

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2003

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries and the Group's principal associates and jointly controlled entities are set out in note 49.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of the statement of changes in equity. The adoption of the new and revised accounting policies has had no material effect on the results for the current or prior accounting years. Accordingly, no prior period adjustment has been required.

Presentation of financial statements

In accordance with SSAP 1 (Revised), the consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

Foreign currency translation

The revisions to SSAP 11 have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. SSAP 11 (Revised) is required to be applied retrospectively. The Group has adopted the transitional provision of this SSAP that where the calculation of a prior period adjustment is impractical, these changes in policy are applied only to current and future financial statements and the effect on the results for the current year is not significant.

Cash flow statements

Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest paid is classified as financing cash flows. Dividends paid and received are classified as financing and operating cash flows, respectively. Comparative amounts have been reclassified in order to achieve a consistent presentation.

Employee benefits

SSAP 34 has introduced measurement rules and disclosure requirements for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

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 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 other property, plant and equipment over their estimated useful lives, using the straight-line method, at rates ranging from 10% to 33¹/₃% per annum.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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 20 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 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 as 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in subsidiaries

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

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 term 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars 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

The charge for taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Retirement benefit scheme

The retirement benefit scheme contributions relating to the defined contribution scheme charged to the income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

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:

	2003 HK\$'000	2002 HK\$'000
Building construction	407,653	–
Civil engineering	123,048	–
Specialist works	189,672	–
Construction materials	6,192	–
Property leasing	13,735	1,721
Investment and finance	22,346	31,112
Others	6,051	7,314
	<u>768,697</u>	<u>40,147</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

4. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

During the year, the Group increased its equity interest in Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC") from 42.59% to 64.46%. Accordingly, Paul Y. - ITC became a subsidiary of the Company in December 2002 and since then the segment information of Paul Y. - ITC was included.

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, 2003 is presented below:

	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	Eliminations HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
TURNOVER											
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>(68,772)</u>	<u>-</u>	<u>768,697</u>
RESULT											
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>69,111</u>	<u>604</u>	<u>-</u>	<u>-</u>	<u>62,469</u>
Amortisation of negative goodwill											18,895
Unallocated corporate expenses											<u>(11,632)</u>
Profit from operations											69,732
Finance costs											<u>(36,680)</u>
Investment expenses - net											<u>(22,789)</u>
Share of results of associates	2,004	(9)	-	114	(530)	-	-	-	-	(346,013)	<u>(344,434)</u>
Share of results of jointly controlled entities	-	1,895	-	-	-	-	-	-	-	-	<u>1,895</u>
Loss before taxation											<u>(332,276)</u>
Taxation											<u>(24,835)</u>
Loss before minority interests											<u>(357,111)</u>
Minority interests											<u>1,703</u>
Loss for the year											<u>(355,408)</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, 2003

4. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Property leasing	Investment and finance	Others	Corporate	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
BALANCE SHEET										
ASSETS										
Segment assets	1,053,076	368,008	193,942	96,312	-	622,262	1,256,831	773	315,939	3,907,143
Interests in associates	43,231	293	-	3,093	649,099	-	-	-	657,116	1,352,832
Interests in jointly controlled entities	-	8,743	-	-	-	-	-	-	-	8,743
Negative goodwill	-	-	-	-	-	-	-	-	(434,580)	(434,580)
Total assets	1,096,307	377,044	193,942	99,405	649,099	622,262	1,256,831	773	538,475	4,834,138
LIABILITIES										
Segment liabilities	871,883	298,347	95,744	47,353	-	22,789	1,486	660	46,428	1,384,690
Convertible notes, bank borrowings and other loans	-	-	-	-	-	-	-	-	1,340,644	1,340,644
Total liabilities	871,883	298,347	95,744	47,353	-	22,789	1,486	660	1,387,072	2,725,334
OTHER INFORMATION										
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
Amortisation of negative goodwill	-	-	-	-	-	-	-	-	18,895	18,895

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

4. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Business segments *(continued)*

Business segment information for the year ended 31st March, 2002 is presented below:

	Property leasing HK\$'000	Investment and finance HK\$'000	Others HK\$'000	Eliminations HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	1,721	31,112	7,314	-	-	40,147
Inter-segment sales	294	986	-	(1,280)	-	-
Total	<u>2,015</u>	<u>32,098</u>	<u>7,314</u>	<u>(1,280)</u>	<u>-</u>	<u>40,147</u>
RESULT						
Segment result	<u>103</u>	<u>13,721</u>	<u>393</u>	<u>-</u>	<u>-</u>	14,217
Unallocated corporate expenses						<u>(11,157)</u>
Profit from operations						3,060
Finance costs						(49,446)
Investment income – net						573
Gain on disposal and dilution of interests in subsidiaries and associates	-	-	-	-	2,128	2,128
Impairment loss in respect of goodwill	-	-	-	-	(195,466)	(195,466)
Share of results of associates	-	-	-	-	(33,306)	<u>(33,306)</u>
Loss before taxation						(272,457)
Taxation						<u>(16,853)</u>
Loss before minority interests						(289,310)
Minority interests						<u>-</u>
Loss for the year						<u>(289,310)</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, 2003

4. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Business segments *(continued)*

	Property leasing HK\$'000	Investment and finance HK\$'000	Others HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
BALANCE SHEET					
ASSETS					
Segment assets	3,550	274,911	2,354	37,709	318,524
Interests in associates	–	–	–	1,797,104	1,797,104
Total assets	<u>3,550</u>	<u>274,911</u>	<u>2,354</u>	<u>1,834,813</u>	<u>2,115,628</u>
LIABILITIES					
Segment liabilities	44	1,502	853	19,720	22,119
Convertible notes, bank borrowings and other loans	–	–	–	604,075	604,075
Total liabilities	<u>44</u>	<u>1,502</u>	<u>853</u>	<u>623,795</u>	<u>626,194</u>
OTHER INFORMATION					
Capital additions	–	27	8	724	759
Depreciation and amortisation of property, plant and equipment	371	354	25	1,015	1,765
Amortisation of deferred expenditure on issuance of convertible notes	–	–	–	3,114	3,114

Geographical segments

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

	Turnover		Profit from operations	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	760,602	35,346	70,454	4,464
The People's Republic of China other than Hong Kong (the "PRC")	4,943	63	113	(173)
Others	3,152	4,738	(835)	(1,231)
	<u>768,697</u>	<u>40,147</u>	<u>69,732</u>	<u>3,060</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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	4,019,265	2,084,705	3,303	732
PRC	116,290	3,506	8,640	–
Others	698,583	27,417	80	27
	<u>4,834,138</u>	<u>2,115,628</u>	<u>12,023</u>	<u>759</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

5. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Surplus arising from revaluation of land and buildings	242	250
Amortisation of negative goodwill	18,895	–
Bad debts recovered	10,503	3,580
Compensation recovered from a default purchaser in respect of disposal of property in previous year	57,917	–
	<u>87,557</u>	<u>3,830</u>

6. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,081	435
Allowances for doubtful debts	4,276	4,914
Depreciation and amortisation of property, plant and equipment <i>(note (a) below)</i>	18,756	1,765
Loss on disposal of property, plant and equipment	2,746	62
Minimum lease payments under operating leases in respect of:		
Premises	1,743	539
Plant and machinery	262	–
Staff costs, including directors' emoluments <i>(note (b) below)</i>	48,004	16,126
and after crediting:		
Interest income	19,612	26,542
Rental income under operating leases in respect of:		
Premises, net of outgoings of HK\$2,512,000 (2002: HK\$32,000)	9,052	1,688
Plant and machinery	94	–
	<u>19,706</u>	<u>26,542</u>

Notes:

	2003 HK\$'000	2002 HK\$'000
(a) Depreciation and amortisation of property, plant and equipment:		
Owned assets	18,925	1,765
Less: Amount capitalised in respect of contracts in progress	(169)	–
	<u>18,756</u>	<u>1,765</u>
(b) Staff costs:		
Salaries and other benefits	110,697	15,589
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$2,241,000 (2002: HK\$39,000)	1,366	537
	<u>112,063</u>	<u>16,126</u>
Less: Amount capitalised in respect of contracts in progress	(64,059)	–
	<u>48,004</u>	<u>16,126</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Directors' fees:		
– executive	84	90
– independent non-executive	<u>240</u>	<u>220</u>
	<u>324</u>	<u>310</u>
Other emoluments (executive directors):		
– salaries and other benefits	11,824	12,052
– retirement benefit scheme contributions	<u>829</u>	<u>543</u>
	<u>12,653</u>	<u>12,595</u>
	<u><u>12,977</u></u>	<u><u>12,905</u></u>

Emoluments of the directors were within the following bands:

	2003 <i>Number of</i> <i>directors</i>	2002 <i>Number of</i> <i>directors</i>
Nil to HK\$1,000,000	5	5
HK\$1,000,001 to HK\$1,500,000	–	3
HK\$1,500,001 to HK\$2,000,000	4	1
HK\$2,000,001 to HK\$2,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	<u>2</u>	<u>1</u>

(b) Employees' emoluments

The five highest paid individuals in the Group for each of the two years ended 31st March, 2003 were all directors and information regarding their emoluments has been included in the disclosures in paragraph (a) above.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Amortisation of deferred expenditure on issuance of convertible notes	2,385	3,114
Interest payable on:		
Bank borrowings wholly repayable within five years	4,394	646
Bank borrowings not wholly repayable within five years	276	–
Convertible notes	27,247	43,685
Other borrowings wholly repayable within five years	2,817	2,001
Other finance charges	274	–
	<u>37,393</u>	<u>49,446</u>
Less: Amount capitalised in respect of contracts in progress	(713)	–
	<u>36,680</u>	<u>49,446</u>

9. INVESTMENT (EXPENSES) INCOME – NET

	2003 HK\$'000	2002 HK\$'000
Surplus arising from revaluation of investment properties	–	125
Gain on disposal of investment properties	1	216
Gain on disposal of listed other investments	669	–
Net unrealised holding (loss) gain on listed other investments	(3,049)	232
Impairment loss on investment securities	(20,410)	–
	<u>(22,789)</u>	<u>573</u>

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

	2003 HK\$'000	2002 HK\$'000
Gain on disposal of interests in subsidiaries	–	6
Gain on dilution of interests in associates	–	2,122
	<u>–</u>	<u>2,128</u>

11. IMPAIRMENT LOSS IN RESPECT OF GOODWILL

At 31st March, 2002, the directors estimated that the recoverable amount of the interest in an associate was net market selling price and an impairment loss on goodwill arising from acquisition of that associate of HK\$195,466,000 had been recognised in the financial statements for the year ended 31st March, 2002 in consideration of the operating results of that associate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

12. TAXATION

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	176	–
Overseas taxation	1	–
Share of tax on results of associates	<u>23,839</u>	<u>16,853</u>
	<u>24,016</u>	<u>16,853</u>
Deferred taxation (note 34)		
Effect on change in tax rate	3,483	–
Credit for the year	<u>(2,664)</u>	<u>–</u>
	<u>819</u>	<u>–</u>
	<u>24,835</u>	<u>16,853</u>

Hong Kong Profits Tax is calculated at the rate of 16% (2002: 16%) of the estimated assessable profits derived from Hong Kong for the year.

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

13. DIVIDENDS

The directors do not recommend the payment of a dividend to ordinary shareholders for the year ended 31st March, 2003.

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.

14. LOSS PER SHARE

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Loss for the year	(355,408)	(289,310)
Dividend for preference shares	<u>(18,491)</u>	<u>(18,491)</u>
Loss for the purposes of basic loss per share	(373,899)	(307,801)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	(1,370)	–
Adjustment to the share of results of associates based on dilution of their earnings per share	<u>–</u>	<u>(1,324)</u>
Loss for the purposes of diluted loss per share	<u>(375,269)</u>	<u>(309,125)</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>630,960,774</u>	<u>607,659,374</u>

The convertible notes are anti-dilutive as the exercise of these convertible notes would result in a decrease in loss per share for both years.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Plant, machinery and office equipment HK\$'000	Motor vehicles and yachts HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
THE GROUP					
COST OR VALUATION					
At 1st April, 2002	19,068	946	10,779	2,207	33,000
Translation adjustments	1,456	20	53	71	1,600
On acquisition of subsidiaries	235,409	468,646	62,370	132,340	898,765
Additions	–	2,439	1,989	7,595	12,023
Disposals	–	(30,726)	(2,501)	(137)	(33,364)
Written back on revaluation	(19)	–	–	–	(19)
At 31st March, 2003	<u>255,914</u>	<u>441,325</u>	<u>72,690</u>	<u>142,076</u>	<u>912,005</u>
Comprising:					
At cost	–	441,325	72,690	142,076	656,091
At directors' valuation	16,227	–	–	–	16,227
At valuation – 2003	<u>239,687</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>239,687</u>
	<u>255,914</u>	<u>441,325</u>	<u>72,690</u>	<u>142,076</u>	<u>912,005</u>
DEPRECIATION AND AMORTISATION					
At 1st April, 2002	–	526	5,870	993	7,389
Translation adjustments	–	17	39	61	117
On acquisition of subsidiaries	–	315,397	35,951	63,440	414,788
Provided for the year	1,509	10,763	2,696	3,957	18,925
Eliminated on disposals	–	(15,877)	(1,049)	(110)	(17,036)
Written back on revaluation	(1,509)	–	–	–	(1,509)
At 31st March, 2003	<u>–</u>	<u>310,826</u>	<u>43,507</u>	<u>68,341</u>	<u>422,674</u>
NET BOOK VALUES					
At 31st March, 2003	<u>255,914</u>	<u>130,499</u>	<u>29,183</u>	<u>73,735</u>	<u>489,331</u>
At 31st March, 2002	<u>19,068</u>	<u>420</u>	<u>4,909</u>	<u>1,214</u>	<u>25,611</u>

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, 2003. This revaluation gave rise to a surplus on revaluation of HK\$1,490,000 (2002: HK\$250,000) of which HK\$242,000 (2002: HK\$250,000), HK\$805,000 (2002: nil) and HK\$443,000 (2002: nil) 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:

	2003 HK\$'000	2002 HK\$'000
Freehold properties in Canada	19,087	17,618
Long term leasehold properties in PRC	2,623	1,450
Medium term leasehold properties in:		
Hong Kong	233,600	–
PRC	604	–
	<u>255,914</u>	<u>19,068</u>

As at 31st March, 2003, had the Group's land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value would have been approximately HK\$258,155,000 (2002: HK\$22,508,000).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

16. INVESTMENT PROPERTIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
VALUATION		
At 1st April	1,125	23,800
Disposals	(1,125)	(22,800)
On acquisition of subsidiaries	572,608	–
Surplus arising on revaluation	–	125
	572,608	1,125
At 31st March	572,608	1,125

The Group's investment properties are held for rental purposes under operating leases. The investment properties situated in Hong Kong were revalued on 31st March, 2003, on an open market value basis, by RHL Appraisal Ltd., an independent professional valuer. The valuation attributable to these investment properties amounted to approximately HK\$529,000,000 (2002: Nil) and no surplus or deficit arose on revaluation of these properties.

The Group's investment properties situated in PRC were revalued on 31st March, 2003 by the directors at HK\$43,608,000 (2002: HK\$1,125,000) with reference to the value as quoted in a sale and purchase agreement entered into by the Group in April 2003. No surplus or deficit arose on revaluation of these properties. (2002: surplus of HK\$125,000 credited to the income statement).

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

	2003 HK\$'000	2002 HK\$'000
Long term leasehold properties in Hong Kong	74,000	–
Medium term leasehold properties in:		
Hong Kong	455,000	–
PRC	43,608	1,125
	572,608	1,125
	572,608	1,125

17. NEGATIVE GOODWILL

	THE GROUP HK\$'000
NEGATIVE GOODWILL	
On acquisition of subsidiaries	415,230
Transferred from negative goodwill on associates (<i>note 19(b)</i>)	40,305
	455,535
At 31st March, 2003	455,535
AMORTISATION	
Transferred from negative goodwill on associates (<i>note 19(b)</i>)	2,060
Provided for the year	18,895
	20,955
At 31st March, 2003	20,955
CARRYING VALUE	
At 31st March, 2003	434,580

The negative goodwill is amortised over a period of 8 years.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	<u>2,910,837</u>	<u>2,972,906</u>
	2,910,838	2,972,907
Less: Allowances for amounts due from subsidiaries	<u>(960,877)</u>	<u>(960,877)</u>
	<u>1,949,961</u>	<u>2,012,030</u>

Details of the Company's principal subsidiaries as at 31st March, 2003 are set out in note 49.

The amounts due from subsidiaries are unsecured. Of these amounts, an amount of approximately HK\$2,651,577,000 (2002: Nil) 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.

19. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets of associates:		
Listed in Hong Kong	501,992	1,837,156
Listed overseas	652,590	3,418
Unlisted	(2,986)	4,329
Goodwill (note a)	554	–
Negative goodwill (note b)	<u>(17,229)</u>	<u>(47,799)</u>
	1,134,921	1,797,104
Amounts due from associates (note f)	<u>217,911</u>	<u>–</u>
	<u>1,352,832</u>	<u>1,797,104</u>
Market value of listed securities:		
Hong Kong	42,075	335,523
Overseas	<u>964,965</u>	<u>33,945</u>
	<u>1,007,040</u>	<u>369,468</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

19. INTERESTS IN ASSOCIATES *(continued)*

Notes:

- (a) Included in interests in associates is goodwill arising from acquisition of an associate:

	<i>HK\$'000</i>
Goodwill	
Balance at 1st April, 2002	195,466
Arising from additional interests in an associate	573
	<hr/>
Balance at 31st March, 2003	196,039
	<hr/>
Amortisation and impairment loss	
Balance at 1st April, 2002	195,466
Provided for the year	19
	<hr/>
Balance at 31st March, 2003	195,485
	<hr/>
Carrying value	
At 31st March, 2003	554
	<hr/>
At 31st March, 2002	-
	<hr/>

The goodwill is amortised over a period of 20 years.

- (b) Included in interests in associates is negative goodwill arising from acquisition of associates:

	<i>HK\$'000</i>
Goodwill	
Balance at 1st April, 2002	48,724
Arising from additional interests in associates	9,798
Transferred to negative goodwill of subsidiaries (<i>note d</i>)	(40,305)
	<hr/>
Balance at 31st March, 2003	18,217
	<hr/>
Amortisation	
Balance at 1st April, 2002	925
Provided for the year	2,123
Transferred to negative goodwill of subsidiaries (<i>note d</i>)	(2,060)
	<hr/>
Balance at 31st March, 2003	988
	<hr/>
Carrying value	
At 31st March, 2003	17,229
	<hr/>
At 31st March, 2002	47,799
	<hr/>

The negative goodwill is amortised over a period of 20 years.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

19. INTERESTS IN ASSOCIATES *(continued)*

Notes: *(continued)*

- (c) The Group increased its equity interest in Hanny Holdings Limited ("Hanny") from 27.73% at the beginning of the year to 28.26% at the end of the year and increased its equity interest in Star East Holdings Limited ("Star East") from 21.11% at the beginning of the year to 25.91% at the end of the year. Extracts of the consolidated results and financial position of Hanny and Star East from their respective audited financial statements for the year ended 31st March, 2003 are set out in note 50.
- (d) On 25th October, 2002, the Company announced that its indirect wholly-owned subsidiary, Hollyfield Group Limited ("Hollyfield") will make voluntary conditional cash offers (the "Offers") at the price of HK\$0.30 for each share and HK\$0.01 for each warrant in Paul Y. - ITC, other than those shares and warrants presently owned by the Company or its wholly-owned subsidiaries. When the Offers closed in December 2002, Hollyfield held more than 50% of the voting rights in Paul Y. - ITC and, accordingly, Paul Y. - ITC was classified as a subsidiary of the Company. The Group increased its equity interest in Paul Y. - ITC from 42.59% at the beginning of the year to 64.46% at the end of the year.
- Paul Y. - ITC has not accounted for its share of losses of an associate 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 the associate. 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.
- (e) Downer EDI Limited ("Downer"), Paul Y. - ITC's major associate, became an associate of the Group upon consolidation of Paul Y. - ITC in December 2002. Downer is a company listed in Australia and New Zealand and its financial year end date is 30th June. Only published financial information of Downer will be available and used by the Group in applying the equity method. Accordingly, the Group's share of interest in Downer at 31st March, 2003 is calculated based on the net assets of Downer at 31st December, 2002. Extracts from the published financial information of Downer as at 31st December, 2002 are set out in note 50.
- (f) The amounts due from associates are unsecured. Of these amounts, an amount of approximately HK\$214,603,000 bears interest at commercial rates 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.

Details of the Group's principal associates at 31st March, 2003 are set out in note 49.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	3,743	—
Amount due from a jointly controlled entity	5,000	—
	<u>8,743</u>	<u>—</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.

Details of the Group's jointly controlled entities as at 31st March, 2003 are set out in note 49.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

21. INVESTMENTS IN SECURITIES

THE GROUP

	Investment securities		Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Listed equity securities:						
– Hong Kong	658,457	–	26,527	2	684,984	2
– Elsewhere	3,623	–	–	2,417	3,623	2,417
	<u>662,080</u>	<u>–</u>	<u>26,527</u>	<u>2,419</u>	<u>688,607</u>	<u>2,419</u>
Other unlisted investments	–	–	5,035	–	5,035	–
Unlisted club debentures	–	–	8,977	1,589	8,977	1,589
	<u>–</u>	<u>–</u>	<u>8,977</u>	<u>1,589</u>	<u>8,977</u>	<u>1,589</u>
Total	<u>662,080</u>	<u>–</u>	<u>40,539</u>	<u>4,008</u>	<u>702,619</u>	<u>4,008</u>
Market value of listed securities	<u>22,877</u>	<u>–</u>	<u>26,527</u>	<u>2,419</u>	<u>49,404</u>	<u>2,419</u>
Carrying amount analysed for reporting purposes as:						
Current	–	–	26,527	–	26,527	–
Non-current	662,080	–	14,012	4,008	676,092	4,008
	<u>662,080</u>	<u>–</u>	<u>40,539</u>	<u>4,008</u>	<u>702,619</u>	<u>4,008</u>

Particulars of the equity securities held by the Group as at 31st March, 2003 disclosed in accordance with Section 129(2) of the Companies Ordinance are as follows:

Name of company	Place of incorporation	Type of investment	Proportion of nominal value of issued share capital indirectly held by the Company
China Strategic Holdings Limited ("China Strategic")	Hong Kong	Ordinary shares	14.55%

China Strategic is a company with its shares and warrants listed on the Hong Kong Stock Exchange. China Strategic is an investment holding company and its subsidiaries are principally engaged in the business of the tire manufacturing; manufacturing, retailing and distribution of Chinese medicine, western pharmaceuticals and health food; and investment in infrastructure projects. The directors are of the opinion that the recoverable amount of the investment securities, estimated by reference to the cash flows from the investment projects discounted at the prevailing interest rates, are worth at least their carrying value.

22. CONVERTIBLE NOTES RECEIVABLE

The convertible notes are guaranteed by a company with its shares listed on the Hong Kong Stock Exchange (the "Guarantor"), bear interest at 5% per annum and will be matured on 28th August, 2005. The convertible notes can be converted by the Group into shares of the Guarantor at the specified price (subject to adjustment) on or before 28th August, 2005.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

23. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred to date	32,580,432	–
Recognised profits less recognised losses	865,832	–
	<u>33,446,264</u>	<u>–</u>
Less: Progress billings	(33,740,185)	–
	<u>(293,921)</u>	<u>–</u>
Represented by:		
Amounts due from customers for contract works	200,934	–
Amounts due to customers for contract works	(494,855)	–
	<u>(293,921)</u>	<u>–</u>

At 31st March, 2003, retentions held by customers for contract works included in debtors, deposits and prepayments amounted to approximately HK\$367,453,000 (2002: Nil). There was no advances received from customers for contract works.

24. DEBTORS, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade debtors:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Trade debtors		
0-30 days	400,424	1,312
31-60 days	5,724	98
61-90 days	5,224	16
Over 90 days	70,739	123
	<u>482,111</u>	<u>1,549</u>
Other debtors, deposits and prepayments	597,240	1,026
	<u>1,079,351</u>	<u>2,575</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.

25. 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\$86,851,000 (2002: HK\$114,600,000) bears interest at commercial rates and the remaining balance is interest-free.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

26. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts due from jointly controlled entities of the Group are unsecured, interest-free and repayable within one year.

27. AMOUNTS DUE FROM RELATED COMPANIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Rosedale Hotel Group Limited and its subsidiaries	131,546	1,333
China Strategic and its subsidiaries	158,093	26,769
M Channel Corporation Limited ("M Channel") and its subsidiaries	10,181	–
Sing Pao Media Group Limited (now known as Leadership Publishing Group Limited) and its subsidiaries	–	17,644
Other related companies	28	–
	299,848	45,746

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

The amounts are unsecured and repayable within one year. Of the amounts, an amount of approximately HK\$278,380,000 (2002: HK\$42,000,000) 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 48.

28. LOANS RECEIVABLE

The amounts are receivable within one year. Of these amounts, amounts of approximately HK\$20,898,000 (2002: HK\$4,724,000) and HK\$1,898,000 (2002: Nil) for the Group and the Company, respectively, bear interest at commercial rates and the remaining balance is interest-free.

29. CREDITORS AND ACCRUED EXPENSES

The following is an aged analysis of trade creditors:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Trade creditors		
0-30 days	273,309	11,592
31-60 days	24,780	81
61-90 days	9,342	1
Over 90 days	19,556	47
	326,987	11,721
Other creditors and accrued expenses	470,368	10,287
	797,355	22,008

30. AMOUNTS DUE TO ASSOCIATES/JOINTLY CONTROLLED ENTITIES/RELATED COMPANIES

The balances of the Group are unsecured, interest-free and repayable within one year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

31. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
HK\$392,500,000 convertible notes due 2006 <i>(note a)</i>	392,500	-
Less: Unamortised deferred expenditure	(701)	-
	<u>391,799</u>	<u>-</u>
HK\$120,000,000 convertible notes due 2002 <i>(note b)</i>	-	120,000
Less: Unamortised deferred expenditure	-	(344)
	<u>-</u>	<u>119,656</u>
HK\$460,000,000 convertible notes due 2003 <i>(note b)</i>	-	460,000
Less: Unamortised deferred expenditure	-	(2,021)
	<u>-</u>	<u>457,979</u>
	<u>391,799</u>	<u>577,635</u>
The convertible notes are repayable as follows:		
Within one year	-	577,635
More than two years, but not exceeding five years	391,799	-
	<u>391,799</u>	<u>577,635</u>
Less: Amount due after one year and shown under non-current liabilities	<u>(391,799)</u>	<u>-</u>
Amount due within one year	<u>-</u>	<u>577,635</u>

Notes:

- (a) 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 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.

- (b) The convertible notes bore interest at the Best Lending Rate and were redeemed during the year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

32. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank borrowings comprise:				
Mortgage loans	446,135	–	–	–
Bank loans	290,000	–	–	–
Trust receipt loans	23,358	–	–	–
Bank overdrafts	45,535	9,123	9,936	–
	<u>805,028</u>	<u>9,123</u>	<u>9,936</u>	<u>–</u>
Analysed as:				
Secured	736,354	9,109	–	–
Unsecured	68,674	14	9,936	–
	<u>805,028</u>	<u>9,123</u>	<u>9,936</u>	<u>–</u>
The bank borrowings are repayable as follows:				
Within one year or on demand	167,853	9,123	9,936	–
More than one year, but not exceeding two years	30,900	–	–	–
More than two years, but not exceeding five years	578,700	–	–	–
More than five years	27,575	–	–	–
	<u>805,028</u>	<u>9,123</u>	<u>9,936</u>	<u>–</u>
Less: Amount due within one year or on demand shown under current liabilities	(167,853)	(9,123)	(9,936)	–
Amount due after one year	<u>637,175</u>	<u>–</u>	<u>–</u>	<u>–</u>

33. OTHER LOANS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Secured loans	60,000	–	–	–
Unsecured loans	83,817	17,317	83,817	17,317
	<u>143,817</u>	<u>17,317</u>	<u>83,817</u>	<u>17,317</u>
The other loans are repayable as follows:				
Within one year or on demand	77,317	17,317	17,317	17,317
More than one year, but not exceeding two years	66,500	–	66,500	–
	<u>143,817</u>	<u>17,317</u>	<u>83,817</u>	<u>17,317</u>
Less: Amount due within one year or on demand shown under current liabilities	(77,317)	(17,317)	(17,317)	(17,317)
Amount due after one year	<u>66,500</u>	<u>–</u>	<u>66,500</u>	<u>–</u>

The loans bore interest at commercial rates.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

34. DEFERRED TAXATION

THE GROUP

	Recognised		Unrecognised	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance brought forward	-	-	(57,759)	(52,284)
On acquisition of subsidiaries	3,111	-	(105,950)	-
Movement for the year	819	-	(36,327)	(5,475)
Balance carried forward	<u>3,930</u>	<u>-</u>	<u>(200,036)</u>	<u>(57,759)</u>

At the balance sheet date, the major components of the net deferred taxation liabilities (assets) of the Group, recognised and unrecognised, are as follows:

	Recognised		Unrecognised	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:				
Excess (shortfall) of tax allowances over depreciation	14,294	-	(5,949)	660
Different method in recognition of contract income for accounting and taxation purposes	(3,169)	-	(3,508)	-
Unutilised tax losses	(7,195)	-	(190,579)	(58,419)
	<u>3,930</u>	<u>-</u>	<u>(200,036)</u>	<u>(57,759)</u>

The net deferred taxation asset has not been recognised in the financial statements as realisation of this asset in the foreseeable future is uncertain.

The major components of net deferred taxation credit of the Group not recognised in the financial statements for the year are as follows:

	2003	2002
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Shortfall of tax allowances over depreciation	4,992	197
Effect on change in tax rate	6,175	-
Tax losses arising	25,160	5,278
	<u>36,327</u>	<u>5,475</u>

The Company did not have any significant unrecognised deferred taxation for the year or at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

35. PROVISION FOR LONG SERVICE PAYMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Balance brought forward	-	-
On acquisition of subsidiaries	1,727	-
	<u>1,727</u>	<u>-</u>
Balance carried forward	<u>1,727</u>	<u>-</u>

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

36. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2001 and 31st March, 2002	2,000,000,000	200,000
Increase during the year (<i>note a</i>)	1,000,000,000	100,000
	<u>3,000,000,000</u>	<u>300,000</u>
At 31st March, 2003	<u>3,000,000,000</u>	<u>300,000</u>
Compulsorily convertible cumulative preference shares of HK\$0.10 each		
At 1st April, 2001, 31st March, 2002 and 31st March, 2003	280,000,000	28,000
	<u>280,000,000</u>	<u>28,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2001	525,960,774	52,596
Placing of new shares (<i>note b</i>)	105,000,000	10,500
	<u>630,960,774</u>	<u>63,096</u>
At 31st March, 2002 and 31st March, 2003	<u>630,960,774</u>	<u>63,096</u>
Compulsorily convertible cumulative preference shares of HK\$0.10 each		
At 1st April, 2001, 31st March, 2002 and 31st March, 2003	267,980,000	26,798
	<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 21st June, 2001, the Company allotted 105,000,000 new ordinary shares of HK\$0.10 each at an issue price of HK\$0.60 per share to Galaxyway. The placing price of HK\$0.60 per share represented a discount of approximately 18.1% to the average closing price of approximately HK\$0.733 per ordinary share over the last 10 trading days, up to and including 18th June, 2001 on the Hong Kong Stock Exchange and also represented a discount of approximately 14.3% to the closing price of the ordinary shares of HK\$0.70 quoted on the Hong Kong Stock Exchange on 18th June, 2001. The proceeds of the subscription were used as additional working capital of the Group, apart from HK\$12.4 million which were used to subscribe for the shares in Star East pursuant to a conditional agreement as announced by Star East on 12th June, 2001.

All the new ordinary shares issued by the Company ranked *pari passu* with the then existing ordinary shares of the Company in all respects.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

36. SHARE CAPITAL *(continued)*

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.

37. 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 10% 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 10 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

37. SHARE OPTIONS *(continued)*

(a) Share options of the Company *(continued)*

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 10 years commencing after the Adoption Date, after which period no further options shall be granted.

As at 31st March, 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 the year.

(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 will expire 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.

At 31st March, 2003, the number of shares in respect of which options had been granted and remained outstanding under the Paul Y. - ITC Initial Scheme was 16,100,000 (2002: 54,449,206), representing 1.51% (2002: 5.25%) of the then issued shares of Paul Y. - ITC. The maximum number of shares in respect of which options may be granted under the Paul Y. - ITC Initial Scheme is 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 are 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 shall not exceed a period of three years commencing on the expiry of six months after the date of acceptance of options. The exercise price is determined by the directors of Paul Y. - ITC, and will 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 the year:

Date of grant	Exercise price per share HK\$	Number of shares of Paul Y. - ITC to be issued upon exercise of the share options		
		At 1.4.2001 & 1.4.2002	Lapsed during the year	At 31.3.2003
18th December, 1998	0.6048	38,349,206	(38,349,206)	–
17th December, 1999	0.5552	16,100,000	–	16,100,000
		<u>54,449,206</u>	<u>(38,349,206)</u>	<u>16,100,000</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

37. SHARE OPTIONS *(continued)*

(b) Share options of Paul Y. - ITC *(continued)*

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

The outstanding options can be exercised at any time during a period of three years commencing on the expiry of six months after the date of acceptance of the options. During the year, no options have been granted under the Paul Y. - ITC Initial Scheme.

Pursuant to a special general meeting held by the shareholders of Paul Y. - ITC on 27th August, 2002, Paul Y. - ITC has terminated the Paul Y. - ITC Initial Scheme and adopted a new share option scheme in order to comply with the amended rules of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Consequently, Paul Y. - ITC can no longer grant any further options under the Paul Y. - ITC Initial Scheme on its termination. However, all outstanding share options granted under the Paul Y. - ITC Initial Scheme remain in full force and effect.

(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 ("Eligible Person"). The Paul Y. - ITC New Scheme will remain in force for a period of 10 years from that date.

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 shares.

The total number of shares of Paul Y. - ITC in respect of which options may be granted under the Paul Y. - ITC New Scheme and any other share option scheme(s) of Paul Y. - ITC shall not exceed 103,674,492 shares, representing 9.75% of the issued share capital of Paul Y. - ITC as at the date of this report. 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(s) 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 0.10% 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, 2003

38. 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, 2001	153,843	2,117,993	908	(208,116)	2,064,628
Issue of ordinary shares	52,500	–	–	–	52,500
Shares issue expenses	(1,121)	–	–	–	(1,121)
Loss for the year	–	–	–	(725,283)	(725,283)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2002	205,222	2,117,993	908	(933,399)	1,390,724
Loss for the year	–	–	–	(23,881)	(23,881)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2003	<u>205,222</u>	<u>2,117,993</u>	<u>908</u>	<u>(957,280)</u>	<u>1,366,843</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 capital reorganisation.

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:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Contributed surplus	2,117,993	2,117,993
Accumulated losses	<u>(957,280)</u>	<u>(933,399)</u>
	<u>1,160,713</u>	<u>1,184,594</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

39. PURCHASE OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
NET ASSETS PURCHASED		
Property, plant and equipment	483,977	–
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	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	155,697	–
Taxation recoverable	5,412	–
Bank deposits	99,881	–
Bank balances and cash	56,548	–
Amounts due to customers for contract works	(540,579)	–
Creditors and accrued expenses	(858,727)	–
Amounts due to associates	(7,772)	–
Amounts due to jointly controlled entities	(47,460)	–
Amounts due to related companies	(1,774)	–
Taxation payable	(3,775)	–
Bank overdrafts	(3,647)	–
Bank borrowings	(634,118)	–
Minority interests	(864,617)	–
Deferred taxation	(3,111)	–
Provision for long service payments	(1,727)	–
	<u>1,538,750</u>	–
Negative goodwill arising on acquisition of subsidiaries	(415,230)	–
	<u>1,123,520</u>	–
Satisfied by:		
Cash	71,496	–
Reclassification from interests in associates	1,052,024	–
	<u>1,123,520</u>	–

The subsidiaries acquired during the year contributed to the Group's turnover and loss of HK\$746,868,000 and HK\$1,516,000, respectively.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

39. PURCHASE OF SUBSIDIARIES *(continued)*

	2003 HK\$'000	2002 HK\$'000
PURCHASE OF SUBSIDIARIES		
Cash consideration paid	(71,496)	–
Bank deposits, bank balances and cash acquired less bank overdrafts acquired	<u>152,782</u>	<u>–</u>
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>81,286</u>	<u>–</u>

40. MAJOR NON-CASH TRANSACTION

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 36.com Holdings Limited (now known as M Channel), representing 18.8% of its issued share capital.

During the year ended 31st March, 2002, an amount due from an associate of HK\$22,500,000 was settled by distribution of 121,621,622 shares of Star East by the associate through the exercise of the conversion right in a convertible note.

41. 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.

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 Schemes 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 contribution is 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 the rates specified in the rules of the MPF Scheme.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

42. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Outstanding performance bonds in respect of construction contracts	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	-
	<u>747,303</u>	<u>-</u>	<u>67,254</u>	<u>-</u>

In addition to the above, the Group has received claims for damages and injuries relating to its construction business. No provision has been made for these claims as they are either covered by insurance or will be indemnified by other parties.

43. 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, 2003, the Company is a principal unsecured 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.

44. 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	
	2003 HK\$'000	2002 HK\$'000
Within one year	1,201	172
In the second to fifth year inclusive	2,392	28
After five years	1,026	-
	<u>4,619</u>	<u>200</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

44. OPERATING LEASE ARRANGEMENTS *(continued)***(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	
	2003 HK\$'000	2002 HK\$'000
Within one year	26,571	269
In the second to fifth year inclusive	10,665	361
	37,236	630

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.

45. COMMITMENTS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:				
- subscription of new shares of Star East	20,000	-	20,000	-
- acquisition of an associate	36,660	-	-	-
	56,660	-	20,000	-

46. PLEDGE OF ASSETS

As at 31st March, 2003, certain of the Group's properties and debtors with an aggregate value of approximately HK\$911,086,000 (2002: HK\$17,618,000) and its benefits under certain construction contracts 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\$796,354,000 (2002: HK\$9,109,000) were utilised as at 31st March, 2003.

47. POST BALANCE SHEET EVENT

On 8th July, 2003, Paul Y. - ITC, Hanny, China Strategic and the Company jointly announced that Calisan Developments Limited and Well Orient Limited (the "Offerors"), each being wholly-owned subsidiary of Paul Y. - ITC and Hanny, respectively, through Kingsway SW Securities Limited, will make voluntary conditional cash offers at the price of HK\$0.10 for each share and HK\$0.001 for each warrant of China Strategic respectively, other than those owned by the Offerors and parties acting in concert with them, and to cancel all outstanding share options of China Strategic at HK\$0.001 each. Paul Y. - ITC, Hanny, China Strategic and the Company further jointly announced on 21st July, 2003 that after the purchase at the open market on 9th July, 2003, the Offerors and their concert parties are interested in 291,675,000 shares of China Strategic, representing approximately 35.16% of the issued share capital of China Strategic, thus triggering a mandatory offer during the offer period of a voluntary offer under Rule 26 of the Hong Kong Code on Takeovers and Mergers. The Offerors have notified China Strategic that, to make the offer price more attractive to the shareholders of China Strategic, the offer price per share of China Strategic is to be increased from HK\$0.10 to HK\$0.139, representing an increase of 39%. The shares and warrants to be acquired by Kingsway SW Securities Limited will be distributed to the Offerors in the same proportion. As the Company has 64.5% interest in Paul Y. - ITC, the offer may constitute a possible discloseable transaction for the Company. Following the close of the offers, the Offerors intend to take appropriate steps to ensure that not less than 25% of the shares of China Strategic will be held by the public. A circular containing, among other things, details of the offer will be despatched to shareholders of the Company as soon as practicable.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

48. 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	2003 HK\$'000	2002 HK\$'000
Associates of the Group	Sales of building materials <i>(note a)</i>	511	1,404
	Dividend income (including scrip dividend)	11,178	11,017
	Rentals and related building management fee charged by the Group <i>(notes b and c)</i>	2,395	-
	Rentals and related building management fee charged to the Group <i>(notes b and c)</i>	500	247
	Subcontracting fees charged to the Group <i>(note d)</i>	393	-
	Sales of motor car registration marks to the Group <i>(note d)</i>	790	-
	Interest income received <i>(note e)</i>	10,471	21,519
	Interest paid <i>(note e)</i>	-	27
	Amounts advanced and fully repaid during the year <i>(note f)</i>	-	181,700
	Balance due by the Group <i>(note 30)</i>	12,772	111
	Balance due to the Group <i>(notes 19(f) and 25)</i>	<u>355,164</u>	<u>148,528</u>
	Jointly controlled entities of the Group	Dividend income	5,000
Project management fees charged by the Group <i>(note c)</i>		3,000	-
Subcontracting fees charged to the Group <i>(note d)</i>		40,249	-
Service fees charged by the Group <i>(note c)</i>		60	-
Balance due by the Group <i>(note 30)</i>		69,343	-
Balance due to the Group <i>(notes 20 and 26)</i>		<u>5,207</u>	<u>-</u>
Directors or company controlled by director	Interest paid by the Group <i>(note g)</i>	900	173
	Interest payable on convertible notes issued by the Group <i>(note h)</i>	12,655	15,287
	Balance due by the Group <i>(notes g and i)</i>	<u>66,500</u>	<u>-</u>
Related companies	Rental and related building management fee charged by the Group <i>(notes b and c)</i>	1,592	-
	Project management fees charged by the Group <i>(note c)</i>	549	-
	Interest income received <i>(note e)</i>	6,044	658
	Balance due by the Group <i>(note 30)</i>	205	-
	Balance due to the Group <i>(note 27)</i>	<u>299,848</u>	<u>45,746</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

48. TRANSACTIONS AND BALANCES WITH RELATED PARTIES *(continued)*

During the year, 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.

During the year ended 31st March, 2002, the Company issued 105,000,000 new ordinary shares of HK\$0.10 each at an issue price of HK\$0.60 per share to Galaxyway. Details of the transaction are set out in note 36(b).

On 25th October, 2002, the Company announced that Hollyfield will make the Offers at the price of HK\$0.30 for each share and HK\$0.01 for each warrant in Paul Y. - ITC, other than those shares and warrants presently owned by the Company or its wholly-owned subsidiaries. Dr. Chan Kwok Keung, Charles, on the same date, has undertaken to the Company that he will (i) reimburse all expenses incurred by the Company in connection with the Offers in the event that the preconditions to which they are subject are not fulfilled; (ii) provide the Company with the finance to enable it to satisfy full acceptance of the Offers; and (iii) make the Offers in the event the Company fails to obtain the approval from its independent shareholders to permit it to make the Offers, through Hollyfield. The Offers were approved by independent shareholders at a special general meeting of the Company on 6th December, 2002. Dr. Chan Kwok Keung, Charles has agreed to finance the Offers in full by granting to the Company on 28th October, 2002, a term loan facility of up to HK\$180,000,000 on an unsecured basis and on normal commercial terms of which HK\$66,500,000 was utilised as at 31st March, 2003.

As at 31st March, 2003, a subsidiary of Paul Y. - ITC advanced approximately HK\$43,786,000 to Hamker Concrete Products Limited ("Hamker") which is 70% indirectly owned by Paul Y. - ITC for financing its operations. Such advance was the only financial assistance given by Hamker's shareholders to Hamker, and is unsecured, has no fixed terms of repayment and bears interest at commercial rate.

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 fee and project management fee were charged at the pre-agreed rates.
- (d) Subcontracting fees and sales of motor car registration marks 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 less 2.5%.
- (g) Interest was charged at the Best Lending Rate (2002: 1% over the Best Lending Rate).
- (h) Interest was charged at the Best Lending Rate.
- (i) The amount was unsecured and due after one year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(a) Details of the Company's principal subsidiaries as at 31st March, 2003 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	64.5	Investment holding
Corless Limited	British Virgin Islands	US\$2 ordinary shares	100	64.5	Investment holding
Cycle Company Limited	Hong Kong	HK\$2 ordinary shares	100	64.5	Property investment and holding
		HK\$2 non-voting deferred shares (note (i) below)	–	–	
DH Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	64.5	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	64.5	Property sale and holding
Great Intelligence Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Great Intelligence Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding
Gunnell Properties Limited	British Virgin Islands	US\$1 ordinary share	100	64.5	Property investment and holding
Hamker Concrete Products Limited ("Hamker")	Hong Kong	HK\$5,000,000 ordinary shares	70	45.1	Manufacturing and trading of concrete products
ITC Development Co. Limited	British Virgin Islands	US\$15,000 ordinary shares	100*	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

49. 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
ITC Investment Group Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
ITC Investment Holdings 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
Landwin Properties Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding in PRC
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	64.5	Securities investment and trading
Paul Y. - CREC Engineering Co., Limited	Hong Kong	HK\$10 ordinary shares	70	45.1	Civil engineering
Paul Y. - CREC Joint Venture	Hong Kong	– <i>(note (ii) below)</i>	70	45.1	Civil engineering
Paul Y. - ITC (E & M) Contractors Limited	Hong Kong	HK\$20,000,000 ordinary shares	99.9998	64.5	Provision of electrical, mechanical and building services
Paul Y. - ITC Construction Group Limited	Hong Kong	HK\$2 ordinary shares	100	64.5	Investment holding
		HK\$1,000,000 non-voting deferred shares <i>(note (iii) below)</i>	–	–	

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

49. 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		Principal activities
			held by the Company* / subsidiaries %	attributable to the Group %	
Paul Y. - ITC Construction Holdings Limited	Bermuda	HK\$106,301,604 ordinary shares	64.5	64.5	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	64.5	Building construction
Paul Y. - ITC Construction & Engineering Co. Limited	Hong Kong	HK\$42,000,000 ordinary shares	100	64.5	Building construction and specialist works
Paul Y. - ITC General Contractors Limited	Hong Kong	HK\$36,000,000 ordinary shares	100	64.5	Civil engineering and building construction
Paul Y. - ITC Interior Contractors Limited	Hong Kong	HK\$2 ordinary shares	100	64.5	Interior decoration works
Paul Y. - ITC Investments Group Limited	British Virgin Islands	US\$1 ordinary share	100	64.5	Investment holding
Paul Y. - ITC Management Limited	Hong Kong	HK\$2 ordinary shares	100	64.5	Management services
Paul Y. - ITC Plant Hire Limited	Hong Kong	HK\$2 ordinary shares	100	64.5	Hire of motor vehicles and plant and machinery
Paul Y. Building Management Limited	Hong Kong	HK\$2 ordinary shares	100	64.5	Property management services
Paul Y. Construction Company, Limited	Hong Kong	HK\$2 ordinary shares	100	64.5	Civil engineering, building construction and investment holding
		HK\$50,000,000 non-voting preferred shares <i>(note (iv) below)</i>	-	-	

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

49. 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		Principal activities
			held by the Company* / subsidiaries %	attributable to the Group %	
Paul Y. Foundation Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	64.5	Investment holding
Paul Y. Foundation Limited	Hong Kong	HK\$10,000,000 ordinary shares	100	64.5	Civil engineering and foundation works
Paul Y. Properties Group Limited	British Virgin Islands	US\$1 ordinary share	100	64.5	Investment holding
Paul Y. Tunnel Engineering Co. Limited	Hong Kong	HK\$2 ordinary shares	100	64.5	Civil engineering
Skylink Enterprises Limited	Hong Kong	HK\$10 ordinary shares	100	64.5	Holding of land use right
Tai Shan Paul Y. Construction Co., Ltd.	PRC	US\$5,005,340 registered capital <i>(note (v) below)</i>	100	64.5	Civil engineering and building construction
Technico Investments Limited	Hong Kong	HK\$2 ordinary shares	100	64.5	Holding of land use right
Unicon Concrete Products (HK) Limited	Hong Kong	HK\$12,000,002 ordinary shares	100	64.5	Manufacturing and trading of concrete products
Unicon Industrial Limited	Hong Kong	HK\$2 ordinary shares	100	64.5	Property holding
Unistress Concrete Products (H.K.) Limited	Hong Kong	HK\$200 ordinary shares	100	64.5	Manufacturing and trading of concrete products
		HK\$1,000,000 non-voting deferred shares <i>(note (iii) below)</i>	100	64.5	
Unistress Group Limited	British Virgin Islands	US\$1 ordinary share	100	64.5	Investment holding

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

49. 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 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) Details of the Group's principal associates as at 31st March, 2003 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	CAD11,615,541 common shares	26.0	Investment holding in company engaged in the development of commercial canola protein
Downer EDI Limited ("Downer")	Australia	A\$484,870,365 ordinary shares	23.6	Investment holding

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

49. 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
Hang Pak Engineering Limited	Hong Kong	HK\$100,000 ordinary shares	16.4	Elevators and escalators maintenance
Hanny Holdings Limited	Bermuda	HK\$1,603,014 ordinary shares	28.3	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	32.2	Civil engineering
Paul Y. - SELI Joint Venture	Hong Kong	– <i>(note (i) below)</i>	32.2	Civil engineering
Star East Holdings Limited	Bermuda	HK\$12,256,876 ordinary shares	25.9	Investment holding in companies engaged in entertainment-related business including production of movies, television drama series, documentary and infotainment programmes, the franchising and operation of theme restaurants under the brand names of "Planet Hollywood" and "Star East" in Asia Pacific, strategic investment in M Channel, talent management, music production, event production and marketing and property investment
ThyssenKrupp Elevator (HK) Limited (formerly Bongear Elevator (HK) Limited)	Hong Kong	HK\$116,800,000 ordinary shares	14.3	Elevators and escalators installation and maintenance
Zhujiang Kwan On Concrete Products Co., Ltd. ("Zhujiang Kwan On")	PRC	RMB6,320,000 registered capital <i>(note (ii) below)</i>	32.2	Manufacturing and trading of concrete products

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

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

Notes:

- (i) No capital has been contributed by the joint venture partners of this joint venture.
- (ii) 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 operates in Canada, Australia and PRC respectively.

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

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) Details of the Group's jointly controlled entities as at 31st March, 2003 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	32.2	Civil engineering
Paul Y. - Penta-Ocean Joint Venture	Hong Kong	– <i>(note below)</i>	32.2	Civil engineering

Note: No capital has been contributed by the joint venture partners, although the Group has contributed working capital amounting to HK\$5,000,000 to this joint venture.

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

50. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES

Hanny

Results for the years ended 31st March, 2003 and 2002

	2003 HK\$'000	2002 HK\$'000
Turnover	<u>4,162,804</u>	<u>4,373,909</u>
Loss before taxation	<u>(570,474)</u>	<u>(75,044)</u>
Loss for the year	<u>(648,472)</u>	<u>(102,455)</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2003

50. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*

Hanny

Financial position as at 31st March, 2003 and 2002

	2003 HK\$'000	2002 HK\$'000
Non-current assets	1,593,147	1,671,193
Current assets	1,663,268	2,233,870
Current liabilities	(1,185,858)	(1,432,304)
Minority interests	(170,500)	(214,611)
Non-current Liabilities	<u>(176,958)</u>	<u>(10,980)</u>

Star East

Results for the years ended 31st March, 2003 and 2002

	2003 HK\$'000	2002 HK\$'000
Turnover	<u>139,913</u>	<u>179,797</u>
Loss before taxation	<u>(129,154)</u>	<u>(479,736)</u>
Net loss for the year	<u>(130,409)</u>	<u>(461,690)</u>

Financial position as at 31st March, 2003 and 2002

	2003 HK\$'000	2002 HK\$'000
Non-current assets	234,602	418,227
Current assets	142,489	178,011
Current liabilities	(199,179)	(327,749)
Minority interests	(176)	(277)
Non-current liabilities	<u>(119,672)</u>	<u>(126,755)</u>

Downer

Financial position as at 31st December, 2002

	HK\$'000
Non-current assets	4,141,241
Current assets	4,249,336
Current liabilities	(2,392,544)
Non-current liabilities	(2,506,737)
Preference share capital	<u>(285,987)</u>

Full details of the results and financial position of Hanny and Star East can be found in their annual reports dated 21st July, 2003 and 17th July, 2003, respectively.

The financial position of Downer have been extracted from the published financial information as at 31st December, 2002.