

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").

During the year, the Company underwent a group restructuring ("Group Restructuring") which involved, inter alia, the acquisition from Paul Y. - ITC Construction Holdings Limited ("Paul Y") the entire equity interest in Paul Y Construction. Paul Y Construction and certain of its subsidiaries are principally engaged in building construction, civil engineering, specialist works, project management and construction management. Details of the Group Restructuring are set out in the Company's circular dated 30th November, 2004 and in note 2. Pursuant to the Group Restructuring, Paul Y, a company also incorporated in Bermuda with its securities listed on the Hong Kong Stock Exchange, became the Company's ultimate holding company.

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in note 42.

2. Group Restructuring and Basis of Preparation of Financial Statements

On 29th March, 2004, the Company and Paul Y entered into the following two conditional sale and purchase agreements, each supplemented by three supplemental agreements entered into between the same parties dated 25th June, 2004, 30th August, 2004 and 20th October, 2004 in respect of:

- (i) the acquisition by the Company from Paul Y the entire equity interest in, and shareholder's loan to, Paul Y Construction Group (the "Acquisition"), the aggregate of which shall be no less than HK\$250,000,000 as warranted by Paul Y, to be satisfied by the issuance and allotment of 400,000,000 ordinary shares of HK\$0.5 each in the Company (the "Consideration Shares") to Paul Y, credited as fully paid, at an issue price of HK\$1.0 per share (the "Acquisition Agreement"); and
- (ii) the acquisition by the Company from Paul Y the entire equity interest in, and shareholder's loan to, Hidden Advantage Investments Limited ("Hidden") (the "Hidden Acquisition"), to be satisfied by the issuance and allotment of 113,600,000 ordinary shares of HK\$0.5 each in the Company (the "Hidden Consideration Shares") to Paul Y, credited as fully paid, at an issue price of HK\$1.0 per share (the "Hidden Agreement").

The Acquisition Agreement and the Hidden Agreement constitute connected transactions of the Company as Paul Y would be the controlling shareholder of the Company upon completion of the Acquisition Agreement. The Acquisition and the Hidden Acquisition were completed in January 2005.

The Acquisition has been accounted for as a reverse acquisition because the issuance of the Consideration Shares in exchange for the entire interest in Paul Y Construction resulted in Paul Y becoming the controlling shareholder of the Company. For the purpose of the preparation of the consolidated financial statements of the Company and its subsidiaries, Paul Y Construction Group is treated as the acquirer while the Company and its subsidiaries, prior to the Acquisition and the Hidden Acquisition, and Hidden (the "Paul Y Engineering Group") are deemed to have been acquired by the Paul Y Construction Group. Accordingly, these consolidated financial statements have been prepared as a continuation of the Paul Y Construction Group on the following basis:

- (a) the assets and liabilities of the Paul Y Construction Group are recognised and measured at their historical carrying values prior to the Acquisition;

2. Group Restructuring and Basis of Preparation of Financial Statements – continued

- (b) the share capital and share premium shown in the consolidated balance sheet at 31st March, 2005 reflect the legal equity structure of the Company, any difference between the Company's legal equity and that of Paul Y Construction is accounted for as a special reserve;
- (c) the special reserve, translation reserve and accumulated losses recognised in the consolidated balance sheet are the other equity balances of the Paul Y Construction Group; and
- (d) the assets and liabilities of the Paul Y Engineering Group are recognised and measured at their fair values on the date of completion of the Acquisition using the purchase method and the excess of the fair value of cost of acquisition over the fair values of the assets and liabilities of the Paul Y Engineering Group on the date of completion of the Acquisition is accounted for as goodwill. Details of the effect of the acquisition are set out in note 35.

3. Potential Impact Arising from the Recently Issued Accounting Standards

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRS") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005, except for HKFRS 3 "Business Combinations". The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 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 presented.

4. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention 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 on the basis as set out in note 2.

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	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.

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.

4. 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.

Investment securities

Investment securities, which are securities held for an identified long term strategic purpose, are recognised on a trade-date basis and are measured at cost, as reduced by any impairment loss that is other than temporary.

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.

Club membership

Club membership is stated at cost, less any identified impairment loss.

4. 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.

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 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.

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.

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.

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.

4. Significant Accounting Policies – *continued*

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.

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

Deferred tax 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 is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

5. Business and Geographical Segments

Business segments

For management purposes, the Group's operations are currently organised into three operating divisions namely building construction, civil engineering and specialist works. These divisions are 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	Civil engineering	Specialist works	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER					
External sales	2,227,525	683,599	336,559	–	3,247,683
Inter-segment sales	11,942	–	134,433	(146,375)	–
Total	2,239,467	683,599	470,992	(146,375)	3,247,683
RESULT					
Segment result	46,446	15,269	10,215		71,930
Other operating income					771
Profit from operations					72,701
Finance costs					(67)
Loss on disposal of interest in an associate					(15)
Share of results of associates	5,943	(132)	(163)		5,648
Share of results of jointly controlled entities	–	898	–		898
Profit before taxation					79,165
Taxation					(1,442)
Profit before minority interests					77,723
Minority interests					2,283
Profit for the year					80,006

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

5. Business and Geographical Segments – continued

Business segments – continued

	Building construction	Civil engineering	Specialist works	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Segment assets	916,772	470,439	165,315	–	1,552,526
Interests in associates	6,509	24,652	1,399	–	32,560
Interests in jointly controlled entities	–	9,544	–	–	9,544
Unallocated corporate assets					82,293
Total assets					1,676,923
LIABILITIES					
Segment liabilities	724,863	352,493	59,747	–	1,137,103
Unallocated corporate liabilities					216,354
Total liabilities					1,353,457
OTHER INFORMATION					
Capital additions	1,750	1,470	–	73	3,293
Amortisation of goodwill	2,305	–	–	1,066	3,371
Depreciation and amortisation of property, plant and equipment	19,441	1,959	10,741	5	32,146

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

	Building construction	Civil engineering	Specialist works	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER					
External sales	2,421,734	463,440	448,849	–	3,334,023
Inter-segment sales	22,169	–	76,384	(98,553)	–
Total	2,443,903	463,440	525,233	(98,553)	3,334,023
RESULT					
Segment result	(63,087)	(10,882)	(5,522)		(79,491)
Other operating income					653
Loss from operations					(78,838)
Finance costs					(403)
Share of results of associates	890	(16)	–		874
Share of results of jointly controlled entities	–	9,074	–		9,074
Loss before taxation					(69,293)
Taxation					6,883
Loss before minority interests					(62,410)
Minority interests					739
Loss for the year					(61,671)

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

5. Business and Geographical Segments – continued

Business segments – continued

	Building construction	Civil engineering	Specialist works	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Segment assets	1,002,524	455,201	179,550	–	1,637,275
Interests in associates	4,402	(451)	–	24,378	28,329
Interests in jointly controlled entities	–	14,817	–	–	14,817
Unallocated corporate assets					20,796
Total assets					1,701,217
LIABILITIES					
Segment liabilities	806,505	294,901	99,633	–	1,201,039
Unallocated corporate liabilities					484,659
Total liabilities					1,685,698
OTHER INFORMATION					
Capital additions	4,373	992	2,975	–	8,340
Amortisation of goodwill	2,305	–	–	–	2,305
Depreciation and amortisation of property, plant and equipment	27,956	6,415	21,072	–	55,443

Geographical segments

The Group's operations are primarily conducted in Hong Kong and over 90% of the Group's assets are located in Hong Kong. Therefore, no geographical segment information is presented.

6. Other Operating Income

	2005 HK\$'000	2004 HK\$'000
Bank interest income	771	566
Gain on disposal of listed other investments	–	87
	771	653

7. Profit (loss) from Operations

	2005 HK\$'000	2004 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	3,371	2,305
Auditors' remuneration	1,554	967
Depreciation and amortisation of property, plant and equipment (note (a) below)	30,600	51,435
Operating lease rentals in respect of:		
Premises	9,848	8,892
Plant and machinery	8,614	3,681
Staff costs (note (b) below)	84,394	48,410
and after crediting:		
Gain on disposal of property, plant and equipment	731	1,716

Notes:

	2005 HK\$'000	2004 HK\$'000
(a) Depreciation and amortisation of property, plant and equipment:		
Owned assets	32,146	55,443
Less: Amount capitalised in respect of contracts in progress	(1,546)	(4,008)
	30,600	51,435

	2005 HK\$'000	2004 HK\$'000
(b) Staff costs:		
Directors' emoluments (note 9):		
Fees	248	–
Retirement benefit scheme contributions	37	–
Other emoluments	1,432	–
	1,717	–
Other staff costs:		
Salaries and other benefits	272,392	255,307
Retirement benefit scheme contributions, net of forfeited contributions of HK\$1,914,000 (2004: HK\$1,237,000)	7,749	7,278
	281,858	262,585
Less: Amount capitalised in respect of contracts in progress	(197,464)	(214,175)
	84,394	48,410

8. Finance Costs

	2005 HK\$'000	2004 HK\$'000
Borrowing costs on:		
Bank borrowings wholly repayable within five years	2,764	5,150
Others	–	307
	2,764	5,457
Less: Amount capitalised in respect of contracts in progress	(2,697)	(5,054)
	67	403

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	–	–
Non-executive directors	248	–
	248	–
Other emoluments:		
Executive directors		
Salaries and other benefits	1,432	–
Retirement benefit scheme contributions	37	–
	1,469	–
	1,717	–

The amounts disclosed above include directors' fee of HK\$248,000 (2004: Nil) paid to independent non-executive directors.

The emoluments of the directors were within the following bands:

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	12	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	–
HK\$2,500,001 to HK\$3,000,000	–	–

9. Directors' and Employees' Emoluments – continued

(b) Employees' emoluments

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

	2005 HK\$'000	2004 HK\$'000
Fees	–	–
Salaries and other benefits	8,438	10,848
Discretionary bonus	2,680	–
Retirement benefit scheme contributions	274	270
	11,392	11,118

Their emoluments were within the following bands:

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

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 (credit) comprises:		
Hong Kong Profits Tax:		
Current year	–	–
Underprovision in prior years	21	166
	21	166
Overseas taxation	1,166	–
Deferred taxation	649	(7,381)
Taxation attributable to the Company and its subsidiaries	1,836	(7,215)
Share of tax on results of associates	(565)	332
Share of tax on results of jointly controlled entities	171	–
	1,442	(6,883)

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year.

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

For the year ended 31st March, 2005

10. Taxation – continued

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

	2005 HK\$'000	2004 HK\$'000
Profit (loss) before taxation	79,165	(69,293)
Tax at Hong Kong Profits Tax rate	13,854	(12,127)
Tax effect of expenses not deductible for tax purpose	3,811	5,144
Tax effect of income not taxable for tax purpose	(2,254)	(1,770)
Tax effect of deductible temporary difference not recognised	2,742	1,725
Tax effect of utilisation of deductible temporary difference previously not recognised	(8,371)	(20,451)
Tax effect of tax losses not recognised	2,338	23,119
Tax effect of utilisation of tax losses previously not recognised	(9,238)	(1,289)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	79	–
Tax effect of different tax rates of associates and jointly controlled entities operating in other jurisdictions	(1,540)	(1,400)
Underprovision in prior years	21	166
Taxation charge (credit) for the year	1,442	(6,883)

Details of the deferred taxation are set out in note 31.

11. Dividends

	2005 HK\$'000	2004 HK\$'000
Final dividend proposed for 2005 – 6 cents per share (2004: Nil)	34,602	–

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 576,699,394 issued shares as at the date of this report.

12. Earnings (loss) per Share

Under the reverse acquisition method of accounting, the 400,000,000 ordinary shares issued by the Company to Paul Y to effect the Acquisition as described in note 2 are deemed to be issued on 1st April, 2003 for the purpose of calculating the basic earnings (loss) per share.

The calculation of the basic earnings (loss) per share based on the share capital of the Company are as follows:

	2005 HK\$'000	2004 HK\$'000
Earnings (loss) for the purposes of basic earnings (loss) per share	80,006	(61,671)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	435,823,987	400,000,000

Diluted earnings (loss) per share has not been calculated as no potential ordinary shares were outstanding during both years.

13. Property, Plant and Equipment

	Land and buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and computer equipment HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1st April, 2004	32,789	410,197	21,009	59,235	523,230
Additions	–	772	1,577	944	3,293
Disposals	–	(27,005)	(1,131)	(1,284)	(29,420)
At 31st March, 2005	32,789	383,964	21,455	58,895	497,103
DEPRECIATION AND AMORTISATION					
At 1st April, 2004	7,324	319,950	18,617	33,943	379,834
Provided for the year	611	24,983	1,337	5,215	32,146
Eliminated on disposals	–	(22,342)	(1,033)	(1,219)	(24,594)
At 31st March, 2005	7,935	322,591	18,921	37,939	387,386
NET BOOK VALUES					
At 31st March, 2005	24,854	61,373	2,534	20,956	109,717
At 31st March, 2004	25,465	90,247	2,392	25,292	143,396

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
Medium term leasehold properties in:		
Hong Kong	24,286	24,879
PRC	568	586
	24,854	25,465

14. Goodwill

	THE GROUP HK\$'000
COST	
At 1st April, 2004	385,531
On acquisition of subsidiaries	51,186
At 31st March, 2005	436,717
AMORTISATION AND IMPAIRMENT	
At 1st April, 2004	371,700
Provided for the year	3,371
At 31st March, 2005	375,071
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.

15. Interests in Subsidiaries

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	571,025	220,802
Loan to a subsidiary	72,100	–
Amounts due from subsidiaries	717,331	503,680
	1,360,456	724,482
Less: Impairment loss recognised	(314,402)	(220,802)
Allowances for loan to a subsidiary	(72,100)	–
Allowances for amounts due from subsidiaries	(507,448)	(503,680)
	466,506	–

The amounts due from subsidiaries and loan to a subsidiary are unsecured, interest free and have no fixed terms of repayment. The Company will not demand repayment of the amounts 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 42.

16. Interests in Associates

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Share of net assets	32,560	28,329

Particulars of the Group's principal associates at 31st March, 2005 are set out in note 42.

17. Interests in Jointly Controlled Entities

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Share of net assets	9,544	12,817
Amount due from a jointly controlled entity	–	2,000
	9,544	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 42.

18. Investment Securities

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Listed equity securities in Hong Kong	389	–
Market value of listed securities	1,910	–

In the opinion of the directors, the securities are held for long term strategic purpose.

19. Club Membership

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Club membership in Hong Kong, at cost	7,000	7,000

In the opinion of the directors, the club membership is worth at least their carrying value.

20. Loan Receivable

The amount is receivable from a shareholder of an associate of the Group and is secured by shares in the associate held by the shareholder, interest free and repayable in October 2006.

21. Loan to a Related Company

The amount represents loan to Parona Limited, a shareholder of an associate, in which certain family members of a director of Paul Y, has an interest. The loan is secured by shares in the associate held by Parona Limited, bear interest at prevailing market rate and repayable in October 2006.

22. 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	40,438,759	35,203,304
Recognised profits less recognised losses	882,008	862,708
	41,320,767	36,066,012
Less: Progress billings	(41,570,777)	(36,248,942)
	(250,010)	(182,930)
Represented by:		
Amounts due from customers for contract works	185,188	273,210
Amounts due to customers for contract works	(435,198)	(456,140)
	(250,010)	(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.

23. Debtors, Deposits and Prepayments

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

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$396,280,000 (2004: HK\$488,934,000) and their aged analysis is as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Within 90 days	327,311	431,820
More than 90 days and within 180 days	2,794	3,420
More than 180 days	66,175	53,694
	396,280	488,934

24. Amounts due from Related Companies

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Associate of ITC Corporation Limited ("ITC")	330	–
ITC and its subsidiaries	64	–
Associate of Paul Y	1,515	943
	1,909	943

ITC is a substantial shareholder of Paul Y.

The amounts are unsecured, interest free and repayable on demand.

25. Amounts due from (to) Fellow Subsidiaries/Associates/Jointly Controlled Entities

The amounts are unsecured, interest free and repayable on demand.

26. Creditors and Accrued Expenses

Included in creditors and accrued expenses are trade creditors of approximately HK\$235,591,000 (2004: HK\$338,038,000) and their aged analysis is as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Within 90 days	217,410	319,797
More than 90 days and within 180 days	1,129	5,048
More than 180 days	17,052	13,193
	235,591	338,038

27. Amount due to a Related Company

The amount represented balance owed to a company under common directorship with ITC and was fully settled during the year.

28. Loan from a Fellow Subsidiary/Amounts due to Fellow Subsidiaries

The balances were unsecured, interest free and were fully settled during the year.

29. Provision for Guarantee to Repay Redemption Sum of a Subsidiary's Preferred Shares

On 24th October, 2002, a winding up petition ("Petition") was served on the Company by Lombard Asian Private Investment Company LDC ("Lombard") alleging the failure of the Company, as guarantor, to cause Skynet Limited ("Skynet"), a non wholly-owned subsidiary of the Company, to pay the redemption amount of HK\$93,600,000 for the convertible cumulative redeemable participative preferred shares (the "Preferred Shares") of Skynet held by Lombard. The Petition was scheduled to be heard on 18th December, 2002. On 30th October, 2002, Lombard informed the Company that it would seek leave to withdraw the Petition filed against the Company and served another winding up petition ("New Petition") alleging the same on the Company. The hearing of the New Petition was scheduled to be heard on 15th January, 2003.

On 27th March, 2004, a wholly-owned subsidiary of Hidden, a minority shareholder of Skynet, conditionally agreed to acquire from Lombard all the rights arising from the Preferred Shares. In addition, on the same date, a wholly-owned subsidiary of Paul Y conditionally agreed to acquire from Wellington Equities Inc. (the beneficial owner of entire equity interest in Hidden) the entire equity interest in, and shareholder's loans to, Hidden at a consideration of HK\$30,000,000, of which HK\$10,000,000 is to be paid in cash and HK\$20,000,000 to be satisfied by the issuance and allotment of 20,000,000 shares of HK\$0.5 each in the Company out of the Hidden Consideration Shares to Wellington Equities Inc. Following the entering into of such conditional agreement, the New Petition was subsequently dismissed by the court on 29th March, 2004. The amount of HK\$93,600,000 was fully provided in the financial statements in prior years.

Pursuant to the Hidden Acquisition as set out in note 2, Hidden became a wholly-owned subsidiary of the Company. Accordingly, the provision of HK\$93,600,000 became intercompany liability within the Group and has been eliminated on consolidation at 31st March, 2005.

30. Bank Borrowings

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Bank borrowings comprise:		
Bank loan	180,000	180,000
Bank overdrafts	6,984	12,946
	186,984	192,946
Analysed as:		
Secured	180,000	180,000
Unsecured	6,984	12,946
	186,984	192,946
The bank borrowings are repayable as follows:		
Within one year or on demand	186,984	12,946
More than one year, but not exceeding two years	–	180,000
	186,984	192,946
Less: Amount due within one year or on demand shown under current liabilities	(186,984)	(12,946)
Amount due after one year	–	180,000

31. Deferred Taxation

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

	Accelerated tax depreciation	Tax losses	Recognition of contracting income	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
At 1st April, 2003	20,092	(8,716)	(3,333)	8,043
(Credit) charge to income statement	(9,629)	2,335	(87)	(7,381)
At 31st March, 2004	10,463	(6,381)	(3,420)	662
Charge (credit) to income statement	200	1,346	(897)	649
At 31st March, 2005	10,663	(5,035)	(4,317)	1,311

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	2004
	HK\$'000	HK\$'000
Deferred tax liabilities	1,311	1,128
Deferred tax assets	–	(466)
	1,311	662

At 31st March, 2005, the Group and the Company has unused tax losses of approximately HK\$805,598,000 (2004: HK\$434,849,000) and HK\$69,695,000 (2004: HK\$72,800,000), respectively, available for offset against future taxable profits. A deferred tax asset has been recognised by the Group in respect of approximately HK\$28,771,000 (2004: HK\$36,463,000) 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.

32. Share Capital

	Number of shares	Value HK\$'000
THE COMPANY		
Authorised:		
Ordinary shares of HK\$0.02 each:		
At 1st April, 2003 and 31st March, 2004	7,000,000,000	140,000
Ordinary shares of HK\$0.002 each:		
Subdivision of 1 share of HK\$0.02 into 10 shares of HK\$0.002 each	70,000,000,000	140,000
Ordinary shares of HK\$0.50 each:		
Consolidation of 250 shares of HK\$0.002 each into 1 share of HK\$0.50	280,000,000	140,000
Increase in authorised share capital	720,000,000	360,000
Ordinary shares of HK\$0.50 each:		
At 31st March, 2005	1,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK\$0.02 each:		
At 1st April, 2003 and 31st March, 2004	4,507,099,957	90,142
Ordinary shares of HK\$0.002 each:		
Reduction of nominal value of shares of HK\$0.02 each to HK\$0.002 each by the cancellation of HK\$0.018 from each share	4,507,099,957	9,014
Ordinary shares of HK\$0.50 each:		
Consolidation of 250 shares of HK\$0.002 each into 1 share of HK\$0.50	18,028,399	9,014
Issue of new shares on Open Offer (as defined below)	45,070,995	22,536
Issue of new shares on Acquisition	400,000,000	200,000
Issue of new shares on Hidden Acquisition	113,600,000	56,800
Ordinary shares of HK\$0.50 each:		
At 31st March, 2005	576,699,394	288,350

The share capital of the Group shown on the consolidated balance sheet at 31st March, 2004 represented the share capital of Paul Y Construction.

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

- (a) Pursuant to special resolutions passed on 22nd December, 2004, the Company underwent a capital reorganisation (the "Capital Reorganisation") as follows:
- the issued share capital of the Company was reduced by canceling the paid-up capital to the extent of HK\$0.018, resulting in the reduction in the nominal value of each issued share from HK\$0.02 to HK\$0.002, and crediting an amount of HK\$81,128,000 to the share premium account;
 - an amount of HK\$569,771,000 and HK\$180,801,000 standing to the credit of the share premium account and contributed surplus account, respectively, of the Company was cancelled and applied to eliminate accumulated losses of the Company;

32. Share Capital – continued

- each authorised but unissued share of HK\$0.02 was sub-divided into 10 shares of HK\$0.002 each;
 - every 250 issued and unissued shares of HK\$0.002 each was consolidated into 1 share of HK\$0.5; and
 - the Company's authorised share capital was increased from HK\$140,000,000 to HK\$500,000,000 by the creation of 720,000,000 new ordinary shares of HK\$0.5 each in the Company.
- (b) Pursuant to ordinary resolutions passed on 22nd December, 2004, the Company resolved to issue shares as follows:
- 45,070,995 ordinary shares of HK\$0.5 each in the Company at a price of HK\$1.0 each to the then existing shareholders by way of open offer (the "Open Offer") in the proportion of five offer shares for every two shares held, the net proceeds of which of HK\$44,170,000 were used for general working capital of the Group;
 - 400,000,000 ordinary shares of HK\$0.5 each in the Company at a price of HK\$1.0 each to a subsidiary of Paul Y as consideration for the Acquisition; and
 - 113,600,000 ordinary shares of HK\$0.5 each in the Company at a price of HK\$1.0 each to a subsidiary of Paul Y as consideration for the Hidden Acquisition.

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

33. Share Option Schemes

Share option scheme of the Company

The Company's share option scheme ("Scheme") was adopted pursuant to a resolution passed on 1st April, 1996 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 1st April, 2006. Under the Scheme, the directors of the Company may grant options to eligible employees, including any executive director of the Company and its subsidiaries, to subscribe for shares in the Company.

Consideration to be paid on each grant of option is HK\$10 and an offer for an option must be accepted by the employee not later than 28 days after the offer date of the option. Options granted may be exercised at any time after the date of grant of the option and before the date which is three years after the date of grant. The exercise price is determined by the directors of the Company, and shall not be less than the greater of 80% of the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the offer date of the option and the nominal value of the Company's share.

33. Share Option Schemes – continued**Share option scheme of the Company – continued**

The following table discloses details of the Company's share options held by a former director of the Company under the 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
14.2.2001	0.039	50,000,000	(50,000,000)	–

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

Share option scheme of Paul Y

(a) Initial Share Option Scheme of Paul Y

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

The following table discloses details of the share options of Paul Y held by a director of the Company under the Paul Y's Initial Scheme and movements in such holdings during the prior year:

Date of grant	Exercise price per share HK\$	Number of shares of Paul Y 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	5,000,000	(5,000,000)	–

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

33. Share Option Schemes – continued

(b) Share Option Scheme of Paul Y

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

Under the Paul Y’s Scheme, the directors of Paul Y may at their discretion grant options to any Eligible Person to subscribe for shares in Paul Y without consideration. The directors of Paul Y may at their discretion determine the specific exercise period which should expire in any event no later than ten years from date of adoption of the Paul Y’s Scheme. The exercise price is determined by the directors of Paul Y 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 shares of Paul Y.

The maximum number of shares that may be issued upon the exercise of all options to be granted under the Paul Y’s Scheme and any other share option scheme(s) adopted by Paul Y must not in aggregate exceed 10% of the total number of issued shares of Paul Y, i.e. 103,674,492 shares of Paul Y, as at its adoption date. An ordinary resolution relating to the refreshing of the scheme limit on grant of options under the Paul Y’s Scheme and any other share option scheme(s) of Paul Y 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 of Paul Y, representing 9.84% of the issued share capital of Paul Y as at the date of this report was passed at the annual general meeting of shareholders of Paul Y held on 7th September, 2004. Subject to the approval of the shareholders of Paul Y in general meeting, the limit may be refreshed to 10% of the total number of shares of Paul Y in issue as at the date of approval by the shareholders of Paul Y in general meeting. Notwithstanding the forgoing, the maximum number of shares of Paul Y which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Paul Y’s Scheme and any other share option scheme(s) of Paul Y must not in aggregate exceed 30% of the total number of shares of Paul Y in issue from time to time.

The maximum number of shares of Paul Y in respect of which options may be granted to each Eligible Person under the Paul Y’s Scheme and any other share option scheme(s) of Paul Y (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of Paul Y in issue from time to time unless such grant has been duly approved by shareholders of Paul Y 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 of Paul Y 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 of Paul Y in issue and have an aggregate value exceeding HK\$5 million must be approved by the shareholders of Paul Y in general meeting in advance.

33. Share Option Schemes – continued

(b) Share Option Scheme of Paul Y – continued

The following table discloses details of the share options of Paul Y held by a director of the Company under the Paul Y's Scheme and movements in such holdings during the current year:

Date of grant	Exercise price per share HK\$	Number of shares of Paul Y to be issued upon exercise of the share options		
		Balance at 1.4.2004	Granted during the year	Balance at 31.3.2005
28.12.2004	1.94	–	6,500,000	6,500,000
28.12.2004	2.20	–	6,500,000	6,500,000
		–	13,000,000	13,000,000

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

No share options under the Paul Y's Scheme were outstanding and granted during the year ended 31st March, 2004.

34. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated (losses) profit HK\$'000	Total HK\$'000
THE COMPANY						
At 1st April, 2003	488,643	180,801	–	255	(854,643)	(184,944)
Loss for the year	–	–	–	–	(6,620)	(6,620)
At 31st March, 2004	488,643	180,801	–	255	(861,263)	(191,564)
Credit arising from reduction of paid up share capital pursuant to Capital Reorganisation (note 32)	81,128	–	–	–	–	81,128
Cancellation of share premium and contributed surplus to eliminate accumulated losses pursuant to Capital Reorganisation (note 32)	(569,771)	(180,801)	–	–	750,572	–
Premium arising on issue of shares (note 32)	279,335	–	–	–	–	279,335
Share issue expenses	(901)	–	–	–	–	(901)
On acquisition of subsidiaries	–	–	(150,000)	–	–	(150,000)
Profit for the year	–	–	–	–	156,062	156,062
At 31st March, 2005	278,434	–	(150,000)	255	45,371	174,060

34. Reserves – continued

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the Group reorganisation prior to the listing of the Company's shares in 1996.

The special reserve of the Company represents the difference between the aggregate of the net asset value of, and shareholder's loan to, Paul Y Construction Group amounting to HK\$250,000,000 and the issue value of the Consideration Shares for the Acquisition of HK\$400,000,000 as set out in the Acquisition Agreement in note 2.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31st March, 2005 amounted to approximately HK\$45,371,000 (2004: Nil).

35. Acquisition of Subsidiaries

As more fully explained in note 2, the Company entered into sale and purchase agreements on 29th March, 2004 for the Acquisition and the Hidden Acquisition to be satisfied by the issuance and allotment of 400,000,000 and 113,600,000 ordinary shares of HK\$0.5 each in the Company. The acquisitions were completed on 17th January, 2005 and have been accounted for as a reverse acquisition whereby the Paul Y Construction Group is treated as the acquirer while the Paul Y Engineering Group is deemed to have been acquired by the Paul Y Construction Group. The Company also paid HK\$6,523,000 in respect of expenses directly attributable to the acquisitions.

	2005 HK\$'000	2004 HK\$'000
Net assets acquired:		
Investment securities	389	–
Debtors, deposits and prepayments	237	–
Bank balances and cash	179	–
Creditors and accrued expenses	(26,881)	–
Taxation payable	(398)	–
	(26,474)	–
Goodwill arising on acquisition	51,186	–
Deemed consideration	24,712	–
Net cash outflow arising on acquisition of subsidiaries:		
Bank balances and cash acquired	179	–
Cash consideration – expenses directly attributable to the acquisitions	(6,523)	–
	(6,344)	–

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

36. Major Non-Cash Transaction

The purchase of Paul Y's interest in the Paul Y. Construction Group and Hidden for an aggregate consideration of HK\$400,000,000 and HK\$113,600,000 respectively were non-cash transactions and details of such have been set out in note 2.

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. Under the MPF Scheme, there will not be any forfeited contribution available to reduce the contribution payable by the Group.

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	
	2005 HK\$'000	2004 HK\$'000
Outstanding performance bonds in respect of construction contracts	310,503	623,257

In addition, a subsidiary of the Company is a defendant in a lawsuit brought during 2002 claiming approximately HK\$1,733,000 relating to the outstanding sum of the contract works done by a sub-contractor, Swee Kheng & Aster Marble Company Limited ("Swee Kheng"). The subsidiary filed a defence and counterclaim claiming payment for Swee Kheng of a sum of approximately HK\$162,000. The subsidiary has contested the claim vigorously and no provision has been made in the financial statements.

39. Operating Lease Commitments

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	2004
	HK\$'000	HK\$'000
Within one year	11,945	743
In the second to fifth year inclusive	12,676	1,607
After five years	407	718
	25,028	3,068

Leases are negotiated, and monthly rentals are fixed, for terms ranging from two to five years.

40. Commitments

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of equity investments contracted for but not provided in the financial statements	48,126	12,220

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

41. 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	2004
		HK\$'000	HK\$'000
Associates of the Group	Construction works charged by the Group	41,813	182
	Project management fee charged by the Group	3,770	–
	Purchase of concrete products by the Group	36	104
	Subcontracting fees charged to the Group	300	5,437
Jointly controlled entities of the Group	Construction works charged by the Group	–	268
	Project management fee charged by the Group	300	–
	Subcontracting fees charged to the Group	7,246	104,734
	Service fees charged by the Group	303	144
	Rentals charged by the Group	–	102
Subsidiaries of Paul Y	Construction works charged by the Group	576	6,544
	Rentals and related building management fee charged to the Group	8,004	5,451
	Management fee charged to the Group	–	70,377
	Rentals charged by the Group	86	1,433
	Interest charged to the Group	345	–
Associates of Paul Y	Service fees charged to the Group	–	406
	Project management fee income charged by the Group	1,515	–
Subsidiaries of ITC	Purchase of building materials and installation works by the Group	20	34
Associates of ITC	Project management fee income charged by the Group	330	–
Other related companies	Subcontracting fee charged by the Group	7	1,207
	Service fees charged to the Group	1,065	469
	Interest charged by the Group	17	–

The above transactions were carried out on the following bases:

- Construction works, subcontracting fees and project management fee were charged at market price or, where no market price was available, at terms determined and agreed by both parties.
- Purchase of concrete products and building materials were carried out in accordance with the negotiated prices.
- Building management fee and service fee were charged at the pre-agreed rates.
- Rentals were charged at the pre-agreed fixed monthly amounts.
- Interests were charged at prevailing market rates.

Details of the balance with associates, jointly controlled entities and related companies at the balance sheet date are set out in notes 16, 17, 24, 25, 27 and 28.

42. 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		Principal activities
			held by the Company/ subsidiaries %	attributable to the Group %	
Corless Limited	British Virgin Islands	US\$2 ordinary shares	100	100	Investment holding
Hamker Concrete Products Limited	Hong Kong	HK\$10,000,000 ordinary shares	85	85	Manufacturing and trading of concrete products
Paul Y. - CREC Engineering Co., Limited	Hong Kong	HK\$10 ordinary shares	70	70	Civil engineering
Paul Y. - CREC Joint Venture	Hong Kong	– (Note (i) below)	70	70	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	99.9998	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 HK\$1,000,000 non-voting deferred shares (Note (ii) below)	100 –	100 –	Investment holding
Paul Y. Builders Limited (formerly known as Paul Y. - ITC Construction Limited)	Hong Kong	HK\$102,000,000 ordinary shares	100	100	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	100	Building construction and specialist works

42. Particulars of Principal Subsidiaries, Associates and Jointly Controlled Entities – continued

(a) Particulars of the Company's principal subsidiaries at 31st March, 2005 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. General Contractors Limited (formerly known as Paul Y. - ITC General Contractors Limited)	Hong Kong	HK\$36,000,000 ordinary shares	100	100	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	100	Interior decoration works
Paul Y. Plant Hire Limited (formerly known as Paul Y. - ITC Plant Hire Limited)	Hong Kong	HK\$2 ordinary shares	100	100	Hire of motor vehicles and plant and machinery
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 (Note (iii) below)	–	–	
Paul Y. Construction (China) Limited	PRC	RMB60,000,000 registered capital	100	100	Civil engineering and building construction
Paul Y. Foundation Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding
Paul Y. Foundation Limited	Hong Kong	HK\$10,000,000 ordinary shares	100	100	Civil engineering and foundation works
Paul Y. Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	Management and secretarial services
Paul Y. Project Management International Limited	Hong Kong	HK\$2 ordinary shares	100	100	Project management services and investment holding
Paul Y. Tunnel Engineering Co. Limited	Hong Kong	HK\$2 ordinary shares	100	100	Civil engineering

42. Particulars of Principal Subsidiaries, Associates and Jointly Controlled Entities – continued

(a) Particulars of the Company's principal subsidiaries at 31st March, 2005 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 %	
Tai Shan Paul Y. Construction Co., Limited	PRC	US\$5,005,340 registered capital (Note (iv) 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 (ii) below)	100	100	
Unistress Group Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding

All of the above subsidiaries operate in Hong Kong except Hamker Concrete Products Limited, Paul Y. Construction (China) Limited and Tai Shan Paul Y. Construction Co., Limited 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:

- (i) No capital has been contributed by the joint venture partners of the joint venture.
- (ii) 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.
- (iii) 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.
- (iv) The company is a sino-foreign equity joint venture company.

42. Particulars of Principal Subsidiaries, Associates and Jointly Controlled Entities – continued

(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
CSCEC-Paul Y. Construction Company Limited	PRC	US\$10,000,000 registered capital (Note below)	31.3	Civil engineering and building construction
Paul Y. - CREC Construction Co., Limited	Hong Kong	HK\$100 ordinary shares	50	Civil engineering
Zhujiang Kwan On Concrete Products Co., Limited	PRC	RMB6,320,000 registered capital (Note below)	50	Manufacturing and trading of concrete products
Zhong Yu-Paul Y. Project Management Company Limited	PRC	US\$500,000 registered capital (Note below)	40	Project management and consultancy services

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/ registration	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.

The above tables list the subsidiaries, associates and jointly controlled entities 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, associates and jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.