passed at the annual general meeting of shareholders of Paul Y. - ITC held on 8th September, 2003. Subject to the approval of the shareholders of the Paul Y. - ITC in general meeting, the limit may be refreshed to 10% of the total number of shares in issue as at the date of approval by the shareholders of Paul Y. - ITC in general meeting. Notwithstanding the foregoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Paul Y. - ITC New Scheme and any other share option scheme of Paul Y. - ITC must not in aggregate exceed 30% of the total number of shares in issue from time to time.

The maximum number of shares of Paul Y. - ITC in respect of which options may be granted to each Eligible Person under the Paul Y. - ITC New Scheme and any other share option scheme(s) of Paul Y. - ITC (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue from time to time unless such grant has been duly approved by shareholders of Paul Y. - ITC at general meeting at which the Eligible Person and his associates (as defined in the Listing Rules) abstained from voting. Options granted to a substantial shareholder and/or an independent non-executive director or any of their respective associates (as defined in the Listing Rules) in any 12-month period in excess of 0.1% of total number of shares in issue and have an aggregate value exceeding HK\$5,000,000 must be approved by the shareholders of Paul Y. - ITC in general meeting in advance.

No options have been granted under the Paul Y. - ITC New Scheme since its adoption.



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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 37. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
At 1st April, 2002	205,222	2,117,993	908	(933,399)	1,390,724
Loss for the year	–	–	–	(23,881)	(23,881)
At 31st March, 2003	205,222	2,117,993	908	(957,280)	1,366,843
Issue of ordinary shares	4,667	–	–	–	4,667
Loss for the year	–	–	–	(26,027)	(26,027)
At 31st March, 2004	<u>209,889</u>	<u>2,117,993</u>	<u>908</u>	<u>(983,307)</u>	<u>1,345,483</u>

Notes:

The contributed surplus of the Company comprises the difference between the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the Company's ordinary share capital issued as consideration for the acquisition and the credits arising from the changes in the capital and reserves of the Company and the transfers to the accumulated losses arising from another capital reorganisations.

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

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

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Contributed surplus	2,117,993	2,117,993
Accumulated losses	<u>(983,307)</u>	<u>(957,280)</u>
	<u>1,134,686</u>	<u>1,160,713</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2004

**38. ACQUISITION OF SUBSIDIARIES**

	2004 HK\$'000	2003 HK\$'000 (As restated)
<b>NET ASSETS ACQUIRED</b>		
Property, plant and equipment	53,832	483,977
Properties held for resale	2,342	–
Investment properties	–	572,608
Interests in associates	–	661,008
Interests in jointly controlled entities	–	11,848
Investments in securities	–	695,676
Amounts due from customers for contract works	–	218,650
Debtors, deposits and prepayments	116	1,103,763
Amounts due from associates	–	191,906
Amounts due from jointly controlled entities	–	207
Amounts due from related companies	–	248,876
Loans receivable	3,585	155,697
Tax recoverable	–	5,412
Bank deposits	–	99,881
Bank balances and cash	1	56,548
Amounts due to customers for contract works	–	(540,579)
Creditors and accrued expenses	(133)	(858,727)
Amounts due to associates	–	(7,772)
Amounts due to jointly controlled entities	–	(47,460)
Amounts due to related companies	–	(1,774)
Tax payable	–	(3,775)
Bank overdrafts	–	(3,647)
Bank borrowings	–	(634,118)
Minority interests	–	(846,277)
Provision for long service payments	–	(1,727)
Deferred tax	–	(54,715)
	<b>59,743</b>	1,505,486
Negative goodwill	–	(403,622)
Reclassification from interests in associates	–	(1,030,368)
	<b>59,743</b>	71,496
<b>SATISFIED BY:</b>		
Cash	<b>59,743</b>	71,496
Net cash (outflow) inflow arising on acquisition:		
	2004 HK\$'000	2003 HK\$'000
Cash consideration	(59,743)	(71,496)
Bank deposits, bank balances and cash acquired less bank overdrafts acquired	1	152,782
Net (outflow) inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<b>(59,742)</b>	81,286

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 38. ACQUISITION OF SUBSIDIARIES *(continued)*

In August 2003, the Group acquired Kan Hock Investment & Development Co. Limited, the entire issued share capital of, and shareholders' loan of that company at a cash consideration of HK\$2,400,000.

In March 2004, the Group acquired from an independent third party the entire issued share capital of, and shareholder's loan to, Winstate Limited, for a consideration of HK\$57,343,000, which is satisfied by cash. The principal asset of the company is a motor vessel.

The newly acquired subsidiaries did not make any significant impact on the Group's results for the current year.

The subsidiaries acquired in previous year contributed to the Group's turnover of HK\$746,868,000 and a loss of HK\$4,592,000, respectively in that year.

### 39. MAJOR NON-CASH TRANSACTION

(a) During the year ended 31st March, 2004:

- (i) HK\$7,000,000 convertible notes issued by the Company were converted into 23,333,333 ordinary shares of the Company at HK\$0.3 per share as set out in note 30.
- (ii) HK\$17,500,000 convertible notes receivable were converted by the Group into shares of the Guarantor at a specified price as set out in note 21.

(b) During the year ended 31st March, 2003, an amount due from an associate of HK\$28,000,000 was settled by distribution of 3,996,812,500 shares of M Channel Corporation Limited (formerly known as 36.com Holdings Limited), representing 18.8% of its issued share capital.

### 40. RETIREMENT BENEFIT SCHEMES

The Group operates defined contribution retirement benefit schemes for qualifying employees. The assets of the schemes are separately held in funds under the control of trustees.

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

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

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

FOR THE YEAR ENDED 31ST MARCH, 2004

**40. RETIREMENT BENEFIT SCHEMES** *(continued)*

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

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to funds by the Group at rates specified in the rules of the MPF Scheme.

**41. CONTINGENT LIABILITIES**

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Outstanding performance bonds in respect of construction contracts	<b>623,257</b>	740,529	-	-
Guarantees given to banks and financial institutions in respect of general facilities granted to:				
Subsidiaries	-	-	-	62,899
Associates	-	2,419	-	-
Financial support given to an investee company	-	4,355	-	4,355
	<b>623,257</b>	<b>747,303</b>	<b>-</b>	<b>67,254</b>

**42. MATERIAL LITIGATION**

The liquidators of Hoi Sing Construction Company Limited ("Hoi Sing"), a former wholly-owned subsidiary of the Company, instituted proceedings against the Company on 10th July, 1998 claiming approximately HK\$297,441,000 plus interest pursuant to an alleged guarantee by the Company for debt owed by Hoi Sing Builders Limited to Hoi Sing. The Company does not admit the existence of the guarantee, and has put Hoi Sing to strict proof of its terms and the amounts claimed under it. Even if the Court upholds the alleged guarantee, the Company has a defence of "set off" arising from a claim against Hoi Sing for approximately HK\$308,207,000. As at 31st March, 2004, the Company is a principal creditor of Hoi Sing and the liquidators of Hoi Sing have admitted a substantial portion of the Company's claim. The balance is being adjudicated by the liquidators of Hoi Sing.

The directors of the Company have taken legal advice and consider that the Company's defence is valid and that no obligation exists for the Company.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 43. OPERATING LEASE ARRANGEMENTS

**(a) The Group as a lessee:**

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	1,060	1,201
In the second to fifth year inclusive	1,877	2,392
After five years	718	1,026
	<u>3,655</u>	<u>4,619</u>

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

**(b) The Group as a lessor:**

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments which fall due as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	26,786	26,571
In the second to fifth year inclusive	13,901	10,665
	<u>40,687</u>	<u>37,236</u>

The properties held have committed tenants for the next two years.

The Company did not have any significant operating lease arrangements as at the balance sheet date.

### 44. COMMITMENTS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of equity investments	<u>450,671</u>	<u>56,660</u>	<u>-</u>	<u>20,000</u>

### 45. PLEDGE OF ASSETS

As at 31st March, 2004, certain of the Group's properties and investment securities with an aggregate value of approximately HK\$696,290,000 (2003: HK\$911,086,000) and the interests in certain issued shares of subsidiaries of the Company have been pledged to banks and financial institutions to secure general credit facilities granted to the Group. Facilities amounting to approximately HK\$558,199,000 (2003: HK\$796,354,000) were utilised as at 31st March, 2004.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 46. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the year or at the balance sheet date, the Group had transactions/balances with the following related parties, details of which are as follows:

Class of related party	Nature of transactions/balances	2004 HK\$'000	2003 HK\$'000
Associates of the Group	Sales of building materials ( <i>note a</i> )	–	511
	Dividend income (including scrip dividend)	48,079	11,178
	Purchase of concrete products ( <i>note a</i> )	104	–
	Rentals and related building management fee charged by the Group ( <i>notes b and c</i> )	5,219	2,395
	Rentals and related building management fee charged to the Group ( <i>notes b and c</i> )	–	500
	Service fees charged by the Group ( <i>note c</i> )	406	–
	Service fees charged to the Group ( <i>note c</i> )	308	–
	Construction works charged to the Group ( <i>note d</i> )	182	–
	Subcontracting fees charged by the Group ( <i>note d</i> )	5,437	393
	Sales of motor car registration marks to the Group ( <i>note d</i> )	–	790
	Interest income received ( <i>note e</i> )	23,219	10,471
	Balances due by the Group ( <i>note 29</i> )	96,273	12,772
	Balances due to the Group ( <i>notes 18 and 24</i> )	354,050	355,164
			<hr/>
Jointly controlled entities of the Group	Dividend income	–	5,000
	Project management fees charged by the Group ( <i>note c</i> )	–	3,000
	Rentals charged by the Group ( <i>note b</i> )	102	–
	Construction works charged by the Group ( <i>note d</i> )	268	–
	Subcontracting fees charged to the Group ( <i>note d</i> )	104,734	40,249
	Service fees charged by the Group ( <i>note c</i> )	144	60
	Balances due by the Group ( <i>note 29</i> )	55,584	69,343
	Balances due to the Group ( <i>notes 19 and 25</i> )	2,871	5,207
		<hr/>	<hr/>
Directors or company controlled by director	Interest paid by the Group ( <i>note f</i> )	2,700	900
	Interest payable on convertible notes issued by the Group ( <i>note f</i> )	12,526	12,655
	Balance due by the Group ( <i>notes f and g</i> )	–	66,500
	Convertible notes due by the Group ( <i>note 30</i> )	250,000	250,000
		<hr/>	<hr/>

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 46. TRANSACTIONS AND BALANCES WITH RELATED PARTIES *(continued)*

Class of related party	Nature of transactions/balances	2004 HK\$'000	2003 HK\$'000
Related companies	Rental and related building management fee charged by the Group <i>(notes b and c)</i>	6,896	1,592
	Project management fees charged by the Group <i>(note c)</i>	-	549
	Purchase of medicine and health products by the Group <i>(note d)</i>	432	-
	Service fees charged to the Group <i>(note c)</i>	883	-
	Subcontracting fees charged by the Group <i>(note d)</i>	1,207	-
	Interest income received <i>(note e)</i>	12,027	6,044
	Balance due by the Group <i>(note 29)</i>	216	205
	Balances due to the Group <i>(note 26)</i>	90,224	299,848

During the year ended 31st March, 2003, the Company issued an aggregate principal amount of HK\$250,000,000 convertible notes to Dr. Chan Kwok Keung, Charles for redemption of the convertible notes issued by the Company in an aggregate principal amount of HK\$250,000,000 held by Galaxyway Investments Limited ("Galaxyway"), a company in which Dr. Chan Kwok Keung, Charles, has a beneficial interests pursuant to a conditional agreement entered on 16th September, 2002 (as amended by a supplemental agreement dated 4th October, 2002) by the Company and Galaxyway.

Notes:

- (a) The transactions were carried out by reference to the prevailing market price for comparable transactions.
- (b) Rentals were charged at the pre-agreed fixed monthly amounts.
- (c) Building management fee, service fees and project management fees were charged at the pre-agreed rates.
- (d) Construction works, subcontracting fees, sales of motor car registration marks and purchase of medicine and health products were charged at market price or, where no market price was available, at terms determined and agreed by both parties.
- (e) Interest was charged at commercial rates.
- (f) Interest was charged at the Best Lending Rate.
- (g) The amount was unsecured and fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2004

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(a) Details of the Company's principal subsidiaries as at 31st March, 2004 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company*/ subsidiaries %	Percentage of issued share capital/ registered capital attributable to the Group %	Principal activities
Burcon Group Limited	Canada	CAD1,000 class A common share	100	100	Investment and property holding
Calisan Developments Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Century Harbour Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Corless Limited	British Virgin Islands	US\$2 ordinary shares	100	55.06	Investment holding
Cycle Company Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Property investment and holding
		HK\$2 non-voting deferred shares (Note (i) below)	–	–	
DH Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Dreyer and Company Limited	Hong Kong	HK\$6,424,000 ordinary shares	99	99	Trading of building materials and machinery
Full Winners Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Property sale and holding
Great Intelligence Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Gunnell Properties Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Property investment and holding
Hamker Concrete Products Limited ("Hamker")	Hong Kong	HK\$10,000,000 ordinary shares	85	46.8	Manufacturing and trading of concrete products
ITC Development Co. Limited	British Virgin Islands	US\$15,000 ordinary shares	100*	100	Investment holding
ITC Investment Group Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
ITC Management Group Limited	British Virgin Islands	US\$2 ordinary shares	100*	100	Investment holding
ITC Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	Provision of management and administrative services



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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company* / subsidiaries %	Percentage attributable to the Group %	Principal activities
Large Scale Investments Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Nation Cheer Investment Limited	Hong Kong	HK\$1,200,000 ordinary shares	100	55.06	Securities investment and trading
Paul Y. - CREC Engineering Co., Limited	Hong Kong	HK\$10 ordinary shares	70	38.5	Civil engineering
Paul Y. - CREC Joint Venture	Hong Kong	– <i>(Note (ii) below)</i>	70	38.5	Civil engineering
Paul Y. - ITC (E & M) Contractors Limited	Hong Kong	HK\$20,000,000 ordinary shares	99.9998	55.06	Provision of electrical, mechanical and building services
Paul Y. - ITC Construction Group Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Investment holding
		HK\$1,000,000 non-voting deferred shares <i>(Note (iii) below)</i>	–	–	
Paul Y. - ITC	Bermuda	HK\$134,524,901.9 ordinary shares	55.06	55.06	Investment holding in companies engaged in construction, engineering and infrastructure management services, property development and investment
Paul Y. - ITC Construction Limited	Hong Kong	HK\$102,000,000 ordinary shares	100	55.06	Building construction
Paul Y. - ITC Construction & Engineering Co. Limited	Hong Kong	HK\$42,000,000 ordinary shares	100	55.06	Building construction and specialist works
Paul Y. - ITC General Contractors Limited	Hong Kong	HK\$36,000,000 ordinary shares	100	55.06	Civil engineering and building construction
Paul Y. - ITC Interior Contractors Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Interior decoration works
Paul Y. - ITC Investments Group Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Paul Y. - ITC Management Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Management services

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2004

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES  
*(continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company* / subsidiaries %	attributable to the Group %	Principal activities
Paul Y. - ITC Plant Hire Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Hire of motor vehicles and plant and machinery
Paul Y. Building Management Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Property management services
Paul Y. Construction Company, Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Civil engineering, building construction and investment holding
		HK\$50,000,000 non-voting preferred shares <i>(Note (iv) below)</i>	–	–	
Paul Y. Foundation Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Paul Y. Foundation Limited	Hong Kong	HK\$10,000,000 ordinary shares	100	55.06	Civil engineering and foundation works
Paul Y. Properties Group Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Paul Y. Tunnel Engineering Co. Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Civil engineering
Tai Shan Paul Y. Construction Co., Ltd.	PRC	US\$5,005,340 registered capital <i>(Note (v) below)</i>	100	55.06	Civil engineering and building construction
Unicon Concrete Products (HK) Limited	Hong Kong	HK\$12,000,002 ordinary shares	100	55.06	Manufacturing and trading of concrete products
Unistress Concrete Products (H.K.) Limited	Hong Kong	HK\$200 ordinary shares	100	55.06	Manufacturing and trading of concrete products
		HK\$1,000,000 non-voting deferred shares <i>(Note (iii) below)</i>	100	55.06	
Unistress Group Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Winstate Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Vessel holding

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(continued)*

Notes:

- (i) The holders of the non-voting deferred shares are not entitled to vote, are not entitled to any dividends unless the net profits of the company available for dividend exceed HK\$100,000,000,000,000 in which case they should be entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year and are, on winding up, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the company.
- (ii) No capital has been contributed by the joint venture partners of the joint venture.
- (iii) The holders of the non-voting deferred shares are not entitled to vote, are not entitled to any dividends for any financial year and are, on winding up or otherwise, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the company.
- (iv) The holders of the non-voting preferred shares are not entitled to vote, are not entitled to any dividends unless the net profits of the company available for dividend exceed HK\$100,000,000,000 in which case they should be entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year and are, on winding up, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK\$10,000,000,000 has been distributed to the holders of the ordinary shares of the company.
- (v) The company is a sino-foreign equity joint venture company.

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

All of the above subsidiaries operate in Hong Kong except Hamker and Tai Shan Paul Y. Construction Co., Ltd. which operate in the PRC and Burcon Group Limited which operates in Canada.

All of the above subsidiaries are limited companies except Paul Y. - CREC Joint Venture, which is an unincorporated business.

(b) Particulars of the Group's principal associates as at 31st March, 2004 are as follows:

Name of associate	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital attributable to the Group %	Principal activities
Burcon NutraScience Corporation ("Burcon")	Canada	CAD15,724,484 common shares	25.1	Investment holding in company engaged in the development of commercial canola protein
China Strategic	Hong Kong	HK\$88,159,508.70 ordinary shares	23.4	Investment holding
CSCEC - Paul Y. Construction Company Limited	PRC	US\$10,000,000 registered capital (Note below)	17.2	Civil engineering and building construction
Domain - Paul Y. Sdn. Bhd.	Malaysia	RM1,000,000 ordinary shares	27.0	Design and building construction
Downer	Australia	A\$563,057,694 ordinary shares	11.7	Investment holding

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(continued)*

Name of associate	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital attributable to the Group %	Principal activities
Hanny	Bermuda	HK\$1,865,532.02 ordinary shares	24.55	Investment holding in companies engaged in the manufacturing, distribution and marketing of data storage media, the distribution of related products, securities investments and strategic investments in information technology related businesses and other businesses
Paul Y. - CREC Construction Co., Limited	Hong Kong	HK\$100 ordinary shares	27.53	Civil engineering
Zhujiang Kwan On Concrete Products Co., Ltd. ("Zhujiang Kwan On")	PRC	RMB6,320,000 registered capital <i>(Note below)</i>	27.53	Manufacturing and trading of concrete products

*Note:* The company is a sino-foreign equity joint venture company.

All of the above associates operate in Hong Kong with the exception of Burcon, Downer and Zhujiang Kwan On, which operate in Canada, Australia and the PRC respectively.

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

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

(c) Particulars of the Group's jointly controlled entities as at 31st March, 2004 are as follows:

Name of jointly controlled entity	Place of incorporation	Issued and fully paid share capital	Percentage of issued share capital attributable to the Group %	Principal activities
DL & PY JV Limited	Hong Kong	HK\$2 ordinary shares	27.53	Civil engineering
Paul Y. - Penta-Ocean Joint Venture	Hong Kong	– <i>(Note below)</i>	27.53	Civil engineering

*Note:* No capital has been contributed by the joint venture partners, although the Group has contributed working capital amounting to HK\$2,000,000 to this joint venture.

All of the above entities are held indirectly by the Company and operate in Hong Kong.

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

FOR THE YEAR ENDED 31ST MARCH, 2004

### 48. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES

#### Hanny

(a) *Result for the years ended 31st March, 2004 and 2003*

	2004 HK\$'000	2003 HK\$'000 (As restated)
Turnover	<u>5,009,930</u>	<u>4,162,804</u>
Profit (loss) before taxation	<u>121,639</u>	<u>(570,474)</u>
Profit (loss) for the year	<u>13,300</u>	<u>(648,620)</u>

(b) *Financial Position*

*As at 31st March, 2004 and 2003*

	2004 HK\$'000	2003 HK\$'000 (As restated)
Non-current assets	1,643,529	1,604,463
Current assets	2,299,707	1,663,268
Current liabilities	(1,653,951)	(1,185,858)
Minority interests	(405,157)	(174,598)
Non-current liabilities	<u>(10,947)</u>	<u>(177,708)</u>

#### Downer

(a) *Result for the year ended 31st December, 2003*

	HK\$'000
Revenue from ordinary activities	<u>16,380,841</u>
Profit from ordinary activities before taxation	<u>520,505</u>
Profit from ordinary activities after taxation	<u>380,746</u>

(b) *Financial position*

*As at 31st December, 2003 and 2002*

	2003 HK\$'000	2002 HK\$'000
Non-current assets	5,501,196	4,141,241
Current assets	6,281,918	4,249,336
Current liabilities	(4,159,429)	(2,392,544)
Non-current liabilities	(3,057,649)	(2,506,737)
Preference share capital	<u>-</u>	<u>(285,987)</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2004

**48. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES***(continued)***China Strategic***(a) Result for the year ended 31st December, 2003*

	<i>HK\$'000</i>
Turnover	<u>2,884,493</u>
Loss before taxation	<u>(169,184)</u>
Loss for the year	<u>(189,528)</u>

*(b) Financial Position**As at 31st December, 2003*

	<i>HK\$'000</i>
Non-current assets	1,124,597
Current assets	1,064,647
Current liabilities	(161,090)
Minority interests	(250,160)
Non-current liabilities	<u>(244,614)</u>

Full details of the results and financial position of Hanny can be found in its annual reports dated 23rd July, 2004.

The financial position of Downer and China Strategic have been extracted from the published financial information as at 31st December, 2003.