

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2004

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"). Its ultimate holding company is ITC Corporation Limited ("ITC"), a company also incorporated in Bermuda with its securities listed on the Hong Kong Stock Exchange.

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in note 43.

2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Practice ("SSAP") No. 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly.

As a result of this change in policy, the accumulated losses at 1st April, 2002 has been increased by HK\$47,757,000 and the profit for the year has been decreased by HK\$1,008,000 (2003: loss for the year increased by HK\$5,313,000).

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in certain 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 date of acquisition or up to the effective date of disposal, as appropriate.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length. Investment properties are stated at their open market values at the balance sheet date. No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewable period, is twenty years or less.

Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of an investment property, the balance of the investment property revaluation reserve attributable to that property is transferred to the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, amortisation and any identified impairment loss.

The cost of leasehold land is amortised over the remaining period of the relevant leases using the straight line method.

The cost of buildings is depreciated over the remaining period of the relevant leases or fifty years, whichever is shorter, using the straight line method.

Depreciation is provided to write off the cost of other assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Plant and machinery	10%
Motor vehicles and vessels	10% – 20%
Furniture and fixtures	20%
Computer equipment	33 $\frac{1}{3}$ %

In previous years, motor vehicles, furniture and fixtures were depreciated at 10% per annum. With effect from 1st April, 2003, they are depreciated at 20% per annum which reflects the Group's previous experience of the useful lives of its assets. The change in depreciation rate has increased the depreciation charge for the year by approximately HK\$14,215,000.

The gain or loss arising from 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

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 consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium on acquisition in so far as it has not already been written off or amortised, less any identified impairment loss.

Interests in jointly controlled entities

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

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

Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities or other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Other long term investments

Other long term investments are stated at cost, less any identified impairment loss.

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. 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, so far as 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2004

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.

Operating lease

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

Turnover

Turnover represents the total value of contract work certified and the gross proceeds received and receivable from project management services in connection with contract work rendered by the Group, revenue generated from hotel operations, property rental and related income, and gross proceeds received and receivable from sale of property during the year.

Revenue recognition

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

Revenue from hotel operations is recognised when services are rendered.

Dividend income from investments is recognised when the Group'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, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Retirement benefit costs**

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS**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 sale of property. These divisions are the basis on which the Group reports its primary segment information.

In the opinion of the directors, the inclusion of the proportionate share of turnover of the associates and jointly controlled entities is meaningful in providing a clearer indication of the Group's activity.

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

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Property leasing	Sale of property	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER										
External sales	2,418,339	463,440	448,849	3,448	-	48,390	-	-	-	3,382,466
Inter-segment sales	28,713	-	76,384	71,029	-	15,635	-	-	(191,761)	-
	2,447,052	463,440	525,233	74,477	-	64,025	-	-	(191,761)	3,382,466
Share of associates and jointly controlled entities	9,872	55,597	-	6,793	4,691,253	-	-	27,291	-	4,790,806
Total	2,456,924	519,037	525,233	81,270	4,691,253	64,025	-	27,291	(191,761)	8,173,272
RESULT										
Segment result	(10,122)	(5,632)	(4)	(24,923)	-	14,898	-	-	-	(25,783)
Finance costs										(9,829)
Investment expenses - net										(13,785)
Deficit arising on revaluation of investment properties	-	-	-	-	-	(14,000)	-	-	-	(14,000)
Loss on disposal of investment properties	-	-	-	-	-	(2,152)	-	-	-	(2,152)
Allowance for amounts due from associates										(21,526)
Gain (loss) on disposal and dilution of interests in associates	-	-	-	-	171,317	-	-	(18,454)	-	152,863
Share of results of associates	334	(16)	-	1,793	174,239	-	-	(42,646)	-	133,704
Share of results of jointly controlled entities	-	9,074	-	-	-	-	-	-	-	9,074
Profit before taxation										208,566
Taxation										(45,678)
Profit before minority interests										162,888
Minority interests										739
Profit for the year										163,627

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Property leasing	Sale of property	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS									
Segment assets	938,381	450,958	179,949	64,016	-	559,663	-	-	2,192,967
Interests in associates	21,019	249	-	4,582	760,813	-	-	640,045	1,426,708
Interests in jointly controlled entities	-	14,817	-	-	-	-	-	-	14,817
Unallocated corporate assets									1,227,836
Total assets									4,862,328
LIABILITIES									
Segment liabilities	775,262	297,904	99,633	31,295	-	22,636	-	-	1,226,730
Unallocated corporate liabilities									854,278
Total liabilities									2,081,008
OTHER INFORMATION									
Capital additions	2,374	992	2,975	1,999	-	351	-	54,926	63,617
Amortisation of goodwill	2,305	-	-	-	-	-	-	-	2,305
Depreciation and amortisation									
of property, plant and equipment	21,411	6,415	21,072	6,544	-	11,430	-	8,802	75,674
Impairment loss on property interests	-	-	-	-	-	1,496	-	-	1,496
Loss on option agreement	-	-	-	-	-	-	-	52,871	52,871
Impairment loss on listed investment securities	-	-	-	-	-	-	-	2,142	2,142

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)**Business segments** (Continued)

During the year ended 31st March, 2003, the Group discontinued its hotel and catering operations at the time of disposal of certain subsidiaries as detailed in note 5.

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

	Continuing operations							Discontinued operations		Consolidated HK\$'000	
	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	Sale of property HK\$'000	Hotel and catering HK\$'000		Eliminations HK\$'000
TURNOVER											
External sales	2,232,876	555,794	720,304	14,488	-	55,733	8,340	48,647	-	3,636,182	
Inter-segment sales	47,016	127	103,722	45,472	-	19,846	-	-	(216,183)	-	
	2,279,892	555,921	824,026	59,960	-	75,579	8,340	48,647	(216,183)	3,636,182	
Share of associates and jointly controlled entities	50,816	109,900	-	3,501	3,801,765	-	-	-	-	3,965,982	
Total	2,330,708	665,821	824,026	63,461	3,801,765	75,579	8,340	48,647	(216,183)	7,602,164	
RESULT											
Segment result	(40,625)	(56,092)	(55,264)	(21,324)	-	25,749	209	(1,972)	-	(149,319)	
Impairment loss on property, plant and equipment										(110,327)	
Finance costs										(25,794)	
Investment expenses - net										(32,036)	
Deficit arising on revaluation of investment properties	-	-	-	-	-	(99,392)	-	-	-	(99,392)	
Allowance for amounts due from associates										(13,964)	
Loss on dilution of interest in an associate	-	-	-	-	(4,665)	-	-	-	-	(4,665)	
Share of results of associates	2,404	(17)	-	306	121,836	-	-	-	-	124,529	
Share of results of jointly controlled entities	-	5,920	-	-	-	-	-	-	-	5,920	
Impairment loss on interest in an associate										(11,670)	
Loss before taxation										(316,718)	
Taxation										(37,809)	
Loss before minority interests										(354,527)	
Minority interests										498	
Loss for the year										(354,029)	

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

	Continuing operations						Discontinued operations			Consolidated HK\$'000
	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Construction materials HK\$'000	Engineering and infrastructure services HK\$'000		Sale of property HK\$'000	Hotel and catering HK\$'000	Others HK\$'000	
					Property leasing HK\$'000					
ASSETS										
Segment assets	1,069,212	368,008	193,942	96,168	-	619,005	-	-	-	2,346,335
Interests in associates	43,231	293	-	3,093	906,634	-	-	-	-	953,251
Interests in jointly controlled entities	-	8,743	-	-	-	-	-	-	-	8,743
Unallocated corporate assets										1,564,827
Total assets										4,873,156
LIABILITIES										
Segment liabilities	871,883	298,347	95,744	47,353	-	22,770	-	-	-	1,336,097
Unallocated corporate liabilities										862,968
Total liabilities										2,199,065
OTHER INFORMATION										
Capital additions	1,866	1,855	3,388	15,895	-	4,734	-	383	490	28,611
Amortisation of goodwill	2,306	-	-	-	-	-	-	-	-	2,306
Depreciation and amortisation of property, plant and equipment	16,708	6,473	22,179	7,479	-	10,819	-	9,366	5,977	79,001
Impairment loss on listed investment securities	-	-	-	-	-	-	-	-	11,376	11,376
Impairment loss on unlisted other investments	-	-	-	-	-	-	-	-	7,463	7,463

Geographical segments

The Group's operations are located in the People's Republic of China other than Hong Kong (the "PRC") and Hong Kong.

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

	Turnover	
	2004 HK\$'000	2003 HK\$'000
Hong Kong	3,292,897	3,609,919
PRC	89,569	26,263
	3,382,466	3,636,182

During the year ended 31st March, 2003, revenue from the Group's discontinued operations of HK\$48,647,000 was derived principally from Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	3,990,936	3,826,165	61,591	13,416
PRC	109,085	114,510	2,026	15,195
Pacific region and South East Asia	762,307	932,481	-	-
	4,862,328	4,873,156	63,617	28,611

5. DISCONTINUED OPERATIONS

In July 2002, the Group entered into a conditional sale and purchase agreement to dispose of the entire issued share capital of, and shareholder's loan to, Rosedale Hotel Group Limited ("Rosedale Hotel" together with its subsidiaries, the "Rosedale Hotel Group"), which was engaged in the business of hotel and catering, for a cash consideration of HK\$250,000,000. The transaction was completed on 2nd December, 2002.

The results of the hotel and catering operations for the period from 1st April, 2002 to 30th November, 2002, which were included in the consolidated financial statements for the year ended 31st March, 2003, were as follows:

	HK\$'000
Turnover	48,647
Operating costs	(50,619)
Finance costs	(10,151)
Loss for the period	(12,123)

During the year ended 31st March, 2003, Rosedale Hotel Group contributed approximately HK\$3,796,000 to the Group's net operating cash flows, paid approximately HK\$355,000 and HK\$7,652,000 in respect of investing and financing activities, respectively.

The carrying amounts of the assets and liabilities of Rosedale Hotel Group at the date of disposal are disclosed in note 35.

A loss of approximately HK\$1,701,000 arose on the disposal of Rosedale Hotel, being the proceeds of disposal less the carrying amount of the subsidiaries' net assets. No tax charge or credit arose from that transaction.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

6. LOSS FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	2,030	2,065
Depreciation and amortisation:		
Property, plant and equipment (<i>note (a) below</i>)	71,666	78,095
Goodwill (included in administrative expenses)	2,305	2,306
Impairment loss on property interests	1,496	–
Loss on disposal of property, plant and equipment	–	4,475
Operating lease rentals in respect of:		
Premises	3,556	3,206
Plant and machinery	3,616	692
Staff costs (<i>note (b) below</i>)	112,202	134,503
and after crediting:		
Rental income under operating leases in respect of:		
Premises, net of outgoings of HK\$20,171,000 (2003: HK\$19,691,000)	19,555	27,625
Plant and machinery	385	2,596
Gain on disposal of property, plant and equipment	3,312	–

Notes:

	2004 HK\$'000	2003 HK\$'000
(a) Depreciation and amortisation of property, plant and equipment:		
Owned assets	75,674	79,001
Less: Amount capitalised in respect of contracts in progress	(4,008)	(906)
	71,666	78,095
(b) Staff costs:		
Directors' emoluments (<i>note 9</i>):		
Fees	100	73
Retirement benefit scheme contributions	885	1,217
Other emoluments	30,157	14,732
	31,142	16,022
Other staff costs:		
Salaries and other benefits	286,924	417,730
Retirement benefit scheme contributions, net of forfeited contributions of HK\$1,462,000 (2003: HK\$10,197,000)	8,326	5,590
	326,392	439,342
Less: Amount capitalised in respect of contracts in progress	(214,190)	(304,839)
	112,202	134,503

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

7. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Borrowing costs on:		
Bank borrowings wholly repayable within five years	13,628	17,215
Bank borrowings not wholly repayable within five years	–	10,892
Others	1,255	515
	14,883	28,622
Less: Amount capitalised in respect of contracts in progress	(5,054)	(2,828)
	9,829	25,794

8. INVESTMENT EXPENSES – NET

	2004 HK\$'000	2003 HK\$'000
Gain on disposal of:		
Listed investment securities	–	1,605
Listed other investments	3,892	–
Impairment loss on:		
Listed investment securities	(2,142)	(11,376)
Unlisted other investments	–	(7,463)
Loss on option agreement	(52,871)	–
Interest income	37,300	9,550
Net unrealised holding gain (loss) on listed other investments	36	(24,352)
	(13,785)	(32,036)

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

(a) Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive directors	80	53
Non-executive directors	20	20
	100	73
Other emoluments:		
Executive directors		
Salaries and other benefits	12,697	13,865
Discretionary bonus	17,000	–
Retirement benefit scheme contributions	885	1,217
Non-executive directors		
Salaries and other benefits	460	867
	31,042	15,949
	31,142	16,022

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2004

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The emoluments of the directors were within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	3	6
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	2	–
HK\$3,000,001 to HK\$3,500,000	1	2
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$7,500,001 to HK\$8,000,000	3	–

(b) Employees' emoluments

The five highest paid individuals in the Group for the year included four directors and one employee (2003: five directors). Particulars of the emoluments of these five highest paid individuals are as follows:

	2004	2003
	HK\$'000	HK\$'000
Fees	40	41
Salaries and other benefits	10,557	15,325
Discretionary bonus	17,245	2,080
Retirement benefit scheme contributions	676	1,246
	28,518	18,692

Their emoluments were within the following bands:

	Number of employees	
	2004	2003
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	1	2
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	–	2
HK\$7,500,001 to HK\$8,000,000	3	–

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, 2004

10. TAXATION

	2004 HK\$'000	2003 HK\$'000 (restated)
The charge comprises:		
Hong Kong Profits Tax:		
Current year	–	42
Underprovision in prior years	166	22,471
	166	22,513
Overseas taxation	3,322	5,453
Share of tax on results of associates	49,022	36,484
	52,510	64,450
Deferred taxation:		
Current year	(6,832)	(32,589)
Attributable to a change in tax rate in Hong Kong	–	5,948
	(6,832)	(26,641)
	45,678	37,809

Hong Kong Profits Tax is calculated at 17.5% (2003: 16.0%) of the estimated assessable profits for the year.

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

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

	2004 HK\$'000	2003 HK\$'000
Profit (loss) before taxation	208,566	(316,718)
Tax at the domestic tax rate of 17.5% (2003: 16%)	36,499	(50,675)
Tax effect of expenses not deductible for tax purpose	29,361	39,482
Tax effect of income not taxable for tax purpose	(43,366)	(15,513)
Tax effect of deductible temporary difference not recognised	245	346
Tax effect of utilisation of deductible temporary difference previously not recognised	(17,129)	1,441
Tax effect of tax losses not recognised	24,086	43,959
Tax effect of utilisation of tax losses previously not recognised	(8,220)	(27,130)
Tax effect of different tax rates of associates and jointly controlled entities operating in other jurisdictions	24,036	17,480
Increase in opening deferred tax liabilities resulting from an increase in applicable tax rate	–	5,948
Underprovision in prior years	166	22,471
Taxation charge for the year	45,678	37,809

Details of the deferred taxation are set out in note 29.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2004

11. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim dividend paid for 2004 – 1.0 cent (2003: 1.0 cent) per share	10,937	10,491
Special dividend paid for 2004 – 29.0 cents (2003: Nil) per share	317,174	–
Final dividend proposed for 2004 – 1.5 cent (2003: 1.0 cent) per share	20,179	10,727
	348,290	21,218

Of the dividends paid during the year, approximately HK\$8,327,000 (2003: HK\$2,301,000) and HK\$176,082,000 (2003: HK\$3,423,000) were settled in shares under the Company's scrip dividend schemes announced by the directors of the Company on 21st July, 2003 and 19th December, 2003, respectively, and were credited to the accumulated profits of the Company during the year.

The amount of the final dividend proposed for the year ended 31st March, 2004, which will be in scrip form with a cash option, has been calculated by reference to the 1,345,249,019 issued shares as at the date of this report.

12. EARNINGS (LOSS) PER SHARE

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

	2004 HK\$'000	2003 HK\$'000 (restated)
Earnings (loss):		
Earnings (loss) for the purposes of basic earnings (loss) per share	163,627	(354,029)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of an associate based on dilution of its earnings per share	(4,651)	(2,944)
Earnings (loss) for the purposes of diluted earnings (loss) per share	158,976	(356,973)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	1,117,367,985	1,042,310,331

The computation of diluted earnings (loss) per share has not assumed the conversion of the Company's share options and warrants since their exercise prices are higher than the average market price per share for both years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

12. EARNINGS (LOSS) PER SHARE (Continued)

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

	Basic HK\$	Diluted HK\$
Reconciliation of 2003 loss per share:		
Reported figures before adjustments	(0.335)	(0.337)
Adjustment arising from the adoption of SSAP 12 (Revised)	(0.005)	(0.005)
Restated	(0.340)	(0.342)

13. INVESTMENT PROPERTIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
VALUATION		
Balance brought forward	572,608	675,900
Transfer from deposits and prepayments	5,600	-
Disposals	(49,208)	(3,900)
Deficit arising on revaluation	(14,000)	(99,392)
Balance carried forward	515,000	572,608

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

	2004 HK\$'000	2003 HK\$'000
Long term leasehold properties in Hong Kong	60,000	74,000
Medium term leasehold properties in:		
Hong Kong	455,000	455,000
PRC	-	43,608
Total	515,000	572,608

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

Certain investment properties with carrying amount of HK\$455,000,000 were revalued on 31st March, 2004, on an open market value basis, by RHL Appraisal Ltd., an independent professional valuer. The remaining investment properties with carrying amount of HK\$60,000,000 were revalued on 31st March, 2004 by the directors with reference to the value as quoted in a sale and purchase agreement between the Group and an independent third party completed subsequent to the balance sheet date. The aggregate deficit arising on revaluation amounting to HK\$14,000,000 (2003: HK\$99,392,000) has been charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles and vessels HK\$'000	Furniture, fixtures and computer equipment HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1st April, 2003	270,814	440,312	57,563	139,761	908,450
On acquisition of a subsidiary	–	–	53,758	–	53,758
Additions	141	3,904	2,294	3,520	9,859
Disposals	(14,926)	(30,825)	(28,692)	(5,653)	(80,096)
At 31st March, 2004	256,029	413,391	84,923	137,628	891,971
DEPRECIATION, AMORTISATION AND IMPAIRMENT					
At 1st April, 2003	36,203	310,130	36,916	67,045	450,294
Provided for the year	4,999	39,222	8,837	22,616	75,674
Eliminated on disposals	(300)	(26,208)	(20,663)	(4,459)	(51,630)
At 31st March, 2004	40,902	323,144	25,090	85,202	474,338
NET BOOK VALUES					
At 31st March, 2004	215,127	90,247	59,833	52,426	417,633
At 31st March, 2003	234,611	130,182	20,647	72,716	458,156

The net book value of land and buildings held by the Group at the balance sheet date comprises the following:

	2004 HK\$'000	2003 HK\$'000
Long term leasehold properties in the PRC	141	1,646
Medium term leasehold properties in:		
Hong Kong	214,400	232,361
PRC	586	604
	215,127	234,611

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

15. GOODWILL

	THE GROUP
	HK\$'000
COST	
At 1st April, 2003 and 31st March, 2004	385,531
AMORTISATION AND IMPAIRMENT	
At 1st April, 2003	369,395
Provided for the year	2,305
At 31st March, 2004	371,700
NET BOOK VALUE	
At 31st March, 2004	13,831
At 31st March, 2003	16,136

The amortisation period adopted is 20 years.

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares	212,921	212,921
Loans to subsidiaries	142,000	160,900
Amounts due from subsidiaries	3,456,836	3,566,811
	3,811,757	3,940,632
Less: Loan to a subsidiary due within one year	(71,000)	-
	3,740,757	3,940,632
Less: Allowance for amounts due from subsidiaries	(704,302)	(704,302)
	3,036,455	3,236,330

The unlisted shares are stated at their carrying values which are based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under a group reorganisation in 1993.

In the opinion of the directors, the loans to subsidiaries except for an amount of HK\$71,000,000 (2003: Nil) and amounts due from subsidiaries will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Particulars of the Company's principal subsidiaries at 31st March, 2004 are set out in note 43.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets:		
Listed shares in overseas	545,310	649,099
Listed shares in Hong Kong	460,494	–
Unlisted shares	23,828	(2,986)
Goodwill (<i>Note (a) below</i>)	370,676	257,535
	1,400,308	903,648
Amount due from an associate (<i>Note (b) below</i>)	26,400	49,603
	1,426,708	953,251
Market value of listed shares:		
in Overseas	1,110,079	935,290
in Hong Kong	139,763	–
	1,249,842	935,290

Notes:

- (a) Movement of goodwill is analysed as follows:

	THE GROUP HK\$'000
COST	
At 1st April, 2003	341,244
Additions	312,119
Eliminated on disposal and dilution of interest	(205,744)
At 31st March, 2004	447,619
AMORTISATION	
At 1st April, 2003	83,709
Provided for the year	35,204
Eliminated on disposal and dilution of interest	(41,970)
At 31st March, 2004	76,943
NET BOOK VALUE	
At 31st March, 2004	370,676
At 31st March, 2003	257,535

The amortisation period adopted ranges from 10 to 20 years.

- (b) The amount due from an associate is unsecured and bears interest at 1% (2003: 1%) over Hong Kong prime rate. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

17. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

- (c) Pursuant to a voluntary conditional general cash offer made by the Group and Hanny Holdings Limited ("Hanny"), an associate of ITC, for the shares and warrants of China Strategic Holdings Limited ("China Strategic"), other than those already owned by the Group and Hanny and parties acting in concert with them in September 2003, the Group's interest in China Strategic increased from 14.55% to 31.2%. Accordingly, the Group's investment in China Strategic has been reclassified from investment securities to interests in associates. At 31st March, 2004, the Group's interest in China Strategic was diluted to 29.4% upon the exercise of warrants and share options in China Strategic.

China Strategic is a company listed on the Hong Kong Stock Exchange and its financial year end date is 31st December. Downer EDI Limited ("Downer") is a company listed in Australia and New Zealand and its financial year end date is 30th June. Since only published financial information of China Strategic and Downer will be available and used by the Group in applying the equity method, the Group's share of interest in China Strategic and Downer at 31st March, 2004 is calculated based on the net assets of China Strategic and Downer at 31st December, 2003 and the results for China Strategic from the date of becoming an associate to 31st December, 2003 and the results for Downer from 1st January, 2003 to 31st December, 2003.

The following details have been extracted from the financial information of the Group's significant associates:

	Downer		China Strategic
	1.1.2003	1.1.2002	1.1.2003
	to	to	to
	31.12.2003	31.12.2002	31.12.2003
	HK\$'000	HK\$'000	HK\$'000
Results for the year:			
Revenue from ordinary activities	16,380,841	10,322,467	2,884,493
Profit (loss) from ordinary activities before taxation	520,505	348,302	(169,184)
Profit (loss) from ordinary activities after taxation	380,746	249,036	(180,119)
	31.12.2003	31.12.2002	31.12.2003
	HK\$'000	HK\$'000	HK\$'000
Financial position:			
Non-current assets	5,501,196	4,141,241	1,124,597
Current assets	6,281,918	4,249,336	1,064,647
Current liabilities	(4,159,429)	(2,392,544)	(161,090)
Non-current liabilities	(3,057,649)	(2,506,737)	(244,614)
Preference share capital	-	(285,987)	-
Minority interests	-	-	(250,160)

Particulars of the Group's principal associates at 31st March, 2004 are set out in note 43.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2004

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

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 and is therefore shown as non-current.

Particulars of the Group's jointly controlled entities at 31st March, 2004 are set out in note 43.

19. OTHER LONG TERM INVESTMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Unlisted investments, at cost:		
in Hong Kong	15,093	15,093
in overseas	388	388
	15,481	15,481

In the opinion of the directors, the above investments are worth at least their carrying value.

20. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
THE GROUP						
Listed equity securities:						
in Hong Kong	–	650,063	39,374	26,527	39,374	676,590
in overseas	1,481	3,623	–	–	1,481	3,623
	1,481	653,686	39,374	26,527	40,855	680,213
Market value of listed securities	1,481	14,483	39,374	26,527	40,855	41,010
Carrying amount analysed for reporting purposes as:						
Non-current	1,481	653,686	–	–	1,481	653,686
Current	–	–	39,374	26,527	39,374	26,527
	1,481	653,686	39,374	26,527	40,855	680,213

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

21. AMOUNTS DUE FROM RELATED COMPANIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Loans receivable:		
Associates of ITC	149,333	190,054
Rosedale Hotel	-	121,000
China Strategic	-	108,337
Associates of China Strategic	86,881	-
	236,214	419,391
Other receivables:		
Associates of ITC	28	8,518
Rosedale Hotel Group	-	10,498
China Strategic and its subsidiaries	-	4,939
Associates of China Strategic	2,239	-
Other related companies	289	2,157
	238,770	445,503

The above companies are companies under common directorship with ITC.

During the year, China Strategic became an associate of the Company.

The amounts are unsecured and repayable as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Loans receivable:		
Hong Kong prime rate	-	114,000
1% over Hong Kong prime rate	-	7,000
2% over Hong Kong prime rate	236,214	273,337
3% over Hong Kong prime rate	-	25,054
	236,214	419,391
Other receivables	2,556	26,112
	238,770	445,503
Less: Amount due within one year shown under current assets	(238,770)	(277,195)
Amount due after one year	-	168,308

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

22. UNSECURED LOANS RECEIVABLE

The amounts are unsecured and bear interest at the following rates:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
1.5% over Paris Interbank Offered Rate	3,821	-
2% below Hong Kong prime rate	69,869	138,697
0.25% over Hong Kong prime rate	130,000	-
1% over Hong Kong prime rate	6,700	6,500
2% over Hong Kong prime rate	14,500	10,500
3% over Hong Kong prime rate	21,325	-
	246,215	155,697
Less: Amount due within one year shown under current assets	(196,215)	(155,697)
Amount due after one year	50,000	-

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

24. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms for its contracting business are negotiated at terms determined and agreed 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.

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$492,753,000 (2003: HK\$475,084,000) and their aged analysis is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within 90 days	432,280	404,414
More than 90 days and within 180 days	3,784	6,896
More than 180 days	56,689	63,774
	492,753	475,084

25. AMOUNTS DUE FROM (TO) ASSOCIATES AND AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, have no fixed terms of repayment and are interest free except for:

- (i) an amount due from an associate of HK\$174,695,000 (2003: Nil) which bears interest at 2% over Hong Kong prime rate; and
- (ii) an amount due to an associate of HK\$92,000,000 under a deed of settlement which is repayable in April 2004.

26. CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade payables of approximately HK\$338,430,000 (2003: HK\$317,178,000) and their aged analysis is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within 90 days	320,155	297,674
More than 90 days and within 180 days	5,064	4,277
More than 180 days	13,211	15,227
	338,430	317,178

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

27. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank borrowings comprise:				
Mortgage loans	364,000	446,135	-	-
Bank loans	180,000	290,000	-	10,000
Trust receipt loans	-	23,358	-	354
Bank overdrafts	17,048	22,105	1,992	1,998
	561,048	781,598	1,992	12,352
Analysed as:				
Secured	544,000	726,135	-	-
Unsecured	17,048	55,463	1,992	12,352
	561,048	781,598	1,992	12,352
The bank borrowings are repayable as follows:				
Within one year or on demand	44,048	144,423	1,992	12,352
More than one year, but not exceeding two years	217,000	30,900	-	-
More than two years, but not exceeding five years	300,000	578,700	-	-
More than five years	-	27,575	-	-
	561,048	781,598	1,992	12,352
Less: Amount due within one year or on demand shown under current liabilities	(44,048)	(144,423)	(1,992)	(12,352)
Amount due after one year	517,000	637,175	-	-

28. PROVISION FOR LONG SERVICE PAYMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Balance brought forward	1,727	-
Provided for the year	-	1,727
Balance carried forward	1,727	1,727

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

29. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Undistributed earnings of an associate HK\$'000	Tax losses HK\$'000	Recognition of contracting income HK\$'000	Others HK\$'000	Total HK\$'000
THE GROUP						
At 1st April, 2002						
As originally stated	28,425	-	(1,819)	5,187	4,091	35,884
Prior period adjustment on adoption of SSAP12 (Revised)	36,806	20,186	(8,611)	(1,067)	443	47,757
As restated	65,231	20,186	(10,430)	4,120	4,534	83,641
Charge (credit) to income statement	(29,860)	7,078	118	(7,839)	(4,740)	(35,243)
Effect on change in tax rate	6,115	-	(978)	386	425	5,948
Realised on dilution of interest in an associate	-	(204)	-	-	-	(204)
Exchange differences	-	2,858	-	-	-	2,858
At 31st March, 2003	41,486	29,918	(11,290)	(3,333)	219	57,000
Charge (credit) to income statement	(9,424)	11,056	2,942	(93)	(204)	4,277
Realised on dilution of interest in an associate	-	(19,799)	-	-	-	(19,799)
Exchange differences	-	8,690	-	-	-	8,690
At 31st March, 2004	32,062	29,865	(8,348)	(3,426)	15	50,168

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred taxation for financial reporting purposes:

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

At 31st March, 2004, the Group has unused tax losses of approximately HK\$1,354,000,000 (2003: HK\$1,264,000,000) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately HK\$48,000,000 (2003: HK\$65,000,000) of such losses. No deferred tax asset in respect of the remaining tax losses has been recognised due to the unpredictability of future profit streams.

The Company did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2004

30. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.10 each:		
Authorised:		
At 1st April, 2002, 31st March, 2003 and 31st March, 2004	3,000,000,000	300,000
Issued and fully paid:		
At 1st April, 2002	1,036,744,924	103,675
Issue of new shares pursuant to scrip dividend scheme	26,271,113	2,627
At 31st March, 2003	1,063,016,037	106,302
Exercise of warrants	9,648,758	965
Issue of new shares pursuant to scrip dividend scheme	272,584,224	27,258
At 31st March, 2004	1,345,249,019	134,525

During the year, the following changes in the Company's share capital took place:

- (a) Holders of 2003 Warrants exercised their rights to subscribe for a total of 9,648,758 new ordinary shares of HK\$0.10 each in the Company for a total consideration of HK\$3,860,000.
- (b) Pursuant to the scrip dividend schemes which were announced by the Company on 21st July, 2003 and 19th December, 2003, the Company issued 21,038,671 (2003: 12,357,385) and 251,545,553 (2003: 13,913,728) new ordinary shares of HK\$0.10 each in the Company to shareholders who elected to receive scrip dividends in respect of the final dividend for the year ended 31st March, 2003 and the interim and special dividends for the year ended 31st March, 2004, respectively. The scrip shares did not rank for the final dividend for the year ended 31st March, 2003 and the interim and special dividends for the year ended 31st March, 2004, respectively.

31. WARRANTS

	Number of shares upon subscription	Aggregate subscription amount HK\$'000
2003 Warrants at a subscription price of HK\$0.40 each:		
At 1st April, 2002 and 31st March, 2003	204,920,349	81,968
Exercised during the year	(9,648,758)	(3,860)
Lapsed during the year	(195,271,591)	(78,108)
At 31st March, 2004	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

32. SHARE OPTION SCHEMES**(a) Initial Share Option Scheme**

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

At 31st March, 2003, the number of shares in respect of which options had been granted and remained outstanding under the Initial Share Option Scheme was 16,100,000, representing 1.51% of the shares of the Company in issue at that date. The maximum number of shares in respect of which options may be granted under the Initial Share Option Scheme was not permitted to exceed 10% of the issued share capital of the Company from time to time.

No option may be granted to any individual under the Initial Share Option Scheme which, if exercised in full, would result in the total number of shares of the Company 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 the Company for the time being issued and issuable under the Initial Share Option 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 the Company 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 the Company, and will not be less than the higher of the nominal value of the shares of the Company, and 80% of the average closing prices of the shares of the Company on the five trading days immediately preceding the date of offer of options.

The following table discloses details of the Company's share options under the Initial Share Option Scheme and movements in such holdings during the current and prior years:

Date of grant	Exercise price per share HK\$	Number of shares of the Company to be issued upon exercise of the share options				
		Balance at 1.4.2002	Lapsed during the year	Balance at 31.3.2003	Lapsed during the year	Balance at 31.3.2004
18.12.1998	0.6048	38,349,206	(38,349,206)	-	-	-
17.12.1999	0.5552	16,100,000	-	16,100,000	(16,100,000)	-
		54,449,206	(38,349,206)	16,100,000	(16,100,000)	-

All options granted under the Initial Share Option Scheme were lapsed at 31st March, 2004.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

32. SHARE OPTION SCHEMES (Continued)

(b) New Share Option Scheme

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

Under the New Share Option Scheme, the directors of the Company may at their discretion grant options to any Eligible Person to subscribe for shares in the Company without consideration. The directors 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 New Share Option Scheme. The exercise price is determined by the directors of the Company and will be at least the higher of: (i) the subscription price as is permissible under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange from time to time; and (ii) the nominal value of the Company's shares.

The maximum number of shares may be issued upon the exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) adopted by the Company must not in aggregate exceed 10% of the total number of issued shares of the Company, i.e. 103,674,492 shares, as at its adoption date. An ordinary resolution relating to the refreshing of the scheme limit on grant of options under the New Share Option Scheme and any other share option scheme(s) of the Company up to 10% of the shares of the Company in issue as at the date of such general meeting, i.e. 107,266,479 shares, representing 7.97% of the issued share capital of the Company as at the date of this report was passed at the annual general meeting of shareholders of the Company held on 8th September, 2003. Subject to the approval of the shareholders of the Company 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 the Company in general meeting. Notwithstanding the forgoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30% of the total number of shares in issue from time to time.

The maximum number of shares of the Company in respect of which options may be granted to each Eligible Person under the New Share Option Scheme and any other share option scheme(s) of the Company (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 the Company 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 million must be approved by the shareholders of the Company in general meeting in advance.

No options have been granted under the New Share Option Scheme since its adoption.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

33. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE COMPANY				
At 1st April, 2002	214,846	3,126,941	40,311	3,382,098
Issue of shares under scrip dividend scheme	(2,627)	–	–	(2,627)
Credit arising on scrip dividends (note 11)	–	–	5,724	5,724
Share issue expenses	(188)	–	–	(188)
Transfer	–	(646,941)	646,941	–
Loss for the year	–	–	(246,808)	(246,808)
Dividends paid	–	–	(20,858)	(20,858)
At 31st March, 2003	212,031	2,480,000	425,310	3,117,341
Premium on issue of shares	2,895	–	–	2,895
Issue of shares under scrip dividend scheme	(27,258)	–	–	(27,258)
Credit arising on scrip dividends (note 11)	–	–	184,409	184,409
Share issue expenses	(298)	–	–	(298)
Profit for the year	–	–	32,962	32,962
Dividends paid	–	–	(338,838)	(338,838)
At 31st March, 2004	187,370	2,480,000	303,843	2,971,213

The capital reserve of the Company comprises the credit arising from the cancellation of share premium and from the reduction of paid up capital of approximately HK\$2,480,000,000 and HK\$646,941,000, respectively, upon capital reorganisation. During the year ended 31st March, 2003, an amount of approximately HK\$646,941,000 was transferred from the capital reserve to accumulated profits for future distribution. The Company has given a guarantee in favour of, and entered into a letter of undertaking (the "Letter of Undertaking") with, a bank in connection with a loan agreement (the "Loan Agreement") entered into between certain subsidiaries of the Company and the bank. Pursuant to the Letter of Undertaking, so long as any sums remain outstanding under the Loan Agreement, the Company cannot, under certain circumstances, without the prior consent from the bank, reduce or distribute or use the capital reserve including the transfer to the contributed surplus account.

In the opinion of the directors, the Company's reserves available for distribution to shareholders at 31st March, 2004 amounted to approximately HK\$303,843,000 (2003: HK\$425,310,000).

34. ACQUISITION OF SUBSIDIARIES

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

In May 2002, the Group acquired the entire issued share capital of, and shareholder's loan to, Unicon Industrial Group Limited ("Unicon") for a cash consideration of HK\$103,000,000. Unicon, together with its subsidiary, solely held certain leasehold land and buildings in Hong Kong with carrying value of HK\$103,000,000.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2004

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

The effect of the acquisitions was summarised as follows:

	2004 HK\$'000	2003 HK\$'000
Net assets acquired:		
Property, plant and equipment	53,758	103,000
Unsecured loan receivable	3,585	–
	57,343	103,000
Satisfied by:		
Cash paid	57,343	103,000

The subsidiaries acquired did not make any significant impact on the Group's results and cash flows for the year.

35. DISPOSAL OF SUBSIDIARIES

As detailed in note 5, in December 2002 the Group disposed of the entire issued share capital of, and shareholder's loan to, Rosedale Hotel for a cash consideration of HK\$250,000,000. The effect of the disposal was summarised as follows:

	2003 HK\$'000
Net assets disposed of:	
Property, plant and equipment	647,359
Debtors, deposits and prepayments	12,555
Bank balances and cash	595
Creditors and accrued expenses	(8,808)
Bank loan	(400,000)
	251,701
Loss on disposal of subsidiaries	(1,701)
	250,000
Satisfied by:	
Cash received	250,000

Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:

	2003 HK\$'000
Cash consideration received	250,000
Bank balances and cash disposed of	(595)
Net inflow of cash and cash equivalents in connection with the disposal of subsidiaries	249,405

The impacts on the Group's results and cash flows were disclosed in note 5.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

36. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions:

- (a) Issue of additional shares as scrip dividends during the year as set out in note 30.
- (b) Investments in investment securities of HK\$650,063,000 (2003: Nil) has been reclassified to investments in associates.
- (c) Receipt of scrip dividends of HK\$7,307,000 from investment in an associate during the year ended 31st March, 2003.
- (d) An unsecured loan receivable of HK\$42,000,000 which was used to settle the deposit paid for the acquisition of certain property interests in the PRC was reclassified to debtors, deposits and prepayments at 31st March, 2003.

37. 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 material 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.

With effective from 1st December, 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme 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 the rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

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

38. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Outstanding performance bonds in respect of construction contracts	623,257	740,529	-	-
Guarantees given to banks and financial institutions in respect of general banking facilities granted to:				
Subsidiaries	-	-	1,174,903	1,510,955
Associates	-	2,419	-	2,419
	623,257	742,948	1,174,903	1,513,374

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

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

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	809	1,015
In the second to fifth year inclusive	1,607	1,958
After five years	718	1,026
	3,134	3,999

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

(b) The Group as a lessor:

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	26,391	26,082
In the second to fifth year inclusive	13,826	10,298
	40,217	36,380

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

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

40. PLEDGE OF ASSETS

At 31st March, 2004, certain of the Group's property, plant and equipment and investment in securities with an aggregate value of approximately HK\$668,638,000 (2003: HK\$890,903,000) and the issued shares of certain 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\$544,000,000 (2003: HK\$726,135,000) were utilised at 31st March, 2004.

41. COMMITMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of equity investments	450,671	36,660

The Company did not have any significant capital commitment at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

42. RELATED PARTY TRANSACTIONS AND BALANCES

The Group entered into the following transactions with its related parties during the year:

Class of related party	Nature of transactions	2004	2003
		HK\$'000	HK\$'000
Associates of the Group	Construction works charged by the Group	182	2,809
	Purchase of concrete products by the Group	104	6
	Subcontracting fees charged to the Group	5,437	9,839
	Interest income charged by the Group	7,357	-
	Service fees charged to the Group	308	-
	Loan commitment fee charged by the Group	-	113
	Rentals and related building management fee charged by the Group	2,074	3,073
	Service fees charged to the Group	406	70
	Project management fees charged to the Group	-	15,000
Jointly controlled entities of the Group	Construction works charged by the Group	268	1,337
	Project management fees charged by the Group	-	5,000
	Subcontracting fees charged to the Group	104,734	242,639
	Service fees charged by the Group	144	276
	Rentals charged by the Group	102	-
Subsidiaries of ITC	Rentals and related building management fee charged by the Group	780	748
	Purchase of building materials and related installation works by the Group	34	551
	Sales of motor car registration mark	-	790
Associates of ITC	Rentals and related building management fee charged by the Group	2,930	8,246
	Interest income charged by the Group	13,332	8,128
Other related companies	Rental and related building management fee charged by the Group	6,896	4,613
	Interest income charged by the Group	10,253	4,569
	Subcontracting fees charged by the Group	1,207	371
	Project management fees charged by the Group	-	2,321
	Purchase of medicine and health products by the Group	432	374
	Service fees charged to the Group	641	802

Other related companies are companies under common directorship or common control with ITC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The above transactions were carried out on the following bases:

- (a) Construction works and subcontracting fees were charged at market price or, where no market price was available, at terms determined and agreed by both parties.
- (b) Purchase of concrete products and building materials were carried out in accordance with the negotiated prices.
- (c) Interest was charged by reference to the principal outstanding and at the interest rate determined and agreed by both parties.
- (d) Building management fee, service fee, project management fee and loan commitment fee were charged at the pre-agreed rates.
- (e) Rentals were charged at the pre-agreed fixed monthly amounts.

Details of the balance with associates, jointly controlled entities and related companies at the balance sheet date are set out in notes 17, 18, 21 and 25.

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

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

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital		Principal activities
			held by the Company */ subsidiaries %	attributable to the Group %	
Calisan Developments Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding
Century Harbour Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding
Corless Limited	British Virgin Islands	US\$2 ordinary shares	100	100	Investment holding
Cycle Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property investment and holding
		HK\$2 non-voting deferred shares (Note (i) below)	-	-	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (Continued)

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

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital		Principal activities
			held by the Company * / subsidiaries %	attributable to the Group %	
DH Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding
Full Winners Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property sale and holding
Gunnell Properties Limited	British Virgin Islands	US\$1 ordinary share	100	100	Property investment and holding
Hamker Concrete Products Limited	Hong Kong	HK\$10,000,000 ordinary shares	85	85	Manufacturing and trading of concrete products
Nation Cheer Investment Limited	Hong Kong	HK\$1,200,000 ordinary shares	100	100	Securities investment and trading
Paul Y. - CREC Engineering Co., Limited	Hong Kong	HK\$10 ordinary shares	70	70	Civil engineering
Paul Y. - CREC Joint Venture	Hong Kong	– (Note (ii) below)	70	70	Civil engineering
Paul Y. - ITC (E & M) Contractors Limited	Hong Kong	HK\$20,000,000 ordinary shares	99.9998	99.9998	Provision of electrical, mechanical and building services
Paul Y. - ITC Construction Group Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding
		HK\$1,000,000 non-voting deferred shares (Note (iii) below)	–	–	

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2004

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company * / subsidiaries %	attributable to the Group %	Principal activities
Paul Y. - ITC Construction Limited	Hong Kong	HK\$102,000,000 ordinary shares	100	100	Building construction
Paul Y. - ITC Construction & Engineering Co. Limited	Hong Kong	HK\$42,000,000 ordinary shares	100	100	Building construction and specialist works
Paul Y. - ITC General Contractors Limited	Hong Kong	HK\$36,000,000 ordinary shares	100	100	Civil engineering and building construction
Paul Y. - ITC Interior Contractors Limited	Hong Kong	HK\$2 ordinary shares	100	100	Interior decoration works
Paul Y. - ITC Investments Group Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding
Paul Y. - ITC Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	Management services
Paul Y. - ITC Plant Hire Limited	Hong Kong	HK\$2 ordinary shares	100	100	Hire of motor vehicles and plant and machinery
Paul Y. Building Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property management services
Paul Y. Construction Company, Limited	Hong Kong	HK\$2 ordinary shares	100	100	Civil engineering, building construction and investment holding
		HK\$50,000,000 non-voting preferred shares <i>(Note (iv) below)</i>	-	-	
Paul Y. Foundation Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (Continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2004

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(Continued)*

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

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

Name of associate	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/registered capital attributable to the Group %	Principal activities
China Strategic Holdings Limited ("China Strategic")	Hong Kong	HK\$88,159,508.70 ordinary shares	29.4	Investment holding
CSCEC - Paul Y. Construction Company Limited	PRC	US\$10,000,000 registered capital <i>(Note below)</i>	31.3	Civil engineering and building construction
Domain - Paul Y. Sdn. Bhd.	Malaysia	RM1,000,000 ordinary shares	49.0	Design and building construction
Downer EDI Limited ("Downer")	Australia	A\$563,057,694 ordinary shares	21.3	Investment holding
Paul Y. - CREC Construction Co., Limited	Hong Kong	HK\$100 ordinary shares	50.0	Civil engineering

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2004

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (Continued)

(b) Particulars of the Company's principal associates at 31st March, 2004 are as follows: (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
Zhujiang Kwan On Concrete Products Co., Ltd.	PRC	RMB6,320,000 registered capital (Note below)	50.0	Manufacturing and trading of concrete products

All of the above associates are private limited companies except (i) Downer which is listed in Australia and New Zealand and (ii) China Strategic which is listed in Hong Kong.

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

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

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

Name of jointly controlled entity	Place of incorporation	Issued and fully paid share capital	Percentage of issued share capital attributable to the Group %	Principal activities
DL & PY JV Limited	Hong Kong	HK\$2 ordinary shares	50	Civil engineering
Paul Y. - Penta-Ocean Joint Venture	Hong Kong	- (Note below)	50	Civil engineering

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

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.