

## 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 activities of its principal subsidiaries, associates and jointly controlled entities are set out in note 44.

In October 2004, ITC Corporation Limited ("ITC"), the Company's former ultimate holding company which is incorporated in Bermuda with its securities listed on the Hong Kong Stock Exchange, has disposed of certain of its equity interest in the Company and became a substantial shareholder of the Company. Details of the disposal are contained in the joint announcement of the Company and ITC dated 19th October, 2004.

## 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 "Business Combinations" is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31st March, 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

### 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.

#### **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 $\frac{1}{3}$ %

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.

#### **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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **Project under development**

Project under development is stated at cost less identified impairment loss. Cost includes the cost of sea area use rights, development expenditure, borrowing costs capitalised and other attributable expenses.

#### **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.

#### **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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **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.

#### **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.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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, property rental and related income, and gross proceeds received and receivable from sale of investment securities 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 sale of properties is recognised upon the execution of a binding sales agreement.

Income from sale of investment securities is recognised when the sale contract becomes unconditional.

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

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 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.

#### 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.

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

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

#### 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.

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#### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

##### Business segments

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

Business segment information for the year ended 31st March, 2005 is presented below:

	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Treasury investment HK\$'000	Property investment HK\$'000	Infrastructure HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>									
External sales	2,227,525	683,599	336,559	271,260	69,072	–	–	–	3,588,015
Inter-segment sales	11,942	–	134,433	–	16,532	–	–	(162,907)	–
	<u>2,239,467</u>	<u>683,599</u>	<u>470,992</u>	<u>271,260</u>	<u>85,604</u>	<u>–</u>	<u>–</u>	<u>(162,907)</u>	<u>3,588,015</u>
<b>RESULT</b>									
Segment result	46,446	15,269	10,215	8,159	22,889	–	–	–	102,978
Interest income									52,236
Allowance for amounts due from associates									(40,504)
Unallocated corporate expenses									(61,072)
Profit from operations									53,638
Finance costs									(6,266)
Gain on disposal and dilution of interests in associates									519,873
Gain on partial disposal of subsidiaries									67,968
Impairment loss on interest in an associate									(182,087)
Share of results of associates	6,437	(132)	(163)	–	–	–	73,518	–	79,660
Share of results of jointly controlled entities	–	898	–	–	–	–	–	–	898
Profit before taxation									533,684
Taxation									(11,812)
Profit before minority interests									521,872
Minority interests									985
Profit for the year									<u>522,857</u>

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

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**4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)****Business segments (Cont'd)**

At 31st March, 2005

	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Treasury investment HK\$'000	Property investment HK\$'000	Infrastructure HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>								
Segment assets	916,772	470,439	165,315	173,284	746,076	1,911,835	–	4,383,721
Interests in associates	6,509	24,652	1,399	–	–	–	349,586	382,146
Interests in jointly controlled entities	–	9,544	–	–	–	–	–	9,544
Unallocated corporate assets								2,335,905
Total assets								7,111,316
<b>LIABILITIES</b>								
Segment liabilities	724,863	352,493	59,747	7,875	397,366	–	–	1,542,344
Unallocated corporate liabilities	–	–	–	–	–	–	–	1,853,314
Total liabilities								3,395,658
<b>OTHER INFORMATION</b>								
Capital additions	1,750	1,470	–	–	2,405	–	7,001	12,626
Amortisation of goodwill	2,305	–	–	–	–	–	1,066	3,371
Depreciation and amortisation of property, plant and equipment	19,441	1,959	10,741	–	11,094	–	9,349	52,584

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

	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>							
External sales	2,421,787	463,440	448,849	48,390	–	–	3,382,466
Inter-segment sales	22,169	–	76,384	15,635	–	(114,188)	–
	2,443,956	463,440	525,233	64,025	–	(114,188)	3,382,466
<b>RESULT</b>							
Segment result	(35,045)	(5,632)	(4)	14,898	–	–	(25,783)
Interest income							37,300
Allowance for amounts due from associates							(21,526)
Unallocated corporate expenses							(67,237)
Loss from operations							(77,246)
Finance costs							(9,829)
Gain on disposal and dilution of interests in associates	–	–	–	–	152,863	–	152,863
Share of results of associates	2,127	(16)	–	–	131,593	–	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.

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## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

## Business segments (Cont'd)

At 31st March, 2004

	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Segment assets	1,002,397	450,958	179,949	559,663	–	2,192,967
Interests in associates	25,601	249	–	–	1,400,858	1,426,708
Interests in jointly controlled entities	–	14,817	–	–	–	14,817
Unallocated corporate assets						1,227,836
Total assets						4,862,328
<b>LIABILITIES</b>						
Segment liabilities	806,557	297,904	99,633	22,636	–	1,226,730
Unallocated corporate liabilities						854,278
Total liabilities						2,081,008
<b>OTHER INFORMATION</b>						
Capital additions	4,373	992	2,975	351	54,926	63,617
Amortisation of goodwill	2,305	–	–	–	–	2,305
Depreciation and amortisation of property, plant and equipment	27,955	6,415	21,072	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

## Geographical segments

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

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

	Turnover	
	2005 HK\$'000	2004 HK\$'000
Hong Kong	3,476,116	3,292,897
Macau	71,871	–
PRC	40,028	89,569
	3,588,015	3,382,466



**4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)****Geographical segments (Cont'd)**

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	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong	<b>6,963,260</b>	3,990,936	<b>11,300</b>	61,591
PRC	<b>117,591</b>	109,085	<b>1,262</b>	2,026
Macau	<b>30,465</b>	–	<b>64</b>	–
Pacific region and South East Asia	–	762,307	–	–
	<b>7,111,316</b>	4,862,328	<b>12,626</b>	63,617

**5. OTHER OPERATING INCOME**

	2005 HK\$'000	2004 HK\$'000
Gain on disposal of listed other investments	–	3,892
Interest income	<b>52,236</b>	37,300
Net unrealised holding gain on listed other investments	–	36
Others	<b>283</b>	–
	<b>52,519</b>	41,228

**6. OTHER OPERATING EXPENSES**

	2005 HK\$'000	2004 HK\$'000
Impairment loss on listed investment securities	<b>92</b>	2,142
Loss on option agreement	–	52,871
Net unrealised holding loss on listed other investments	<b>6,424</b>	–
Impairment loss on properties held for sale	<b>3,000</b>	–
Impairment loss on goodwill	<b>9,554</b>	–
Allowance for amounts due from associates	<b>40,504</b>	21,526
	<b>59,574</b>	76,539

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## 7. PROFIT (LOSS) FROM OPERATIONS

	2005 HK\$'000	2004 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration	<b>2,442</b>	2,030
Depreciation and amortisation:		
Property, plant and equipment (note (a) below)	<b>50,439</b>	71,666
Goodwill (included in administrative expenses)	<b>3,371</b>	2,305
Impairment loss on property interests	–	1,496
Operating lease rentals in respect of:		
Premises	<b>48</b>	3,556
Plant and machinery	<b>8,614</b>	3,616
Staff costs (note (b) below)	<b>128,589</b>	112,202
and after crediting:		
Rental income under operating leases in respect of:		
Premises, net of outgoings of HK\$19,867,000 (2004: HK\$20,171,000)	<b>13,154</b>	19,555
Plant and machinery	<b>64</b>	385
Gain on disposal of property, plant and equipment	<b>917</b>	3,312

Notes:

	2005 HK\$'000	2004 HK\$'000
(a) Depreciation and amortisation of property, plant and equipment:		
Owned assets	<b>52,584</b>	75,674
Less: Amount capitalised in respect of contracts in progress	<b>(1,546)</b>	(4,008)
Amount capitalised in respect of project under development	<b>(599)</b>	–
	<b>50,439</b>	71,666
(b) Staff costs:		
Directors' emoluments (note 9):		
Fees	<b>582</b>	100
Retirement benefit scheme contributions	<b>880</b>	885
Other emoluments	<b>29,049</b>	30,157
	<b>30,511</b>	31,142
Other staff costs:		
Salaries and other benefits	<b>286,002</b>	286,924
Retirement benefit scheme contributions, net of forfeited contributions of HK\$1,914,000 (2004: HK\$1,462,000)	<b>9,900</b>	8,326
	<b>326,413</b>	326,392
Less: Amount capitalised in respect of contracts in progress	<b>(197,824)</b>	(214,190)
	<b>128,589</b>	112,202

## 8. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Borrowing costs on:		
Bank borrowings wholly repayable within five years	<b>10,418</b>	13,628
Loan from a minority shareholder	<b>4,833</b>	–
Others	<b>14</b>	1,255
	<b>15,265</b>	14,883
Less: Amount capitalised in respect of contracts in progress	<b>(2,697)</b>	(5,054)
Amount capitalised in respect of project under development	<b>(6,302)</b>	–
	<b>6,266</b>	9,829

## 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

	2005 HK\$'000	2004 HK\$'000
Fees:		
Executive directors	<b>74</b>	80
Non-executive directors	<b>508</b>	20
	<b>582</b>	100
Other emoluments:		
Executive directors		
Salaries and other benefits	<b>11,949</b>	12,697
Discretionary bonus	<b>17,000</b>	17,000
Retirement benefit scheme contributions	<b>880</b>	885
Non-executive directors		
Salaries and other benefits	<b>100</b>	460
	<b>29,929</b>	31,042
	<b>30,511</b>	31,142

The emoluments of the directors were within the following bands:

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	<b>5</b>	3
HK\$1,000,001 to HK\$1,500,000	<b>2</b>	1
HK\$1,500,001 to HK\$2,000,000	<b>1</b>	2
HK\$2,500,001 to HK\$3,000,000	<b>1</b>	–
HK\$3,000,001 to HK\$3,500,000	<b>–</b>	1
HK\$7,500,001 to HK\$8,000,000	<b>3</b>	3

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**9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)****(b) Employees' emoluments**

The five highest paid individuals in the Group for the year included four directors and one employee (2004: four directors and one employee). Particulars of the emoluments of these five highest paid individuals are as follows:

	2005 HK\$'000	2004 HK\$'000
Fees	38	40
Salaries and other benefits	10,937	10,557
Discretionary bonus	16,700	17,245
Retirement benefit scheme contributions	696	676
	<b>28,371</b>	<b>28,518</b>

Their emoluments were within the following bands:

	Number of employees	
	2005	2004
HK\$2,500,001 to HK\$3,000,000	2	1
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$7,500,001 to HK\$8,000,000	3	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.

**10. TAXATION**

	2005 HK\$'000	2004 HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	–	–
Underprovision in prior years	21	166
	<b>21</b>	<b>166</b>
Overseas taxation	5,035	3,322
Deferred taxation	(28,828)	(6,832)
Taxation attributable to the Company and its subsidiaries	<b>(23,772)</b>	<b>(3,344)</b>
Share of tax on results of associates	35,413	49,022
Share of tax on results of jointly controlled entities	171	–
	<b>11,812</b>	<b>45,678</b>

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

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

**10. TAXATION (Cont'd)**

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

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	<b>533,684</b>	208,566
Tax at Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	<b>93,395</b>	36,499
Tax effect of expenses not deductible for tax purpose	<b>44,883</b>	29,361
Tax effect of income not taxable for tax purpose	<b>(112,115)</b>	(43,366)
Tax effect of deductible temporary difference not recognised	<b>(3,434)</b>	245
Tax effect of utilisation of deductible temporary difference previously not recognised	<b>(4,857)</b>	(17,129)
Tax effect of tax losses not recognised	<b>11,655</b>	24,086
Tax effect of utilisation of tax losses previously not recognised	<b>(16,196)</b>	(8,220)
Tax effect of different tax rates of associates and jointly controlled entities operating in other jurisdictions	<b>(1,540)</b>	24,036
Underprovision in prior years	<b>21</b>	166
<b>Taxation charge for the year</b>	<b>11,812</b>	45,678

Details of the deferred taxation are set out in note 32.

**11. DIVIDENDS**

	2005 HK\$'000	2004 HK\$'000
Interim dividend paid for 2005 – 1.5 cents (2004: 1.0 cent) per share	<b>20,538</b>	10,937
Special dividend declared for 2005 – 70.0 cents (2004: 29.0 cents paid) per share	<b>957,177</b>	317,174
Final dividend proposed for 2005 – 1.5 cents (2004: 1.5 cents) per share	<b>20,511</b>	20,179
	<b>998,226</b>	348,290

Of the dividends paid during the year, approximately HK\$17,591,000 (2004: HK\$184,409,000) was settled in shares under the Company's scrip dividend scheme announced by the directors of the Company on 23rd July, 2004 in respect of the final dividend for the year ended 31st March, 2004 and was credited to the accumulated profits of the Company during the year.

On 17th June 2005, the Board resolved to declare a special cash dividend of 70 cents per share. The amount of special cash dividend so declared was calculated by reference to 1,367,395,436 shares in issue.

The amount of the final dividend proposed for the year ended 31st March, 2005, which will be in scrip form with a cash option, has been calculated by reference to the 1,367,395,436 issued shares as at the date of this report.

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**12. EARNINGS PER SHARE**

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

	2005 HK\$'000	2004 HK\$'000
Earnings:		
Earnings for the purposes of basic earnings per share	<b>522,857</b>	163,627
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)
Earnings for the purposes of diluted earnings per share	<b>522,857</b>	158,976
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,355,352,439</b>	1,117,367,985
Effect of dilutive potential ordinary shares:		
Share options	<b>1,398,760</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,356,751,199</b>	1,117,367,985

The computation of diluted earnings per share for the year ended 31st March, 2004 had not assumed the conversion of the Company's share options and warrants since their exercise prices were higher than the average market price per share for that year.

**13. 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, 2004	256,029	413,391	84,923	137,628	891,971
On acquisition of subsidiaries	–	–	460	11	471
Additions	–	773	5,901	5,481	12,155
Disposals	–	(27,004)	(2,105)	(2,354)	(31,463)
At 31st March, 2005	256,029	387,160	89,179	140,766	873,134
DEPRECIATION, AMORTISATION AND IMPAIRMENT					
At 1st April, 2004	40,902	323,144	25,090	85,202	474,338
Provided for the year	4,995	24,958	9,531	13,100	52,584
Eliminated on disposals	–	(22,316)	(1,796)	(1,720)	(25,832)
At 31st March, 2005	45,897	325,786	32,825	96,582	501,090
NET BOOK VALUES					
At 31st March, 2005	210,132	61,374	56,354	44,184	372,044
At 31st March, 2004	215,127	90,247	59,833	52,426	417,633

**13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

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

	2005 HK\$'000	2004 HK\$'000
Long term leasehold properties in the PRC	<b>138</b>	141
Medium term leasehold properties in:		
Hong Kong	<b>209,426</b>	214,400
PRC	<b>568</b>	586
	<b>210,132</b>	215,127

**14. INVESTMENT PROPERTIES**

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
VALUATION		
Balance brought forward	<b>515,000</b>	572,608
Transfer from deposits and prepayments	–	5,600
Disposals	<b>(60,000)</b>	(49,208)
Deficit arising on revaluation charged to income statement	–	(14,000)
Balance carried forward	<b>455,000</b>	515,000

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

	2005 HK\$'000	2004 HK\$'000
Long term leasehold properties in Hong Kong	–	60,000
Medium term leasehold properties in Hong Kong	<b>455,000</b>	455,000
	<b>455,000</b>	515,000

The Group's investment properties are held for rental purposes under operating leases. They were revalued on 31st March, 2005, on an open market value basis, by RHL Appraisal Ltd., an independent professional valuer. No surplus or deficit was arisen on such revaluation.

**15. PROJECT UNDER DEVELOPMENT**

	2005 HK\$'000	2004 HK\$'000
On acquisition of subsidiaries	<b>1,724,684</b>	–
Additions	<b>81,782</b>	–
At 31st March, 2005	<b>1,806,466</b>	–

The amount relates to a development project located in Jiangsu Province, the PRC. The development project includes certain sea area use rights of HK\$72,688,000, interest capitalised of HK\$6,302,000 and other development expenditure. The Group intends to reclaim certain parcels of land from the sea for the development of a bulk handling port and properties for industrial use. According to the sea area use certificates, the sea area use rights are granted for a term of not less than 50 years commencing 2004. At 31st March, 2005, certain site formation has been commenced and the development is in progress.

For the year ended 31st March, 2005

**16. GOODWILL**

	THE GROUP HK\$'000
COST	
At 1st April, 2004	385,531
On acquisition of subsidiaries	60,740
31st March, 2005	446,271
AMORTISATION AND IMPAIRMENT	
At 1st April, 2004	371,700
Provided for the year	3,371
Impairment loss recognised	9,554
At 31st March, 2005	384,625
NET BOOK VALUE	
At 31st March, 2005	61,646
At 31st March, 2004	13,831

The amortisation period adopted ranges from 10 to 20 years.

**17. INTERESTS IN SUBSIDIARIES**

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares	5	212,921
Loans to subsidiaries	–	142,000
Amounts due from subsidiaries	<b>3,195,746</b>	3,456,836
	<b>3,195,751</b>	3,811,757
Less: Loan to a subsidiary due within one year	–	(71,000)
	<b>3,195,751</b>	3,740,757
Less: Allowance for amounts due from subsidiaries	<b>(704,302)</b>	(704,302)
	<b>2,491,449</b>	3,036,455

The unlisted shares are stated at costs, or 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 March 2004, the Company entered into a conditional sale and purchase agreement with Paul Y. Engineering Group Limited ("Paul Y. Engineering", formerly known as Skynet (International Group) Holdings Limited) for the disposal of the Company's entire equity interest in, and shareholder's loan to, Paul Y. - ITC Construction Holdings (B.V.I.) Limited ("Paul Y Construction"), a direct wholly-owned subsidiary of the Company, in exchange for an indirect controlling interest in Paul Y. Engineering. Details of this and other acquisition of subsidiaries are set out in note 36.

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. The Company will not demand repayment within the next twelve months from the balance sheet date and, accordingly, the amounts are 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, 2005 are set out in note 44.



## 18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Share of net assets:		
Listed shares in overseas (note (a) below)	–	545,310
Listed shares in Hong Kong (note (b) below)	<b>371,914</b>	460,494
Unlisted shares	<b>37,146</b>	23,828
Premium on acquisition of associates (note (c) below)	–	370,676
	<b>409,060</b>	1,400,308
Amount due from an associate (note (d) below)	–	26,400
	<b>409,060</b>	1,426,708
Less: Impairment loss recognised	<b>(26,914)</b>	–
	<b>382,146</b>	1,426,708
Market value of listed shares:		
in overseas	–	1,110,079
in Hong Kong	<b>139,763</b>	139,763
	<b>139,763</b>	1,249,842

## Notes:

- (a) The listed shares in overseas at 31st March, 2004 represented the Group's 21.3% equity interest in Downer EDI Limited ("Downer") which is a company listed in Australia and New Zealand and, together with its subsidiaries, is principally engaged in engineering and infrastructure contracting business. During the year, the Group has disposed of its 5.5 million shares in Downer at a price of A\$2.2 each to certain executives of Downer pursuant to the incentive option agreement, and the remaining 56.2 million shares in Downer at a price of A\$4.55 each to independent third parties. Details of these transactions are contained in the Company's announcements dated 10th December, 2004 and 15th December, 2004, respectively.

The resulting gain on disposal of Downer and the disposal of interests in other associates amounting to HK\$519,873,000 (2004: HK\$152,863,000) has been credited to the income statement.

For the year ended 31st March, 2005

**18. INTERESTS IN ASSOCIATES (Cont'd)**

Notes: (Cont'd)

- (b) The listed shares in Hong Kong represents the Group's 29.4% (2004: 29.4%) equity interest in China Strategic Holdings Limited ("China Strategic") which is a company listed on the Hong Kong Stock Exchange and its financial year end date is 31st December. Since only published financial information of China Strategic is available and used by the Group in applying the equity method, the Group's share of interest in China Strategic at 31st March, 2005 is calculated based on the net assets of China Strategic at 31st December, 2004 and the results for China Strategic from 1st January, 2004 to 31st December, 2004.

The following details have been extracted from the financial information of China Strategic:

	<b>1.1.2004 to 31.12.2004 HK\$'000</b>	1.1.2003 to 31.12.2003 HK\$'000
Results for the year:		
Revenue from ordinary activities	<b>123,403</b>	2,884,493
Loss from ordinary activities before taxation	<b>(124,564)</b>	(169,184)
Loss from ordinary activities after taxation	<b>(131,028)</b>	(180,119)
	<b>31.12.2004 HK\$'000</b>	31.12.2003 HK\$'000
Financial position:		
Non-current assets	<b>808,151</b>	1,124,597
Current assets	<b>1,094,347</b>	1,064,647
Current liabilities	<b>(110,256)</b>	(161,090)
Non-current liabilities	<b>(184,946)</b>	(244,614)
Minority interests	<b>(295,609)</b>	(250,160)

On 14th March, 2005, China Strategic, Hanny Holdings Limited ("Hanny", a substantial shareholder of China Strategic) and certain others announced a proposed group restructuring by China Strategic and, on the same date, the Company and Hanny entered into a conditional sale and purchase agreement with an independent third party for the disposal of a 15.3% equity interest in China Strategic by each of the Company and Hanny. The directors, having considered the estimated recoverable amount under the conditional sale and purchase agreement, determined that an amount of HK\$182,087,000 (2004: Nil) in respect of interest in the associate has been impaired and charged to the income statement.

The conditional sale and purchase agreement has not been completed as at date of this report.

**18. INTERESTS IN ASSOCIATES (Cont'd)**

Notes: (Cont'd)

- (c) Movement of premium on acquisition of associates is analysed as follows:

	<b>THE GROUP</b> HK\$'000
<b>COST</b>	
At 1st April, 2004	447,619
Additions	8,911
Eliminated on disposal and dilution of interest	(293,190)
At 31st March, 2005	163,340
<b>AMORTISATION AND IMPAIRMENT</b>	
At 1st April, 2004	76,943
Provided for the year	21,954
Impairment loss recognised	155,173
Eliminated on disposal and dilution of interest	(90,730)
At 31st March, 2005	163,340
<b>NET BOOK VALUE</b>	
At 31st March, 2005	–
At 31st March, 2004	370,676

The amortisation period adopted ranges from 10 to 20 years.

- (d) The amount due from an associate in prior year was unsecured, bore interest at 1% over Hong Kong prime rate and had no fixed terms of repayment. In the opinion of the directors, the amount would not be repayable within the next twelve months from the balance sheet date and, accordingly, was shown as non-current.

Particulars of the Group's principal associates at 31st March, 2005 are set out in note 44.

**19. INTERESTS IN JOINTLY CONTROLLED ENTITIES**

	<b>THE GROUP</b>	
	<b>2005</b> HK\$'000	2004 HK\$'000
Share of net assets	<b>9,544</b>	12,817
Amount due from a jointly controlled entity	–	2,000
	<b>9,544</b>	14,817

The amount due from a jointly controlled entity was unsecured, interest free and was settled during the year.

Particulars of the Group's jointly controlled entities at 31st March, 2005 are set out in note 44.

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## 20. OTHER LONG TERM INVESTMENTS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Unlisted investments, at cost:		
in Hong Kong	<b>15,093</b>	15,093
in overseas	<b>388</b>	388
	<b>15,481</b>	15,481

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

## 21. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
THE GROUP						
Listed equity securities:						
in Hong Kong	<b>389</b>	–	<b>159,326</b>	39,374	<b>159,715</b>	39,374
in overseas	<b>1,389</b>	1,481	<b>8,040</b>	–	<b>9,429</b>	1,481
Debt security:						
Eurobond – listed in overseas	–	–	<b>1,467</b>	–	<b>1,467</b>	–
Equity link notes – unlisted	–	–	<b>4,451</b>	–	<b>4,451</b>	–
	<b>1,778</b>	1,481	<b>173,284</b>	39,374	<b>175,062</b>	40,855
Market value of listed securities	<b>3,743</b>	1,481	<b>168,833</b>	39,374	<b>172,576</b>	40,855
Carrying amount analysed for reporting purposes as:						
Non-current	<b>1,778</b>	1,481	–	–	<b>1,778</b>	1,481
Current	–	–	<b>173,284</b>	39,374	<b>173,284</b>	39,374
	<b>1,778</b>	1,481	<b>173,284</b>	39,374	<b>175,062</b>	40,855

**22. LOANS RECEIVABLE**

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
The amounts bear interest at the following rates:		
Interest-free	<b>1,508</b>	–
1.5% over Paris Interbank Offered Rate	<b>4,032</b>	3,821
2% below Hong Kong prime rate	<b>69,869</b>	69,869
0.25% over Hong Kong prime rate	<b>100,000</b>	130,000
1% over Hong Kong prime rate	<b>2,000</b>	6,700
2% over Hong Kong prime rate	<b>14,500</b>	14,500
3% over Hong Kong prime rate	–	21,325
	<b>191,909</b>	246,215
Less: Amount due within one year shown under current assets	<b>(190,401)</b>	(196,215)
Amount due after one year	<b>1,508</b>	50,000
Analysed as:		
Secured	<b>1,508</b>	–
Unsecured	<b>190,401</b>	246,215
	<b>191,909</b>	246,215

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred to date	<b>40,438,759</b>	35,203,304
Recognised profits less recognised losses	<b>882,008</b>	862,708
	<b>41,320,767</b>	36,066,012
Less: Progress billings	<b>(41,570,777)</b>	(36,248,942)
	<b>(250,010)</b>	(182,930)
Represented by:		
Amounts due from customers for contract works	<b>185,188</b>	273,210
Amounts due to customers for contract works	<b>(435,198)</b>	(456,140)
	<b>(250,010)</b>	(182,930)

At 31st March, 2005, retentions held by customers for contract works amounting to approximately HK\$369,874,000 (2004: HK\$369,983,000) were included in debtors, deposits and prepayments.

## 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\$399,560,000 (2004: HK\$492,753,000) and their aged analysis is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within 90 days	<b>329,058</b>	432,280
More than 90 days and within 180 days	<b>2,839</b>	3,784
More than 180 days	<b>67,663</b>	56,689
	<b>399,560</b>	492,753

Included in debtors, deposits and prepayments is an amount of approximately HK\$123,711,000 (2004: HK\$123,711,000) which represents the Group's share of losses arising on certain construction contracts to be recovered from an ex-shareholder of Downer under guarantees provided by the ex-shareholder. The Group has proceeded a court action against the ex-shareholder. Subsequent to the balance sheet date, the Court of First Instance ordered that judgment is to be entered for the Group against the ex-shareholder and the Group is entitled to recover the losses together with interest and other expenses incurred from the ex-shareholder.

The amount also includes balance of proceeds from disposal of interest in Downer of approximately HK\$449,174,000 (2004: Nil) deposited with a broker in Australia. The amount was withheld by the Australian Taxation Office until the clearance of all tax liability arising from the disposal of Downer's shares. Subsequent to the balance sheet date, an amount of approximately HK\$314,138,000 has been paid to the Australian Taxation Office out of the deposits with the broker.

## 25. AMOUNTS DUE FROM RELATED COMPANIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Loans receivable:		
Associate of ITC (note (a) below)	149,333	149,333
Associates of China Strategic (note (a) below)	169,463	86,881
Other related company (note (b) below)	779	–
	<b>319,575</b>	236,214
Other receivables:		
Associates of ITC (note (a) below)	15,665	28
Associates of China Strategic (note (a) below)	11,567	2,239
Other related companies (note (a) below)	74	289
	<b>346,881</b>	238,770
Less: Amount due within one year shown under current assets	<b>(346,102)</b>	(238,770)
Amount due after one year	<b>779</b>	–
Analysed as:		
Secured	779	–
Unsecured	346,102	238,770
	<b>346,881</b>	238,770

### Notes:

- (a) The companies are related companies of the Group as they are under common directorship with ITC.  
The amounts are unsecured, repayable within one year and interest free except for loans receivable of HK\$318,796,000 (2004: HK\$236,214,000) which bear interest at 2% over Hong Kong prime rate.
- (b) The amount represents loan to a shareholder of an associate and is secured, bearing interest at prevailing market rate and repayable in October 2006.

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

The amounts are unsecured, have no fixed terms of repayment and interest free except for an amount due from an associate of HK\$174,695,000 (2004: HK\$174,659,000) which bears interest at 2% over Hong Kong prime rate.

## 27. CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade creditors of approximately HK\$236,743,000 (2004: HK\$338,430,000) and their aged analysis is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within 90 days	218,556	320,155
More than 90 days and within 180 days	1,129	5,064
More than 180 days	17,058	13,211
	<b>236,743</b>	338,430

Included in creditors and accrued expenses is margin account owed to brokers of approximately HK\$5,819,000 (2004: Nil) which is secured by certain investments in securities held by the Group.

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**28. AMOUNT DUE TO A MINORITY SHAREHOLDER**

The amount is unsecured, repayable within one year and interest free.

**29. BANK BORROWINGS**

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Bank borrowings comprise:				
Mortgage loans	<b>337,000</b>	364,000	–	–
Bank loans	<b>245,976</b>	180,000	–	–
Bank overdrafts	<b>6,984</b>	17,048	–	1,992
	<b>589,960</b>	561,048	–	1,992
Analysed as:				
Secured	<b>517,000</b>	544,000	–	–
Unsecured	<b>72,960</b>	17,048	–	1,992
	<b>589,960</b>	561,048	–	1,992
The bank borrowings are repayable as follows:				
Within one year or on demand	<b>289,960</b>	44,048	–	1,992
More than one year, but not exceeding two years	<b>300,000</b>	217,000	–	–
More than two years, but not exceeding five years	–	300,000	–	–
	<b>589,960</b>	561,048	–	1,992
Less: Amount due within one year or on demand shown under current liabilities	<b>(289,960)</b>	(44,048)	–	(1,992)
Amount due after one year	<b>300,000</b>	517,000	–	–

**30. LOAN FROM A MINORITY SHAREHOLDER**

The amount is unsecured, repayable after one year and bears interest at 2% below Hong Kong prime rate.

**31. PROVISION FOR LONG SERVICE PAYMENTS**

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



## 32. DEFERRED TAXATION

The following are the major deferred tax liabilities (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	Revaluation of project under development HK\$'000	Others HK\$'000	Total HK\$'000
THE GROUP							
At 1st April, 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
Charge (credit) to income statement	76	–	1,860	(897)	–	(2)	1,037
On acquisition of subsidiaries	–	–	–	–	900,000	–	900,000
Realised on disposal of an associate	–	(29,865)	–	–	–	–	(29,865)
At 31st March, 2005	32,138	–	(6,488)	(4,323)	900,000	13	921,340

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	
	2005 HK\$'000	2004 HK\$'000
Deferred tax liabilities	<b>923,020</b>	52,882
Deferred tax assets	<b>(1,680)</b>	(2,714)
	<b>921,340</b>	50,168

At 31st March, 2005, the Group and the Company has unused tax losses of approximately HK\$1,807,000,000 (2004: HK\$1,354,000,000) and HK\$3,806,000 (2004: HK\$284,000), respectively available for offset against future taxable profits. A deferred tax asset has been recognised by the Group in respect of approximately HK\$37,000,000 (2004: HK\$48,000,000) of such losses. No deferred tax asset in respect of the remaining tax losses has been recognised by the Group and the Company due to the unpredictability of future profit streams.

## 33. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.10 each:		
Authorised:		
At 1st April, 2003, 31st March, 2004 and 31st March, 2005	3,000,000,000	300,000
Issued and fully paid:		
At 1st April, 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
Issue of new shares pursuant to scrip dividend scheme	23,946,417	2,395
At 31st March, 2005	1,369,195,436	136,920

Pursuant to the scrip dividend schemes which was announced by the Company on 23rd July, 2004, the Company issued 23,946,417 (2004: 272,584,224) 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, 2004. These shares rank pari passu with the then exiting shares in all respects.

## 34. 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, 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. The Initial Share Option Scheme was expired on 31st August, 2003.

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

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 1.4.2003	Lapsed during the year	Balance at 31.3.2004
17.12.1999	0.5552	16,100,000	(16,100,000)	-

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

### 34. SHARE OPTION SCHEMES (Cont'd)

#### (b) New Share Option Scheme

On 27th August, 2002, the Company adopted a new share option scheme (the "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 Share Option Scheme will remain in force for a period of ten years from that date.

Under the 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 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 (the "Listing Rules") from time to time; and (ii) the nominal value of the Company's shares.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the 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 as at its adoption date, i.e. 103,674,492 shares. An ordinary resolution relating to the refreshing of the scheme limit on grant of options under the 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. 134,524,901 shares, representing 9.84% 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 7th September, 2004. 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 foregoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 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.

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**34. SHARE OPTION SCHEMES (Cont'd)**

## (b) New Share Option Scheme (Cont'd)

The maximum number of shares of the Company in respect of which options may be granted to each Eligible Person under the 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.

Details of the share options which were granted under the Share Option Scheme during the year to certain Eligible Persons of the Group to subscribe for shares in the Company are as follows:

Date of grant	Exercisable period	Exercise price per share HK\$	Number of shares of the Company to be issued upon exercise of the share options			
			Outstanding as at 1.4.2004	Granted during the year	Lapsed during the year	Outstanding as at 31.3.2005
28.12.2004	28.12.2004 to 26.08.2012	1.94	–	22,100,000	–	22,100,000
28.12.2004	28.12.2004 to 26.08.2012	2.20	–	22,100,000	–	22,100,000
			–	44,200,000	–	44,200,000

There is no consideration received during the year from Eligible Persons for taking up the options granted.

The above options were all granted to directors of the Company.

No share options under the Share Option Scheme were outstanding or granted during the year ended 31st March, 2004.

As at 31st March, 2005, the number of shares in respect of outstanding share options granted under the Share Option Scheme was 44,200,000 (2004: Nil), representing 3.23% (2004: Nil) of the shares of the Company in issue as at that date.

**35. RESERVES**

	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE COMPANY				
At 1st April, 2003	212,031	2,480,000	425,310	3,117,341
Premium on issues of shares	2,895	–	–	2,895
Issue of shares under scrip dividend scheme	(27,258)	–	–	(27,258)
Credit arising on scrip dividends ( <i>note 11</i> )	–	–	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
Issue of shares under scrip dividend scheme	(2,395)	–	–	(2,395)
Credit arising on scrip dividends ( <i>note 11</i> )	–	–	17,591	17,591
Share issue expenses	(164)	–	–	(164)
Profit for the year	–	–	9,465	9,465
Dividends paid	–	–	(40,717)	(40,717)
At 31st March, 2005	184,811	2,480,000	290,182	2,954,993

The capital reserve of the Company represents the credit arising from the cancellation of share premium upon capital reorganisation. 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 any contributed surplus account.

In the opinion of the directors, the Company's reserves available for distribution to shareholders at 31st March, 2005 amounted to approximately HK\$290,182,000 (2004: HK\$303,843,000).

**36. ACQUISITION OF SUBSIDIARIES**

During the year, the Company acquired the following subsidiaries:

- (a) As mentioned in note 17, the Company entered into a conditional sale and purchase agreement dated 29th March, 2004 with Paul Y. Engineering pursuant to which the Company agreed to dispose of its 100% equity interest in, and shareholder's loan to, Paul Y Construction and certain of its subsidiaries which are principally engaged in civil engineering works, building construction, specialist works, project management and construction management, in exchange for the issuance and allotment of 400,000,000 ordinary shares of HK\$0.5 each in Paul Y. Engineering, credited as fully paid, at an issue price of HK\$1.0 per share. Details of the transactions are contained in the Company's circular dated 30th November, 2004. The acquisition was completed in January 2005 and Paul Y. Engineering, a company listed on the Hong Kong Stock Exchange and, together with its subsidiaries, is engaged in marble and granite products trading and installation business, then became a subsidiary of the Company.

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**36. ACQUISITION OF SUBSIDIARIES (Cont'd)**

- (b) In April 2004, the Group acquired a 90.1% of the issued share capital of, and shareholder's loan to, Global Achiever Limited for a cash consideration of HK\$396,197,000. Global Achiever Limited indirectly holds 60% interest in each of Jiangsu Yangtong Investment and Development Co., Ltd. and Jiangsu Yangkou Port Development and Investment Co., Ltd., which held certain sea area use rights in Jiangsu Province, the PRC for the joint development of a bulk handling port and properties for industrial use. Details of the transaction are contained in the Company's circular dated 5th May, 2004.
- (c) In October 2004, the Group acquired the entire equity interest in Redcliff Property Corp. ("Redcliff") and Yetwide Investments Limited ("Yetwide") for an aggregate cash consideration of HK\$43,030,000. Both Redcliff and Yetwide are engaged in the property development and sale in Taishan, the PRC.

The above transactions have been accounted for by the purchase method of accounting. The effect of the acquisition is summarised as follows:

	2005 HK\$'000	2004 HK\$'000
Net assets acquired:		
Project under development	<b>1,724,684</b>	–
Property, plant and equipment	<b>471</b>	53,758
Investment securities	<b>389</b>	–
Properties held for sale	<b>82,700</b>	–
Debtors, deposits and prepayments	<b>16,704</b>	–
Unsecured loans receivable	–	3,585
Bank balances and cash	<b>4,649</b>	–
Creditors and accrued expenses	<b>(70,006)</b>	–
Taxation payable	<b>(398)</b>	–
Bank borrowings	<b>(28,275)</b>	–
Deferred taxation	<b>(900,000)</b>	–
Minority interests	<b>(418,389)</b>	–
	<b>412,529</b>	57,343
Goodwill arising on acquisition	<b>60,740</b>	–
Total consideration	<b>473,269</b>	57,343
Satisfied by:		
Cash consideration	<b>448,557</b>	57,343
Dilution of interests in subsidiaries reclassified to minority interests (note 37)	<b>24,712</b>	–
	<b>473,269</b>	57,343
Net cash outflow arising on acquisition of subsidiaries:		
Cash paid	<b>(448,557)</b>	(57,343)
Bank balances and cash acquired	<b>4,649</b>	–
	<b>(443,908)</b>	(57,343)

The subsidiaries acquired during the year contributed HK\$28,977,000 (2004: Negligible) to the Group's turnover and a loss of HK\$5,420,000 (2004: Negligible) to the Group's profit from operations.

### 37. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions:

- (a) additional shares were issued as scrip dividends during the year as set out in note 33; and
- (b) the consideration for the acquisition of Paul Y. Engineering was satisfied by the partial disposal of interests in subsidiaries as set out in note 36.

### 38. 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.

### 39. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Outstanding performance bonds in respect of construction contracts	310,503	623,257	–	–
Guarantees given to banks and financial institutions in respect of general banking facilities granted to subsidiaries	–	–	903,212	1,174,903
	310,503	623,257	903,212	1,174,903

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#### 40. 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	
	2005 HK\$'000	2004 HK\$'000
Within one year	2,059	809
In the second to fifth year inclusive	3,968	1,607
After five years	407	718
	<b>6,434</b>	3,134

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	
	2005 HK\$'000	2004 HK\$'000
Within one year	28,898	26,391
In the second to fifth year inclusive	18,666	13,826
	<b>47,564</b>	40,217

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.

#### 41. PLEDGE OF ASSETS

At 31st March, 2005, certain of the Group's property, plant and equipment, investment properties, and investments in securities with an aggregate value of approximately HK\$752,912,000 (2004: HK\$668,638,000), the issued shares of certain subsidiaries of the Company, and the Group's benefits under certain construction contracts have been pledged to banks and financial institutions to secure general credit facilities granted to the Group. Facilities amounting to approximately HK\$522,819,000 (2004: HK\$544,000,000) were utilised as at 31st March, 2005.

#### 42. COMMITMENTS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Expenditure contracted for but not provided in the financial statements in respect of acquisition of:		
– Equity investments	48,126	450,671
– Property, plant and equipment	90,710	–
	<b>138,836</b>	450,671

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



### 43. 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	2005 HK\$'000	2004 HK\$'000
Associates of the Group	Construction works charged by the Group	<b>41,813</b>	182
	Purchase of concrete products by the Group	<b>36</b>	104
	Subcontracting fees charged to the Group	<b>300</b>	5,437
	Interest income charged by the Group	–	7,357
	Service fees charged to the Group	–	308
	Rentals and related building management fee charged by the Group	<b>590</b>	2,074
	Service fees charged to the Group	–	406
	Project management fees charged by the Group	<b>5,285</b>	–
	Jointly controlled entities of the Group	Construction works charged by the Group	–
Project management fees charged by the Group		<b>300</b>	–
Subcontracting fees charged to the Group		<b>7,246</b>	104,734
Service fees charged by the Group		<b>303</b>	144
Rentals charged by the Group		–	102
Subsidiaries of ITC	Rentals and related building management fee charged by the Group	<b>577</b>	780
	Purchase of building materials and related installation works by the Group	<b>20</b>	34
	Rental income charged by the Group	<b>420</b>	–
	Service fee charged by the Group	<b>53</b>	–
Associates of ITC	Rentals and related building management fee charged by the Group	<b>4,610</b>	2,930
	Interest income charged by the Group	<b>10,486</b>	13,332
	Service fee charged by the Group	<b>106</b>	–
	Project management fees charged by the Group	<b>330</b>	–
Other related companies	Rental and related building management fee charged by the Group	<b>6,150</b>	6,896
	Interest income charged by the Group	<b>20,943</b>	10,253
	Subcontracting fees charged by the Group	<b>7</b>	1,207
	Purchase of medicine and health products by the Group	–	432
	Service fees charged to the Group	<b>2,120</b>	641
	Sales of property, plant and equipment by the Group	<b>5</b>	–
	Sales of goods by the Group	<b>159</b>	–
	Interest charged to the Group	<b>4,833</b>	–
Minority shareholder of a subsidiary	Interest charged to the Group	<b>4,833</b>	–

**43. RELATED PARTY TRANSACTIONS AND BALANCES** (Cont'd)

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

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 and sale of goods were carried out in accordance with 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 and project management fee were charged at pre-agreed rates.
- (e) Rentals were charged at pre-agreed fixed monthly amounts.

Details of the balances with associates, jointly controlled entities and related companies at the balance sheet date are set out in notes 18, 19, 25 and 26.

**44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES**

- (a) Particulars of the Company's principal subsidiaries at 31st March, 2005 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 %	attributable to the Group %	Principal activities
Calisan Developments Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding
Century Harbour Limited	British Virgin Islands	US\$1 ordinary 1 share	100	100	Investment holding
Corless Limited	British Virgin Islands	US\$2 ordinary shares	100	65.17	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)	–	–	
DH Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding
Glory Well Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment 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	55.39	Manufacturing and trading of concrete products

#### 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (Cont'd)

(a) Particulars of the Company's principal subsidiaries at 31st March, 2005 are as follows: (Cont'd)

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
Hanfull Enterprises Limited	British Virgin Islands	US\$1 ordinary share	100	100	Securities investment
Jiangsu Yangtong Investment and Development Co., Ltd.	PRC	US\$13,332,000 registered capital (note (ii) below)	60	54.06	Port development
Jiangsu Yangkou Port Development and Investment Co., Ltd.	PRC	US\$16,650,000 registered capital (note (ii) below)	60	54.06	Port development
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	45.62	Civil engineering
Paul Y. - CREC Joint Venture	Hong Kong	– (note (iii) below)	70	45.62	Civil engineering
Paul Y. (E & M) Contractors Limited (formerly known as Paul Y. - ITC (E & M) Contractors Limited)	Hong Kong	HK\$20,000,000 ordinary shares	99.9998	65.17	Provision of electrical, mechanical and building services
Paul Y. Builders Group Limited (formerly known as Paul Y. - ITC Construction Group Limited)	Hong Kong	HK\$2 ordinary shares	100	65.17	Investment holding
		HK\$1,000,000 non-voting deferred shares (note (v) below)	–	–	
Paul Y. Builders Limited (formerly known as Paul Y. - ITC Construction Limited)	Hong Kong	HK\$102,000,000 ordinary shares	100	65.17	Building construction
Paul Y. Construction & Engineering Co. Limited (formerly known as Paul Y. - ITC Construction & Engineering Co. Limited)	Hong Kong	HK\$42,000,000 ordinary shares	100	65.17	Building construction and specialist works
Paul Y. Engineering Group Limited (formerly known as Skynet (International Group) Limited)	Bermuda	HK\$288,350,000	65.17	65.17	Investment holding
Paul Y. General Contractors Limited (formerly known as Paul Y. - ITC General Contractors Limited)	Hong Kong	HK\$36,000,000 ordinary shares	100	65.17	Civil engineering and building construction
Paul Y. Interior Contractors Limited (formerly known as Paul Y. - ITC Interior Contractors Limited)	Hong Kong	HK\$2 ordinary shares	100	65.17	Interior decoration works

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#### 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (Cont'd)

(a) Particulars of the Company's principal subsidiaries at 31st March, 2005 are as follows: (Cont'd)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company*/ subsidiaries %	Percentage attributable to the Group %	Principal activities
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. Plant Hire Limited (formerly known as Paul Y. - ITC Plant Hire Limited)	Hong Kong	HK\$2 ordinary shares	100	65.17	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	65.17	Civil engineering, building construction and investment holding
		HK\$50,000,000 non-voting preferred shares (note (iv) below)	–	–	
Paul Y. Construction (China) Limited	PRC	RMB60,000,000 registered capital	100	65.17	Civil engineering and building construction
Paul Y. Foundation Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	65.17	Investment holding
Paul Y. Foundation Limited	Hong Kong	HK\$10,000,000 ordinary shares	100	65.17	Civil engineering and foundation works
Paul Y. Management Limited	Hong Kong	HK\$2 ordinary shares	100	65.17	Management and secretarial services
Paul Y. Project Management International Limited	Hong Kong	HK\$2 ordinary shares	100	65.17	Project management services and investment holding
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	65.17	Civil engineering
Tai Shan Paul Y. Construction Co., Ltd.	PRC	US\$5,005,340 registered capital (note (ii) below)	100	65.17	Civil engineering and building construction
Unicon Concrete Products (HK) Limited	Hong Kong	HK\$12,000,002 ordinary shares	100	65.17	Manufacturing and trading of concrete products

#### 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (Cont'd)

(a) Particulars of the Company's principal subsidiaries at 31st March, 2005 are as follows: (Cont'd)

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
Unistress Concrete Products (H.K.) Limited	Hong Kong	HK\$200 ordinary shares	100	65.17	Manufacturing and trading of concrete products
		HK\$1,000,000 non-voting deferred shares (note (v) below)	100	65.17	
Unistress Group Limited	British Virgin Islands	US\$1 ordinary share	100	65.17	Investment holding
Winstate Limited	British Virgin Islands	US\$1 ordinary share	100	100	Vessel owning

All of the above subsidiaries operate in Hong Kong except Hamker Concrete Products Limited, Jiangsu Yangtong Investment and Development Co., Ltd., Jiangsu Yangkou Port Development and Investment Co., Ltd. and Tai Shan Paul Y. Construction Co., Ltd., all of 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 and Paul Y. Engineering Group Limited which is listed in Hong Kong.

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) All of those subsidiaries are the sino-foreign equity joint venture companies.
- (iii) No capital has been contributed by the joint venture partners of the joint venture.
- (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 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.

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**44. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (Cont'd)**

(b) Particulars of the Company's principal associates at 31st March, 2005 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 (note below)	20.4	Civil engineering and building construction
Paul Y. - CREC Construction Co., Limited	Hong Kong	HK\$100 ordinary shares	32.6	Civil engineering
Zhujiang Kwan On Concrete Products Co., Ltd.	PRC	RMB6,320,000 registered capital (note below)	32.6	Manufacturing and trading of concrete products
Zhong Yu - Paul Y. Project Management Company Limited	PRC	US\$500,000 registered capital (note below)	26.1	Project management and consultancy services

All of the above associates are private limited companies except 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, 2005 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	32.6	Civil engineering
Paul Y. - Penta-Ocean Joint Venture	Hong Kong	— (note below)	32.6	Civil engineering

Note: No capital has been contributed by the joint venture partners, although the Group has contributed working capital 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.