
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in ITC Corporation Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

**POTENTIAL MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE MAKING OF OFFERS TO ACQUIRE
ALL THE ISSUED SHARES IN, AND WARRANTS OF,
PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED,
OTHER THAN THE SHARES AND WARRANTS PRESENTLY OWNED BY
ITC CORPORATION LIMITED OR ITS WHOLLY OWNED SUBSIDIARIES**

Financial adviser to ITC Corporation Limited

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

**Independent financial adviser to the independent director
of ITC Corporation Limited**



道亨證券有限公司
DaoHengSecurities Ltd.

A letter from the independent director is set out on page 13 of this circular. A letter from Dao Heng Securities containing its advice to the independent director is set out on pages 14 to 24 of this circular.

A notice convening a special general meeting of ITC Corporation Limited to be held at 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 4th December, 2002 at 11:00 a.m. is set out on pages 144 to 145 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business in Hong Kong of ITC Corporation Limited at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong and in any event not less than forty eight hours before the time appointed for holding the special general meeting or any adjournment thereof, as the case may be. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

18th November, 2002

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“Act”	the Companies Act 1981 of Bermuda
“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, an investment adviser and dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“board”	the board of directors
“company” or “ITC Corporation”	ITC Corporation Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Dao Heng Securities”	Dao Heng Securities Limited, an investment adviser and dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to the independent director
“director(s)”	director(s) of the company
“Dr. Charles Chan”	Dr. Chan Kwok Keung, Charles, the chairman of the company and a director
“Executive”	The Executive Director of the Corporate Finance Division of the SFC and any delegates of the Executive Director
“Galaxyway”	Galaxyway Investments Limited, a controlling shareholder, which is indirectly wholly owned by Dr. Charles Chan
“group”	the company and its subsidiaries
“Hollyfield”	Hollyfield Group Limited, an indirect wholly owned subsidiary of ITC Corporation
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“independent director”	the independent non-executive director of the company, Mr. Winston Calptor Chuck; excluding Mr. Dominic Lai as he is the senior partner of the legal advisors to the company for the making of the offers, and as such is not sufficiently independent to advise the independent shareholders

DEFINITIONS

“independent shareholders”	shareholders other than Dr. Charles Chan and his associates
“joint announcement”	the joint announcement made by Paul Y. - ITC and ITC Corporation on 25th October, 2002
“latest practicable date”	13th November, 2002, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules
“offeror”	Hollyfield or, if the independent shareholders of ITC Corporation do not pass the resolution approving the making of the offers, Dr. Charles Chan
“offers”	the share offer and warrant offer
“Paul Y. - ITC”	Paul Y. - ITC Construction Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Paul Y. - ITC group”	Paul Y. - ITC and its subsidiaries
“PRC”	The People’s Republic of China and, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“preference share(s)”	compulsorily convertible cumulative preference share(s) of HK\$0.10 each in the share capital of the company
“RHL”	RHL Appraisal Limited, an independent professional property valuer
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“SFC”	the Securities and Futures Commission
“share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the company
“shareholder(s)”	holder(s) of the shares

DEFINITIONS

“share offer”	voluntary conditional cash offer of HK\$0.30 per share to acquire all the issued shares in Paul Y. - ITC, other than those shares presently owned by the company or its wholly owned subsidiaries
“special general meeting”	the special general meeting of the company to be held at 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 4th December, 2002 at 11:00 a.m., the notice of which is set out on pages 144 to 145 of this circular, or any adjournment thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“warrant offer”	cash offer of HK\$0.01 per warrant to acquire all the outstanding warrants of Paul Y. - ITC, other than those warrants presently owned by the group
“warrants”	warrants of Paul Y. - ITC carrying rights to subscribe in cash up to an aggregate amount of HK\$81,968,139.60 for shares in Paul Y. - ITC at an initial subscription price of HK\$0.40 per share in Paul Y. - ITC, subject to adjustment, at any time from 1st March, 2002 up to and including 29th August, 2003 and, for the purpose of this document, the expression “per warrant” or similar expressions shall mean each subscription unit of HK\$0.40 each in which the subscription rights under the warrants may be exercised
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

Executive directors:

Chan Kwok Keung, Charles (*Chairman*)
Lau Ko Yuen, Tom (*Deputy Chairman*)
Chau Mei Wah, Rosanna (*Managing Director*)
Cheung Kwok Wah, Ken
Chan Kwok Hung
Chan Fut Yan
Wong Kun To
Cheung Hon Kit

Independent non-executive directors:

Dominic Lai
Winston Calptor Chuck

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business

in Hong Kong:

33rd Floor
Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

18th November, 2002

*To the shareholders and, for information only,
holders of the preference shares
and notes issued by the company*

Dear Sir or Madam,

**POTENTIAL MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE MAKING OF OFFERS TO ACQUIRE
ALL THE ISSUED SHARES IN, AND WARRANTS OF, PAUL Y. - ITC,
OTHER THAN THE SHARES AND WARRANTS PRESENTLY OWNED BY
ITC CORPORATION OR ITS WHOLLY OWNED SUBSIDIARIES**

INTRODUCTION

The respective boards of directors of ITC Corporation and Paul Y. - ITC announced on 25th October, 2002 that, conditional upon the approval of the independent shareholders of ITC Corporation and the board of directors of Paul Y. - ITC agreeing to take no further steps to implement the group reorganisation announced on 7th October, 2002, Hollyfield, through Anglo Chinese, will make a voluntary conditional cash offer of the price of HK\$0.30 for each share in Paul Y. - ITC, other than those shares presently owned by ITC Corporation or its wholly owned subsidiaries. Conditional upon the share offer becoming unconditional, an offer will also be made for all the outstanding warrants of Paul Y. - ITC at the price of HK\$0.01 per warrant in cash, other than those warrants presently owned by ITC Corporation

LETTER FROM THE BOARD

or its wholly owned subsidiaries. If the independent shareholders of ITC Corporation do not give the necessary approval, then Dr. Charles Chan, the chairman of both ITC Corporation and Paul Y. - ITC and the controlling shareholder of ITC Corporation, with an indirect holding of approximately 34.82% of its issued ordinary share capital, will make the offers instead of Hollyfield.

The making of the offers constitute a major transaction for ITC Corporation under the Listing Rules and, in view of the undertakings given to ITC Corporation by Dr. Charles Chan, among others, to make the offers in the event that ITC Corporation fails to obtain the approval of the independent shareholders to permit it to make the offers itself, through Hollyfield, it will also constitute a connected transaction for ITC Corporation under the Listing Rules.

The independent director, namely, Mr. Winston Calptor Chuck, has been appointed to advise the independent shareholders in relation to the offers. Mr. Dominic Lai, an independent non-executive director of ITC Corporation, is the senior partner of Iu, Lai & Li, the legal adviser to ITC Corporation in relation to the offers, and is not considered sufficiently independent to advise the independent shareholders.

Dao Heng Securities has been appointed as the independent financial adviser to advise the independent director in relation to the offers.

The purpose of this circular is to provide you with further information relating to the offers and to seek your approval of the ordinary resolution to be proposed at the special general meeting.

OFFER FOR THE SHARES IN PAUL Y. - ITC

Subject to the fulfillment of the preconditions to the share offer detailed below, among which Paul Y. - ITC will withdraw its proposed group reorganisation announced on 7th October, 2002, Anglo Chinese will make on behalf of Hollyfield, an indirect wholly owned subsidiary of ITC Corporation, or if such preconditions are not fulfilled, Dr. Charles Chan will make a voluntary conditional cash offer to the shareholders of Paul Y. - ITC to acquire all the issued shares in Paul Y. - ITC, other than those shares presently owned by ITC Corporation or its wholly owned subsidiaries on the following basis:

for each share in Paul Y. - ITC HK\$0.30 in cash

and on the terms set out in the offer document and the accompanying form of acceptance and transfer. The shares in Paul Y. - ITC to be acquired under the share offer will be acquired with the right to all future dividends and distributions declared, paid or made on or after 25th October, 2002, the date of the joint announcement, save for the 2002 final dividend of HK\$0.01 per share in Paul Y. - ITC paid on 31st October, 2002, and free from all encumbrances and any other third party rights.

Seller's ad valorem stamp duty in connection with the acceptance of the share offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration will be payable by the accepting shareholders and will be deducted from the consideration payable on acceptance of the share offer.

As at the latest practicable date, ITC Corporation and its concert parties hold 447,042,556 shares in Paul Y. - ITC representing approximately 42.61% of its issued share capital. Dr. Charles Chan directly holds no shares in Paul Y. - ITC.

LETTER FROM THE BOARD

PRECONDITIONS OF THE SHARE OFFER

The making of the share offer is conditional upon the fulfillment of the following preconditions:

- Paul Y. - ITC taking no further steps to implement the group reorganisation announced on 7th October, 2002 under which its non-construction related assets were proposed to be distributed to its shareholders and thereafter proposed to be acquired by Dr. Charles Chan, the chairman of both ITC Corporation and Paul Y. - ITC and the controlling shareholder of ITC Corporation, with an indirect shareholding representing approximately 34.82% of its issued ordinary share capital; and
- the independent shareholders of ITC Corporation passing the ordinary resolution at the special general meeting approving the making of the offers.

Under note 2 of rule 8.2 of the Takeovers Code, the Executive's consent is required if the making of an offer is subject to a prior fulfillment of a precondition and the precondition cannot be fulfilled within twenty one days from the date of announcement. Since it will take more than twenty one days to obtain the approval of the independent shareholders of ITC Corporation, application has been made to the Executive and consent has been granted.

In light of the offers and the consent received under note 2 of rule 8.2 of the Takeovers Code from the Executive, Paul Y. - ITC has informed both ITC Corporation and Dr. Charles Chan that Paul Y. - ITC will take no further steps to implement the group reorganisation previously announced on 7th October, 2002. Under this group reorganisation, Paul Y. - ITC proposed to distribute to its shareholders its non-construction related assets and thereafter such assets were proposed to be sold to Dr. Charles Chan.

Upon the passing of the ordinary resolution at the special general meeting, all the preconditions to which the making of the share offer is subject will be fulfilled.

If the independent shareholders of ITC Corporation do not pass the ordinary resolution approving the making of offers, the offers will be made by Dr. Charles Chan instead.

CONDITION OF THE SHARE OFFER

The share offer is conditional upon the offeror, being initially Hollyfield or, failing it, Dr. Charles Chan having received acceptances in respect of voting rights attached to shares in Paul Y. - ITC which, together with any voting rights acquired or agreed to be acquired before or during the offer, will result in ITC Corporation and any person acting in concert with it holding more than 50% of the voting rights attached to the shares in Paul Y. - ITC.

LETTER FROM THE BOARD

OFFER FOR THE WARRANTS OF PAUL Y. – ITC

Conditional upon the share offer becoming unconditional, Anglo Chinese will make an offer on behalf of Hollyfield, or, failing it, Dr. Charles Chan, for all the outstanding warrants of Paul Y. - ITC, which carry a subscription price of HK\$0.40 each, other than those warrants presently owned by ITC Corporation or its wholly owned subsidiaries on the following basis:

for each warrant of Paul Y. – ITC HK\$0.01 in cash

and on the terms set out in the offer document and the accompanying form of acceptance and transfer. The warrants of Paul Y. - ITC to be acquired under the warrant offer will be acquired free from all encumbrances and any other third party rights.

Seller's ad valorem stamp duty in connection with the acceptance of the warrant offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration will be payable by the accepting holders of warrants and will be deducted from the consideration payable on acceptance of the warrant offer.

As at the latest practicable date, ITC Corporation and its wholly owned subsidiaries presently own 86,465,812 warrants of Paul Y. - ITC, representing approximately 42.19% of the outstanding warrants of Paul Y. - ITC. Dr. Charles Chan directly holds no warrants of Paul Y. - ITC.

VALUATION OF THE OFFERS

The consideration payable under the offers represents:

- a premium of approximately 42.9% to the closing price of HK\$0.21 per share in Paul Y. - ITC and the same price as the closing price of the warrants of Paul Y. - ITC of HK\$0.01 per warrant as quoted on the Stock Exchange on 22nd October, 2002, being the last trading day on which shares in and warrants of Paul Y. - ITC were traded on the Stock Exchange prior to the suspension of trading of securities in Paul Y. - ITC pending issue of the joint announcement;
- a premium of approximately 43.0% to the weighted average closing price of approximately HK\$0.2098 per share in Paul Y. - ITC and the same price as the average closing price of the warrants of Paul Y. - ITC of HK\$0.01 per warrant as quoted on the Stock Exchange for the ten consecutive trading days up to and including 22nd October, 2002;
- a premium of approximately 46.4% to the weighted average closing price of approximately HK\$0.2050 per share in Paul Y. - ITC and the same price as the average closing price of the warrants of Paul Y. - ITC of HK\$0.01 per warrant as quoted on the Stock Exchange for the thirty trading days up to and including 22nd October, 2002;
- a premium of approximately 26.8% to the weighted average closing price of approximately HK\$0.2366 per share in Paul Y. - ITC as quoted on the Stock Exchange for the six month period up to and including 22nd October, 2002. No comparative figure is given for warrants as they have been in issue for less than six months; and

LETTER FROM THE BOARD

- a premium of approximately 9.1% to the closing price of HK\$0.2750 per share in Paul Y. - ITC and the same price as the closing price of the warrants of HK\$0.01 per warrant of Paul Y. - ITC as quoted on the Stock Exchange on the latest practicable date.

The consideration payable under the share offer represents a discount of 89.6% on the net asset value per share of HK\$2.889 based on the audited accounts of Paul Y. - ITC as at 31st March, 2002 and 1,036,744,924 shares in issue as at 31st March, 2002.

Based on the existing 1,049,102,309 shares in Paul Y. - ITC in issue as at the date of the latest practicable date, the consideration per share in Paul Y. - ITC payable under the share offer values the entire issued share capital of Paul Y. - ITC at approximately HK\$314.7 million. Based on the outstanding 204,920,349 warrants of Paul Y. - ITC, the consideration payable under the warrant offer values the outstanding warrants at approximately HK\$2.0 million.

OPTIONS

Outstanding options to subscribe for up to 16,100,000 shares in Paul Y. - ITC have been issued by Paul Y. - ITC to certain of its executive directors and employees at a subscription price of HK\$0.5552 each. The holders of the outstanding options have all agreed not to accept an offer for their options should an offer be made. An offer for the options will not be made by the offeror.

FINANCING

Dr. Charles Chan has agreed to finance the offers by granting to ITC Corporation on 28th October, 2002, a term loan facility of up to HK\$180 million on an unsecured basis and on normal commercial terms, if so requested by ITC Corporation. Anglo Chinese has confirmed that Dr. Charles Chan has sufficient resources available to him to make available funds to ITC Corporation to enable Hollyfield to satisfy full acceptance of the offers.

UNDERTAKINGS BY ITC CORPORATION

ITC Corporation has undertaken to Paul Y. - ITC that it will reimburse all expenditures incurred by Paul Y. - ITC in connection with the offers, if the preconditions to which they are subject are not fulfilled, other than the costs incurred by Paul Y. - ITC in connection with the group reorganisation.

Dr. Charles Chan has agreed to reimburse ITC Corporation any expenditures incurred in connection with the offers, if the preconditions to which they are subject are not fulfilled, and to pay all the costs incurred in implementing the group reorganisation including all costs incurred by ITC Corporation (other than the cost incurred by it in relation to the exercise of the cash option as stated in the joint announcement made by ITC Corporation and Paul Y. - ITC dated 7th October, 2002) and Paul Y. - ITC.

Upon the fulfillment of the preconditions to making the offers, ITC Corporation has also undertaken to Paul Y. - ITC that it will stand in the market to purchase such number of shares so as to increase its shareholding in Paul Y. - ITC to over 50% of its issued share capital, provided it is not required to pay more than HK\$0.30 per share in Paul Y. - ITC.

If the offers are made by Dr. Charles Chan, then he will similarly stand in the market to purchase shares in Paul Y. - ITC on the same basis as ITC Corporation.

LETTER FROM THE BOARD

UNDERTAKINGS BY DR. CHARLES CHAN

Dr. Charles Chan has undertaken to ITC Corporation that he will:-

- reimburse all expenses incurred by ITC Corporation in connection with the offers in the event that the preconditions to which they are subject are not fulfilled;
- provide ITC Corporation with the finance to enable it to satisfy full acceptance of the offers, as referred to above; and
- make the offers in the event ITC Corporation fails to obtain the approval of its independent shareholders to permit it to make the offers itself, through Hollyfield.

INTENTIONS OF ITC CORPORATION REGARDING PAUL Y. - ITC

The offers will not of themselves result in any changes in the business or the continued employment of the employees of Paul Y. - ITC or any of its subsidiaries.

COMPULSORY ACQUISITION

In the event that acceptances to the share offer amounts to 90% or more of the shares which were subject to the share offer, the offeror will avail itself of the compulsory purchase provisions of section 102 of the Act to acquire the balance of the shares in Paul Y. - ITC. In the event that ITC Corporation and its concert parties acquire 95% or more of the shares in Paul Y. - ITC, alternatively it may exercise its rights under section 103 of the Act to acquire the balance of the shares in Paul Y. - ITC.

MAINTENANCE OF THE LISTING OF PAUL Y. - ITC

If, on the closing date of the share offer, the offeror is unable to acquire compulsorily the balance of the shares in Paul Y. - ITC under the Act, then it intends to maintain the listing of Paul Y. - ITC on the Stock Exchange after closing of the share offer. Hollyfield or Dr. Charles Chan, as the case may be, will undertake to the Stock Exchange that following the closing of the share offer, appropriate steps will be taken to ensure that not less than 25% of the shares in Paul Y. - ITC will be held by the public. When the share offer closes, should there be less than 25% of the shares in Paul Y. - ITC in public hands, the directors of Hollyfield or Dr. Charles Chan, as the case may be, will take appropriate steps which may include, placing down its shareholding interest in Paul Y. - ITC to independent third parties within one month after closing of the share offer. The Stock Exchange has stated that if, at the closing of the share offer, less than 25% of the shares in Paul Y. - ITC are held by the general public or the Stock Exchange believes that:

- a false market exists or may exist in the shares in Paul Y. - ITC; or
- there are too few shares in Paul Y. - ITC in public hands to maintain an orderly market,

LETTER FROM THE BOARD

then it will consider exercising its discretion to suspend trading in Paul Y. - ITC shares. In this connection, it should be noted that upon completion of the share offer, there may be an insufficient public float for the Paul Y. - ITC shares and, therefore, trading in the shares in Paul Y. - ITC may be suspended until a sufficient level of public float is attained.

THE WITHDRAWAL OF THE PROPOSED GROUP REORGANISATION

The respective board of directors of ITC Corporation and Paul Y. - ITC consider that the share offer provides a more certain prospect to shareholders of Paul Y. - ITC to realise all or a portion of their investment in Paul Y. - ITC than the group reorganisation and that the terms of the share offer are more attractive than the terms of the group reorganisation. Provided the preconditions of the share offer are fulfilled, shareholders of Paul Y. - ITC will be able to realise all or a portion of their investment at a substantial premium to the prevailing market price without the requirement for the support of any other shareholders of Paul Y. - ITC. The compulsory acquisition of shares in Paul Y. - ITC will only occur if the share offer receives a very high level of acceptances. It is for these reasons that Paul Y. - ITC have agreed to withdrawal of the group reorganisation and its substitution by the share offer.

THE REASONS FOR THE SHARE OFFER

To the extent that ITC Corporation, through Hollyfield, is successful in acquiring shares in Paul Y. - ITC either through market purchases or through acceptances to the share offer, it will increase its controlling interest in Paul Y. - ITC at a substantial discount to its underlying net asset value.

INFORMATION ON ITC CORPORATION

ITC Corporation is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies including, in addition to Paul Y. - ITC and its strategic investments in Downer EDI Limited and China Strategic Holdings Limited, interests in Hanny Holdings Limited, Burcon NutraScience Corporation, Star East Holdings Limited, M Channel Corporation Limited, Sing Pao Media Group Limited, Ananda Wing On Travel (Holdings) Limited, China Land Group Limited, China Enterprises Limited and Australia Net.Com Limited. The group is principally engaged in investment and property holding, provision of finances, and trading of building materials and machinery.

INFORMATION ON PAUL Y. - ITC

The Paul Y. - ITC group's principal business includes building construction, civil engineering, specialist works, property development and investment, hotel management and operations, catering and manufacturing and trading of construction materials. Its primary business focus is in Hong Kong and the PRC. In addition to its investment in its major associated company, Downer EDI Limited, it has strategic investment in China Strategic Holdings Limited, companies engaged in installation and maintenance of escalators and elevators and provision of specialised business solution for construction industry.

LETTER FROM THE BOARD

The financial information of Paul Y. - ITC extracted from the audited consolidated financial statements of Paul Y. - ITC for the two financial years ended 31st March, 2002 is as follows:

	Year ended 31st March,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>5,343,810</u>	<u>10,803,255</u>
Profit (loss) before taxation	125,243	(313,144)
Taxation	<u>47,935</u>	<u>49,953</u>
Profit (loss) after taxation	77,308	(363,097)
Minority interests	<u>6,605</u>	<u>91,343</u>
Profit (loss) attributable to shareholders	<u><u>70,703</u></u>	<u><u>(454,440)</u></u>
	<i>HK\$</i>	<i>HK\$</i>
Earnings (loss) per share		
– basic	0.071	(0.463)
– diluted	0.068	(0.471)
Dividend per share	0.020	0.020

SPECIAL GENERAL MEETING

Set out on pages 144 to 145 of this circular is a notice of the special general meeting to be held at 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 4th December, 2002 at 11:00 a.m. at which an ordinary resolution will be proposed to the independent shareholders to consider and, if thought fit, to approve the making of the offers.

The acquisition of a majority interest in Paul Y. - ITC which will occur if the offers become unconditional, may constitute a major transaction for ITC Corporation. Since Dr. Charles Chan is a substantial shareholder of ITC Corporation, in view of the undertakings given to ITC Corporation by him, among others, to make the offers in the event ITC Corporation fails to obtain the approval of its independent shareholders to permit it to make the offers itself, through Hollyfield, the offers will constitute a connected transaction for ITC Corporation under the Listing Rules. Accordingly, the making of the offers is subject to the approval of the independent shareholders of ITC Corporation. Dr. Charles Chan and his associates will abstain from voting on the ordinary resolution to be proposed at the special general meeting to approve the making of the offers.

LETTER FROM THE BOARD

A form of proxy for use at the special general meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business in Hong Kong of the company at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong and in any event not less than forty eight hours before the time appointed for holding the special general meeting or any adjournment thereof, as the case may be. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

RECOMMENDATIONS

The board believes that the ordinary resolution to be proposed at the special general meeting is in the interests of the company and its shareholders as a whole and recommends all independent shareholders to vote in favour of the ordinary resolution set out in the notice of special general meeting.

In addition, your attention is drawn to the letter from the independent director set out on page 13 of this circular which contains his recommendation to the independent shareholders in connection with the making of the offers, and the letter of advice from Dao Heng Securities set out on pages 14 to 24 of this circular which contains its recommendation to the independent director and the principal factors and reasons taken into consideration.

ADDITIONAL INFORMATION

Your attention is drawn to the further information contained in the appendices to this circular and the notice of special general meeting.

A composite document containing both the offers and the response of the board of Paul Y. - ITC to the offers will be despatched within seven days of the date on which the shareholders of ITC Corporation approve the major and connected transaction which may occur as a result of the offers. In this regard, only those directors who are independent of ITC Corporation will give advice to shareholders of Paul Y. - ITC in connection with the offers.

Yours faithfully,
For and on behalf of
ITC Corporation Limited
Cheung Kwok Wah, Ken
Executive Director

LETTER FROM THE INDEPENDENT DIRECTOR



ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

18th November, 2002

To the independent shareholders

Dear Sir or Madam,

**POTENTIAL MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE MAKING OF OFFERS TO ACQUIRE
ALL THE ISSUED SHARES IN, AND WARRANTS OF, PAUL Y. - ITC,
OTHER THAN THE SHARES AND WARRANTS PRESENTLY OWNED BY
ITC CORPORATION OR ITS WHOLLY OWNED SUBSIDIARIES**

I have been appointed to advise you in connection with the making of the offers, details of which are set out in the "Letter from the board" in the circular dated 18th November, 2002, of which this letter forms part. The terms used in this letter shall have the same meanings as given to them in the circular unless the context otherwise requires.

Your attention is drawn to the "Letter from Dao Heng Securities" concerning its advice to me regarding the making of the offers as set out on pages 14 to 24 of this circular. Having considered the principal factors, reasons considered and advice given in its letter, I am of the opinion that the terms of the offers are fair and reasonable so far as the independent shareholders are concerned and that the making of the offers is in the interests of the company and its shareholders as a whole. I, therefore, recommend the independent shareholders to vote in favour of the ordinary resolution to be proposed at the special general meeting to approve the making of the offers.

Yours faithfully,
the independent director of
ITC Corporation Limited
Winston Calptor Chuck

LETTER FROM DAO HENG SECURITIES

The following is the text of a letter from Dao Heng Securities, prepared for the purpose of incorporation in this circular, in connection with its advice to the independent director in respect of the terms of the offers to be made by ITC Corporation.



18th November, 2002

The independent director
ITC Corporation Limited
33rd Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Dear Sir,

**POTENTIAL MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE MAKING OF OFFERS TO ACQUIRE
ALL THE ISSUED SHARES IN, AND WARRANTS OF, PAUL Y. - ITC,
OTHER THAN THE SHARES AND WARRANTS PRESENTLY OWNED BY
ITC CORPORATION OR ITS WHOLLY OWNED SUBSIDIARIES**

We refer to our engagement to advise Mr. Winston Calptor Chuck, the independent non-executive director of ITC Corporation in connection with the making of the share offer and the warrant offer by Hollyfield, details of which are set out in the “Letter from the board” in a circular dated 18th November, 2002 to its shareholders (the “Circular”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The acquisition of a majority interest in Paul Y. - ITC, which will occur if the share offer becomes unconditional, may constitute a major transaction for ITC Corporation. Accordingly, the making of the share offer by Hollyfield is conditional upon the approval of the shareholders of ITC Corporation at the special general meeting to be held on Wednesday, 4th December, 2002, the notice of which is set out in the Circular. Conditional upon the share offer becoming unconditional, the warrant offer will also be made by Hollyfield. Since Dr. Charles Chan is a substantial shareholder and director of ITC Corporation, in view of the undertakings given to ITC Corporation by him as set out under the paragraph headed “Undertakings by Dr. Charles Chan” in the Circular, the offers will constitute a connected transaction for ITC Corporation under the Listing Rules. Accordingly, the making of the offers will be subject to the approval of independent shareholders of ITC Corporation. An ordinary resolution will be put forward at the special general meeting of the shareholders of ITC Corporation to decide if ITC Corporation should make the offers. Dr. Charles Chan and his associates will abstain from voting at such special general meeting of ITC Corporation.

LETTER FROM DAO HENG SECURITIES

Our role as the independent financial adviser to the independent director of ITC Corporation is to give our opinion as to whether the terms of the offers are fair and reasonable and whether making the offers is in the interests of ITC Corporation and its shareholders as a whole.

In formulating our recommendations, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations as provided to us by the directors of ITC Corporation. We have assumed that the information and representations contained or referred to in the Circular and all information and representations which have been provided by the directors, for which they are solely and wholly responsible, were true and accurate at the time it was made and continues to be so at the date of the despatch of the Circular. We have assumed that all statements of belief, opinion and intention of the board stated in the Circular are reasonably made after due enquiry and are based on honestly held opinions. We have no reason to doubt the truth, completeness and accuracy of the information and facts provided to us and referred to in the Circular, and we have been advised by the board of ITC Corporation that no material facts have been omitted from the information and facts provided to us and referred to in the Circular. We consider that the information we have reviewed is sufficient for us to reach an informed view. We have not, however, conducted any form of independent investigation into the businesses and affairs of ITC Corporation or its respective subsidiaries or associates.

BACKGROUND OF THE OFFERS

The respective boards of directors of ITC Corporation and Paul Y. - ITC announced on 25th October, 2002 that, subject to the fulfillment of certain preconditions, Hollyfield, an indirect wholly owned subsidiary of ITC Corporation, will through Anglo Chinese make a voluntary conditional cash offer of the price of HK\$0.30 for each share in Paul Y. - ITC, other than those shares already owned by ITC Corporation or its wholly owned subsidiaries. As at the latest practicable date, ITC Corporation and its wholly owned subsidiaries held 446,842,878 shares in Paul Y. - ITC, representing approximately 42.59% of its issued share capital.

Conditional upon the share offer becoming unconditional, Anglo Chinese will also make an offer on behalf of Hollyfield for all the outstanding warrants of Paul Y. - ITC, other than those warrants already owned by ITC Corporation or its wholly owned subsidiaries, at the price of HK\$0.01 per warrant in cash. As at the latest practicable date, ITC Corporation, through Hollyfield, held 86,465,812 warrants of Paul Y. - ITC, representing approximately 42.19% of the outstanding warrants of Paul Y. - ITC.

Dr. Charles Chan has undertaken, amongst others, to provide ITC Corporation with the finance to enable it to satisfy full acceptance of the offers on an unsecured basis and on normal, or better, commercial terms, if so requested by ITC Corporation.

If the independent shareholders of ITC Corporation do not give the necessary approval, then Dr. Charles Chan, the chairman of both ITC Corporation and Paul Y. - ITC and the controlling shareholder of ITC Corporation holding indirectly approximately 34.82% of the issued ordinary share capital, will make the offers instead of Hollyfield on the same basis. Dr. Charles Chan does not directly hold any shares in, nor warrants of, Paul Y. - ITC.

LETTER FROM DAO HENG SECURITIES

PRINCIPAL FACTORS CONSIDERED RELATING TO THE SHARE OFFER

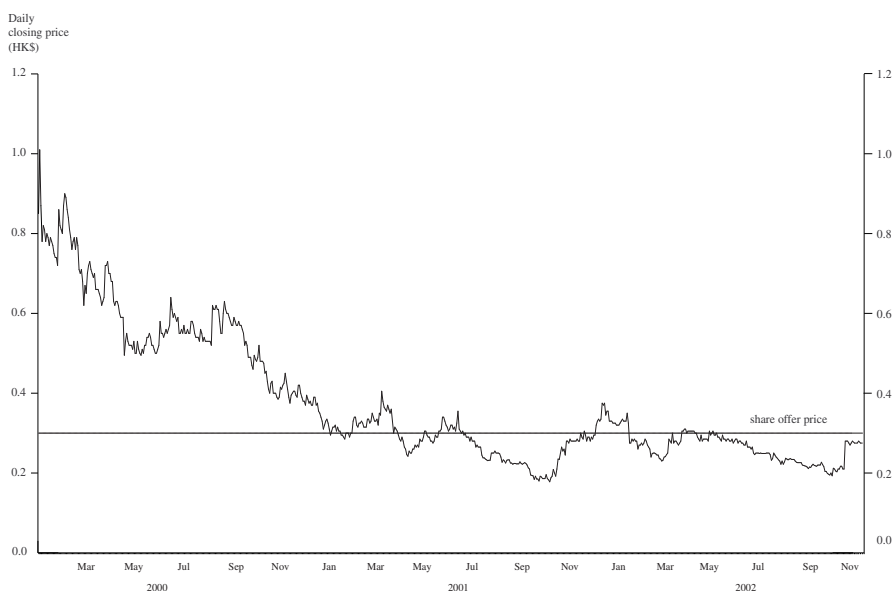
In arriving at our recommendation and advice to the independent director with regard to the terms of the share offer, we have considered the following principal factors.

Net asset value of Paul Y. - ITC

According to the latest audited financial statements of Paul Y. - ITC, the net asset value and the net tangible asset value of the Paul Y. - ITC group as at 31st March, 2002 amounted to approximately HK\$2,995.0 million and HK\$2,698.5 million respectively. Based on the number of issued shares in Paul Y. - ITC of 1,049,102,309 as at the latest practicable date, the net asset value per share and the net tangible asset value per share are approximately HK\$2.85 and HK\$2.57 respectively. The share offer price of HK\$0.30 per share represents substantial discounts of approximately 89.5% and 88.3% to the net asset value per share and the net tangible asset value per share respectively. We consider such share offer price represents an attractive opportunity for ITC Corporation to increase its shareholding in Paul Y. - ITC to a majority one and the share offer is in the interests of ITC Corporation and its shareholders as a whole.

The offer price

In considering whether the offer price of the share offer is fair and reasonable, we have also considered the offer price against the closing prices of shares in Paul Y. - ITC as quoted on the Stock Exchange from 3rd January, 2000 to 22nd October, 2002, being the last trading day on which shares in Paul Y. - ITC were traded on the Stock Exchange prior to the issue of the announcement of the offers dated 25th October, 2002. The following graph shows the daily closing prices of shares in Paul Y. - ITC against the share offer price of HK\$0.30 per share since 3rd January, 2000 up to the latest practicable date:



Graph for share price

LETTER FROM DAO HENG SECURITIES

For the period from 3rd January, 2000 to 22nd October, 2002, the highest and the lowest closing prices of shares in Paul Y. - ITC as quoted on the Stock Exchange were HK\$1.010 and HK\$0.178 respectively. The share offer price of HK\$0.30 per share is within the range of these highest and lowest closing prices. Out of the 677 trading days within this period, the prices of shares in Paul Y. - ITC closed above HK\$0.30 per share for 368 days and below HK\$0.30 per share for 309 days.

The table below sets out the weighted average closing prices of shares in Paul Y. - ITC and the premiums that the share offer price of HK\$0.30 each represents during the following date/periods and as at the latest practicable date:

	Weighted average closing price (HK\$)	Premium of the share offer price of HK\$0.30 each to weighted average closing price (%)
On 22nd October, 2002, being the last full trading day prior to the suspension of trading in shares in Paul Y. - ITC on 23rd October, 2002	0.21	42.9
For ten consecutive trading days up to and including 22nd October, 2002	0.2098	43.0
For thirty trading days up to and including 22nd October, 2002	0.2050	46.4
For six month period up to and including 22nd October, 2002	0.2366	26.8
On the latest practicable date	0.275	9.1

Although the above table shows that the share offer price is at premiums to the various weighted average closing prices of shares in Paul Y. - ITC over a period of six months ending on 22nd October, 2002, we are of the opinion that such premiums are fair and reasonable since:

- the share offer price of HK\$0.30 each represents significant discounts of approximately 89.5% and 88.3% to the net asset value per share of approximately HK\$2.85 and the net tangible asset value per share of HK\$2.57 respectively, based on the audited financial statements of Paul Y. - ITC as at 31st March, 2002 and 1,049,102,309 shares in Paul Y. - ITC in issue as at the latest practicable date;

LETTER FROM DAO HENG SECURITIES

- the offer is made for a majority interest in Paul Y. - ITC which should generally command a premium to the market prices of the shares; and
- for the period from 3rd January, 2000 to 22nd October, 2002, the prices of shares in Paul Y. - ITC closed above HK\$0.30 per share for 368 days and below HK\$0.30 per share for 309 days with the highest and lowest closing prices being HK\$1.01 and HK\$0.178 respectively and the share offer price of HK\$0.30 is within this range of prices.

Financial performance of Paul Y. - ITC

The Paul Y. - ITC group's principal activities include building construction, civil engineering, specialist works, property development and investment, hotel management and operations, catering and manufacturing and trading of construction materials. In addition to its investment in its major associated company, Downer EDI Limited, a company listed in Australia, it has strategic investment in China Strategic Holdings Limited, a company listed on the main board of the Stock Exchange, and companies engaged in installation and maintenance of escalators and elevators and provision of specialized business solution for construction industry.

Set out below is a summary of the audited consolidated income statements of Paul Y. - ITC for the two financial years ended 31st March, 2002 and a pro forma income statement of Paul Y. - ITC for the year ended 31st March, 2001 extracted from the annual report of Paul Y. - ITC for the year ended 31st March, 2002 which was prepared on the basis as if Downer EDI Limited were equity accounted for as an associate for the full year ended 31st March, 2001. Downer EDI Limited was previously a subsidiary of the Paul Y. - ITC group and the principal activities of it and its subsidiaries are the provision of comprehensive engineering and infrastructure management services to the public and private rail, road, power, telecommunications, mining and resource sectors in Australia, New Zealand, Hong Kong, the South East Asia region and the Pacific region. It ceased to be a subsidiary of Paul Y. - ITC in mid-February 2001 and therefore, the audited financial statements of Paul Y. - ITC for the year ended 31st March, 2001 consolidated the operating results of Downer EDI Limited for most of the year.

LETTER FROM DAO HENG SECURITIES

	Audited consolidated 31/03/2001 HK\$'000	Unaudited pro forma 31/03/2001 HK\$'000	Audited consolidated 31/03/2002 HK\$'000
Turnover	<u>10,803,255</u>	<u>6,272,345</u>	<u>5,343,810</u>
Gross profit	<u>757,048</u>	<u>122,403</u>	<u>169,772</u>
Profit/(loss) before taxation	(313,144)	(429,277)	125,243
Taxation	<u>(49,953)</u>	<u>(41,348)</u>	<u>(47,935)</u>
Profit/(loss) before minority interests	(363,097)	(470,625)	77,308
Minority interests	<u>(91,343)</u>	<u>16,185</u>	<u>(6,605)</u>
Profit/(loss) attributable to shareholders	<u>(454,440)</u>	<u>(454,440)</u>	<u>70,703</u>

Based on the results where Downer EDI Limited is treated as if it were an associate of the Paul Y. - ITC group throughout the two years ended 31st March, 2002, the gross profit margin improved from approximately 2.0% to approximately 3.2%. In addition, finance costs dropped as a result of decrease in interest rates across the year 2001. Moreover, the results for the year ended 31st March, 2001 were adversely affected by significant loss on disposal and dilution of the group's interests in subsidiaries and associates and loss on disposal of listed other investments which were not recurring for the year ended 31st March, 2002. As a result, a profit attributable to shareholders of approximately HK\$70.7 million was recorded which compares with a loss attributable to shareholders of approximately HK\$454.4 million for the year ended 31st March, 2001.

Should the Paul Y. - ITC group be able to maintain its profitability in the future, the acquisition of additional interests in Paul Y. - ITC by ITC Corporation will be beneficial to improving the operating results of ITC Corporation. However, it should be noted that if the operations of Paul Y. - ITC group turn into losses in the future, the offers will result in an increase in the sharing of losses by the ITC Corporation group.

LETTER FROM DAO HENG SECURITIES

Financial effects of the acquisition on ITC Corporation

Effects on earnings

Presently, ITC Corporation is interested in approximately 42.59% of the issued share capital of Paul Y. - ITC and the profit of Paul Y. - ITC has been equity accounted for in the consolidated financial statements of ITC Corporation. The offers, if approved by the independent shareholders of ITC Corporation and accepted by shareholders of Paul Y. - ITC, other than ITC Corporation and its associates, will increase ITC Corporation's shareholding of Paul Y. - ITC. Therefore, should Paul Y. - ITC continue to be profitable in future years, the offers will increase the future earnings of ITC Corporation. However, it should be noted that if the operations of Paul Y. - ITC group turn into losses in the future, the offers will result in an increase in the sharing of losses by the ITC Corporation group.

As at the latest practicable date, there were 602,259,431 shares and 118,454,537 units of warrants in Paul Y. - ITC not already owned by ITC Corporation or its wholly owned subsidiaries. Based on the share offer price of HK\$0.30 per share and the warrant offer price of HK\$0.01 per warrant, ITC Corporation would need cash of approximately HK\$181.9 million to complete the offers in full. Based on the latest audited financial statements of ITC Corporation, the group had cash, bank balances and bank deposits of approximately HK\$86.0 million as at 31st March, 2002 and therefore may not have sufficient resources for the whole offers. In this regard, a loan agreement was entered into between ITC Corporation as the borrower and Dr. Charles Chan as the lender on 28th October, 2002 under which Dr. Charles Chan agreed to grant to ITC Corporation a term loan facility of up to HK\$180 million. Amount drawn under this loan facility will be unsecured, bearing interest at prime, the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time, and repayable after twelve calendar months after the date of draw down, subject to an extension of further six calendar months if so requested by ITC Corporation or with Dr. Charles Chan's consent, such further period as agreed between Dr. Charles Chan and ITC Corporation. We consider that the loan facility provided by Dr. Charles Chan is on normal commercial terms. To the extent the offers are to be financed partly or wholly by Dr. Charles Chan, ITC Corporation will incur interest expenses.

Effects on net tangible asset value

As pointed out above, the offers enable ITC Corporation to acquire additional interests in Paul Y. - ITC at a substantial discount to the underlying net tangible asset value of Paul Y. - ITC. Accordingly, the offers will increase the net tangible asset value of the ITC Corporation group. As indicated in Appendix I of the Circular, the audited consolidated net tangible assets of the ITC Corporation group as at 31st March, 2002 were approximately HK\$1,537.2 million while the unaudited pro forma adjusted consolidated net tangible assets of the enlarged group will be approximately HK\$2,867.2 million. Based on the number of issued ordinary shares in ITC Corporation of 630,960,774 at the latest practicable date, the increase in net tangible assets per ordinary share will be approximately HK\$2.1.

LETTER FROM DAO HENG SECURITIES

Effects on the financial positions of ITC Corporation

Based on the audited consolidated balance sheet of ITC Corporation as at 31st March, 2002 and the unaudited pro forma statement of assets and liabilities of the enlarged ITC Corporation group after completion of the offers contained in Appendix I of the Circular, the effects of the offers on the financial positions of ITC Corporation are analysed below:

	Existing ITC Corporation group	Enlarged ITC Corporation group
Current assets	HK\$287.8 million	HK\$3,069.8 million
Current liabilities	HK\$626.2 million	HK\$3,125.0 million
Current ratio	0.46	0.98
Total debts	HK\$604.1 million	HK\$2,079.9 million
Total assets	HK\$2,115.6 million	HK\$5,493.6 million
Gearing ratio	28.6%	37.9%

While the gearing ratio of the existing group of approximately 28.6% may increase to a gearing ratio of the enlarged group of approximately 37.9%, there will be anticipated improvements in other areas such as the liquidity and net tangible asset value of the group. Upon full completion of the offers, the current ratio of the enlarged group is expected to improve from 0.46 to 0.98 while the net tangible asset value of the enlarged group will be increased by approximately HK\$1,330.0 million. To this end, we consider that the offers are in the interests of ITC Corporation and its shareholder as a whole.

Undertakings by Dr. Charles Chan

In respect of the offers, Dr. Charles Chan has undertaken to ITC Corporation that he will:

- reimburse all expenses incurred by ITC Corporation in connection with the offers in the event that the preconditions to which they are subject are not fulfilled;
- provide ITC Corporation with the finance to enable it to satisfy full acceptance of the offers, as referred to above; and
- make the offers in the event ITC Corporation fails to obtain the approval of its independent shareholders to permit it to make the offers itself, through Hollyfield.

LETTER FROM DAO HENG SECURITIES

In addition, a loan agreement was entered into between ITC Corporation as the borrower and Dr. Charles Chan as the lender on 28th October, 2002 under which Dr. Charles Chan agreed to grant to ITC Corporation a term loan facility of up to HK\$180 million. Amount drawn under this loan facility will be unsecured, bearing interest at prime, the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time, and repayable after twelve calendar months after the date of draw down, subject to an extension of further six calendar months if so requested by ITC Corporation or with Dr. Charles Chan's consent, such further period as agreed between Dr. Charles Chan and ITC Corporation. We consider that the loan facility provided by Dr. Charles Chan is on normal commercial terms. Anglo Chinese has confirmed that Dr. Charles Chan has sufficient resources available to him to make available funds to ITC Corporation to enable it to satisfy full acceptance of the offers. We consider these undertakings and the terms of the loan facility offered by Dr. Charles Chan favourable for and beneficial to ITC Corporation in making and completing the offers.

PRINCIPAL FACTORS CONSIDERED RELATING TO THE WARRANT OFFER

In arriving at our recommendation and advice to the independent director with regard to the terms of the warrant offer, we have considered the following principal factors.

Terms of the warrants

As at the latest practicable date, there were a total of 204,920,349 units of warrants conferring rights to the holders of the warrants to subscribe for shares in Paul Y. - ITC at an initial subscription price of HK\$0.40 each, subject to adjustment, at any time from 1st March, 2002 up to and including 29th August, 2003. The trading of the warrants on the Stock Exchange started on 5th March, 2002.

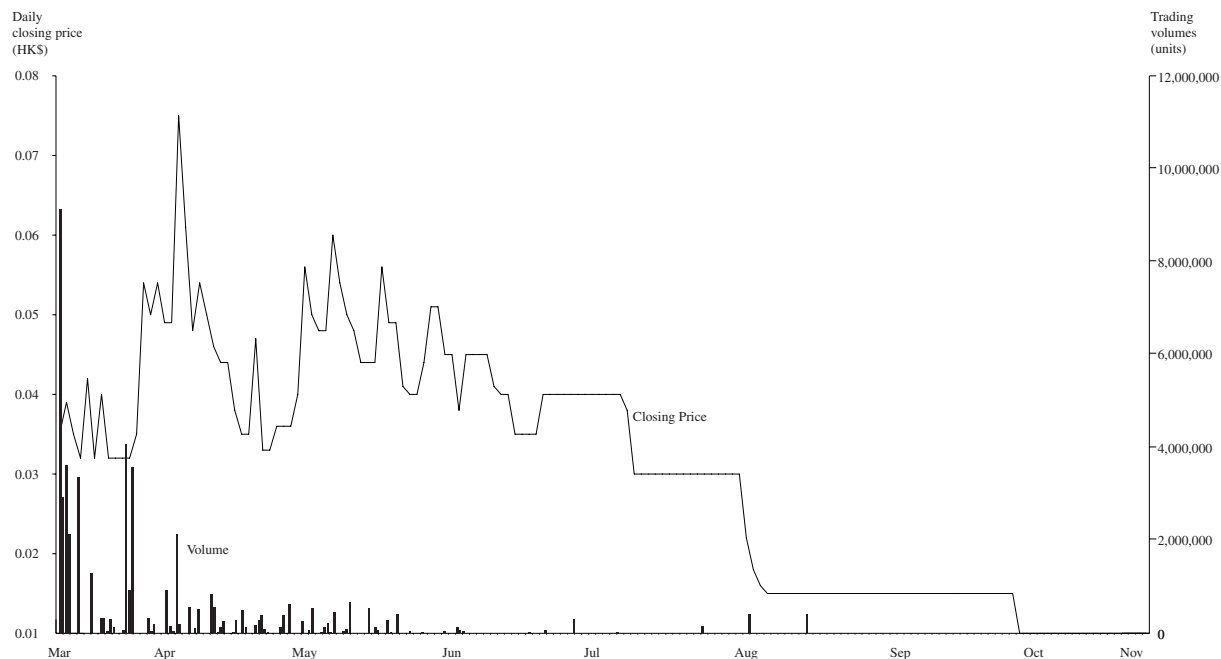
Warrant price performance

The warrant offer price of HK\$0.01 per warrant represents:

- the same price as the closing price of the warrants of HK\$0.01 per warrant as quoted on the Stock Exchange on 22nd October, 2002, being the last full trading day prior to the suspension of trading in shares in Paul Y. - ITC on 23rd October, 2002;
- the same price as the weighted average closing price of the warrants of HK\$0.01 per warrant as quoted on the Stock Exchange for the ten consecutive trading days up to and including 22nd October, 2002;
- the same price as the weighted average closing price of the warrants of HK\$0.01 per warrant as quoted on the Stock Exchange for the thirty trading days up to and including 22nd October, 2002; and
- the same price as the closing price of the warrants of HK\$0.01 per warrant as quoted on the Stock Exchange on the latest practicable date.

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The following graph shows the daily closing prices and trading volumes of the warrants on the Stock Exchange during the period commencing on 5th March, 2002, being the first date of trading of the warrants on the Stock Exchange, and ended on the latest practicable date:



Graph for warrant price

Apart from the first three months after the warrants were issued, the trading volume of the warrants became extremely thin. Starting from July 2002 up to the latest practicable date, there were only 11 days out of 86 days where there were trading of these warrants on the Stock Exchange with the daily maximum number of warrants traded being only 400,000. The last traded price for the warrants prior to the suspension of trading in securities in Paul Y. - ITC on 23rd October, 2002 was HK\$0.01 per warrant.

The exercise price of the warrants has been set at HK\$0.40 per share. It should be noted that since trading of these warrants commenced on the Stock Exchange on 5th March, 2002, the prices of the shares in Paul Y. - ITC have never been higher than HK\$0.40 per share. The intrinsic value of the warrants, which is the excess of the price of the shares in Paul Y. - ITC over the exercise price of the warrants, is therefore nil and the warrants are out of money. As the warrants approach the expiry date of 29th August, 2003, the time value of the warrants is likely to diminish. Accordingly, given a share offer price of HK\$0.30 per share, the latest traded price of the warrants before the announcement of the offers at HK\$0.01 per warrant and the exercise price of the warrants being HK\$0.40 per share, we consider the offer price for the warrants at HK\$0.01 per warrant to be fair and reasonable.

LETTER FROM DAO HENG SECURITIES

RECOMMENDATIONS

From the analysis above, we note that the making of the offers may increase the gearing ratio and interest expenses of the enlarged ITC Corporation group. In addition, there is no guarantee that the Paul Y. - ITC group remains profitable and to the extent that the operating results of the Paul Y. - ITC group turn into losses in the future, the operating results of the enlarged ITC Corporation group will be adversely affected because of larger share of the results of the Paul Y. - ITC group after the offers. However, having considered the terms and benefits of the offers, and in particular that:

- the offer price per share in Paul Y. - ITC at HK\$0.30 per share represents a significant discount of 89.5% and 88.3% to the net asset value per share and the net tangible asset value per share in Paul Y. - ITC of HK\$2.85 and HK\$2.57 respectively based on the audited accounts of Paul Y. - ITC as at 31st March, 2002;
- Dr. Charles Chan entered into the HK\$180 million loan facility with ITC Corporation to provide it with the necessary finance, on an unsecured basis and on normal commercial terms, to enable ITC Corporation to satisfy full acceptance of the offers and Anglo Chinese has satisfied that Dr. Charles Chan has sufficient resources available to him to make such funds to ITC Corporation;
- improvements in the asset backing and liquidity of the enlarged ITC Corporation group, and its operating results, if the Paul Y. - ITC group remains profitable, as a result of acquiring a majority interest in Paul Y. - ITC; and
- the offer price of the warrant offer is same as the current market price of the warrants and represents a fair and reasonable one based on the offer price of the share offer and the exercise price of the warrants,

we consider that the benefits outweigh the drawbacks resulting from making the offers. We consider the terms of the offers are fair and reasonable as far as the independent shareholders are concerned and making the offers is in the interests of ITC Corporation and its shareholders as a whole. Accordingly, we recommend the independent director of ITC Corporation to advise the independent shareholders to vote in favour of the ordinary resolution set out in the notice of the special general meeting to approve the making of the offers.

Yours faithfully,

For and on behalf of

Dao Heng Securities Limited

Stella Fung

Executive Director and General Manager

Frankie Yan

Assistant Director

FINANCIAL SUMMARY

The following is a summary of the audited consolidated income statement and balance sheet for the three years ended 31st March, 2002.

	Year ended 31st March,		
	2002	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>as restated</i>	<i>HK\$'000</i> <i>as restated</i>
RESULTS			
Turnover	<u>40,147</u>	<u>63,144</u>	<u>122,887</u>
(Loss) profit before taxation	(272,457)	(586,543)	546,671
Taxation	<u>(16,853)</u>	<u>(25,870)</u>	<u>(38,491)</u>
(Loss) profit before minority interests	(289,310)	(612,413)	508,180
Minority interests	<u>–</u>	<u>–</u>	<u>(2,437)</u>
(Loss) profit for the year	<u><u>(289,310)</u></u>	<u><u>(612,413)</u></u>	<u><u>505,743</u></u>
		At 31st March	
	2002	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Total assets	2,115,628	2,414,819	2,515,142
Total liabilities	<u>(626,194)</u>	<u>(802,902)</u>	<u>(805,695)</u>
Shareholders' funds	<u><u>1,489,434</u></u>	<u><u>1,611,917</u></u>	<u><u>1,709,447</u></u>

FINANCIAL STATEMENTS

The following is a summary of the audited consolidated financial statements of the group for the two years ended 31st March, 2002 extracted from the audited financial statements of the group.

Consolidated Income Statement

For the year ended 31st March, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated <i>(see note 3)</i>
Turnover	5	40,147	63,144
Other revenue		3,796	–
Changes in inventories of finished goods		34	79
Raw materials and consumables used		(4,393)	(3,861)
Staff costs		(16,126)	(20,504)
Depreciation and amortisation		(1,765)	(1,646)
Other operating expenses		(18,667)	(16,342)
Surplus (deficit) arising from revaluation of land and buildings		250	(1,238)
Surplus arising from revaluation of investment properties		125	1,120
Loss on disposal of investments in securities		–	(5,409)
Unrealised gain (loss) on valuation of other investments		232	(458)
		<u> </u>	<u> </u>
Profit from operations	6	3,633	14,885
Finance costs	8	(49,446)	(56,088)
Gain on disposal of subsidiaries		6	221
Gain (loss) arising from dilution of interests in and disposal of associates		2,122	(213,470)
Goodwill eliminated on cessation of business of an associate		–	(14,596)
Allowances for amounts due from associates		–	(10,546)
Impairment loss in respect of goodwill	9 & 16	(195,466)	–
Share of results of associates		(33,306)	(306,949)
		<u> </u>	<u> </u>
Loss before taxation		(272,457)	(586,543)
Taxation	10	(16,853)	(25,870)
		<u> </u>	<u> </u>
Loss for the year		<u>(289,310)</u>	<u>(612,413)</u>
		<u> </u>	<u> </u>
Loss per share	12		
		<u>(HK\$0.51)</u>	<u>(HK\$1.20)</u>
		<u> </u>	<u> </u>
Diluted		<u>(HK\$0.51)</u>	<u>(HK\$1.21)</u>
		<u> </u>	<u> </u>

Consolidated Balance Sheet

At 31st March, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>13</i>	25,611	26,712
Investment properties	<i>14</i>	1,125	23,800
Interests in associates	<i>16</i>	1,797,104	1,654,448
Investments in securities	<i>17</i>	4,008	246,258
		<u>1,827,848</u>	<u>1,951,218</u>
Current assets			
Inventories		210	176
Trade and other receivables	<i>18</i>	2,575	2,444
Amounts due from associates	<i>19</i>	148,528	42,391
Amounts due from related companies	<i>20</i>	45,746	–
Loan receivables		4,724	14,000
Convertible note receivable from an associate	<i>16</i>	–	385,900
Bank deposits		82,218	15,352
Bank balances and cash		3,779	3,338
		<u>287,780</u>	<u>463,601</u>
Current liabilities			
Trade and other payables	<i>21</i>	22,008	36,933
Amounts due to associates	<i>22</i>	111	6,798
Convertible notes	<i>23</i>	577,635	150,000
Bank overdrafts	<i>24</i>	9,123	17,333
Other loan	<i>25</i>	17,317	17,317
		<u>626,194</u>	<u>228,381</u>
Net current (liabilities) assets		<u>(338,414)</u>	<u>235,220</u>
		<u>1,489,434</u>	<u>2,186,438</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

		2002	2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves			
Share capital			
Ordinary shares	26	63,096	52,596
Compulsorily convertible cumulative preference shares	26	<u>26,798</u>	<u>26,798</u>
		89,894	79,394
Reserves	28	<u>1,399,540</u>	<u>1,532,523</u>
		1,489,434	1,611,917
Non-current liabilities			
Convertible notes	23	<u>–</u>	<u>574,521</u>
		<u>1,489,434</u>	<u>2,186,438</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Balance Sheet***At 31st March, 2002*

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Non-current assets			
Interests in subsidiaries	15	<u>2,012,030</u>	<u>2,351,035</u>
Current assets			
Other receivables		275	238
Amount due from an associate		–	7,290
Convertible note receivable from an associate	16	–	385,900
Bank deposits		81,316	15,351
Bank balances and cash		<u>39</u>	<u>2,327</u>
		<u>81,630</u>	<u>411,106</u>
Current liabilities			
Trade and other payables		18,090	21,332
Convertible notes	23	577,635	–
Bank overdrafts	24	–	4,949
Other loan	25	<u>17,317</u>	<u>17,317</u>
		<u>613,042</u>	<u>43,598</u>
Net current (liabilities) assets		<u>(531,412)</u>	<u>367,508</u>
		<u>1,480,618</u>	<u>2,718,543</u>
Capital and reserves			
Share capital			
Ordinary shares	26	63,096	52,596
Compulsorily convertible cumulative preference shares	26	<u>26,798</u>	<u>26,798</u>
		89,894	79,394
Reserves	28	<u>1,390,724</u>	<u>2,064,628</u>
		1,480,618	2,144,022
Non-current liabilities			
Convertible notes	23	<u>–</u>	<u>574,521</u>
		<u>1,480,618</u>	<u>2,718,543</u>

Consolidated Statement of Recognised Gains and Losses*For the year ended 31st March, 2002*

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated <i>(see note 3)</i>
Exchange differences arising from translation of overseas operations	(173)	775
Surplus on revaluation of investment properties	–	450
Share of translation reserve of associates	42,247	(13,734)
	<hr/>	<hr/>
Net gains (losses) not recognised in the income statement	42,074	(12,509)
Loss for the year	(289,310)	(612,413)
	<hr/>	<hr/>
Total recognised losses	(247,236)	(624,922)
Negative goodwill arising on acquisition of interests in subsidiaries	–	698
Negative goodwill arising on acquisition of interests in associates	–	188,524
Share of goodwill reserve of associates	62,218	54,670
	<hr/>	<hr/>
	<u>(185,018)</u>	<u>(381,030)</u>
Prior period adjustments arising from the effects of changes in accounting policies (<i>note 3</i>)		
– Increase in accumulated losses at 1st April, 2000		(48,080)
– Increase in goodwill reserve at 1st April, 2000		48,080
		<hr/>
		<u>–</u>

Consolidated Cash Flow Statement*For the year ended 31st March, 2002*

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	30	5,157	25,333
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(49,195)	(63,883)
Dividends received from associates		11,017	12,239
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(38,178)	(51,644)
INVESTING ACTIVITIES			
Advances to associates		(314,700)	(8,860)
Advances to related companies		(42,000)	–
Acquisition of investments in securities		(14,463)	(6,647)
Acquisition of shares of associates		(12,193)	(196,215)
Purchase of property, plant and equipment		(759)	(3,146)
Purchase of subsidiaries (net of cash and cash equivalents acquired)	33	–	(25,658)
Redemption of convertible note receivable from an associate		385,900	–
Repayments from associates		181,700	2,400
Proceeds from disposal of an investment property		22,566	–
Proceeds from disposal of associates		–	191,156
Proceeds from disposal of investments in securities		–	23,852
Proceeds from disposal of property, plant and equipment		–	152
Net inflow of cash and cash equivalents on disposal of subsidiaries	33	–	61
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		206,051	(22,905)
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING		173,030	(49,216)

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
FINANCING	<i>34</i>		
Proceeds from issue of new shares		63,000	–
Shares issue expenses		(1,121)	–
Redemption of convertible notes		(150,000)	–
Other loan raised		15,000	4,000
Repayments of other loan		(15,000)	(4,000)
Repayments of amounts payable under margin accounts		(9,531)	–
New borrowings under margin accounts		–	9,531
		<u> </u>	<u> </u>
NET CASH (OUTFLOW) INFLOW FROM FINANCING		<u>(97,652)</u>	<u>9,531</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		75,378	(39,685)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,357	40,177
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<u>139</u>	<u>865</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u><u>76,874</u></u>	<u><u>1,357</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank deposits		82,218	15,352
Bank balances and cash		3,779	3,338
Bank overdrafts		(9,123)	(17,333)
		<u> </u>	<u> </u>
		<u><u>76,874</u></u>	<u><u>1,357</u></u>

Notes to the Financial Statements

For the year ended 31st March, 2002

1. General

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

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries and the Group's principal associates are set out in note 43.

2. Basis of Preparation of Financial Statements

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK\$338,414,000 as at 31st March, 2002. The directors are satisfied that the Group has access to sufficient funding and facilities to be able to meet in full its liabilities as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. Adoption of New and Revised Statements of Standard Accounting Practice

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 4. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs described above has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

Goodwill

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 have been recognised retrospectively. The effect of these prior period adjustments is to increase the accumulated losses as at 1st April, 2000 by HK\$48,080,000 and to increase the loss for the year ended 31st March, 2001 by HK\$70,043,000 (note 28). The prior period adjustments result from the share of impairment loss recognised in respect of goodwill by the associates.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as further impairment losses are identified. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC"), one of the associates, has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves, which differs from the transitional treatment applied by the Group. Accordingly, the financial statements of Paul Y. - ITC have been restated for consolidation under the Group's accounting policy.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

4. Significant Accounting Policies

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

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

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 an associate at the date of acquisition.

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

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

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

Negative goodwill

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

Negative goodwill arising on acquisitions after 1st April, 2001 is presented as deduction from assets and will be released to income statement based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be credited to income statement at the time of disposal of the relevant subsidiary or associate.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

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

Investments in subsidiaries

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

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 paid/less any discount on acquisition in so far as it has not already been written off/amortised/released to income, less any identified impairment loss.

Revenue recognition

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

Service revenue is recognised when services are rendered.

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

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

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

Rental income is recognised on a straight-line basis over the period of respective leases.

Property, plant and equipment

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

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

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

No amortisation is provided in respect of freehold land.

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

Depreciation is provided so as to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Plant, machinery and office equipment	10 – 33%
Motor vehicles	10 – 30%
Furniture and fixtures	10 – 20%

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

Investment properties

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

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

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

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investments in securities

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

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

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

Foreign currencies

Transactions in currencies other than Hong Kong dollar are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of the subsidiaries and associates which are denominated in currencies other than Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Taxation

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

Inventories

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

Retirement benefit scheme

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

Convertible notes

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

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

Operating leases

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

5. Turnover and Segmental Information

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Investment and finance	32,833	57,049
Sale of building materials and machinery	7,314	6,095
	<u>40,147</u>	<u>63,144</u>

Business segments

For management purposes, the Group is currently organised into two operating divisions – investment and finance, and sale of building materials and machinery. These divisions form the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and contribution to operating results and segmental assets and liabilities by business segments is presented below:

For the year ended 31st March, 2002

	Investment and finance <i>HK\$'000</i>	Sale of building materials and machinery <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	32,833	7,314	–	40,147
Inter-segment sales	1,280	–	(1,280)	–
	<u>34,113</u>	<u>7,314</u>	<u>(1,280)</u>	<u>40,147</u>
RESULT				
Segment result	<u>14,397</u>	<u>393</u>	<u>–</u>	14,790
Unallocated corporate expenses				<u>(11,157)</u>
Profit from operations				3,633
Finance costs				(49,446)
Gain on disposal of subsidiaries	6	–	–	6
Gain arising from dilution of interests in associates	2,122	–	–	2,122
Impairment loss in respect of goodwill	(195,466)	–	–	(195,466)
Share of results of associates	(33,306)	–	–	<u>(33,306)</u>
Loss before taxation				(272,457)
Taxation				<u>(16,853)</u>
Loss for the year				<u>(289,310)</u>

Inter-segment sales are charged at prevailing market rate.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

At 31st March, 2002

	Investment and finance HK\$'000	Sale of building materials and machinery HK\$'000	Total HK\$'000
ASSETS			
Segment assets	308,815	2,354	311,169
Interests in associates	1,797,104	–	1,797,104
Unallocated corporate assets			7,355
			<u>2,115,628</u>
LIABILITIES			
Segment liabilities	19,106	853	19,959
Convertible notes, bank overdrafts and other loan			604,075
Unallocated corporate liabilities			2,160
			<u>626,194</u>

OTHER INFORMATION

For the year ended 31st March, 2002

	Investment and finance HK\$'000	Sale of building materials and machinery HK\$'000	Corporate HK\$'000	Total HK\$'000
Capital additions	27	8	724	759
Depreciation and amortisation	725	25	1,015	1,765
Amortisation of deferred expenditure on issuance of convertible notes	–	–	3,114	3,114
	<u>–</u>	<u>–</u>	<u>3,114</u>	<u>3,114</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

For the year ended 31st March, 2001

	Investment and finance HK\$'000	Sale of building materials and machinery HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	57,049	6,095	–	63,144
Inter-segment sales	1,548	–	(1,548)	–
	<u>58,597</u>	<u>6,095</u>	<u>(1,548)</u>	<u>63,144</u>
RESULT				
Segment result	<u>21,471</u>	<u>1,003</u>	<u>–</u>	22,474
Unallocated corporate expenses				<u>(7,589)</u>
Profit from operations				14,885
Finance costs				(56,088)
Gain on disposal of subsidiaries	221	–	–	221
Loss arising from dilution of interests in and disposal of associates	(213,470)	–	–	(213,470)
Goodwill eliminated on cessation of business of an associate	(14,596)	–	–	(14,596)
Allowances for amounts due from associates	(10,546)	–	–	(10,546)
Share of results of associates	(306,949)	–	–	<u>(306,949)</u>
Loss before taxation				(586,543)
Taxation				<u>(25,870)</u>
Loss for the year				<u><u>(612,413)</u></u>

Inter-segment sales are charged at prevailing market rate.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

At 31st March, 2001

	Investment and finance HK\$'000	Sale of building materials and machinery HK\$'000	Total HK\$'000
ASSETS			
Segment assets	751,362	2,378	753,740
Interests in associates	1,654,448	–	1,654,448
Unallocated corporate assets			<u>6,631</u>
Consolidated total assets			<u><u>2,414,819</u></u>
LIABILITIES			
Segment liabilities	39,957	1,490	41,447
Convertible notes, bank overdrafts and other loan			759,171
Unallocated corporate liabilities			<u>2,284</u>
Consolidated total liabilities			<u><u>802,902</u></u>

OTHER INFORMATION

For the year ended 31st March, 2001

	Investment and finance HK\$'000	Sale of building materials and machinery HK\$'000	Corporate HK\$'000	Total HK\$'000
Capital additions	863	8	2,275	3,146
Depreciation and amortisation	703	26	917	1,646
Amortisation of deferred expenditure on issuance of convertible notes	–	–	3,113	<u>3,113</u>

Geographical segments

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

	Turnover		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	35,346	55,947	4,679	18,697
Others	<u>4,801</u>	<u>7,197</u>	<u>(1,046)</u>	<u>(3,812)</u>
	<u><u>40,147</u></u>	<u><u>63,144</u></u>	<u><u>3,633</u></u>	<u><u>14,885</u></u>

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

	Carrying amount of segment assets		Capital additions	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	2,084,705	2,383,524	732	2,291
Others	30,923	31,295	27	855
	<u>2,115,628</u>	<u>2,414,819</u>	<u>759</u>	<u>3,146</u>

6. Profit from Operations

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	435	441
Allowances for doubtful debts	4,914	–
Retirement benefit scheme contributions, net of forfeited contributions of HK\$39,000 (2001: HK\$489,000)	537	248
Rental payments under operating leases in respect of properties	539	3,484
Loss on disposal of property, plant and equipment	62	–
and after crediting:		
Bad debts recovered	3,580	–
Gain on disposal of an investment property	216	–
Gain on disposal of property, plant and equipment	–	58
Rental income in respect of properties under operating leases, net of negligible outgoings	1,688	4,026
Interest income	<u>26,542</u>	<u>42,720</u>

7. Directors' and Employees' Emoluments

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

(a) Directors' emoluments

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Directors' fees:		
– executive	90	90
– independent non-executive	220	240
	<u>310</u>	<u>330</u>
Other emoluments (executive directors):		
– salaries and other benefits	12,052	11,079
– retirement benefit scheme contributions	543	504
	<u>12,595</u>	<u>11,583</u>
	<u><u>12,905</u></u>	<u><u>11,913</u></u>

Emoluments of the directors were within the following bands:

	2002 <i>Number of directors</i>	2001 <i>Number of directors</i>
Nil to HK\$1,000,000	5	5
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	2	2
HK\$2,500,001 to HK\$3,000,000	1	1
	<u><u>1</u></u>	<u><u>1</u></u>

(b) Employees' emoluments

The five highest paid individuals in the Group for each of the two years ended 31st March, 2002 were all directors and information regarding their emoluments has been included in the disclosures in paragraph (a) above.

8. Finance Costs

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Amortisation of deferred expenditure on issuance of convertible notes	3,114	3,113
Interest payable on:		
Bank borrowings wholly repayable within five years	646	893
Convertible notes	43,685	49,889
Other borrowings wholly repayable within five years	2,001	2,193
	<u>49,446</u>	<u>56,088</u>

No interest was capitalised by the Group during the year.

9. Impairment Loss in respect of Goodwill

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

10. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the year. The charge for each of the two years ended 31st March, 2002 represents the Group's share of taxation on the results of associates.

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

11. Dividends

The directors do not recommend the payment of a dividend to ordinary shareholders for the year ended 31st March, 2002.

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

12. Loss per Share

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss for the year	(289,310)	(612,413)
Dividend for preference shares	<u>(18,491)</u>	<u>(18,491)</u>
Loss for the purposes of basic loss per share	(307,801)	(630,904)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on dilution of their earnings per share	<u>(1,324)</u>	<u>(3,248)</u>
Loss for the purposes of diluted loss per share	<u><u>(309,125)</u></u>	<u><u>(634,152)</u></u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u><u>607,659,374</u></u>	<u><u>525,960,774</u></u>

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

13. Property, Plant and Equipment

	Land and buildings <i>HK\$'000</i>	Plant, machinery and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST OR VALUATION					
At 1st April, 2001	19,338	704	10,303	2,306	32,651
Translation adjustments	(270)	(3)	(10)	(13)	(296)
Additions	–	259	486	14	759
Disposals	–	(14)	–	(100)	(114)
At 31st March, 2002	<u>19,068</u>	<u>946</u>	<u>10,779</u>	<u>2,207</u>	<u>33,000</u>
Comprising:					
At cost	–	946	10,779	2,207	13,932
At valuation – 2002	<u>19,068</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>19,068</u>
	<u>19,068</u>	<u>946</u>	<u>10,779</u>	<u>2,207</u>	<u>33,000</u>
DEPRECIATION AND AMORTISATION					
At 1st April, 2001	–	395	4,760	784	5,939
Translation adjustments	–	(2)	(3)	(8)	(13)
Provided for the year	250	147	1,113	255	1,765
Eliminated on disposals	–	(14)	–	(38)	(52)
Written back on revaluation	(250)	–	–	–	(250)
At 31st March, 2002	<u>–</u>	<u>526</u>	<u>5,870</u>	<u>993</u>	<u>7,389</u>
NET BOOK VALUES					
At 31st March, 2002	<u>19,068</u>	<u>420</u>	<u>4,909</u>	<u>1,214</u>	<u>25,611</u>
At 31st March, 2001	<u>19,338</u>	<u>309</u>	<u>5,543</u>	<u>1,522</u>	<u>26,712</u>

Land and buildings of the Group were revalued as at 31st March, 2002 on an open market value basis by B.I. Appraisals Ltd., an independent professional property valuer.

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Freehold properties in Canada	17,618	17,888
Long term leasehold properties in the People's Republic of China (the "PRC")	<u>1,450</u>	<u>1,450</u>
	<u>19,068</u>	<u>19,338</u>

As at 31st March, 2002, had the Group's land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value would have been approximately HK\$22,508,000 (2001: HK\$23,085,000).

14. Investment Properties

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
VALUATION		
At 1st April	23,800	1,230
Disposal	(22,800)	–
On acquisition of subsidiaries	–	21,000
Surplus arising on revaluation	125	1,570
	<u>1,125</u>	<u>23,800</u>
At 31st March	<u><u>1,125</u></u>	<u><u>23,800</u></u>

The Group's investment properties are held for use under operating leases and the carrying value comprises:

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Properties held under		
– medium term land use right in the PRC	1,125	1,000
– long term lease in Hong Kong	–	22,800
	<u>1,125</u>	<u>23,800</u>
	<u><u>1,125</u></u>	<u><u>23,800</u></u>

The investment property of the Group was stated at open market value as at 31st March, 2002 estimated by the directors with reference to the sale and purchase agreement entered into by the Group in May 2002 for the sale of the property after the balance sheet date.

The valuation as at 31st March, 2002 gave rise to a revaluation surplus of approximately HK\$125,000 which is credited to the income statement to offset the valuation deficit previously charged to the income statement.

15. Interests in Subsidiaries

	THE COMPANY	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	2,972,906	2,623,120
	<u>2,972,907</u>	<u>2,623,121</u>
Less: Allowances for amounts due from subsidiaries	(960,877)	(272,086)
	<u>2,012,030</u>	<u>2,351,035</u>
	<u><u>2,012,030</u></u>	<u><u>2,351,035</u></u>

Details of the Company's principal subsidiaries as at 31st March, 2002 are set out in note 43.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of directors, the amounts will not be repayable within twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

16. Interests in Associates

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share of net assets of associates:				
Listed in Hong Kong	1,837,156	1,642,795	–	–
Listed overseas	3,418	4,632	–	–
Unlisted	4,329	7,021	–	–
Goodwill (<i>note a</i>)	–	–	–	–
Negative goodwill (<i>note b</i>)	(47,799)	–	–	–
	<u>1,797,104</u>	<u>1,654,448</u>	<u>–</u>	<u>–</u>
Convertible note receivable from an associate listed in Hong Kong	–	385,900	–	385,900
	<u>1,797,104</u>	<u>2,040,348</u>	<u>–</u>	<u>385,900</u>
Convertible note receivable from an associate – due within one year and shown under current assets	–	(385,900)	–	(385,900)
	<u>1,797,104</u>	<u>1,654,448</u>	<u>–</u>	<u>–</u>
Market value of listed securities:				
Hong Kong	335,523	283,606	–	–
Overseas	33,945	46,460	–	–
	<u>369,468</u>	<u>330,066</u>	<u>–</u>	<u>–</u>

Notes:

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

	HK\$'000
Goodwill	
Arising from acquisition of an associate during the year and balance at 31st March, 2002	195,466
Impairment loss	
Recognised during the year (<i>note 9</i>) and balance at 31st March, 2002	<u>(195,466)</u>
Carrying value	
At 31st March, 2002	<u>–</u>

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

	HK\$'000
Goodwill	
Arising from acquisition of associates during the year and balance at 31st March, 2002	48,724
Amortisation	
Charged for the year and balance at 31st March, 2002	<u>(925)</u>
Carrying value	
At 31st March, 2002	<u>47,799</u>

The goodwill is amortised over a period of 20 years.

- (c) The Group increased its equity interest in Hanny Holdings Limited (“Hanny”) from 27.24% at the beginning of the year to 27.73% at the end of the year and increased its equity interest in Paul Y. - ITC from 40.91% at the beginning of the year to 42.59% at the end of the year.
- (d) During the year, there was a transfer of approximately HK\$279,412,000 from investments in securities to interests in associates after the Group increased its equity interest in Star East Holdings Limited (“Star East”) to over 20%.

Details of the Group’s principal associates at 31st March, 2002 are set out in note 43.

Extracts from the consolidated results and financial position of the Group’s significant associates, Paul Y. - ITC, Hanny and Star East from their respective audited financial statements for the year ended 31st March, 2002 are set out in note 44.

17. Investments in Securities

	Investment securities		Other investments		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP						
Equity securities:						
Listed securities						
– Hong Kong	–	242,449	2	3	2	242,452
– Elsewhere	–	–	2,417	2,217	2,417	2,217
	–	242,449	2,419	2,220	2,419	244,669
Unlisted club debentures	–	–	1,589	1,589	1,589	1,589
Total	–	242,449	4,008	3,809	4,008	246,258
Market value of listed securities	–	24,650	2,419	2,220	2,419	26,870

18. Trade and Other Receivables

The following is an aged analysis of trade receivables:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Trade receivables		
0–30 days	1,312	943
31–60 days	98	199
61–90 days	16	151
Over 90 days	123	131
	1,549	1,424
Other receivables, prepayments and deposits	1,026	1,020
	2,575	2,444

The general credit term is 30 to 60 days.

19. Amounts due from Associates

The amounts are unsecured and repayable on demand. Of these amounts, an amount of approximately HK\$114,600,000 (2001: HK\$31,223,000) bears interest at commercial rates and the remaining balance is interest-free.

20. Amounts due from Related Companies

The amounts are unsecured and repayable within one year. Of these amounts, an amount of approximately HK\$42,000,000 (2001: Nil) bears interest at commercial rates and the remaining balance is interest-free. Details of the transactions and balances with related companies are set out in note 42.

21. Trade and Other Payables

The following is an aged analysis of trade payables:

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Trade payables		
0–30 days	11,592	13,450
31–60 days	81	21
61–90 days	1	–
Over 90 days	47	15
	<u>11,721</u>	<u>13,486</u>
Other payables and accrued charges	10,287	23,447
	<u>22,008</u>	<u>36,933</u>

At 31st March, 2001, amounts payable under margin accounts included in other payables of approximately HK\$9,531,000 were secured by certain listed investments held by the Group with an aggregate carrying value of approximately HK\$122,410,000. These amounts have been repaid in full during the year.

22. Amounts due to Associates

The balances are unsecured, interest-free and repayable on demand. At 31st March, 2001, an amount of approximately HK\$6,780,000 bore interest at commercial rates and was secured by certain listed investments of the Group. The remaining balance was unsecured and interest-free.

23. Convertible Notes

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
HK\$150,000,000 convertible notes due 2002 (<i>note a</i>)	–	150,000	–	–
HK\$120,000,000 convertible notes due 2002 (<i>note b</i>)	120,000	120,000	120,000	120,000
Less: Unamortised deferred expenditure	(344)	(1,033)	(344)	(1,033)
	<u>119,656</u>	<u>118,967</u>	<u>119,656</u>	<u>118,967</u>
HK\$460,000,000 convertible notes due 2003 (<i>note c</i>)	460,000	460,000	460,000	460,000
Less: Unamortised deferred expenditure	(2,021)	(4,446)	(2,021)	(4,446)
	<u>457,979</u>	<u>455,554</u>	<u>457,979</u>	<u>455,554</u>
	<u>577,635</u>	<u>724,521</u>	<u>577,635</u>	<u>574,521</u>
The convertible notes are repayable as follows:				
Within one year	577,635	150,000	577,635	–
More than one year, but not exceeding two years	–	574,521	–	574,521
	<u>577,635</u>	<u>724,521</u>	<u>577,635</u>	<u>574,521</u>
Less: Amount due after one year and shown under non-current liabilities	–	(574,521)	–	(574,521)
Amount due within one year	<u>577,635</u>	<u>150,000</u>	<u>577,635</u>	<u>–</u>

Notes:

- (a) The convertible notes bore interest at 6.25% per annum, were unconditionally and irrevocably guaranteed by the Company and were redeemed on 15th February, 2002.
- (b) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 30th September, 1999, the Company issued on 5th October, 1999 HK\$50,000,000 convertible notes to each of Galaxyway Investments Limited (“Galaxyway”) and independent investors by subscription and placement, respectively, with an over-allotment option granted to the independent investors of an amount up to HK\$20,000,000. The Company further issued HK\$20,000,000 convertible notes on 3rd November, 1999 pursuant to the over-allotment option exercised by the independent investors. Galaxyway was a wholly-owned subsidiary of Chinaview International Limited (“Chinaview”) which was, in turn, wholly owned by Dr. Chan Kwok Keung, Charles, a director and a substantial shareholder of the Company.

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

All the noteholders have an option to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK\$1.10 per share, subject to adjustment, on or before 5th October, 2002 (or the next following business day if it is not a business day). The conversion price was adjusted to HK\$1.06 per share pursuant to a placing and subscription of ordinary shares of the Company in June 2001. The ordinary shares to be issued upon such conversion are to rank pari passu in all respects with the ordinary shares of the Company in issue on the relevant conversion date.

- (c) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 25th February, 2000, the Company issued on 29th February, 2000 HK\$200,000,000 convertible notes to each of Galaxyway and independent investors by subscription and placement, respectively, with an over-allotment option granted to the independent investors of an amount up to HK\$60,000,000. The Company further issued HK\$60,000,000 convertible notes on 30th March, 2000 pursuant to the over-allotment option exercised by the independent investors.

The notes bear interest at Best Lending Rate and payable semi-annually in arrears.

All the noteholders have an option to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK\$1.75 per share, subject to adjustment, on or before 1st March, 2003 (or the next following business day if it is not a business day). The conversion price was adjusted to HK\$1.68 per share pursuant to a placing and subscription of ordinary shares of the Company in June 2001. The ordinary shares to be issued upon such conversion are to rank pari passu in all respects with the ordinary shares of the Company in issue on the relevant conversion date.

24. Bank Overdrafts

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts are analysed as follows:				
Secured	9,109	9,365	–	–
Unsecured	14	7,968	–	4,949
	<u>9,123</u>	<u>17,333</u>	<u>–</u>	<u>4,949</u>

25. Other Loan

The loan is unsecured, bears interest at commercial rates and is repayable within one year.

26. Share Capital

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2000, 31st March, 2001 and 31st March, 2002	<u>2,000,000,000</u>	<u>200,000</u>
Compulsorily convertible cumulative preference shares of HK\$0.10 each		
At 1st April, 2000, 31st March, 2001 and 31st March, 2002	<u>280,000,000</u>	<u>28,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2000 and 31st March, 2001	525,960,774	52,596
Placing of new shares	<u>105,000,000</u>	<u>10,500</u>
At 31st March, 2002	<u>630,960,774</u>	<u>63,096</u>
Compulsorily convertible cumulative preference shares of HK\$0.10 each		
At 1st April, 2000, 31st March, 2001 and 31st March, 2002	<u>267,980,000</u>	<u>26,798</u>

On 21st June, 2001, the Company allotted 105,000,000 new ordinary shares of HK\$0.10 each at an issue price of HK\$0.60 per share to Galaxyway. The placing price of HK\$0.60 per share represented a discount of approximately 18.1% to the average closing price of approximately HK\$0.733 per share over the last 10 trading days, up to and including 18th June, 2001 on the Hong Kong Stock Exchange and also represented a discount of approximately 14.3% to the closing price of the shares of HK\$0.70 quoted on the Hong Kong Stock Exchange on 18th June, 2001. The proceeds of the subscription were used as additional working capital of the Company, apart from HK\$12.4 million which were used to subscribe for the shares in Star East pursuant to a conditional agreement as announced by Star East on 12th June, 2001.

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

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

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

27. Share Options

The movements of share options granted by the Company to the directors and full time employees of the Company or any of its subsidiaries during the year were as follows:

Date of grant	Exercise price per share HK\$	Number of ordinary shares of the Company to be issued upon exercise of the share options		
		Balance at 1.4.2001	Lapsed during the year	Balance at 31.3.2002
18.12.1998	0.3792	6,600,000	(6,600,000)	–
17.12.1999	1.0816	24,500,000	(24,500,000)	–
		<u>31,100,000</u>	<u>(31,100,000)</u>	<u>–</u>

No share options were granted, exercised or cancelled during the year.

28. Reserves

	Share premium HK\$'000	Warrant reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
THE GROUP									
At 1st April, 2000									
– as originally stated	153,843	5,432	2,092,234	908	–	(51,322)	(783,522)	212,480	1,630,053
– prior period adjustments (note 3)	–	–	–	–	–	–	48,080	(48,080)	–
At 1st April, 2000 (as restated)	153,843	5,432	2,092,234	908	–	(51,322)	(735,442)	164,400	1,630,053
Exchange differences arising from translation of overseas operations	–	–	–	–	–	775	–	–	775
Reserve movements arising on acquisition of subsidiaries	–	–	–	–	–	–	698	–	698
Reserve movements arising on acquisition of associates	–	–	–	–	–	–	188,524	–	188,524
Released on disposal of subsidiaries	–	–	–	–	–	–	10	–	10
Released on disposal of associates	–	(5,367)	–	–	–	(129)	259,978	–	254,482
Reserve movements arising on reduction of interests in associates	–	(65)	–	–	–	467	14,010	–	14,412
Share of post-acquisition reserve movements of associates	–	–	–	–	–	(13,734)	54,670	–	40,936
Goodwill eliminated on cessation of business of an associate	–	–	–	–	–	–	14,596	–	14,596
Surplus on revaluation	–	–	–	–	450	–	–	–	450
Loss for the year	–	–	–	–	–	–	–	(612,413)	(612,413)
At 31st March, 2001 (as restated)	153,843	–	2,092,234	908	450	(63,943)	(202,956)	(448,013)	1,532,523
Exchange differences arising from translation of overseas operations	–	–	–	–	–	(173)	–	–	(173)
Issue of ordinary shares	52,500	–	–	–	–	–	–	–	52,500
Shares issue expenses	(1,121)	–	–	–	–	–	–	–	(1,121)
Reserve movements arising on reduction of interests in associates	–	–	–	–	–	18	1,088	–	1,106
Released on disposal of investment properties	–	–	–	–	(450)	–	–	–	(450)
Share of post-acquisition reserve movements of associates	–	–	–	–	–	42,247	62,218	–	104,465
Loss for the year	–	–	–	–	–	–	–	(289,310)	(289,310)
At 31st March, 2002	205,222	–	2,092,234	908	–	(21,851)	(139,650)	(737,323)	1,399,540
Attributable to:									
The Company and its subsidiaries	205,222	–	2,092,234	908	–	277	–	(24,643)	2,273,998
Associates	–	–	–	–	–	(22,128)	(139,650)	(712,680)	(874,458)
	205,222	–	2,092,234	908	–	(21,851)	(139,650)	(737,323)	1,399,540

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated (losses) profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
At 1st April, 2000	153,843	2,117,993	908	63,006	2,335,750
Loss for the year	–	–	–	(271,122)	(271,122)
At 31st March, 2001	153,843	2,117,993	908	(208,116)	2,064,628
Issue of ordinary shares	52,500	–	–	–	52,500
Shares issue expenses	(1,121)	–	–	–	(1,121)
Loss for the year	–	–	–	(725,283)	(725,283)
At 31st March, 2002	<u>205,222</u>	<u>2,117,993</u>	<u>908</u>	<u>(933,399)</u>	<u>1,390,724</u>

Notes:

The contributed surplus of the Group comprises the difference between the nominal amount of the ordinary share capital issued by the Company in exchange for the nominal amount of the share capital of a subsidiary acquired pursuant to a corporate reorganisation on 24th January, 1992 and the credits arising from the changes in the capital and reserves of the Company and the transfers to the accumulated losses.

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

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

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

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Contributed surplus	2,117,993	2,117,993
Accumulated losses	(933,399)	(208,116)
	<u>1,184,594</u>	<u>1,909,877</u>

29. Deferred Taxation

The components of the deferred taxation credit not recognised for the year were as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of timing differences attributable to:		
Tax losses	5,278	15,128
Shortfall (excess) of tax allowances over depreciation	197	(287)
	<u>5,475</u>	<u>14,841</u>

At the balance sheet date, the components of the net potential deferred taxation asset not recognised in the financial statements were as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of timing differences attributable to:		
Unutilised tax losses	58,419	53,141
Excess of tax allowances over depreciation	(660)	(857)
	<u>57,759</u>	<u>52,284</u>

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

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

30. Reconciliation of Loss before Taxation to Net Cash Inflow from Operating Activities

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated (see note 3)
Loss before taxation	(272,457)	(586,543)
Share of results of associates	33,306	306,949
Interest expenses	46,332	52,975
Depreciation and amortisation	1,765	1,646
(Surplus) deficit arising from revaluation of land and buildings	(250)	1,238
Surplus arising from revaluation of investment properties	(125)	(1,120)
Amortisation of deferred expenditure on issuance of convertible notes	3,114	3,113
(Gain) loss arising from dilution of interest in and disposal of associates	(2,122)	213,470
Goodwill eliminated on cessation of business of an associate	–	14,596
Allowances for amounts due from associates	–	10,546
Impairment loss in respect of goodwill	195,466	–
Loss on disposal of investments in securities	–	5,409
Gain on disposal of subsidiaries	(6)	(221)
Unrealised (gain) loss on valuation of other investments	(232)	458
Loss (gain) on disposal of property, plant and equipment	62	(58)
Gain on disposal of an investment property	(216)	–
Increase in inventories	(34)	(79)
Decrease in property held for resale	–	2,311
(Increase) decrease in trade and other receivables	(137)	7,445
Decrease (increase) in amounts due from associates	4,784	(271)
Decrease (increase) in loan receivables	9,276	(5,440)
Increase in amounts due from related companies	(3,746)	–
Decrease in trade and other payables	(2,936)	(9,189)
(Decrease) increase in amounts due to associates	(6,687)	8,098
	<u>5,157</u>	<u>25,333</u>

31. Purchase of Subsidiaries

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET ASSETS PURCHASED		
Investment property	–	21,000
Investment in securities	–	744
Trade and other receivables	–	2,640
Loan receivables	–	2,560
Bank balances and cash	–	7
Trade and other payables	–	(588)
	<u>–</u>	<u>26,363</u>
Capital reserve arising on acquisition of subsidiaries	–	(698)
	<u>–</u>	<u>25,665</u>
Satisfied by:		
Cash	<u>–</u>	<u>25,665</u>

The subsidiaries acquired during the year ended 31st March, 2001 contributed cash inflow of approximately HK\$6,232,000 to the Group's net operating cash inflow and paid approximately HK\$8,000 in respect of investing activities.

The subsidiaries acquired during the year ended 31st March, 2001 contributed approximately HK\$1,445,000 to the Group's turnover and a profit of approximately HK\$1,169,000 to the Group's results of operations for that year.

32. Disposal of Subsidiaries

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET ASSETS DISPOSED OF		
Trade and other receivables	–	1,902
Trade and other payables	–	(170)
Amounts due to associates	–	(1,902)
	<u>–</u>	<u>(170)</u>
Gain on disposal of subsidiaries	–	221
Goodwill reserve released on disposal of subsidiaries	–	10
	<u>–</u>	<u>61</u>
Satisfied by:		
Cash	<u>–</u>	<u>61</u>

The results and net cash flows of subsidiaries disposed of during the year ended 31st March, 2001 were not significant to the Group as a whole for that year.

33. Analysis of the Net (Outflow) Inflow of Cash and Cash Equivalents in respect of the Purchase/ Disposal of Subsidiaries

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
PURCHASE OF SUBSIDIARIES		
Cash consideration paid	–	(25,665)
Bank balances and cash acquired	–	7
	<u>–</u>	<u>7</u>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>–</u>	<u>(25,658)</u>
DISPOSAL OF SUBSIDIARIES		
Cash consideration received	<u>–</u>	<u>61</u>

34. Analysis of Changes in Financing during the year

	Share capital and share premium <i>HK\$'000</i>	Convertible notes <i>HK\$'000</i>	Other loan <i>HK\$'000</i>	Amounts payable under margin accounts <i>HK\$'000</i>
At 1st April, 2000	233,237	721,408	17,317	–
New borrowings raised	–	–	4,000	9,531
Repayments during the year	–	–	(4,000)	–
Amortisation of deferred expenditure	–	3,113	–	–
	<u>233,237</u>	<u>724,521</u>	<u>17,317</u>	<u>9,531</u>
At 31st March, 2001	233,237	724,521	17,317	9,531
Issue of ordinary shares	63,000	–	–	–
Shares issue expenses	(1,121)	–	–	–
New borrowings raised	–	–	15,000	–
Repayments during the year	–	(150,000)	(15,000)	(9,531)
Amortisation of deferred expenditure	–	3,114	–	–
	<u>295,116</u>	<u>577,635</u>	<u>17,317</u>	<u>–</u>
At 31st March, 2002	<u>295,116</u>	<u>577,635</u>	<u>17,317</u>	<u>–</u>

35. Major Non-cash Transaction

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

36. Retirement Benefit Schemes

The Group has a defined contribution retirement benefit scheme for qualifying employees. The assets of the scheme are separately held in funds under the control of an authorised insurer.

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

At the balance sheet date, there were no significant forfeited contributions which arose upon employees leaving the scheme 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 effect from 1st December, 2000, the Group has also joined a Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the Scheme. No forfeited contributions are available to reduce the contributions payable in future years.

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

37. Contingent Liabilities

	THE COMPANY	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to holders of the 2002 convertible notes issued by a subsidiary	–	150,000
Guarantees given to banks and financial institutions in respect of general credit facilities utilised by subsidiaries	–	12,550
	<u>–</u>	<u>162,550</u>

The Group did not have any significant contingent liabilities at the balance sheet date.

38. Material Litigation

The liquidators of Hoi Sing Construction Company Limited ("Hoi Sing"), a former wholly-owned subsidiary of the Company, instituted proceedings against the Company on 10th July, 1998 claiming approximately HK\$297,441,000 plus interest pursuant to an alleged guarantee by the Company for debt owed by Hoi Sing Builders Limited to Hoi Sing. The Company does not admit the existence of the guarantee, and has put Hoi Sing to strict proof of its terms and the amounts claimed under it. Even if the Court upholds the alleged guarantee, the Company has a defence of "set off" arising from a claim against Hoi Sing for approximately HK\$308,207,000. The Company is a principal creditor of Hoi Sing and the liquidators of Hoi Sing have admitted a substantial portion of the Company's claim as at 31st March, 2002. The balance is being adjudicated by the liquidators of Hoi Sing.

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

39. Commitments**(a) Operating lease commitments***The Group as lessee*

The Group and the Company did not have any significant commitments under non-cancellable operating leases at the balance sheet date.

The Group as lessor

Property rental income earned during the year was HK\$1,720,000 (2001: HK\$4,026,000). Certain of the Group's properties held for rental purposes with a carrying amount of HK\$22,800,000, have been disposed of during the year. Certain of the properties held have committed tenants for the next three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	269	1,630
In the second to fifth years inclusive	361	639
	<u>630</u>	<u>2,269</u>

(b) Capital commitments

The Group and the Company did not have any significant capital commitments at the balance sheet date.

40. Pledge of Assets

At the balance sheet date, certain of the Group's land and buildings with an aggregate carrying value of approximately HK\$17,618,000 (2001: HK\$244,447,000) were pledged to banks to secure general credit facilities granted to the Group.

41. Post Balance Sheet Event

In April 2002, Gold Focus Ltd. ("Gold Focus"), an associate of the Group and holding company of the Mobile Media Group which is engaged in out-of-home audio and video media business in Hong Kong and the PRC, disposed of its entire interest in the Mobile Media Group to 36.com Holdings Limited ("36.com"), a company whose securities are listed on the Growth Enterprises Market of the Hong Kong Stock Exchange, in consideration of 36.com issuing new shares to the shareholders of Gold Focus. Following the completion of the transaction, the Group held an effective interest of approximately 25% in 36.com which has changed its name to M Channel Corporation Limited.

42. Transactions and Balances with Related Parties

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

	2002 HK\$'000	2001 HK\$'000
Associates:		
Sales (<i>note a</i>)	1,404	422
Dividend income	11,017	12,239
Rental income received (<i>note b</i>)	–	2,910
Interest income received (<i>note c</i>)	21,519	39,040
Interest paid	27	43
Amounts advanced and fully repaid during the year (<i>note d</i>)	181,700	–
Balance due by the Group (<i>note 22</i>)	111	6,798
Balance due to the Group (<i>note 19</i>)	148,528	42,391
Convertible note receivable by the Group	–	385,900
	<u> </u>	<u> </u>
Directors or companies controlled by directors:		
Interest paid by the Group (<i>note e</i>)	173	15
Interest payable on convertible notes issued by the Group (<i>note f</i>)	15,287	23,034
	<u> </u>	<u> </u>
Related companies:		
Interest income received (<i>note g</i>)	658	–
Balance due to the Group (<i>note g</i>)	45,746	–
	<u> </u>	<u> </u>

In addition to the above, during the year, the Company issued 105,000,000 new ordinary shares of HK\$0.10 each at an issue price of HK\$0.60 per share to Galaxyway, a company in which Dr. Chan Kwok Keung, Charles, a director and a substantial shareholder of the Company, has a beneficial interest. Details of the transaction are set out in note 26.

Notes:

- (a) Sales are carried out by reference to the prevailing market price for comparable transactions.
- (b) Rentals are charged with reference to the market price.
- (c) Interest is charged at a range from Best Lending Rate less 2.75% to 2% over Best Lending Rate.
- (d) Interest is charged at Best Lending Rate less 2.5%.
- (e) Interest is charged at 1% over Best Lending Rate.
- (f) Interest is charged at Best Lending Rate.
- (g) Interest is charged at prevailing market rate on loans advanced to related companies. Out of the balances due from related companies, HK\$25,000,000 and HK\$17,000,000 are loans to a subsidiary of China Strategic Holdings Limited (“China Strategic”) and a subsidiary of Sing Pao Media Group Limited (“Sing Pao”), respectively. The amounts are unsecured and repayable within one year. The remaining balance is interest-free.

The Group has indirect beneficial interests and has common directors in China Strategic and Sing Pao.

43. Particulars of Principal Subsidiaries and Associates

Details of the Company's principal subsidiaries as at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Percentage of issued share capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
Burcon Group Limited	Canada	CAD1,000 class A common share	100	100	Investment and property holding
CEF Concord (BVI) Company Limited	British Virgin Islands	US\$1 ordinary share	100	100	Provision of financial services
Dreyer and Company Limited	Hong Kong	HK\$6,424,000 ordinary shares	99	99	Trading of building materials and machinery
Great Intelligence Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
ITC Development Co. Limited	British Virgin Islands	US\$15,000 ordinary shares	100*	100	Investment holding
ITC Investment Group Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
ITC Investment Holdings Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
ITC Management Group Limited	British Virgin Islands	US\$2 ordinary shares	100*	100	Investment holding
ITC Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	Provision of management and administrative services
Landwin Properties Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding in the PRC
Large Scale Investments Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Spark Fortune Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding in the PRC

All of the above subsidiaries operate in Hong Kong with the exception of Burcon Group Limited which operates in Canada.

Except for CEF Concord (BVI) Company Limited which has issued convertible notes with an aggregate principal value of HK\$150 million, in which the Group had no interest in these convertible notes, and was fully repaid during the year, none of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

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Details of the Group's principal associates as at 31st March, 2002 are as follows:

Name of associates	Place of incorporation	Issued and fully paid share capital	Percentage of issued share capital held by the Group %	Principal activities
Burcon NutraScience Corporation	Canada	CAD10,897,207 common shares	26.04	Investment holding in company engaged in the development of commercial canola proteins
CU Futures Limited	Hong Kong	HK\$12,000,000 ordinary shares	40.00	Dealing and broking in futures contract
CU Securities Limited	Hong Kong	HK\$11,000,000 ordinary shares	40.00	Dealing and broking in securities
Great Concept Profits Limited	British Virgin Islands	HK\$20 ordinary shares	40.00	Investment holding
Gold Focus Ltd.	British Virgin Islands	US\$10,000 ordinary shares	34.50	Investment holding in mobile media business
Hanny Holdings Limited	Bermuda	HK\$160,301,438 ordinary shares	27.73	Investment holding in companies engaged in the manufacturing, distribution and marketing of data storage media, the distribution of related products, securities investments and strategic investments in information technology related business and other business
Paul Y. - ITC Construction Holdings Limited	Bermuda	HK\$103,674,492 ordinary shares	42.59	Investment holding in companies engaged in construction, engineering and infrastructure management services, property development and investment and hotel operations
Star East Holdings Limited	Bermuda	HK\$175,137,516 ordinary shares	21.11	Investment holding in companies engaged in entertainment business including the franchising and operation of "Planet Hollywood" and "Star East" theme restaurants in Asia Pacific, production of movies, television drama series, documentary and infotainment programmes, strategic investment and property investment and development

All of the above associates are held indirectly by the Company and operate in Hong Kong with the exception of Burcon NutraScience Corporation which operates in Canada.

The above tables list the subsidiaries of the Company and associates of the Group 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 all other subsidiaries and associates would, in the opinion of the directors, result in particulars of excessive length.

44. Extracts of the Consolidated Results and Financial Position of Associates

The following is extracted from the audited financial statements of Paul Y. - ITC, Hanny and Star East for the year ended 31st March, 2002.

Paul Y. - ITC**(a) Consolidated income statement**

For the years ended 31st March, 2002 and 2001

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated
Group turnover	5,343,810	10,803,255
Cost of sales	(5,174,038)	(10,046,207)
Gross profit	169,772	757,048
Other revenue	23,829	14,297
Administrative expenses	(175,413)	(554,923)
Other operating expenses	–	(25,246)
Profit from operations	18,188	191,176
Finance costs	(38,301)	(211,650)
Investment income (expenses) – net	39,584	(18,742)
Loss on disposal and dilution of interests in subsidiaries and an associate	(6,688)	(289,190)
Share of results of associates	103,901	14,969
Share of results of jointly controlled entities	8,559	293
Profit (loss) before taxation	125,243	(313,144)
Taxation	(47,935)	(49,953)
Profit (loss) before minority interests	77,308	(363,097)
Minority interests	(6,605)	(91,343)
Profit (loss) for the year	<u>70,703</u>	<u>(454,440)</u>
Dividends		
Interim dividend paid	10,246	9,801
Final dividend proposed	10,367	9,925
	<u>20,613</u>	<u>19,726</u>
Earnings (loss) per share		
Basic	<u>HK\$0.071</u>	<u>HK\$(0.463)</u>
Diluted	<u>HK\$0.068</u>	<u>HK\$(0.471)</u>

(b) Consolidated balance sheet

As at 31st March, 2002 and 2001

	2002 HK\$'000	2001 HK\$'000 <i>as restated</i>
NON-CURRENT ASSETS		
Investment properties	675,900	585,130
Property, plant and equipment	1,180,615	1,200,272
Goodwill	18,442	20,747
Interests in associates	848,552	702,905
Interests in jointly controlled entities	7,823	276
Investments in securities	659,029	768,315
Other long term investments	16,289	16,226
	<u>3,406,650</u>	<u>3,293,871</u>
CURRENT ASSETS		
Properties under development held for resale	–	174,359
Properties held for resale	7,692	–
Amounts due from customers for contract works	375,414	367,784
Debtors, deposits and prepayments	1,371,982	1,441,677
Amounts due from related companies	34,095	144,534
Amounts due from associates	58,007	55,576
Unsecured loans receivable	189,840	87,487
Investments in securities	141,829	16,903
Taxation recoverable	5,800	4,247
Short term bank deposits	559,437	527,260
Bank balances and cash	42,253	63,180
	<u>2,786,349</u>	<u>2,883,007</u>
CURRENT LIABILITIES		
Amounts due to customers for contract works	613,911	804,685
Creditors and accrued expenses	1,135,357	1,275,854
Amounts due to related companies	1,467	1,582
Amounts due to associates	4,482	6,164
Amounts due to jointly controlled entities	91,694	13,390
Taxation payable	3,661	11,960
Obligations under finance leases	–	6,450
Bank borrowings – due within one year	468,267	54,341
Other loan	–	321,760
	<u>2,318,839</u>	<u>2,496,186</u>
NET CURRENT ASSETS	<u>467,510</u>	<u>386,821</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,874,160</u>	<u>3,680,692</u>
MINORITY INTERESTS	<u>15,664</u>	<u>15,162</u>

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	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>as restated</i>
NON-CURRENT LIABILITIES		
Bank borrowings – due after one year	827,582	338,270
Convertible note	–	450,000
Deferred taxation	35,884	42,358
	<u>863,466</u>	<u>830,628</u>
NET ASSETS	<u><u>2,995,030</u></u>	<u><u>2,834,902</u></u>
CAPITAL AND RESERVES		
Share capital	103,675	99,249
Reserves	2,891,355	2,735,653
	<u>2,995,030</u>	<u>2,834,902</u>

Hanny
(a) Consolidated income statement
For the years ended 31st March, 2002 and 2001

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>as restated</i>
Turnover	4,373,909	3,595,783
Cost of sales	<u>(3,560,003)</u>	<u>(2,952,453)</u>
Gross profit	813,906	643,330
Other income	62,505	95,045
Distribution costs	(443,261)	(408,409)
Administrative expenses	(267,238)	(256,522)
Other operating expenses	<u>(184,938)</u>	<u>(388,210)</u>
Loss from operations	(19,026)	(314,766)
Finance costs	(58,144)	(111,362)
Share of results of associates	(3,499)	(30,072)
Impairment loss on goodwill	–	(362,982)
Net gain on disposal of subsidiaries and associates	<u>5,625</u>	<u>245,053</u>
Loss before taxation	(75,044)	(574,129)
Taxation	<u>2,686</u>	<u>22,871</u>
Loss before minority interests	(77,730)	(597,000)
Minority interests	<u>24,725</u>	<u>(7,635)</u>
Loss for the year	<u><u>(102,455)</u></u>	<u><u>(589,365)</u></u>
Dividends	<u>9,647</u>	<u>20,605</u>
Loss per share – basic	<u><u>(1.60 cents)</u></u>	<u><u>(13.35 cents)</u></u>

(b) Consolidated balance sheet

As at 31st March, 2002 and 2001

	2002 HK\$'000	2001 HK\$'000 <i>as restated</i>
Non-current Assets		
Property, plant and equipment	91,742	105,547
Intangible assets	152,621	166,959
Interests in associates	179,902	192,934
Investments in securities	1,221,210	1,230,782
Deposit made for acquisition of an associate	4,235	–
Long-term loans receivable	21,483	–
Other receivables – due after one year	–	129,779
	<u>1,671,193</u>	<u>1,826,001</u>
Current Assets		
Inventories	449,323	257,638
Trade and other receivables	815,145	796,642
Investments in securities	292,507	779,280
Short-term loans receivable	244,012	138,906
Margin loans receivable	123,248	119,204
Tax recoverable	456	387
Pledged bank deposits	91,800	–
Bank balances and cash	217,379	595,967
	<u>2,233,870</u>	<u>2,688,024</u>
Current Liabilities		
Trade and other payables	740,982	682,078
Margin loans payable	22,111	24,407
Bills payable	2,079	27,372
Taxation	21,269	23,233
Borrowings – due within one year	566,902	844,211
Convertible note	–	385,900
Obligations under finance leases – due within one year	2,851	3,187
Bank overdrafts	76,110	49,813
	<u>1,432,304</u>	<u>2,040,201</u>
Net Current Assets	<u>801,566</u>	<u>647,823</u>
	<u>2,472,759</u>	<u>2,473,824</u>
Capital and Reserves		
Share capital	160,301	160,780
Reserves	2,086,867	2,008,513
	<u>2,247,168</u>	<u>2,169,293</u>
Minority interests	<u>214,611</u>	<u>182,623</u>
Non-current Liabilities		
Borrowings – due after one year	8,289	116,093
Obligations under finance leases – due after one year	246	3,144
Amount due to a minority shareholder	2,445	2,671
	<u>10,980</u>	<u>121,908</u>
	<u>2,472,759</u>	<u>2,473,824</u>

Star East

(a) Consolidated income statement

For the years ended 31st March, 2002 and 2001

	2002 HK\$'000	2001 HK\$'000 <i>as restated</i>
Turnover	179,797	239,183
Cost of sales	(125,771)	(229,289)
Direct expenses	(100,971)	(39,050)
	<u>(46,945)</u>	<u>(29,156)</u>
Other operating income	18,953	31,306
Distribution costs	(9,457)	(4,409)
Administrative expenses	(95,408)	(106,742)
Loss attributable to property, plant and equipment	(54,463)	(30,799)
Loss attributable to investment properties	(15,110)	(20,348)
Loss attributable to properties held for development	(8,844)	(7,311)
Allowances for loans and receivables	(25,865)	(12,647)
Provision for restructuring costs	(26,890)	–
Unrealised loss on other investments	(514)	(11)
	<u>(264,543)</u>	<u>(180,117)</u>
Loss from operations	(264,543)	(180,117)
Finance costs	(12,972)	(18,278)
Impairment losses recognised in respect of investments in securities	(114,956)	(10,000)
Gain on deconsolidation, disposal and dilution of interest in subsidiaries	5,296	105,338
Gain on dilution of interest in an associate	–	30,737
Gain on disposal of jointly controlled entities	–	3,054
Allowances for amounts due from associates	(39,332)	(23,714)
Recovery of (allowances for) amounts due from jointly controlled entities	6,970	(10,753)
Share of results of jointly controlled entities	(37,475)	(68,521)
Share of results of associates	(22,724)	(42,532)
Impairment loss recognised in respect of goodwill	–	(252,895)
	<u>(479,736)</u>	<u>(467,681)</u>
Loss before taxation	(479,736)	(467,681)
Taxation	17,726	(1,038)
	<u>(462,010)</u>	<u>(468,719)</u>
Loss before minority interests	(462,010)	(468,719)
Minority interests	320	23
	<u>(461,690)</u>	<u>(468,696)</u>
Net loss for the year	<u>(461,690)</u>	<u>(468,696)</u>
Loss per ordinary share		
– Basic	<u>HK\$(0.31)</u>	<u>HK\$(0.61)</u>

(b) Consolidated balance sheet

As at 31st March, 2002 and 2001

	2002 HK\$'000	2001 HK\$'000 <i>as restated</i>
NON-CURRENT ASSETS		
Investment properties	32,600	70,410
Property, plant and equipment	152,291	168,008
Properties held for development	–	45,000
Goodwill	275	–
Intangible assets	2,491	2,017
Other long-term investments	–	–
Interests in jointly controlled entities	61,218	135,833
Interests in associates	100,149	131,276
Investments in securities	25,453	133,956
Deposits paid on acquisition of interest in associates	43,750	–
Deposit paid on acquisition of franchise	–	15,606
	<u>418,227</u>	<u>702,106</u>
CURRENT ASSETS		
Properties held for resale	57,700	–
Inventories	3,012	30,181
Loans and interest receivables	15,500	69,105
Debtors, deposits and prepayments	30,403	37,842
Amounts due from associates	4,995	754
Amount due from a related company	–	538
Investments in securities	4,532	132
Pledged bank deposits	33,433	–
Bank balances and cash	28,436	68,777
	<u>178,011</u>	<u>207,329</u>
CURRENT LIABILITIES		
Creditors, accrued charges and deposits	92,696	106,646
Provision for restructuring costs	23,400	–
Taxation	8,749	27,010
Amounts due to associates	2,247	2,740
Amounts due to related companies	5,527	1,783
Loans from related companies	70,054	–
Bank and other borrowings	25,076	16,177
Convertible notes	100,000	–
	<u>327,749</u>	<u>154,356</u>
NET CURRENT (LIABILITIES) ASSETS	<u>(149,738)</u>	<u>52,973</u>
	<u>268,489</u>	<u>755,079</u>

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>as restated</i>
CAPITAL AND RESERVES		
Share capital	175,138	82,867
Reserves	(33,681)	377,094
	<u>141,457</u>	<u>459,961</u>
MINORITY INTERESTS		
	<u>277</u>	<u>427</u>
NON-CURRENT LIABILITIES		
Bank and other borrowings	125,980	108,000
Convertible notes	–	150,000
Other long-term payable	775	635
Amounts due to jointly controlled entities	–	36,056
	<u>126,755</u>	<u>294,691</u>
	<u>268,489</u>	<u>755,079</u>

Full details of the results and financial position of Paul Y. - ITC, Hanny and Star East can be found in their annual reports dated 18th July, 2002, 18th July, 2002 and 12th July, 2002, respectively.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED GROUP AFTER COMPLETION OF THE OFFERS

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of the enlarged group, assuming all the shares in, and warrants of, Paul Y. - ITC which are subject to the offers are acquired, based on the audited consolidated financial statements of the group as at 31st March, 2002 and adjusted as follows:

	<i>HK\$'000</i>
Audited consolidated net tangible assets of the group as at 31st March, 2002	1,537,233
Add: Net tangible assets acquired	1,514,332
Less: Consideration payable under the share and warrant offers (including estimated transaction expenses)	<u>(184,363)</u>
Unaudited pro forma adjusted consolidated net tangible assets of the enlarged group	<u><u>2,867,202</u></u>
Unaudited pro forma adjusted consolidated net tangible assets of the enlarged group per ordinary share (<i>note</i>)	<u><u>HK\$4.38</u></u>

Note: Unaudited pro forma adjusted consolidated net tangible assets of the enlarged group per ordinary share have been adjusted for the paid up capital of preference shares of approximately HK\$26,798,000 and their cumulative dividend of approximately HK\$73,962,000 and based on 630,960,774 ordinary shares in issue as at 31st March, 2002.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AFTER COMPLETION OF THE OFFERS

	Audited balance sheet at 31st March, 2002 <i>HK\$'000</i>	Completion of the offers <i>HK\$'000</i>	After the completion of the offers <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	25,611	1,180,615	1,206,226
Investment properties	1,125	675,900	677,025
Negative goodwill	–	(1,451,481)	(1,451,481)
Interests in associates	1,797,104	(492,192)	1,304,912
Interests in jointly controlled entities	–	7,823	7,823
Investments in securities	4,008	659,029	663,037
Other long term investments	–	16,289	16,289
	<u>1,827,848</u>	<u>595,983</u>	<u>2,423,831</u>
CURRENT ASSETS			
Inventories	210	–	210
Properties held for resale	–	7,692	7,692
Amounts due from customers for contract works	–	375,414	375,414
Trade and other receivables	2,575	1,371,982	1,374,557
Amounts due from associates	148,528	58,007	206,535
Amounts due from related companies	45,746	34,095	79,841
Loan receivables	4,724	189,840	194,564
Investments in securities	–	141,829	141,829
Taxation receivable	–	5,800	5,800
Bank deposits	82,218	559,437	641,655
Bank balances and cash	3,779	37,890	41,669
	<u>287,780</u>	<u>2,781,986</u>	<u>3,069,766</u>
CURRENT LIABILITIES			
Amounts due to customers for contract works	–	613,911	613,911
Trade and other payables	22,008	1,135,357	1,157,365
Amount due to a shareholder	–	180,000	180,000
Amounts due to associates	111	4,482	4,593
Amounts due to related companies	–	1,467	1,467
Amounts due to jointly controlled entities	–	91,694	91,694
Taxation payable	–	3,661	3,661
Convertible notes	577,635	–	577,635
Bank borrowings – due within one year	9,123	468,267	477,390
Other loan	17,317	–	17,317
	<u>626,194</u>	<u>2,498,839</u>	<u>3,125,033</u>
NET CURRENT (LIABILITIES) ASSETS	<u>(338,414)</u>	<u>283,147</u>	<u>(55,267)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,489,434</u>	<u>879,130</u>	<u>2,368,564</u>
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	–	827,582	827,582
Deferred taxation	–	35,884	35,884
	<u>–</u>	<u>863,466</u>	<u>863,466</u>
MINORITY INTERESTS	<u>–</u>	<u>15,664</u>	<u>15,664</u>
NET ASSETS	<u>1,489,434</u>	<u>–</u>	<u>1,489,434</u>

WORKING CAPITAL

The directors are of the opinion that, after taking into account the internal resources available to the group and in the absence of unforeseen circumstances, that the group will have sufficient working capital for its present requirements.

STATEMENT OF INDEBTEDNESS

The statement of indebtedness of the group as at 30th September, 2002, which was prepared by the directors is set out below.

At the close of business on 30th September, 2002, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the group had outstanding bank overdrafts of approximately HK\$22,364,000 of which approximately HK\$9,560,000 was secured by certain land and buildings of the group. In addition, the group had other loans and convertible notes with accrued interests of approximately HK\$23,224,000 and HK\$584,459,000 respectively. The other loan is unsecured, bears interest at commercial rates and is repayable over one year. The convertible notes bear interest at the best lending rate of Hong Kong Dollar quoted by The Hongkong and Shanghai Banking Corporation Limited and payable semi-annually in arrears.

In addition, the liquidators of Hoi Sing Construction Company Limited (“Hoi Sing”), a former wholly owned subsidiary of the company, instituted proceeding against the company on 10th July, 1998 claiming approximately HK\$297,441,000 plus interest pursuant to an alleged guarantee by the company for debt owed by Hoi Sing Builders Limited to Hoi Sing. The company does not admit the existence of the guarantee, and has put Hoi Sing to strict proof of its terms and the amounts claimed under it. Even if the Court upholds the alleged guarantee, the company has a defence of “set off” arising from a claim against Hoi Sing for approximately HK\$308,207,000. The company is a principal creditor of Hoi Sing and the liquidators of Hoi Sing have admitted a substantial portion of the company’s claim as at 30th September, 2002. The balance is being adjudicated by the liquidators of Hoi Sing. The directors have taken legal advice and consider that the company’s defence is valid and that no obligation exists for the company.

Save as set out in the preceding paragraphs and apart from intra-group liabilities and normal trade payables, none of the companies of the group had outstanding as at the close of business on 30th September, 2002 any mortgages, charges, debentures, loan capital and overdrafts, or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities.

Foreign currency amounts have been re-translated into Hong Kong Dollars at the rate of exchange prevailing at the close of business on 30th September, 2002.

The directors have confirmed that there has been no material change in the indebtedness or contingent indebtedness of the group since 30th September, 2002.

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

FINANCIAL SUMMARY

The following is a summary of the audited consolidated income statements and balance sheet for the three years ended 31st March, 2002.

	Year ended 31st March,		
	2002	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(As restated)</i>	<i>(As restated)</i>
RESULTS			
Turnover	<u>5,343,810</u>	<u>10,803,255</u>	<u>11,111,678</u>
Profit (loss) before taxation	125,243	(313,144)	238,152
Taxation	<u>(47,935)</u>	<u>(49,953)</u>	<u>(96,303)</u>
Profit (loss) before minority interests	77,308	(363,097)	141,849
Minority interests	<u>(6,605)</u>	<u>(91,343)</u>	<u>(56,603)</u>
Profit (loss) for the year	<u>70,703</u>	<u>(454,440)</u>	<u>85,246</u>
		At 31st March,	
	2002	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(As restated)</i>	<i>(As restated)</i>
ASSETS AND LIABILITIES			
Total assets	6,192,999	6,176,878	10,886,959
Total liabilities	(3,182,305)	(3,326,814)	(6,911,448)
Minority interests	<u>(15,664)</u>	<u>(15,162)</u>	<u>(638,095)</u>
Shareholders' funds	<u>2,995,030</u>	<u>2,834,902</u>	<u>3,337,416</u>

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

FINANCIAL STATEMENTS

The following is a summary of the audited consolidated financial statements of the Paul Y. - ITC group for the two years ended 31st March, 2002 extracted from the audited financial statements of the Paul Y. - ITC group.

Consolidated Income Statement

For the year ended 31st March, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(As restated)</i>
<i>Turnover</i>			
The Company and subsidiaries		5,343,810	10,803,255
Share of associates and jointly controlled entities		3,465,959	278,445
		<u>8,809,769</u>	<u>11,081,700</u>
Group turnover		5,343,810	10,803,255
Cost of sales		(5,174,038)	(10,046,207)
Gross profit		169,772	757,048
Other revenue		23,829	14,297
Administrative expenses		(175,413)	(554,923)
Other operating expenses		–	(25,246)
Profit from operations	5	18,188	191,176
Finance costs	6	(38,301)	(211,650)
Investment income (expenses) – net	7	39,584	(18,742)
Loss on disposal and dilution of interests in subsidiaries and an associate	8	(6,688)	(289,190)
Share of results of associates		103,901	14,969
Share of results of jointly controlled entities		8,559	293
Profit (loss) before taxation		125,243	(313,144)
Taxation	10	(47,935)	(49,953)
Profit (loss) before minority interests		77,308	(363,097)
Minority interests		(6,605)	(91,343)
Profit (loss) for the year		<u>70,703</u>	<u>(454,440)</u>
<i>Dividends</i>			
Interim dividend paid	11	10,246	9,801
Final dividend proposed		10,367	9,925
		<u>20,613</u>	<u>19,726</u>
Earnings (loss) per share	12		
Basic		<u>HK\$0.071</u>	<u>HK\$(0.463)</u>
Diluted		<u>HK\$0.068</u>	<u>HK\$(0.471)</u>

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

Consolidated Balance Sheet

At 31st March, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(As restated)</i>
NON-CURRENT ASSETS			
Investment properties	13	675,900	585,130
Property, plant and equipment	14	1,180,615	1,200,272
Goodwill	15	18,442	20,747
Interests in associates	17	848,552	702,905
Interests in jointly controlled entities	18	7,823	276
Investments in securities	19	659,029	768,315
Other long term investments	20	16,289	16,226
		<u>3,406,650</u>	<u>3,293,871</u>
CURRENT ASSETS			
Properties under development held for resale		–	174,359
Properties held for resale		7,692	–
Amounts due from customers for contract works	21	375,414	367,784
Debtors, deposits and prepayments	22	1,371,982	1,441,677
Amounts due from related companies	23	34,095	144,534
Amounts due from associates	24	58,007	55,576
Unsecured loans receivable	25	189,840	87,487
Investments in securities	19	141,829	16,903
Taxation recoverable		5,800	4,247
Short term bank deposits		559,437	527,260
Bank balances and cash		42,253	63,180
		<u>2,786,349</u>	<u>2,883,007</u>
CURRENT LIABILITIES			
Amounts due to customers for contract works	21	613,911	804,685
Creditors and accrued expenses	26	1,135,357	1,275,854
Amounts due to related companies	23	1,467	1,582
Amounts due to associates	24	4,482	6,164
Amounts due to jointly controlled entities	24	91,694	13,390
Taxation payable		3,661	11,960
Obligations under finance leases	27	–	6,450
Bank borrowings – due within one year	28	468,267	54,341
Other loan	29	–	321,760
		<u>2,318,839</u>	<u>2,496,186</u>
NET CURRENT ASSETS		<u>467,510</u>	<u>386,821</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,874,160</u>	<u>3,680,692</u>
MINORITY INTERESTS		<u>15,664</u>	<u>15,162</u>

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

		2002	2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(As restated)</i>
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	28	827,582	338,270
Convertible note	30	–	450,000
Deferred taxation	31	35,884	42,358
		<u>863,466</u>	<u>830,628</u>
NET ASSETS		<u><u>2,995,030</u></u>	<u><u>2,834,902</u></u>
CAPITAL AND RESERVES			
Share capital	32	103,675	99,249
Reserves	35	2,891,355	2,735,653
		<u>2,995,030</u>	<u>2,834,902</u>
SHAREHOLDERS' FUNDS		<u><u>2,995,030</u></u>	<u><u>2,834,902</u></u>

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

Balance Sheet

At 31st March, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(As restated)</i>
NON-CURRENT ASSETS			
Interests in subsidiaries	16	3,503,602	4,137,333
CURRENT ASSETS			
Debtors, deposits and prepayments		522	914
Taxation recoverable		–	21
Bank balances		179	178
		701	1,113
CURRENT LIABILITIES			
Creditors and accrued expenses		792	13,133
Bank borrowings	28	17,738	–
		18,530	13,133
NET CURRENT LIABILITIES		(17,829)	(12,020)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,485,773	4,125,313
NON-CURRENT LIABILITY			
Convertible note	30	–	450,000
NET ASSETS		3,485,773	3,675,313
CAPITAL AND RESERVES			
Share capital	32	103,675	99,249
Reserves	35	3,382,098	3,576,064
SHAREHOLDERS' FUNDS		3,485,773	3,675,313

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

Consolidated Statement of Recognised Gains and Losses*For the year ended 31st March, 2002*

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(As restated)</i>
Exchange differences arising from translation of overseas operations not recognised in the consolidated income statement	79,793	(119,529)
Profit (loss) for the year	<u>70,703</u>	<u>(454,440)</u>
Total recognised gains (losses)	<u><u>150,496</u></u>	<u><u>(573,969)</u></u>
Prior period adjustments arising from the effects of changes in accounting policies on adoption of new/revised SSAPs		
– decrease in goodwill reserve at 1st April, 2000		841,501
– decrease in accumulated profits at 1st April, 2000		<u>(424,953)</u>
		<u><u>416,548</u></u>

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

Consolidated Cash Flow Statement

For the year ended 31st March, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	36	6,105	650,164
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(67,927)	(199,468)
Dividends paid		(11,463)	(15,093)
Dividends paid to minority shareholders of subsidiaries		(3,150)	(58,095)
Interest received		42,468	121,276
Dividends received from associates		31,695	1,902
Dividend received from a jointly controlled entity		6,000	–
Dividends received from investments in listed securities		–	2,877
Dividends received from investments in unlisted securities		–	24
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(2,377)	(146,577)
TAXATION			
Hong Kong Profits Tax paid		(18,082)	(59,113)
Overseas tax paid		(3,339)	(50,573)
Hong Kong Profits Tax refunded		96	444
NET CASH OUTFLOW FROM TAXATION		(21,325)	(109,242)
INVESTING ACTIVITIES			
Loans advanced		(118,840)	(39,500)
Additions to investment properties		(36,900)	–
Additions to property, plant and equipment		(32,248)	(381,000)
Amounts advanced to associates		(26,338)	(16,529)
Amounts advanced to related companies		(25,054)	(35,405)
Additions to other investments		(22,694)	(640)
Additions to short term investments		(22,000)	–
Amount advanced to a jointly controlled entity		(5,000)	–
Additions to investment securities		(1,000)	(322,270)
Additions to other long term investments		(63)	(258)
Amount repaid by a related company		144,285	–
Repayment of loans receivable		40,316	333,333
Proceeds from disposal of other investments		8,627	86,316
Proceeds from disposal of property, plant and equipment		5,106	135,922
Acquisition of subsidiaries, net of cash and cash equivalents acquired	37	–	(127,634)
Expenditure on properties held under development		–	(91,183)
Proceeds from disposal and dilution of interests in subsidiaries, net of cash and cash equivalents disposed of	38	–	(56,007)
Additional investments in associates		–	(23,340)
Proceeds from redemption of debts securities		–	67,001
Proceeds from disposal of investment securities		–	23,935
Amounts repaid by associates		–	19,492
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(91,803)	(427,767)

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET CASH OUTFLOW BEFORE FINANCING		<u>(109,400)</u>	<u>(33,422)</u>
FINANCING	39		
New bank loans raised		888,882	900,594
Repayment of convertible note		(450,000)	–
Repayment of other loan		(321,760)	–
Repayment of bank loans		(64,179)	(337,448)
Repayment of obligations under finance leases		(6,450)	(56,186)
Repayment of loans from minority shareholders		(2,953)	(95,100)
Amount (repaid to) advanced from a jointly controlled entity		(890)	13,390
Share issue expenses		(535)	(293)
Repurchase and redemption of convertible bonds		–	(1,076,451)
Contributions from minority shareholders		<u>–</u>	<u>746</u>
NET CASH INFLOW (OUTFLOW) FROM FINANCING		<u>42,115</u>	<u>(650,748)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(67,285)	(684,170)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		588,216	1,314,426
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<u>–</u>	<u>(42,040)</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD		<u><u>520,931</u></u>	<u><u>588,216</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Short term bank deposits		559,437	527,260
Bank balances and cash		42,253	63,180
Bank borrowings with less than three months of maturity when raised		<u>(80,759)</u>	<u>(2,224)</u>
		<u><u>520,931</u></u>	<u><u>588,216</u></u>

Notes to the Financial Statements

For the year ended 31st March, 2002

1. General

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

The Company is an investment holding company and the activities of its principal subsidiaries, associates and jointly controlled entities are set out in note 47.

2. Adoption of Statements of Standard Accounting Practice

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts and disclosure reported for the current or prior years:

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment.

Leases

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any effect on the results for the current or prior years and, accordingly, no prior period adjustment is required. Disclosures for the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts and disclosure have been restated in order to achieve a consistent presentation.

Segment reporting

The Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the prior year have been amended so that they are presented on a consistent basis.

Goodwill

The Group has adopted SSAP 30 "Business combinations" and has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and past impairment losses in respect of goodwill between the date of acquisition of the relevant subsidiary, associate or joint venture and the date of adoption of SSAP 30 have been recognised retrospectively, resulting in prior period adjustments. Following restatement, goodwill is presented as an asset in the balance sheet and is amortised over its estimated useful life. Premium arising on the acquisitions of an interest in an associate or a jointly controlled entity is dealt with in the same manner as that described for goodwill except that it is capitalised as part of the Group's interests in associates/jointly controlled entities.

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

The effect of these changes in accounting policies on goodwill reserve and accumulated profits (losses) at 1st April, 2000 is summarised below:

	Goodwill reserve <i>HK\$'000</i>	THE GROUP Accumulated profits (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>	THE COMPANY Accumulated profits <i>HK\$'000</i>
Restatement as an asset of goodwill previously written off against reserves with retrospective recognition of accumulated amortisation and past impairment losses	841,501	(466,565)	374,936	–
Exclusion of previously amortised goodwill from calculation of gain/loss on disposal and dilution of interests in subsidiaries	–	31,811	31,811	–
Derecognition of liability for dividend proposed	–	9,801	9,801	9,801
	<u>841,501</u>	<u>(424,953)</u>	<u>416,548</u>	<u>9,801</u>

Past impairment losses of goodwill in aggregate amounting to approximately HK\$258,786,000 recognised retrospectively in prior years were related to certain subsidiaries and an associate which are principally engaged in the manufacturing and trading of concrete products, building and civil engineering works, and elevators and escalators installation and maintenance in Hong Kong. Impairment losses represented the excess of the carrying amounts of the goodwill over its recoverable amount estimated by reference to the cash flows of the subsidiaries and associate discounted at the prevailing interest rates at the respective financial year ends.

The effect of these changes in accounting policies on the results for the current and prior year is summarised below:

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Amortisation of goodwill	(2,305)	(29,346)
Share of amortisation of goodwill of associates	(18,723)	–
Exclusion of previously amortised goodwill from calculation of gain/loss on disposal and dilution of interests in subsidiaries and associates	<u>10,447</u>	<u>44,726</u>
	<u>(10,581)</u>	<u>15,380</u>

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 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.

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 based on independent professional valuations at the balance sheet date. No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewable period, is twenty years or less.

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

Property, plant and equipment

Property, plant and equipment, other than hotel properties and freehold land, are stated at cost less depreciation and amortisation and any identified impairment loss.

Hotel properties are stated at cost and no depreciation is provided on hotel properties held on leases of more than twenty years. It is the Group's practice to maintain the properties in a continual state of sound repairs and maintenance and, accordingly, the directors consider that depreciation is not necessary due to their high residual value. The related maintenance expenditure is dealt with in the income statement in the year of expenditure.

No amortisation is provided for freehold land. 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 rates ranging from 10% to 33 $\frac{1}{3}$ % per annum.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group or over the terms of the relevant leases, whichever is shorter.

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.

Properties held for resale and properties under development held for resale

Completed properties and properties under development held for resale are classified under current assets and are stated at the lower of cost and net realisable value. Cost comprises the acquisition cost, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to be incurred in marketing and selling.

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 or released to income, 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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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 losses are 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.

Investment 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.

Construction contracts

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

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

Convertible bonds

Convertible bonds are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance costs, including the premium payable upon the final redemption of the convertible bonds, recognised in the income statement in respect of the convertible bonds are calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible bonds for each accounting period.

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

Assets held under finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease. Finance costs, which represent the difference between the total commitments and the outstanding principal amount at the inception of the finance leases, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the terms of the relevant leases.

Turnover

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

Revenue recognition

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

Income from properties pre-sold prior to completion of development is recognised over the period from the execution of a binding sales agreement to the completion of development on the percentage of completion method, measured by reference to the value of work certified during the year. Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sales deposits received in advance of completion are forfeited. The excess or short fall between the sales deposits forfeited and the profits recognised up to the date of forfeiture is credited or charged to the income statement.

Revenue from hotel operations is recognised when services are rendered.

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

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

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

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

Retirement benefit schemes

The amount of the contributions payable in respect of the current year to the Group's defined contribution retirement benefit schemes is charged to the income statement.

Taxation

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

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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 financial statements of operations which are denominated in foreign currencies are translated at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserve.

4. Business and Geographical Segments

Business segments

For management purposes, the Group's operations are organised into eight operating divisions namely building construction, civil engineering, specialist works, construction materials, engineering and infrastructure services, hotel and catering, property letting and sale of property. These divisions are the basis on which the Group reports its primary segment information.

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

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

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Hotel and catering	Property leasing	Sale of property	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER										
External sales	3,116,878	1,329,728	586,850	25,389	-	68,563	49,030	167,372	-	5,343,810
Inter-segment sales	49,240	1,564	67,173	45,765	-	-	23,679	-	(187,421)	-
	3,166,118	1,331,292	654,023	71,154	-	68,563	72,709	167,372	(187,421)	5,343,810
Share of associates and jointly controlled entities	55,862	341,737	-	3,862	3,064,498	-	-	-	-	3,465,959
Total	3,221,980	1,673,029	654,023	75,016	3,064,498	68,563	72,709	167,372	(187,421)	8,809,769
RESULT										
Segment result	7,756	19,210	(25,079)	(20,394)	-	(13,607)	21,994	28,308	-	18,188
Finance costs										(38,301)
Net investment income										39,584
Loss on dilution of interest in an associate										(6,688)
Share of results of associates	3,368	694	-	1,509	110,000	-	-	-	-	115,571
Share of results of jointly controlled entities	-	8,559	-	-	-	-	-	-	-	8,559
Impairment loss for interest in an associate										(11,670)
Profit before taxation										125,243
Taxation										(47,935)
Profit before minority interests										77,308
Minority interests										(6,605)
Profit for the year										70,703

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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	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Hotel and catering	Property leasing	Sale of property	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
BALANCE SHEET										
ASSETS										
Segment assets	1,494,521	707,593	354,230	78,857	–	675,450	717,670	9,874	–	4,038,195
Interests in associates	58,043	1,526	–	3,519	773,794	–	–	–	11,670	848,552
Interests in jointly controlled entities	–	7,823	–	–	–	–	–	–	–	7,823
Unallocated corporate assets										<u>1,298,429</u>
Total assets										<u><u>6,192,999</u></u>
LIABILITIES										
Segment liabilities	960,621	628,893	182,572	26,993	–	9,552	13,024	9,231	–	1,830,886
Unallocated corporate liabilities										<u>1,351,419</u>
Total liabilities										<u><u>3,182,305</u></u>
OTHER INFORMATION										
Capital additions	1,941	1,289	1,930	8,745	–	14,163	38,118	–	2,962	69,148
Amortisation of goodwill	2,305	–	–	–	–	–	–	–	–	2,305
Deficit arising on revaluation of investment properties	–	–	–	–	–	–	31,130	–	–	31,130
Depreciation and amortisation of property, plant and equipment	18,069	6,594	19,272	5,670	–	14,602	8,633	–	6,092	78,932
Write back of impairment losses of property interests	–	–	–	–	–	45,000	8,829	–	–	53,829
Impairment loss on unlisted investment securities	–	–	–	–	–	–	–	–	1,000	1,000
Impairment loss on listed investment securities	–	–	–	–	–	–	–	–	1,462	1,462

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Business segment information for the year ended 31st March, 2001 is presented below:

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Hotel and catering	Property leasing	Sale of property	Eliminations	Consolidated
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
TURNOVER										
External sales	4,301,679	1,675,977	755,127	50,754	3,904,039	5,033	47,572	63,074	-	10,803,255
Inter-segment sales	134,884	2,663	182,209	108,375	-	-	24,765	-	(452,896)	-
	<u>4,436,563</u>	<u>1,678,640</u>	<u>937,336</u>	<u>159,129</u>	<u>3,904,039</u>	<u>5,033</u>	<u>72,337</u>	<u>63,074</u>	<u>(452,896)</u>	<u>10,803,255</u>
Share of associates and jointly controlled entities	54,918	127,190	-	1,964	94,373	-	-	-	-	278,445
Total	<u><u>4,491,481</u></u>	<u><u>1,805,830</u></u>	<u><u>937,336</u></u>	<u><u>161,093</u></u>	<u><u>3,998,412</u></u>	<u><u>5,033</u></u>	<u><u>72,337</u></u>	<u><u>63,074</u></u>	<u><u>(452,896)</u></u>	<u><u>11,081,700</u></u>
RESULT										
Segment result	<u>216,491</u>	<u>(232,276)</u>	<u>363</u>	<u>(15,592)</u>	<u>178,467</u>	<u>(14,197)</u>	<u>23,153</u>	<u>34,767</u>		191,176
Finance costs										(211,650)
Net investment expenses										(18,742)
Loss on disposal and dilution of interests in subsidiaries										(289,190)
Share of results of associates	1,586	7,518	-	(887)	6,752	-	-	-		14,969
Share of results of a jointly controlled entity	-	293	-	-	-	-	-	-		<u>293</u>
Loss before taxation										(313,144)
Taxation										<u>(49,953)</u>
Loss before minority interests										(363,097)
Minority interests										<u>(91,343)</u>
Loss for the year										<u><u>(454,440)</u></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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	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Hotel and catering	Property leasing	Sale of property	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
BALANCE SHEET										
ASSETS										
Segment assets	1,313,816	730,677	386,604	196,786	-	625,069	662,468	239,743	-	4,155,163
Interests in associates	42,442	(1,469)	-	2,746	635,846	-	-	-	23,340	702,905
Interest in a jointly controlled entity	-	276	-	-	-	-	-	-	-	276
Unallocated corporate assets										1,318,534
Total assets										<u>6,176,878</u>
LIABILITIES										
Segment liabilities	1,112,939	677,835	112,471	43,932	-	78,903	15,674	42,613	-	2,084,367
Unallocated corporate liabilities										1,242,447
Total liabilities										<u>3,326,814</u>
OTHER INFORMATION										
Capital additions	6,298	4,529	15,210	6,525	327,512	58,731	1,772	50,429	10,379	481,385
Amortisation of goodwill	2,305	-	-	-	27,041	-	-	-	-	29,346
Deficit arising on revaluation of investment properties	-	-	-	-	-	-	13,000	-	-	13,000
Depreciation and amortisation of property, plant and equipment	22,476	5,744	18,922	5,172	278,912	2,157	8,678	-	5,514	347,575

Geographical Segments

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

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

	Turnover		Profit (loss) from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	5,262,554	6,329,493	25,623	7,098
PRC	81,256	25,682	(7,435)	(18,288)
Pacific region and South East Asia	-	4,448,080	-	202,366
	<u>5,343,810</u>	<u>10,803,255</u>	<u>18,188</u>	<u>191,176</u>

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

	Carrying amount of segment assets		Capital additions	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	5,225,775	5,399,101	24,907	148,942
PRC	134,551	96,065	44,241	4,931
Pacific region and South East Asia	832,673	681,712	-	327,512
	<u>6,192,999</u>	<u>6,176,878</u>	<u>69,148</u>	<u>481,385</u>

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5. Profit from Operations

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	2,305	29,346
Auditors' remuneration	2,138	6,503
Depreciation and amortisation of property, plant and equipment (<i>note (a) below</i>)	78,932	347,575
Loss on disposal of property, plant and equipment	8,768	2,269
Minimum lease payments under operating leases in respect of:		
Premises	5,788	24,140
Plant and machinery	9,206	84,321
Staff costs (<i>note (b) below</i>)	137,284	1,146,456
and after crediting:		
Rental income under operating leases in respect of:		
Premises, net of outgoings of HK\$13,437,000 (2001: HK\$12,871,000)	23,925	21,470
Plant and machinery	<u>1,454</u>	<u>941</u>
<i>Notes:</i>		
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Depreciation and amortisation of property, plant and equipment:		
Owned assets	76,321	320,327
Assets held under finance leases	<u>6,710</u>	<u>31,777</u>
	83,031	352,104
Less: Amount capitalised in respect of contracts in progress	<u>(4,099)</u>	<u>(4,529)</u>
	<u>78,932</u>	<u>347,575</u>
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
(b) Staff costs:		
Directors' remuneration:		
Fees	90	100
Other emoluments	<u>20,587</u>	<u>28,501</u>
	20,677	28,601
Other staff costs:		
Salaries and allowances	473,714	1,569,152
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$6,203,000 (2001: HK\$3,238,000)	<u>9,947</u>	<u>43,377</u>
	504,338	1,641,130
Less: Amount capitalised in respect of contracts in progress	<u>(367,054)</u>	<u>(494,674)</u>
	<u>137,284</u>	<u>1,146,456</u>

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6. Finance Costs

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowing costs on:		
Amortisation of deferred expenditure on convertible bonds	–	4,409
Bank borrowings wholly repayable within five years	26,703	49,197
Bank borrowings not wholly repayable within five years	15,793	58,290
Convertible bonds, including amortisation of premium payable upon final redemption of the convertible bonds	–	45,467
Convertible notes	1,275	26,833
Obligations under finance leases	265	15,734
Others	3,273	20,922
	47,309	220,852
Less: Amount capitalised in respect of properties under development held for resale and contracts in progress	(9,008)	(9,202)
	38,301	211,650

7. Investment Income (Expenses) – Net

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of redemption premium of debt securities	–	6,396
Deficit arising on revaluation of investment properties	(31,130)	(13,000)
Dividend income from:		
Listed securities	–	2,987
Unlisted securities	–	24
Gain (loss) on disposal of:		
Unlisted investment securities	–	21,354
Unlisted short term investments	(22,000)	–
Listed other investments	4,795	(155,771)
Impairment loss on:		
Unlisted investment securities	(1,000)	–
Listed investment securities	(1,462)	–
Interest income	38,312	137,996
Net realised and unrealised holding loss on listed other investments	(1,760)	(18,728)
Write back of impairment losses on:		
Hotel properties	45,000	–
Properties under development held for resale	8,829	–
	39,584	(18,742)

8. Loss on Disposal and Dilution of Interests in Subsidiaries and an Associate

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(As restated)</i>
Loss on disposal and dilution of interests in subsidiaries	–	(289,190)
Loss on dilution of interest in an associate	(6,688)	–
	(6,688)	(289,190)

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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

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees:		
Executive directors	43	40
Non-executive directors	47	60
	90	100
Other emoluments:		
Executive directors		
Salaries and other benefits	18,705	17,619
Discretionary bonus	–	9,000
Retirement benefit scheme contributions	882	882
Non-executive directors		
Salaries and other benefits	1,000	1,000
	20,587	28,501
	20,677	28,601

The amounts disclosed above include directors' fee of HK\$20,000 (2001: HK\$20,000) and other emoluments of HK\$1,000,000 (2001: HK\$1,000,000) paid to independent non-executive directors.

The emoluments of the directors were within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	7	6
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$4,500,001 to HK\$5,000,000	2	–
HK\$6,000,001 to HK\$6,500,000	1	1
HK\$6,500,001 to HK\$7,000,000	–	1
HK\$7,000,001 to HK\$7,500,000	–	2
	–	2

(b) Employees' emoluments

The five highest paid individuals in the Group for the year included four (2001: four) directors, details of whose emoluments are included in paragraph (a) above. Particulars of the emoluments of the remaining one (2001: one) individual are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	2,428	2,492
Discretionary bonus	–	3,000
Retirement benefit scheme contributions	115	–
	2,543	5,492
	2,543	5,492

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.

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10. Taxation

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax:		
Current year	7,721	58,756
(Over)underprovision in previous years	(638)	30
	<u>7,083</u>	<u>58,786</u>
Overseas taxation	4,390	25,586
Share of tax on results of associates	42,924	5,278
Share of tax on results of jointly controlled entities	12	13
	<u>54,409</u>	<u>89,663</u>
Deferred taxation	(6,474)	(39,710)
	<u>47,935</u>	<u>49,953</u>

Hong Kong Profits Tax is calculated at the rate of 16% (2001: 16%) of the estimated assessable profits derived from Hong Kong for the year.

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

Details of deferred taxation are set out in note 31.

11. Dividends

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(As restated)</i>
Interim dividend paid for 2002 – 1.0 cent (2001: 1.0 cent) per share	10,246	9,801
Final dividend proposed for 2002 – 1.0 cent (2001: 1.0 cent) per share	10,367	9,925
	<u>20,613</u>	<u>19,726</u>
Final dividend paid for 2001 – 1.0 cent (2000 : 1.0 cent) per share	<u>9,925</u>	<u>9,852</u>

Of the final dividend for the year ended 31st March, 2001 and the interim dividend for the year ended 31st March, 2002, approximately HK\$5,674,000 and HK\$3,034,000 were settled in shares under the Company's scrip dividend schemes announced by the directors of the Company on 14th July, 2001 and 17th December, 2001, respectively. The amounts were credited to the accumulated profits during the year (*note 35*).

The amount of the final dividend proposed for the year ended 31st March, 2002, which will be in scrip form with a cash option, has been calculated by reference to the 1,036,744,924 issued shares as at the date of this report. Pursuant to the adoption of SSAP 9 (Revised), the final dividends proposed for the current and prior years after the balance sheet date are not recognised as liabilities in the financial statements.

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12. Earnings (Loss) per Share

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(As restated)</i>
Earnings (loss):		
Earnings (loss) for the purposes of basic earnings (loss) per share	70,703	(454,440)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	–	(7,866)
Adjustment to the share of results of an associate based on dilution of its earnings per share	<u>(2,892)</u>	<u>–</u>
Earnings (loss) for the purposes of diluted earnings (loss) per share	<u><u>67,811</u></u>	<u><u>(462,306)</u></u>
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<u><u>1,002,323,116</u></u>	<u><u>981,793,807</u></u>

For the year ended 31st March, 2002, the computation of diluted earnings per share does not assume the conversion of the Company's share options, warrants and secured convertible redeemable note since their exercise prices are higher than the average market price per share for the year.

For the year ended 31st March, 2001, the computation of diluted loss per share does not assume the conversion of the Company's share options, warrants, secured convertible redeemable note and convertible bonds since their exercise would result in a decrease in loss per share from continuing operations.

The adjustment to the basic and diluted loss per share for the year ended 31st March, 2001, arising from the changes in accounting policies set out in note 2 above, is as follows:

	Basic <i>HK\$</i>	Diluted <i>HK\$</i>
Loss per share:		
As originally stated	(0.479)	(0.487)
Adjustments arising from the adoption of new/revised SSAPs	<u>0.016</u>	<u>0.016</u>
As restated	<u><u>(0.463)</u></u>	<u><u>(0.471)</u></u>

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13. Investment Properties

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
VALUATION		
Balance brought forward	585,130	598,130
Transfer from properties under development held for resale	85,000	–
Other addition	36,900	–
Deficit arising on revaluation	(31,130)	(13,000)
	<u>675,900</u>	<u>585,130</u>
Balance carried forward	<u><u>675,900</u></u>	<u><u>585,130</u></u>

The Group's investment properties are held for rental purposes under operating leases. They were revalued on 31st March, 2002, on an open market value basis, by RHL Appraisal Ltd., an independent professional valuer. The valuation attributable to the investment properties amounted to approximately HK\$675,900,000 (2001: HK\$585,130,000) and the deficit arising on revaluation of these properties amounting to approximately HK\$31,130,000 (2001: HK\$13,000,000) has been charged to the income statement.

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

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long term leasehold properties in:		
Hong Kong	85,000	–
PRC	3,900	6,130
Medium term leasehold properties in:		
Hong Kong	525,000	539,000
PRC	62,000	40,000
	<u>675,900</u>	<u>585,130</u>
	<u><u>675,900</u></u>	<u><u>585,130</u></u>

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14. Property, Plant and Equipment

	Hotel properties <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles and yachts <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST						
At 1st April, 2001	560,000	277,441	479,143	69,424	166,579	1,552,587
Additions	–	–	6,874	854	24,520	32,248
Disposals	–	–	(20,081)	(8,424)	(2,687)	(31,192)
Write back of impairment loss	45,000	–	–	–	–	45,000
At 31st March, 2002	<u>605,000</u>	<u>277,441</u>	<u>465,936</u>	<u>61,854</u>	<u>188,412</u>	<u>1,598,643</u>
DEPRECIATION AND AMORTISATION						
At 1st April, 2001	–	23,717	250,774	33,419	44,405	352,315
Provided for the year	–	5,353	44,352	6,587	26,739	83,031
Eliminated on disposals	–	–	(9,785)	(5,937)	(1,596)	(17,318)
At 31st March, 2002	<u>–</u>	<u>29,070</u>	<u>285,341</u>	<u>34,069</u>	<u>69,548</u>	<u>418,028</u>
NET BOOK VALUES						
At 31st March, 2002	<u>605,000</u>	<u>248,371</u>	<u>180,595</u>	<u>27,785</u>	<u>118,864</u>	<u>1,180,615</u>
At 31st March, 2001	<u>560,000</u>	<u>253,724</u>	<u>228,369</u>	<u>36,005</u>	<u>122,174</u>	<u>1,200,272</u>

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Long term leasehold properties in:		
Hong Kong	605,000	560,000
PRC	1,680	1,714
Medium term leasehold properties in:		
Hong Kong	246,068	251,369
PRC	623	641
	<u>853,371</u>	<u>813,724</u>

As at 31st March, 2001, the net book value of property, plant and equipment of the Group included an aggregate amount of approximately HK\$35,841,000 in respect of assets held under finance leases.

As at 31st March, 2002, the directors reviewed the carrying value of the hotel properties and identified that the recoverable amount of the hotel properties, estimated by reference to the cash flows from the hotel properties discounted at the prevailing interest rates, exceeded its carrying value. Accordingly, an impairment loss of approximately HK\$45,000,000 was written back to the consolidated income statement for the year.

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15. Goodwill

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(As restated)</i>
COST		
Balance brought forward	385,531	841,501
On acquisition of subsidiaries	–	84,862
Eliminated on disposal and dilution of interests in subsidiaries	–	(540,832)
	<u>385,531</u>	<u>385,531</u>
Balance carried forward	<u>385,531</u>	<u>385,531</u>
AMORTISATION AND IMPAIRMENT		
Balance brought forward	364,784	434,754
Provided for the year	2,305	29,346
Eliminated on disposal and dilution of interests in subsidiaries	–	(99,316)
	<u>367,089</u>	<u>364,784</u>
Balance carried forward	<u>367,089</u>	<u>364,784</u>
NET BOOK VALUE		
Balance carried forward	<u>18,442</u>	<u>20,747</u>

The amortisation period adopted for goodwill is 20 years.

16. Interests in Subsidiaries

	THE COMPANY	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares	212,921	212,921
Loans to subsidiaries	160,900	166,500
Amounts due from subsidiaries	3,587,249	3,757,912
	<u>3,961,070</u>	<u>4,137,333</u>
Less: Impairment loss recognised	(457,468)	–
	<u>3,503,602</u>	<u>4,137,333</u>

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

In the opinion of the directors, the loans to subsidiaries and amounts due from subsidiaries will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

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

Particulars of the Company's principal subsidiaries as at 31st March, 2002 are set out in note 47.

At 31st March, 2002, the directors reviewed the carrying value of the Company's interests in subsidiaries and identified that certain loss making subsidiaries are not expected to generate income from their future operations. Accordingly, impairment losses of approximately HK\$457,468,000, which represent the excess of carrying value of the interests in subsidiaries over their recoverable amounts estimated by reference to the net selling prices of the underlying assets and liabilities of the subsidiaries, were recognised in the income statement for the year.

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17. Interests in Associates

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
		<i>(As restated)</i>
Share of net assets:		
Listed investments overseas <i>(note (a) below)</i>	495,691	392,999
Unlisted investments	10,723	29,361
Premium on acquisition of associates <i>(note (b) below)</i>	278,103	242,848
	784,517	665,208
Amount due from an associate <i>(note (c) below)</i>	64,035	37,697
	848,552	702,905
Market value of listed investments	1,300,600	567,100

Notes:

- (a) In February 2001, Downer EDI Limited (“Downer”), which was formerly a subsidiary of the Company, became the Group’s principal associate. Downer is a company listed in Australia and its financial year end date is 30th June. In the consolidated balance sheet at 31st March, 2001, the Group’s interests in associates included the Group’s share of net assets of Downer calculated based on the financial information made up to 31st March, 2001. Commencing on 1st April, 2001, only published financial information of Downer will be available and used by the Group in applying the equity method. Accordingly, the Group’s share of interest in Downer at 31st March, 2002 is calculated based on the net assets of Downer at 31st December, 2001 and the results from 1st April 2001 to 31st December, 2001.

The following details have been extracted from the published financial information of Downer, the Group’s significant associate, for the six months period ended 31st December, 2001:

	HK\$'000
Results for the period:	
Revenue from ordinary activities	5,145,763
Profit from ordinary activities before taxation	129,025
Profit from ordinary activities after taxation	84,285
Financial position:	
Non-current assets	3,789,308
Current assets	3,300,160
Current liabilities	(1,860,501)
Non-current liabilities	(2,393,676)
Preference share capital	(251,613)

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

	THE GROUP <i>HK\$'000</i>
COST	
At 1st April, 2001	297,438
On acquisition of associates	100,195
Eliminated on dilution of interest	(56,664)
	340,969
AMORTISATION	
At 1st April, 2001	54,590
Provided for the year	18,723
Eliminated on dilution of interest	(10,447)
	62,866
NET BOOK VALUE	
At 31st March, 2002	278,103
At 31st March, 2001	242,848

The amortisation period adopted for goodwill is 20 years.

- (c) The amount due from an associate is unsecured and bears interest at 1% (2001: 1%) over Hong Kong prime rate. In the opinion of the directors, the amount will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current.

Particulars of the Group's principal associates as at 31st March, 2002 are set out in note 47.

The Group's share of losses of an associate amounting to approximately HK\$123,735,000 (2001: HK\$125,701,000) has not been accounted for by the Group as those losses arise on a contract are recoverable in full under guarantees provided by an ex-shareholder of the associate. The Group proceeded a court action against the ex-shareholder to recover the losses together with interest and other expenses incurred. The directors, having taken legal advice, believe that the suit is valid and the losses can be fully recovered from the ex-shareholder.

18. Interests in Jointly Controlled Entities

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	2,823	276
Amount due from a jointly controlled entity	5,000	-
	7,823	276

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

Particulars of the Group's jointly controlled entities as at 31st March, 2002 are set out in note 47.

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19. Investments in Securities

	Investment securities		Other investments		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP						
Listed equity securities:						
in Hong Kong	644,030	644,030	34,005	16,903	678,035	660,933
in overseas	22,823	24,285	–	–	22,823	24,285
Unlisted debt securities	–	–	100,000	100,000	100,000	100,000
	<u>666,853</u>	<u>668,315</u>	<u>134,005</u>	<u>116,903</u>	<u>800,858</u>	<u>785,218</u>
Market value of listed securities	<u>64,045</u>	<u>112,939</u>	<u>34,005</u>	<u>16,903</u>	<u>98,050</u>	<u>129,842</u>
Carrying amount analysed for reporting purposes as:						
Current	7,824	–	134,005	16,903	141,829	16,903
Non-current	<u>659,029</u>	<u>668,315</u>	<u>–</u>	<u>100,000</u>	<u>659,029</u>	<u>768,315</u>
	<u>666,853</u>	<u>668,315</u>	<u>134,005</u>	<u>116,903</u>	<u>800,858</u>	<u>785,218</u>

Particulars of the equity securities held by the Group as at 31st March, 2002 disclosed in accordance with Section 129(2) of the Companies Ordinance are as follows:

Name of company	Place of incorporation	Type of investment	Proportion of nominal value of issued share capital held by the Group
China Strategic Holdings Limited	Hong Kong	Ordinary shares	17.45%

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

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20. Other Long Term Investments

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost:		
in Hong Kong	15,901	15,901
in overseas	388	325
	16,289	16,226
	16,289	16,226

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

21. Amounts due from (to) Customers for Contract Works

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the balance sheet date:		
Contract costs incurred to date	31,249,672	27,368,751
Recognised profits less recognised losses	941,835	867,038
	32,191,507	28,235,789
Less: Progress billings	(32,430,004)	(28,672,690)
	(238,497)	(436,901)
	(238,497)	(436,901)
Represented by:		
Amounts due from customers for contract works	375,414	367,784
Amounts due to customers for contract works	(613,911)	(804,685)
	(238,497)	(436,901)
	(238,497)	(436,901)

At 31st March, 2002, retentions held by customers for contract works included in debtors, deposits and prepayments amounted to approximately HK\$544,866,000 (2001: HK\$530,644,000). Advances received from customers for contract works included in creditors and accrued expenses amounted to approximately HK\$7,346,000 (2001: Nil).

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22. Debtors, Deposits and Prepayments

The Group's credit terms for its contracting business are negotiated with, and entered into under, normal commercial terms with its trade customers. Trade debtors arise from property letting 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\$640,904,000 (2001: HK\$721,077,000) and their aged analysis is as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	590,357	636,065
More than 90 days and within 180 days	14,520	24,277
More than 180 days	36,027	60,735
	<u>640,904</u>	<u>721,077</u>

23. Amount due from (to) Related Companies

The balances represent amounts due from (to) the subsidiaries and associates of certain substantial shareholders of the Company. The amounts are unsecured, have no fixed terms of repayment and are interest free, except for the amount due from a related company of approximately HK\$25,054,000 (2001: HK\$144,285,000) which bears interest at 3% (2001: 2%) over Hong Kong prime rate.

24. Amounts due from (to) Associates and Amounts due to Jointly Controlled Entities

The amounts are unsecured, interest free and have no fixed terms of repayment.

25. Unsecured Loans Receivable

The amounts are unsecured, receivable within one year and bear interest at the following rates:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
1% over Hong Kong prime rate	144,340	25,500
2% over Hong Kong prime rate	40,500	56,987
3% over Hong Kong prime rate	5,000	5,000
	<u>189,840</u>	<u>87,487</u>

26. Creditors and Accrued Expenses

Included in creditors and accrued expenses are trade payables of approximately HK\$514,356,000 (2001: HK\$537,037,000) and their aged analysis is as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	492,249	515,432
More than 90 days and within 180 days	7,581	9,479
More than 180 days	14,526	12,126
	<u>514,356</u>	<u>537,037</u>

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27. Obligation under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Amounts payable under finance leases				
due within one year	–	6,763	–	6,450
Less: Future finance charges	–	(313)	–	–
Present value of finance leases	<u>–</u>	<u>6,450</u>	<u>–</u>	<u>6,450</u>

28. Bank Borrowings

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings comprise:				
Mortgage loans	816,328	264,335	–	–
Bank loans	391,725	124,562	10,000	–
Trust receipt loans	7,037	1,490	5,743	–
Bank overdrafts	80,759	2,224	1,995	–
	<u>1,295,849</u>	<u>392,611</u>	<u>17,738</u>	<u>–</u>
Analysed as:				
Secured	1,168,053	388,897	–	–
Unsecured	127,796	3,714	17,738	–
	<u>1,295,849</u>	<u>392,611</u>	<u>17,738</u>	<u>–</u>
The bank borrowings are repayable as follows:				
Within one year or on demand	468,267	54,341	17,738	–
More than one year, but not exceeding two years	104,101	324,895	–	–
More than two years, but not exceeding five years	459,521	11,197	–	–
More than five years	263,960	2,178	–	–
	1,295,849	392,611	17,738	–
Less: Amount due within one year or on demand shown under current liabilities	<u>(468,267)</u>	<u>(54,341)</u>	<u>(17,738)</u>	<u>–</u>
Amount due after one year	<u>827,582</u>	<u>338,270</u>	<u>–</u>	<u>–</u>

29. Other Loan

The amount represented a secured note payable bearing interest at 7.5% per annum and was fully repaid during the year.

30. Convertible Note

The amount represented convertible redeemable note which was secured by a first mortgage on a hotel property of the Group, and a charge over the shares in certain subsidiaries of the Company, interest free during the period from its date of issue to 30th September, 2000 and thereafter bore interest at 6% per annum. No conversion rights were exercised and the amount was fully redeemed at par during the year.

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31. Deferred Taxation

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance brought forward	42,358	216,852	–	370
Translation adjustments	–	(35,080)	–	–
On disposal of subsidiaries	–	(99,704)	–	–
Credit for the year	(6,474)	(39,710)	–	(370)
	<u>35,884</u>	<u>42,358</u>	<u>–</u>	<u>–</u>
Balance carried forward	<u>35,884</u>	<u>42,358</u>	<u>–</u>	<u>–</u>

At the balance sheet date, the major components of the provision for deferred taxation liability (asset) are as follows:

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of timing differences attributable to:				
Excess of tax allowances over depreciation	28,425	35,515	–	–
Prepayments claimed for taxation purposes	4,091	2,867	–	–
Different method in recognition of contract income for accounting and taxation purposes	5,187	16,469	–	–
Unutilised tax losses	(1,819)	(12,008)	–	–
Others	–	(485)	–	–
	<u>35,884</u>	<u>42,358</u>	<u>–</u>	<u>–</u>

The major components of deferred taxation (charge) credit not recognised for the year are as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of timing differences attributable to:		
Difference between tax allowances and depreciation	(5,993)	(4,770)
Prepayments claimed for taxation purposes	226	332
Different method in recognition of contract income for accounting and taxation purposes	(3,069)	8,750
Tax losses arising	970	10,291
	<u>(7,866)</u>	<u>14,603</u>

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At the balance sheet date, the major components of potential deferred taxation asset (liability) not recognised in the financial statements are as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of timing differences attributable to:		
Difference between tax allowances and depreciation	(11,299)	(5,306)
Prepayments claimed for taxation purposes	(24)	(250)
Different method in recognition of contract income for accounting and taxation purposes	(2,155)	914
Unutilised tax losses	43,834	42,864
	<u>30,356</u>	<u>38,222</u>

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

The Company did not have any significant unprovided deferred taxation as at the balance sheet date.

32. Share Capital

	Number of shares	Value
		<i>HK\$'000</i>
Ordinary shares of HK\$0.10 each:		
Authorised:		
At 1st April, 2000, 31st March, 2001 and 31st March, 2002	3,000,000,000	<u>300,000</u>
Issued and fully paid:		
At 1st April, 2000	980,115,103	98,011
Issue of new shares pursuant to scrip dividend scheme	12,373,289	1,238
At 31st March, 2001	992,488,392	99,249
Issue of new shares pursuant to scrip dividend scheme	44,256,532	4,426
At 31st March, 2002	<u>1,036,744,924</u>	<u>103,675</u>

Pursuant to the scrip dividend schemes which were announced by the Company on 14th July, 2001 and 17th December, 2001, the Company issued 32,113,356 and 12,143,176 new 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, 2001 and the interim dividend for the year ended 31st March, 2002, respectively. The scrip shares did not rank for the final dividend for the year ended 31st March, 2001 and the interim dividend for the year ended 31st March, 2002, respectively.

33. Warrants

	Number of shares upon subscription	Aggregate subscription amount
		<i>HK\$'000</i>
2003 Warrants		
Warrants at a subscription price of HK\$0.40 each:		
Bonus issue of warrants during the year and balance in issue at 31st March, 2002	204,920,349	<u>81,968</u>

During the year, a bonus issue of 204,920,349 2003 Warrants was made to shareholders whose names appeared on the register of members on 8th February, 2002 on the basis of one warrant for every five shares of the Company then held. The 2003 Warrants conferring rights to the holders thereof to subscribe for up to HK\$81,968,140 in cash for shares of HK\$0.10 each in the Company at an initial subscription price of HK\$0.40 per share, subject to adjustment, at any time from 1st March, 2002 up to and including 29th August, 2003.

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34. Share Options

At 31st March, 2002, the options to subscribe for shares outstanding under the Company's share option scheme are as follows:

Date of grant	Exercise price per share HK\$	Number of shares to be issued upon exercise of the share options
18th December, 1998	0.6048	38,349,206
17th December, 1999	0.5552	16,100,000
		<u>54,449,206</u>

The above outstanding options can be exercised at any time during a period of three years commencing on the expiry of six months after the date of acceptance of the options.

No share options were granted or exercised during the year.

35. Reserves

	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
THE GROUP							
At 1st April, 2000							
As originally stated	221,338	124,933	3,126,941	(159,048)	(841,501)	350,194	2,822,857
Prior period adjustments (note 2)	-	-	-	-	841,501	(424,953)	416,548
As restated	221,338	124,933	3,126,941	(159,048)	-	(74,759)	3,239,405
Exchange differences arising from translation of overseas operations	-	-	-	(119,529)	-	-	(119,529)
Issue of shares under scrip dividend scheme	(1,238)	-	-	-	-	-	(1,238)
Credit arising on scrip dividends (note 11)	-	-	-	-	-	4,560	4,560
Share issue expenses	(293)	-	-	-	-	-	(293)
Realised on disposal and dilution of interests in subsidiaries	-	-	-	86,841	-	-	86,841
Loss for the year	-	-	-	-	-	(454,440)	(454,440)
Dividends paid (note 11)	-	-	-	-	-	(19,653)	(19,653)
At 31st March, 2001	219,807	124,933	3,126,941	(191,736)	-	(544,292)	2,735,653
Exchange differences arising from translation of overseas operations	-	-	-	79,793	-	-	79,793
Issue of shares under scrip dividend scheme	(4,426)	-	-	-	-	-	(4,426)
Credit arising on scrip dividends (note 11)	-	-	-	-	-	8,708	8,708
Share issue expenses	(535)	-	-	-	-	-	(535)
Realised on dilution of interests in associates	-	-	-	21,630	-	-	21,630
Profit for the year	-	-	-	-	-	70,703	70,703
Dividends paid (note 11)	-	-	-	-	-	(20,171)	(20,171)
At 31st March, 2002	<u>214,846</u>	<u>124,933</u>	<u>3,126,941</u>	<u>(90,313)</u>	<u>-</u>	<u>(485,052)</u>	<u>2,891,355</u>

The accumulated losses of the Group include accumulated profits of approximately HK\$42,331,000 (2001: HK\$20,061,000) and HK\$2,827,000 (2001: HK\$280,000) retained by the associates and jointly controlled entities of the Group, respectively.

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	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
At 1st April, 2000					
As originally stated	221,338	3,126,941	155,846	78,026	3,582,151
Prior period adjustments (<i>note 2</i>)	–	–	–	9,801	9,801
	<u>221,338</u>	<u>3,126,941</u>	<u>155,846</u>	<u>78,026</u>	<u>3,582,151</u>
As restated	221,338	3,126,941	155,846	87,827	3,591,952
Issue of shares under scrip dividend scheme	(1,238)	–	–	–	(1,238)
Credit arising on scrip dividends (<i>note 11</i>)	–	–	–	4,560	4,560
Share issue expenses	(293)	–	–	–	(293)
Profit for the year	–	–	–	736	736
Dividends paid (<i>note 11</i>)	–	–	–	(19,653)	(19,653)
	<u>219,807</u>	<u>3,126,941</u>	<u>155,846</u>	<u>73,470</u>	<u>3,576,064</u>
At 31st March, 2001					
Issue of shares under scrip dividend scheme	(4,426)	–	–	–	(4,426)
Credit arising on scrip dividends (<i>note 11</i>)	–	–	–	8,708	8,708
Share issue expenses	(535)	–	–	–	(535)
Transfer	–	–	(155,846)	155,846	–
Loss for the year	–	–	–	(177,542)	(177,542)
Dividends paid (<i>note 11</i>)	–	–	–	(20,171)	(20,171)
	<u>214,846</u>	<u>3,126,941</u>	<u>–</u>	<u>40,311</u>	<u>3,382,098</u>
At 31st March, 2002					

The special reserve of the Group represents the difference between the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

The capital reserve of the Group and the Company represents the credit arising from the cancellation of share premium and the paid up share capital upon the capital reorganisation.

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the Company's share capital issued as consideration for the acquisition. During the year, the contributed surplus was transferred to accumulated profits for future distribution.

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

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

Pursuant to the letter of undertaking entered into between the Company and a bank, the Company cannot reduce or distribute or use the capital reserve account, including the transfer to the contributed surplus account, so long as any sums remain outstanding under a loan agreement, over which the Company has given a guarantee in favour of the bank, entered into between certain subsidiaries of the Company and the bank.

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In the opinion of the directors, the Company's reserves available for distribution to shareholders as at the balance sheet date were as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(As restated)</i>
Contributed surplus	–	155,846
Accumulated profits	40,311	73,470
	<u>40,311</u>	<u>229,316</u>

36. Reconciliation of Profit (Loss) before Taxation to Net Cash Inflow from Operating Activities

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(As restated)</i>
Profit (loss) before taxation	125,243	(313,144)
Share of results of associates	(103,901)	(14,969)
Share of results of jointly controlled entities	(8,559)	(293)
Loss on disposal and dilution of interests in subsidiaries and an associate	6,688	289,190
Impairment loss on investment securities	2,462	–
Deficit arising on revaluation of investment properties	31,130	13,000
Write back of impairment loss on properties under development held for resale	(8,829)	–
Write back of impairment loss on hotel properties	(45,000)	–
Write back of allowance for loans receivable	(23,829)	–
Allowance for amount due from an associate receivable after one year	–	20,000
Interest expenses	38,301	211,650
Interest income	(38,312)	(137,996)
Amortisation of goodwill	2,305	29,346
Depreciation and amortisation of property, plant and equipment	78,932	347,575
Dividends from investments in listed securities	–	(2,987)
Dividends from investments in unlisted securities	–	(24)
Net realised and unrealised holding loss on listed other investments	1,760	18,728
Loss on disposal of unlisted short term investments	22,000	–
(Gain) loss on disposal of listed other investments	(4,795)	155,771
Gain on disposal of unlisted investment securities	–	(21,354)
Amortisation of redemption premium of debt securities	–	(6,396)
Loss on disposal of property, plant and equipment	8,768	2,269
Increase in properties under development held for resale	(39,635)	(28,948)
Decrease in properties held for resale	130,904	–
(Increase) decrease in amounts due from (to) customers for contract works, net of attributable interest expenses and depreciation and amortisation	(186,070)	887,457
Decrease (increase) in debtors, deposits and prepayments	65,539	(654,557)
Increase in amounts due from related companies	(8,792)	(249)
Decrease in amounts due from associates	2,277	7,274
Decrease in creditors and accrued expenses	(119,879)	(153,300)
Decrease in bills payable	–	(1,118)
Decrease in amounts due to related companies	(115)	(1,882)
(Decrease) increase in amounts due to associates	(1,682)	5,121
Increase in amounts due to jointly controlled entities	79,194	–
	<u>6,105</u>	<u>650,164</u>
Net cash inflow from operating activities	<u>6,105</u>	<u>650,164</u>

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37. Acquisition of Subsidiaries

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:		
Property, plant and equipment	–	69,250
Amounts due from (to) customers for contract works – net	–	21,465
Debtors, deposits and prepayments	–	137,246
Bank balances and cash	–	10,845
Creditors and accrued expenses	–	(108,552)
Taxation payable	–	(100)
Bank loans	–	(287)
Minority interests	–	(1,312)
	<u>–</u>	<u>–</u>
Goodwill arising on acquisition of subsidiaries	–	128,555
	<u>–</u>	<u>158,378</u>
	<u>–</u>	<u>286,933</u>
Satisfied by:		
Cash paid	–	138,479
Issue of shares in a subsidiary to minority shareholders	–	138,191
Consideration payable	–	10,263
	<u>–</u>	<u>10,263</u>
	<u>–</u>	<u>286,933</u>
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:		
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration	–	(138,479)
Bank balances and cash acquired	–	10,845
	<u>–</u>	<u>10,845</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>–</u>	<u>(127,634)</u>

The subsidiaries acquired during the year ended 31st March, 2001 contributed approximately HK\$179,547,000 to the Group's turnover and a profit of approximately HK\$10,148,000 to the Group's profit from operations and did not make a significant impact on the Group's cash flows for that year.

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38. Disposal and Dilution of Interests in Subsidiaries

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(As restated)</i>
Net assets disposed of:		
Property, plant and equipment	–	1,828,524
Goodwill	–	441,516
Interests in associates	–	38,500
Amounts due from (to) customers for contract works – net	–	(26,384)
Debtors, deposits and prepayments	–	1,738,764
Amounts due from associates	–	126,448
Short term bank deposits, bank balances and cash	–	103,385
Creditors and accrued expenses	–	(600,855)
Taxation payable	–	(45,010)
Obligations under finance leases	–	(134,654)
Bank loans	–	(933,129)
Other loans	–	(576,394)
Convertible notes	–	(133,980)
Deferred taxation	–	(99,704)
Minority interests	–	(722,910)
	<u>–</u>	<u>1,004,117</u>
Translation reserve realised	–	86,841
Loss on disposal and dilution of interests in subsidiaries	–	(289,190)
Interests in associates	–	(633,009)
	<u>–</u>	<u>168,759</u>
Satisfied by:		
Cash received	–	47,378
Unlisted debt securities	–	100,000
Amounts due from associates	–	21,381
	<u>–</u>	<u>168,759</u>

Analysis of net outflow of cash and cash equivalents in connection with the disposal and dilution of interests in subsidiaries:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration received	–	47,378
Short term bank deposits, bank balances and cash disposed of	–	(103,385)
	<u>–</u>	<u>(56,007)</u>

The subsidiaries disposed of during the year ended 31st March, 2001 contributed approximately HK\$61,818,000 to the Group's net operating cash flows, paid approximately HK\$148,387,000 in respect of the net returns on investments and servicing of finance, paid approximately HK\$50,573,000 for taxation, paid approximately HK\$298,718,000 for investing activities and raised approximately HK\$466,380,000 in respect of financing activities. The subsidiaries disposed of contributed approximately HK\$220,880,000 to the Group's profit from operations for that year.

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39. Analysis of Changes in Financing during the Year

	Share capital and premium <i>HK\$'000</i>	Convertible bonds <i>HK\$'000</i>	Bank borrowings with more than three months of maturity when raised <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Other loans <i>HK\$'000</i>	Convertible notes <i>HK\$'000</i>	Amount due to a jointly controlled entity <i>HK\$'000</i>
At 1st April, 2000	319,349	1,066,214	850,013	238,440	733,195	715,975	616,425	-
Translation adjustments	-	-	(89,930)	(41,150)	-	(139,581)	(32,445)	-
Share issue expenses	(293)	-	-	-	-	-	-	-
Repurchase and redemption of the convertible bonds	-	(1,076,451)	-	-	-	-	-	-
Amortisation of deferred expenditure on convertible bonds	-	4,409	-	-	-	-	-	-
Amortisation of premium payable upon final redemption of the convertible bonds	-	5,828	-	-	-	-	-	-
New loans raised	-	-	900,594	-	-	-	-	-
Repayments	-	-	(337,448)	(56,186)	(95,100)	-	-	-
Issue of shares in a subsidiary to minority shareholders upon acquisition of a subsidiary	-	-	-	-	138,191	-	-	-
On acquisition of subsidiaries	-	-	287	-	1,312	-	-	-
On disposal and dilution of interests in subsidiaries	-	-	(933,129)	(134,654)	(722,910)	(576,394)	(133,980)	-
Contributions from minority shareholders	-	-	-	-	746	-	-	-
Minority share of goodwill of subsidiaries	-	-	-	-	(73,520)	-	-	-
Minority share of results for the year	-	-	-	-	91,343	-	-	-
Dividends paid to minority shareholders	-	-	-	-	(58,095)	-	-	-
Additions to investment securities	-	-	-	-	-	321,760	-	-
Advances	-	-	-	-	-	-	-	13,390
At 31st March, 2001	319,056	-	390,387	6,450	15,162	321,760	450,000	13,390
Share issue expenses	(535)	-	-	-	-	-	-	-
New loans raised	-	-	888,882	-	-	-	-	-
Repayments	-	-	(64,179)	(6,450)	(2,953)	(321,760)	(450,000)	(890)
Minority share of results for the year	-	-	-	-	6,605	-	-	-
Dividends paid to minority shareholders	-	-	-	-	(3,150)	-	-	-
At 31st March, 2002	<u>318,521</u>	<u>-</u>	<u>1,215,090</u>	<u>-</u>	<u>15,664</u>	<u>-</u>	<u>-</u>	<u>12,500</u>

40. Major Non-cash Transactions

During the year, the Group issued additional shares as scrip dividends as set out in note 32.

For the year ended 31st March, 2001, in addition to the non-cash consideration involved in the acquisition, and the disposal and dilution of interests in subsidiaries set out in notes 37 and 38, respectively, and the issue of additional shares as scrip dividends, the Group also had the following major non-cash transactions:

- (a) Issue of loan note of HK\$321,760,000 as part of the consideration for the acquisition of certain investment securities; and
- (b) Receipt of scrip dividends of HK\$110,000 from investments in listed securities.

41. Retirement Benefit Schemes

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

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

At the balance sheet date, there were no 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.

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42. Contingent Liabilities

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding performance bonds in respect of construction contracts	607,447	598,556	–	–
Guarantees given to banks and financial institutions in respect of general banking facilities granted to:				
Subsidiaries	–	–	1,886,345	1,337,858
Associates	84,717	84,206	84,717	84,206
A jointly controlled entity	8,360	4,180	8,360	4,180
	<u>700,524</u>	<u>686,942</u>	<u>1,979,422</u>	<u>1,426,244</u>

At the balance sheet date, the Group had a number of employees who have completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination of employment meets the circumstances which are specified in the Ordinance. Had the employment of all eligible employees been terminated on 31st March, 2002 and long service payments been paid under the Ordinance, the amount payable would have been approximately HK\$52,072,000 (2001: HK\$45,724,000). An amount of approximately HK\$29,279,000 (2001: HK\$22,220,000) will be offset by the Group's retirement benefit scheme and no provision has been made for the remaining balance in the financial statements.

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

43. 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	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,409	4,020
In the second to fifth year inclusive	908	2,532
After five years	476	257
	<u>3,793</u>	<u>6,809</u>

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

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(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	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	28,808	23,916
In the second to fifth year inclusive	9,025	15,570
	<u>37,833</u>	<u>39,486</u>

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

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

44. Commitments

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	–	3,003

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

45. Pledge of Assets

At 31st March, 2002, certain of the Group's properties, investment securities and debtors with an aggregate value of approximately HK\$1,553,970,000 (2001: HK\$2,489,008,000) and its benefits under certain construction contracts, have been pledged to banks, financial institutions and lenders to secure general credit facilities granted to the Group. Facilities amounting to approximately HK\$1,168,053,000 (2001: HK\$1,160,657,000) were utilised as at 31st March, 2002.

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46. Related Party Transactions and Balances

During the year, the Group entered into the following transactions with certain related parties:

Class of related party	Nature of transactions	2002 HK\$'000	2001 HK\$'000
Associates of the Group	Construction works charged by the Group	177,418	163,625
	Purchase of concrete products by the Group	145	15
	Subcontracting fees charged to the Group	57,192	79
	Interest income charged by the Group	4,975	5,359
	Loan commitment fee charged by the Group	236	–
	Rentals and related building management fee charged by the Group	3,667	1,466
	Service fees charged to the Group	493	–
	Purchase of equipment	832	–
Jointly controlled entities of the Group	Construction works charges by the Group	11,257	–
	Project management fees charged by the Group	6,125	–
	Subcontracting fees charged to the Group	350,683	–
	Service fees charged by the Group	342	–
Subsidiaries of ITC Corporation Limited (“ITC”)	Rentals and related building management fee charged by the Group	247	348
	Purchase of building materials and related installation works by the Group	882	266
Associates of ITC	Rentals and related building management fee charged by the Group	8,049	1,023
	Interest income charged by the Group	7,221	18,178
Subsidiaries of Premium Land Limited (“Premium Land”)	Rentals and related building management fee charged by the Group	<u>–</u>	<u>2,316</u>

ITC is a substantial shareholder of the Company. Premium Land was a substantial shareholder of the Company prior to 19th January, 2001.

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 equipment, concrete products and building materials were carried out in accordance with the negotiated prices.
- (c) Interest was charged by reference to the principal outstanding and at the interest rate determined and agreed by both parties.
- (d) Building management fee, service fee, project management fee and loan commitment fee were charged at the pre-agreed rates.
- (e) Rentals were charged at the pre-agreed fixed monthly amounts.

Details of the balance with associates, jointly controlled entities and related companies at the balance sheet date are set out in notes 17, 18, 23 and 24.

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47. Particulars of Principal Subsidiaries, Associates and Jointly Controlled Entities

(a) Particulars of the Company's principal subsidiaries as at 31st March, 2002 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
Corless Limited	British Virgin Islands	US\$2 ordinary shares	100	100	Investment holding
Cycle Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property investment and holding
		HK\$2 non-voting deferred shares (note (i) below)	–	–	
DH Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding
Full Winners Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property sale and holding
Gunnell Properties Limited	British Virgin Islands	US\$1 ordinary share	100	100	Property investment and holding
Hamker Concrete Products Limited	Hong Kong	HK\$5,000,000 ordinary shares	70	70	Manufacturing and trading of concrete products
Hanfull Enterprises Limited	British Virgin Islands	US\$1 ordinary share	100	100	Securities investment
Hey Wealth Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
Nation Cheer Investment Limited	Hong Kong	HK\$1,200,000 ordinary shares	100	100	Securities investment and trading
Paul Y. – CREC Engineering Co., Limited	Hong Kong	HK\$10 ordinary shares	70	70	Civil engineering
Paul Y. – CREC Joint Venture	Hong Kong	– (note (ii) below)	70	70	Civil engineering
Paul Y. – ITC (E & M) Contractors Limited	Hong Kong	HK\$20,000,000 ordinary shares	99.9998	99.9998	Provision of electrical, mechanical and building services

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Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital		Principal activities
			held by the Company */ subsidiaries %	attributable to the Group %	
Paul Y. – ITC Construction Group Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding
		HK\$1,000,000 non-voting deferred shares <i>(note (iii) below)</i>	–	–	
Paul Y. – ITC Construction Limited	Hong Kong	HK\$102,000,000 ordinary shares	100	100	Building construction
Paul Y. – ITC Construction & Engineering Co. Limited	Hong Kong	HK\$42,000,000 ordinary shares	100	100	Building construction and specialist works
Paul Y. – ITC General Contractors Limited	Hong Kong	HK\$36,000,000 ordinary shares	100	100	Civil engineering and building construction
Paul Y. – ITC Interior Contractors Limited	Hong Kong	HK\$2 ordinary shares	100	100	Interior decoration works
Paul Y. – ITC Investments Group Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding
Paul Y. – ITC Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	Management services
Paul Y. – ITC Plant Hire Limited	Hong Kong	HK\$2 ordinary shares	100	100	Hire of motor vehicles and plant and machinery
Paul Y. Building Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property management services
Paul Y. Construction Company, Limited	Hong Kong	HK\$2 ordinary shares	100	100	Civil engineering, building construction and investment holding
		HK\$50,000,000 non-voting preferred shares <i>(note (iv) below)</i>	–	–	
Paul Y. Foundation Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding
Paul Y. Foundation Limited	Hong Kong	HK\$10,000,000 ordinary shares	100	100	Civil engineering and foundation works

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

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. Properties Group Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Paul Y. Tunnel Engineering Co. Limited	Hong Kong	HK\$2 ordinary shares	100	100	Civil engineering
Rosedale Hotel Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	Hotel management
Rosedale Park Limited	Hong Kong	HK\$2 ordinary shares	100	100	Hotel operation
Tai Shan Paul Y. Construction Co., Ltd.	PRC	US\$5,005,340 registered capital	100	100	Civil engineering and building construction
Trend Cheer Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding
Unicon Concrete Products (HK) Limited	Hong Kong	HK\$12,000,002 ordinary shares	100	100	Manufacturing and trading of concrete products
Unistress Concrete Products (H.K.) Limited	Hong Kong	HK\$200 ordinary shares	100	100	Manufacturing and trading of concrete products
		HK\$1,000,000 non-voting deferred shares (note (iii) below)	100	100	
Unistress Group Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding

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

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

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

Notes:

- (i) The holders of the non-voting deferred shares are not entitled to vote, are not entitled to any dividends unless the net profits of the company available for dividend exceed HK\$100,000,000,000,000 in which case they should be entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year and are, on winding up, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the company.
- (ii) No capital has been contributed by the joint venture partners of the joint venture.
- (iii) The holders of the non-voting deferred shares are not entitled to vote, are not entitled to any dividends for any financial year and are, on winding up or otherwise, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the company.
- (iv) The holders of the non-voting preferred shares are not entitled to vote, are not entitled to any dividends unless the net profits of the company available for dividend exceed HK\$100,000,000,000 in which case they should be entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year and are, on winding up, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK\$10,000,000,000 has been distributed to the holders of the ordinary shares of the company.
- (b) Particulars of the Company's principal associates as at 31st March, 2002 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
Bongear Elevator (HK) Limited	Hong Kong	HK\$57,500,000 ordinary shares	45.0	Elevators and escalators installation and maintenance
Downer EDI Limited ("Downer")	Australia	A\$478,496,924 ordinary shares	36.9	Investment holding
Hang Pak Engineering Limited	Hong Kong	HK\$100,000 ordinary shares	50.0	Elevators and escalators maintenance
Icfox International Limited	Cayman Islands	US\$11 ordinary shares	27.3	E-construction business
Paul Y. – CREC Construction Co., Limited	Hong Kong	HK\$100 ordinary shares	50.0	Civil engineering
Paul Y. – SELI Joint Venture	Hong Kong	– (note below)	50.0	Civil engineering
Ting Kau Contractors Joint Venture ("TKCJV")	Hong Kong	– (note below)	18.2	Civil engineering
Zhujiang Kwan On Concrete Products Co., Ltd.	PRC	RMB6,320,000 registered capital	50.0	Manufacturing and trading of concrete products

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

All of the above associates are private limited companies except (i) the joint ventures which are unincorporated businesses and (ii) Downer which is listed in Australia.

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

Note: No capital has been contributed by the joint venture partners of these joint ventures, although the Group has contributed working capital amounting to approximately HK\$44,693,000 to TKCJV.

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

(c) Particulars of the Company's jointly controlled entities as at 31st March, 2002 are as follows:

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

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

APPENDIX II FINANCIAL INFORMATION ON THE PAUL Y. - ITC GROUP

Schedule of Property Interests*At 31st March, 2002***1. INVESTMENT PROPERTIES**

Location	Purpose	Term of lease	Group interest %
Paul Y. Centre 51 Hung To Road Kwun Tong Kowloon Hong Kong	Industrial/Office	Medium term	100
In-Zone Shopping Arcade 125 Wanchai Road Wanchai Hong Kong	Commercial	Medium term	100
57/F and 60/F Shun Hing Square Shenzhen China	Commercial	Medium term	100
A 3 storey house in Beijing Riveria Garden Beijing China	Residential	Long term	100

2. HOTEL PROPERTIES

Location	Purpose	Term of lease	Group interest %
Best Western Rosedale on the Park 8 Shelter Street Causeway Bay Hong Kong	Hotel	Long term	100



Member of RHL International Property Consultants
永利行國際物業顧問集團成員

RHL Appraisal Ltd.
永利行評值顧問有限公司

Surveyors, Valuers, Land & Property Consultants
Room 1010, Star House, Tsingshatsui, Kowloon, H.K.

18th November, 2002

The Directors
ITC Corporation Limited
33rd Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

Re: Valuation of Various Properties in Hong Kong and in the People's Republic of China ("the PRC")

1. INSTRUCTION

In accordance with the instructions for us to value certain property interests of Paul Y. - ITC Construction Holdings Limited (referred to as "Paul Y. - ITC") or its subsidiaries (Paul Y. - ITC and its subsidiaries are altogether referred to as the "Paul Y. - ITC Group") in Hong Kong and in the PRC, we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the open market values of such property interests as at 30th September, 2002 (referred to as the "date of valuation").

2. BASIS OF VALUATION

The valuation is our opinion of the open market value which we would define as intended to mean "the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (i) a willing seller;
- (ii) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (iii) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (iv) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (v) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

As property numbered 3 is subject to non-alienation clause, our valuation of it is our opinion of the depreciated replacement cost.

3. VALUATION METHODOLOGY

In valuing the property interests (except property numbered 3) which are occupied by Paul Y. - ITC or left vacant, they have been valued on an open market basis assuming sale with the benefit of immediate vacant possession and by reference to comparable sales evidence as available on the market.

Where the property interests are let to parties outside Paul Y. - ITC, they have been valued on the basis of capitalization of the net rental incomes with due allowance for reversionary income potential. We have also made reference to comparables to arrive at our opinion of value.

In valuing property numbered 3, we have adopted the depreciated replacement cost approach which we would define as the estimated amount required to replace the asset at one time with a modern new unit using the most current technology and materials that will duplicate the production capacity and utility of the existing asset at a price level as prevailing on the valuation date. The method of depreciated replacement cost also involves an estimate of the market value of the land in its existing use as prevailing on the valuation date. In this valuation, we have made reference to the current land price of industrial land in the Yuen Long Industrial Estate.

4. ASSUMPTION

With the exception of property numbered 3, our valuation has been made on the assumption that the owner sells the property interests on the open market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the property interests.

For the property interests which are held by the Paul Y. - ITC Group on long term Government Leases or Land Use Right Contracts, we have assumed that the Paul Y. - ITC Group has free and uninterrupted rights to use the properties for the whole of the unexpired terms of their respective Government leases or land use right contracts subject to payment of annual land use fee, if any, to the government.

We have also assumed that the owners of the properties (except property numbered 3) have the right to sell, mortgage, charge or otherwise dispose of the properties to any person at a consideration without payment of any additional premium or substantial fee to the government.

Other special assumptions in relation to each property, if any, have been stated in the footnotes to the valuation certificate for each corresponding property.

5. TITLE INVESTIGATION

We have been, in some instances, provided with extracts of title documents relating to the properties. In addition, we have caused searches to be made at the appropriate Land Registry for the properties in Hong Kong. However, we have not searched the original documents to verify ownership or to verify the existence of any amendments which do not appear on the copies handed to us. All documents have been used for reference only.

As far as the properties situated in the PRC are concerned, we have also relied on the legal opinion prepared by the PRC legal adviser, namely Jin & Partners Law Firm (廣東東方金源律師事務所), on the title to and the nature of land use rights in those properties.

6. LIMITING CONDITIONS

We have inspected the properties, but no structural survey has been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services. All dimensions, measurements and areas are approximations.

We must point out that we have not carried out site investigations to determine the suitability of the ground conditions or the services of the development sites of the subject property portfolio. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have relied to a considerable extent on the information provided by Paul Y. - ITC and have accepted advice given to us by Paul Y. - ITC on such matters as statutory notices, easements, tenure, occupation, tenancy details, floor areas and in the identification of those properties in which the Paul Y. - ITC Group has a valid interest.

We have no reason to doubt the truth and accuracy of the information as provided to us by Paul Y. - ITC. We have relied on Paul Y. - ITC's confirmation that no material facts have been omitted from the information supplied.

No allowance has been made in our valuations for any charges, mortgages, outstanding land premium or amounts owing on any property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

7. REMARKS

We have valued the properties in Hong Kong Dollars. The conversion of Renminbi (RMB) into Hong Kong Dollars (HK\$) is based on the factor of HK\$1.00 = RMB1.06 with reference to the exchange rates as prevailing on the date of valuation.

We enclose herewith the summary of valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S.W. Lau
AHKIS AAPI RPS (GP)
Managing Director

Tse Wai Leung
BSc MRICS AHKIS RPS(GP)
Director

Serena S. W. Lau, who is an Associate of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC, and Tse Wai Leung, who is a member of the Royal Institution of Chartered Surveyors, an Associate of the Hong Kong Institute of Surveyor, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC, have over eight years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

Property	Capital value in existing states as at 30th September, 2002
1. Paul Y. Centre 51 Hung To Road Kwun Tong Kowloon	HK\$730,000,000
2. Ground Floor to 3rd Floor Cathay Lodge No. 125 Wanchai Road Wanchai Hong Kong	HK\$83,000,000
3. A factory complex at No. 42 Wang Lee Street Yuen Long Industrial Estate, Yuen Long New Territories Hong Kong	HK\$103,000,000
4. Lot Nos. 9, 10A and 12 in Demarcation District No. 95 Ho Sheung Heung Sheung Shui New Territories Hong Kong	HK\$28,000,000
5. Unit 3E Jian Lan Apartment Magnolia Garden Caoxi Bei Road Shanghai the PRC	HK\$600,000
6. Unit 3F Jian Lan Apartment Magnolia Garden Caoxi Bei Road Shanghai the PRC	HK\$600,000

Property	Capital value in existing states as at 30th September, 2002
7. The whole of Level 60 of Office Tower Shun Hing Square (also known as “King Land Building”) at the junctions of Shennan Zhong Road Jiefang Road and Baoan Road (currently known as No. 5002 Shennan Road East) Luohu District Shenzhen the PRC	HK\$33,000,000
8. The whole of Level 57 of Office Tower Shun Hing Square (also known as “King Land Building”) at the junctions of Shennan Zhong Road Jiefang Road and Baoan Road (currently known as No. 5002 Shennan Road East) Luohu District Shenzhen the PRC	HK\$29,000,000
9. Unit 2 on Level 16 and Units 2, 3, 5, 8, 10, 15 and 16 on Level 18 of Apartment Tower Shun Hing Square (also known as “King Land Building”) at the junctions of Shennan Zhong Road Jiefang Road and Baoan Road (currently known as No. 5002 Shennan Road East) Luohu District Shenzhen the PRC	HK\$5,700,000
10. A parcel of land (Lot No. 02-03) at the junction of Huan Cheng Nan Road and Huan Cheng Xi Road (previously occupied by Culture Palace) Taicheng, Taishan City Guangdong Province the PRC	HK\$28,000,000
11. A parcel of land (Lot No. 02-04) at Tong Ji Road (previously occupied by Youth Palace) Taicheng, Taishan City Guangdong Province the PRC	HK\$14,000,000
Total:	<hr/> HK\$1,054,900,000 <hr/>

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September, 2002																														
1. Paul Y. Centre 51 Hung To Road Kwun Tong Kowloon Kwun Tong Inland Lot 734	<p>The property comprises a 29-storey industrial/office building, including 6-storey car parking floors for private cars, trucks and containers. The building was completed in 1996.</p> <p>The total gross floor area of the property is approximately 377,406 square feet.</p> <p>A schedule of use and gross floor area of the subject building is set out as follows:</p> <table border="1"> <thead> <tr> <th>Floor*</th> <th>Uses</th> <th>Gross Floor Area sq. ft.</th> </tr> </thead> <tbody> <tr> <td>G/F</td> <td>C.P.& I/O</td> <td>7,325 20 nos.</td> </tr> <tr> <td>1/F-6/F</td> <td>C.P.</td> <td>242 nos.</td> </tr> <tr> <td>7/F-12/F</td> <td>I/O</td> <td>95,880</td> </tr> <tr> <td>15/F-22/F</td> <td>I/O</td> <td>127,840</td> </tr> <tr> <td>23/F</td> <td>I/O</td> <td>15,718</td> </tr> <tr> <td>25/F</td> <td>I/O</td> <td>16,298</td> </tr> <tr> <td>26/F-31/F</td> <td>I/O</td> <td>98,010</td> </tr> <tr> <td>33/F</td> <td>I/O</td> <td>16,335</td> </tr> <tr> <td></td> <td>Total:</td> <td><u>377,406</u></td> </tr> </tbody> </table> <p>* (The property does not have 4/F, 13/F, 14/F, 24/F and 32/F)</p> <p>C.P. – Carparking Space I/O – Industrial/Office</p> <p>The property is held under Conditions of Exchange No. 12413 commenced on 9th October, 1996 and expired on 30th June, 2047. The current annual ground rent of the property is equal to 3% of its rateable value from time to time.</p>	Floor*	Uses	Gross Floor Area sq. ft.	G/F	C.P.& I/O	7,325 20 nos.	1/F-6/F	C.P.	242 nos.	7/F-12/F	I/O	95,880	15/F-22/F	I/O	127,840	23/F	I/O	15,718	25/F	I/O	16,298	26/F-31/F	I/O	98,010	33/F	I/O	16,335		Total:	<u>377,406</u>	<p>As at the valuation date, some of the industrial/office units on ground floor and the upper floors having a total gross floor area of approximately 248,839.50 square feet were subject to various tenancies expiring on between 31st October, 2002 and 14th August, 2005 with a monthly rental income of approximately HK\$2,790,000 exclusive of rates and management fees in September 2002.</p> <p>In addition, the tenants of the industrial/office units can opt to use the carparking spaces of the property under licences with payment of licences fees. For the period between 1st April, 2002 and 30th September, 2002, a total revenue of approximately HK\$2,982,000 was generated from the carparking spaces.</p> <p>The remaining portion of the property is either vacant or owner-occupied.</p>	HK\$730,000,000
Floor*	Uses	Gross Floor Area sq. ft.																															
G/F	C.P.& I/O	7,325 20 nos.																															
1/F-6/F	C.P.	242 nos.																															
7/F-12/F	I/O	95,880																															
15/F-22/F	I/O	127,840																															
23/F	I/O	15,718																															
25/F	I/O	16,298																															
26/F-31/F	I/O	98,010																															
33/F	I/O	16,335																															
	Total:	<u>377,406</u>																															

Notes:

- The registered owner of the property is Cycle Company Limited and Gunnell Properties Limited.
- The property is subject to a Debenture and a Supplemental to Debenture both in favour of Bank of China (Hong Kong) Limited via memorial nos. 6938478 dated 23rd January, 1997 and memorial no. 8595309 dated 17th January, 2002 respectively.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September, 2002
2. Ground Floor to 3rd Floor Cathay Lodge No. 125 Wanchai Road Wanchai Hong Kong	The property comprises a shopping arcade currently known as "In-Zone" which is occupying Ground Floor, 1st, 2nd and 3rd Floor of a 28-storey commercial/residential building completed in 2001.	Except Unit 17 on 2nd Floor having a gross floor area of 262 square feet, the property is subject to various individual tenancies expiring on between 31st March, 2003 and 30th June, 2004 with a monthly rental income of approximately HK\$445,000 inclusive of rates and management fee in September 2002.	HK\$83,000,000
15,542/82,700th share of and in Inland Lot Nos. 611 and 662	<p>The property has a gross floor area of 14,277 square feet.</p> <p>The property is held under two Government leases both for a term of 999 years commencing on 11th October, 1859 and 26th December, 1860 respectively.</p> <p>The annual ground rent of the subject lot sections is HK\$26.44 and £9.16.</p>		

Notes:

1. The registered owner of the property is Full Winner Limited via memorial no. 7405047 dated 7th January, 1998.
2. The property is subject to a mortgage and rent assignment both in favour of The Hongkong and Shanghai Banking Corporation Limited via memorial no. 8675105 dated 19th April, 2002 and memorial no. 8675106 dated 19th April, 2002 respectively.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September, 2002
3. A factory complex at No. 42 Wang Lee Street Yuen Long Industrial Estate Yuen Long New Territories Hong Kong Subsection 3 and Remaining Portion both of Section D of Yuen Long Town Lot 313 and Extensions thereto	<p>The property comprises a parcel of industrial land with an area of 21,350.03 square metres (229,811.72 square feet). As stated in the land lease of the property, the maximum plot ratio of the industrial land is 2.5. Accordingly, the maximum permissible gross floor area of it is 53,375.08 square metres (574,529.36 square feet).</p> <p>As at the valuation date, there were two single storey industrial complex and ancillary offices with a total gross floor area of approximately 11,024.11 square metres (118,663.52 square feet) erected on the industrial land. These buildings were fully completed in 1999.</p> <p>The property is held under an Agreement for Lease for a term of years commencing on 31st December, 1990 and expiring on 27th June, 2047.</p> <p>The current annual ground rent of the subject lot is equal to 3% of its rateable value for the time being.</p>	<p>As confirmed by the Paul Y. - ITC Group, the property is currently designated for the use of pre-cast concrete product manufacturing and ancillary offices.</p>	<p>HK\$103,000,000</p>

Notes:

1. Pursuant to an Agreement for Lease dated 24th December, 1990 and a Supplemental Agreement for Lease and Grant of Extension Area dated 26th July, 1994 both entered into by The Hong Kong Industrial Estates Corporation (the "Grantor") and Unicon Industrial Limited (the "Grantee"), the Grantor granted the subject lot namely Subsection 3 and the Remaining Portion of Section D of Yuen Long Town Lot No. 313 and Extension thereto to the Grantee for a term of years commencing on 31st December 1990 and expiring on 27th June 2047 at an annual ground rent equal to 3% of the rateable value for the time being of the lot.
2. As specified in the said Agreement for Lease, the Grantee is not allowed to assign, underlet or part with the possession of or otherwise dispose of the subject land or any part thereof or any interest therein or any building or part of any building thereon, enter into any agreement to do so.
3. The registered owner of the subject lot is Unicon Industrial Limited vide memorial no 923069 dated 29th May, 2000.
4. Our opinion of value represents the depreciated replacement costs of the property as at the valuation date.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September, 2002															
4. Lot Nos. 9, 10A and 12 in Demarcation District No. 95, Ho Sheung Heung, Sheung Shui, New Territories, Hong Kong	<p>The property comprises a roughly level ground of irregular shape having an area of approximately 142,002 square feet (13,192 square metres) over which some temporary structures were built.</p> <p>The registered lot areas and land uses of the subject property are set out as follows:</p> <table border="1"> <thead> <tr> <th>Lot No.</th> <th>Area</th> <th>Land Use</th> </tr> </thead> <tbody> <tr> <td>9</td> <td>114,563 sq. ft</td> <td>Padi</td> </tr> <tr> <td>10A</td> <td>18,247 sq. ft</td> <td>Padi</td> </tr> <tr> <td>12</td> <td>9,192 sq. ft</td> <td>Padi</td> </tr> <tr> <td>Total:</td> <td><u>142,002 sq. ft</u></td> <td></td> </tr> </tbody> </table> <p>The lease terms of the subject property are expiring on 30th June 2047 by virtue of Section 6 of the New Territories Lease (Extension) Ordinance.</p> <p>The current annual ground rent of the subject lot is equal to 3% of its rateable value for the time being.</p>	Lot No.	Area	Land Use	9	114,563 sq. ft	Padi	10A	18,247 sq. ft	Padi	12	9,192 sq. ft	Padi	Total:	<u>142,002 sq. ft</u>		The property is owner-occupied and is being used as a concrete casting yard with ancillary offices.	HK\$28,000,000
Lot No.	Area	Land Use																
9	114,563 sq. ft	Padi																
10A	18,247 sq. ft	Padi																
12	9,192 sq. ft	Padi																
Total:	<u>142,002 sq. ft</u>																	

Notes:

- The registered owner of the property is Unistress Concrete Products (H.K.) Ltd.
- Lot No. 9 is granted with a Short Term Waiver registered vide Memorial No. 264048 dated 16th August 1991. Section A of Lot No. 10 and Lot No. 12 is granted with another Short Term Waiver registered vide Memorial No. 263992 dated 16th September 1991. By virtue of these Waivers, the subject property is permitted to be used for the purpose of a precast and prestressed concrete casting yard. The total site coverage of the structures erected thereto cannot be more than 7.89 percent of the registered area of the subject property. The maximum height of the structures erected on the subject property is 5.18 metres.
- The current total waiver fee payable for the subject property is HK\$49,480 per quarter and it may be revised from time to time by the Government with not less than six months notice.
- The Waivers are determinable by either party via 3 months' prior written notice. As confirmed by the Paul Y. - ITC Group, the Waivers were still in force as at the valuation date.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September, 2002
5. Unit 3E Jian Lan Apartment Magnolia Garden Caoxi Bei Road Xuihui District Shanghai the PRC	The property comprises a residential unit on Level 3 of a 25-storey residential building completed in about 1994. The gross floor area of the property is 108.39 square metres (1,166.71 square feet). The property is held for a term commencing on 15th February, 1994 and expiring on 17th September, 2062.	The property is currently subject to a lease of monthly basis at a current monthly rent of RMB3,000.	HK\$600,000

Notes:

1. As revealed by a Land Use Certificate (No. 000888) dated 9th December, 1994 and a Building Ownership Certificate (No. 03455) dated 10th March, 1994, the property is held by Toggle Limited (德高有限公司) which is a wholly owned subsidiary of Paul Y. - ITC for a term commencing on 15th February, 1994 and expiring on 17th September, 2062.
2. PRC legal opinion in relation to the property is summarized as follows:
 - 2.1 By virtue of the Land Use Certificate (No. 000888) and the Building Ownership Certificate (No. 03455), the property is held by Toggle Limited for a term from 15th February, 1994 to 17th September, 2062 and its interests in the property are lawful and valid.
 - 2.2 As at 11th November, 2002, the property was free from any encumbrance. No agreement for sale and purchase, mortgage, charge and order for foreclosure was registered against the property.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September, 2002
6. Unit 3F Jian Lan Apartment Magnolia Garden Caoxi Bei Road Xuihui District Shanghai the PRC	<p>The property comprises a residential unit on Level 3 of a 25-storey residential building completed in about 1994.</p> <p>The gross floor area of the property is 110.03 square metres (1,184.36 square feet).</p> <p>The property is held for a term commencing on 15th February, 1994 and expiring on 17th September, 2062.</p>	The property is currently subject to a lease of monthly basis at a current monthly rent of RMB2,000.	HK\$600,000

Notes:

1. As revealed by a Land Use Certificate (No. 000889) dated 9th December, 1994 and a Building Ownership Certificate (No. 03456) dated 10th March, 1994, the property is held by Hemple Limited (亨寶有限公司) which is a wholly owned subsidiary of Paul Y. - ITC for a term commencing on 15th February, 1994 and expiring on 17th September, 2062.
2. PRC legal opinion in relation to the property is summarized as follows:
 - 2.1 By virtue of the Land Use Certificate (No. 000889) and the Building Ownership Certificate (No. 03456), the property is held by Hemple Limited for a term from 15th February, 1994 to 17th September, 2062 and its interests in the property are lawful and valid.
 - 2.2 As at 11th November, 2002, the property was free from any encumbrance. No agreement for sale and purchase, mortgage, charge and order for foreclosure was registered against the property.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September, 2002
7. The whole of Level 60 of Office Tower of Shun Hing Square (also known as “King Land Building”), at the junctions of Shennan Zhong Road, Jiefang Road and Baoan Road (currently known as No. 5002 Shennan Road East) Luohu District Shenzhen the PRC	<p>The subject development comprises a 68-storey office building and a 29-storey apartment building surmounting a 4-storey commercial podium and 2 basement levels for carparking purpose. It was completed in 1996.</p> <p>The property comprises Level 60 of the 68-storey office building of the subject development.</p> <p>The gross floor area of the property is approximately 2,224.95 square metres (23,949.36 square feet).</p> <p>The property is held for a term of 50 years commencing on 2nd January, 1995 and expiring on 1st January, 2045.</p>	As at the valuation date, the property is subject to a tenancy for a term of 3 years from 1st August, 2000 to 31st July, 2003 at a monthly rent of RMB162,293 exclusive of management fee and charges.	HK\$33,000,000

Notes:

1. As stipulated in 14 sets Building and Land Ownership Certificate (Nos. 4242076, 4242078, 4242086 and 4242088 to 4242098) dated 13th August, 1997, the property is held by 遠權有限公司 (Fargood Limited).
2. PRC legal opinion in relation to the property is summarized as follows:
 - 2.1 By virtue of the 14 sets of Building and Land Ownership Certificate, the property is held by Fargood Limited for a term from 2nd January, 1995 to 1st January, 2045 and its interests in the property are lawful and valid.
 - 2.2 As at 8th November, 2002, the property was subject to a mortgage in favour of Dao Heng Bank (Shenzhen Branch).
 - 2.3 Before discharging the mortgage, transfer, mortgaging, charging, inheriting or otherwise disposing of the property is subject to the mortgagee’s consent.

Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 30th September, 2002
8. The whole of Level 57 of Office Tower of Shun Hing Square (also known as “King Land Building”), at the junctions of Shennan Zhong Road Jiefang Road and Baoan Road (currently known as No. 5002 Shennan Road East) Luohu District Shenzhen the PRC	<p>The subject development comprises a 68-storey office building and a 29-storey apartment building surmounting a 4-storey commercial podium and 2 basement levels for carparking purpose. It was completed in 1996.</p> <p>The property comprises Level 57 of the 68-storey office building of the subject development.</p> <p>The gross floor area of the property is approximately 2,201.88 square metres (23,701 square feet).</p> <p>The property is held for a term of 50 years commencing on 2nd January, 1995 expiring on 1st January, 2045.</p>	<p>The property is currently subject to a tenancy for a term expiring on 31st July, 2003 at a monthly rent of RMB160,730.</p>	<p>HK\$29,000,000</p>

Notes:

1. As revealed by a Building and Land Ownership Certificate (No.4200978), the property is held by Karbony Real Estate Development (Shenzhen) Co., Ltd. for a term of 50 years commencing on 2nd January, 1991 and expiring on 1st January, 2045.
2. Pursuant to a Distribution Agreement dated 13th December, 1999, Karbony Real Estate Development (Shenzhen) Co., Ltd. agreed to transfer the property to Infiniti Developments Limited (“Infiniti”). It was agreed that Karbony Real Estate Development (Shenzhen) Co., Ltd. shall continue to be and remain the registered owner of the property but shall hold the same at the direction of Infiniti and the rents and profits thereof to the exclusion of others and all management fees and other outgoings shall be borne by and paid by Infiniti.
3. Pursuant to an Agreement for distribution of assets of Infiniti and an Agreement for assignment of rights both dated 9th December, 1999, it was agreed that all the rights (but not the obligations) of Infiniti under the aforesaid Distribution Agreement and Agreement for assignment of rights in respect of the property shall belong to Fargood Limited.
4. PRC legal opinion in relation to the property is summarized as follows:
 - 4.1 The aforesaid Distribution Agreement entered into between Karbony Real Estate Development (Shenzhen) Co., Ltd. and Infiniti and the Agreement for assignment of rights dated 9th December, 1999 do not contravene any PRC law and are legal and valid.
 - 4.2 Although the registration procedures for the property transfer is not yet completed and the title to the property is still registered in the name of Karbony Real Estate Development (Shenzhen) Co., Ltd., the entire interests in the property are beneficially held by Fargood Limited.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September, 2002
9. Unit 2 on Level 16 and Units 2, 3, 5, 8, 10, 15 and 16 on Level 18 of Apartment Tower of Shun Hing Square (also known as “King Land Building”) at the junctions of Shennan Zhong Road Jiefang Road and Baoan Road (currently known as No. 5002 Shennan Road East) Luohu District Shenzhen the PRC	<p>The subject development comprises a 68-storey office building and a 29-storey apartment building surmounting a 4-storey commercial podium and 2 basement levels for carparking purpose. It was completed in 1996.</p> <p>The property comprises 8 apartment units on the Levels 16 and 18 of the apartment tower of the subject development.</p> <p>The total gross floor area of the property is 857.40 square metres (9,229 square feet).</p> <p>The property is held for a term of 50 years commencing on 2nd January, 1995 expiring on 1st January, 2045.</p>	The property is vacant.	HK\$5,700,000

Notes:

1. As revealed by a Building and Land Ownership Certificate (No.4200978), the property is held by Karbony Real Estate Development (Shenzhen) Co., Ltd. for a term of 50 years commencing on 2nd January, 1991 and expiring on 1st January, 2045.
2. Pursuant to a Distribution Agreement dated 13th December, 1999, Karbony Real Estate Development (Shenzhen) Co., Ltd. agreed to transfer the property to Infiniti Developments Limited (“Infiniti”). It was agreed that Karbony Real Estate Development (Shenzhen) Co., Ltd. shall continue to be and remain the registered owner of the property but shall hold the same at the direction of Infiniti and the rents and profits thereof to the exclusion of others and all management fees and other outgoings shall be borne by and paid by Infiniti.
3. Pursuant to an Agreement for distribution of assets of Infiniti and an Agreement for assignment of rights both dated 9th December, 1999, it was agreed that all the rights (but not the obligations) of Infiniti under the aforesaid Distribution Agreement and Agreement for assignment of rights in respect of the property shall belong to Fargood Limited.
4. PRC legal opinion in relation to the property is summarized as follows:
 - 4.1 The aforesaid Distribution Agreement entered into between Karbony Real Estate Development (Shenzhen) Co., Ltd. and Infiniti and the Agreement for assignment of rights dated 9th December, 1999 do not contravene any PRC law and are legal and valid.
 - 4.2 Although the registration procedures for the property transfer is not yet completed and the title to the property is still registered in the name of Karbony Real Estate Development (Shenzhen) Co., Ltd., the entire interests in the property are beneficially held by Fargood Limited.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September, 2002
10. A parcel of land (Lot No. 02-03) at the junction of Huan Cheng Nan Road and Huan Cheng Xi Road (previously occupied by Culture Palace) Taicheng, Taishan City Guangdong Province the PRC	<p>The property comprises a parcel of land with an area of 8,873.3 square metres (95,512.20 square feet) on which two 2-storey buildings, a single-storey steel frame structure and some squatters are erected. These buildings shall be demolished by the Government in due course.</p> <p>The property is held for a term of 70 years from the date when the subject property in vacant possession is delivered by the Government to the Paul Y. - ITC Group.</p>	The property is currently under evacuation.	HK\$28,000,000

Notes:

1. Pursuant to a Land Use Right Grant Contract dated 30th August, 2002 entered into between Land Resource Bureau of Taishan City (the "Grantor") and Skylink Enterprises Limited (the "Grantee") which is a wholly owned subsidiary of Paul Y. - ITC, the Grantor agreed to grant the land use rights in the subject land namely Lot No. 02-03 to the Grantee for a term of 70 years from the date when the Grantor delivers vacant possession of the property to the Grantee. As stated in the said Land Use Right Grant Contract, the Grantor shall deliver the property in vacant possession and cleared site state to the Grantee not later than 30th April, 2003.
2. As provided in the said Land Use Right Grant Contract, the land premium in relation to the property at a total amount of RMB30,090,000. By virtue of a Loan Repayment Agreement entered into among the People's Government of Taishan, 茂勁發展有限公司 (Mao Jin Development Co., Ltd.) and Paul Y. - ITC Management Limited, which is a wholly owned subsidiary of Paul Y. - ITC, the land premium shall be settled by the People's Government of Taishan for partly discharging a loan in favour of Paul Y. - ITC Management Limited.
3. The property is subject to the following material development conditions as stipulated in the said Land Use Right Grant Contract:
 - 3.1 Use : Commercial, Finance and Residential
 - 3.2 Plot Ratio : not greater than 8 (based on total land area of 8,873.3 square metres)
 - 3.3 Site Coverage : not greater than 50% of the land area of 8,873.3 square metres
 - 3.4 Building Height : not higher than 101 metres
 - 3.5 Greenery Area : not less than 10%
 - 3.6 Work Commencement : construction work shall commence on or before 30th April, 2004
4. PRC legal opinion in relation to the property is summarized as follows:
 - 4.1 The aforesaid Land Use Right Grant Contract and the Loan Repayment Agreement are legal and valid.
 - 4.2 The land use rights in the property are held by Skylink Enterprises Limited for a term of 70 years from the date when the property in vacant possession is delivered to Skylink Enterprises Limited.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September, 2002
11. A parcel of land (Lot No. 02-04) at Tong Ji Road (previously occupied by Youth Palace) Taicheng, Taishan City Guangdong Province the PRC	<p>The property comprises a parcel of land with an area of 3,711.2 square metres (39,947.36 square feet) on which a 4-storey building, a 3-storey building and some steel frame structures are erected. These buildings shall be demolished by the Government in due course.</p> <p>The property is held for a term of 70 years from the date when the subject property in vacant possession is delivered by the Government to the Paul Y. - ITC Group.</p>	The property is currently under evacuation.	HK\$14,000,000

Notes:

1. Pursuant to a Land Use Right Grant Contract dated 30th August, 2002 entered into between Land Resource Bureau of Taishan City (the "Grantor") and Technico Investments Limited (the "Grantee") which is a wholly owned subsidiary of Paul Y. - ITC, the Grantor agreed to grant the land use rights in the subject land namely Lot No. 02-04 to the Grantee for a term of 70 years from the date when the Grantor delivers vacant possession of the property to the Grantee. As stated in the said Land Use Right Grant Contract, the Grantor shall deliver the property in vacant possession and cleared site state to the Grantee not later than 30th November, 2003.
2. As provided in the said Land Use Right Grant Contract, the land premium in relation to the property at a total amount of RMB15,020,000. By virtue of a Loan Repayment Agreement entered into among the People's Government of Taishan, 茂勁發展有限公司 (Mao Jin Development Co., Ltd.) and Paul Y. - ITC Management Limited, which is a wholly owned subsidiary of Paul Y. - ITC, the land premium shall be settled by the People's Government of Taishan for partly discharging a loan in favour of Paul Y. - ITC Management Limited.
3. The property is subject to the following material development conditions as stipulated in the said Land Use Right Grant Contract:
 - 3.1 Use : Commercial, Finance and Residential
 - 3.2 Plot Ratio : not greater than 4 (based on total land area of 3,711.2 square metres)
 - 3.3 Site Coverage : not greater than 65% of the land area of 3,711.2 square metres
 - 3.4 Building Height : not higher than 24 metres
 - 3.5 Greenery Area : not less than 8%
 - 3.6 Work Commencement : construction work shall commence on or before 30th November, 2004
4. PRC legal opinion in relation to the property is summarized as follows:
 - 4.1 The aforesaid Land Use Right Grant Contract and the Loan Repayment Agreement are legal and valid.
 - 4.2 The land use rights in the property are held by Technico Investments Limited for a term of 70 years from the date when the property in vacant possession is delivered to Technico Investments Limited.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the group and Paul Y. - ITC group.

The directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular relating to the group and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The information in this circular relating to Paul Y. - ITC and its subsidiaries has been extracted or summarized from information provided by Paul Y. - ITC at the request of the company or from publicly available information. The directors have made all reasonable enquiries and collectively and individually accept responsibility for the accuracy of extracts or summaries of such information.

EXPERT AND CONSENT

- (a) The following is the qualification of each of the experts who has given an opinion or advice contained in this circular:—

Name	Qualification
Dao Heng Securities	an investment adviser and dealer registered under the Securities Ordinance
RHL	professional property valuer

- (b) As at the latest practicable date, Dao Heng Securities and RHL did not have any shareholding in any member of the group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities of any member of the group.
- (c) Dao Heng Securities and RHL have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective letters, which have been prepared for inclusion in this circular, and references to their names in the form and context in which they appear.
- (d) None of Dao Heng Securities or RHL has since 31st March, 2002, being the date to which the latest audited consolidated financial statements of the company have been made up, any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the group.

DISCLOSURE OF INTERESTS

As at the latest practicable date, the interests of the directors in the equity or debt securities of the company, including the preference shares, and its associated corporations, within the meaning of the SDI Ordinance, which have been notified to the company and the Stock Exchange pursuant to section 28 of the SDI Ordinance, including interests which they are taken or deemed to have under section 31 of, or part I of the schedule to, the SDI Ordinance, or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which are required to be notified to the company and the Stock Exchange pursuant to the Model Code were as follows:

(a) *Interest in the company*

Name of director	Nature of interest	Number of shares held	Amount of notes held
Dr. Charles Chan	Corporate interest	219,681,911 (note)	HK\$250,000,000 (note)

Note: Dr. Charles Chan was deemed to have a corporate interest in 219,681,911 shares and in the notes issued by the company in 1999 with a principal amount of HK\$50,000,000 and the notes issued by the company in 2000 with a principal amount of HK\$200,000,000, the latter of which carries rights to convert into shares, by virtue of his indirect shareholding in Galaxyway, which owned these shares and notes.

(b) *Interest in Paul Y. - ITC*

Name of director	Nature of interest	Number of shares of Paul Y. - ITC held	Amount of warrants of Paul Y. - ITC held	Number of share options of Paul Y. - ITC held
Dr. Charles Chan	Corporate interest	446,842,878 (note)	HK\$34,586,324.80 (note)	–
Lau Ko Yuen, Tom	Personal interest	–	–	5,000,000
Chau Mei Wah, Rosanna	Personal interest	–	–	6,100,000
Chan Fut Yan	Personal interest	–	–	5,000,000
Cheung Hon Kit	Personal interest	400	HK\$32	–

Note: The shares and warrants of Paul Y. - ITC were held by a wholly owned subsidiary of the company. By virtue of his deemed interest in the ordinary share capital of the company, Dr. Charles Chan was deemed to be interested in these shares and warrants under the SDI Ordinance.

(c) *Interest in Hanny Holdings Limited (“Hanny”)*

Name of director	Nature of interest	Number of shares of Hanny held	Number of share options of Hanny held
Dr. Charles Chan	Corporate interest	1,811,952,504 (note)	–
	Personal interest	–	160,000,000
Chan Kwok Hung	Personal interest	–	70,000,000
Cheung Kwok Wah, Ken	Personal interest	–	30,000,000

Note: The shares of Hanny were held by a wholly owned subsidiary of the company. By virtue of his deemed interest in the ordinary share capital of the company, Dr. Charles Chan was deemed to be interested in these shares under the SDI Ordinance.

(d) *Interest in Burcon NutraScience Corporation (“Burcon”)*

Name of director	Nature of interest	Number of common shares of Burcon held	Number of warrants of Burcon held	Number of share options of Burcon held
Dr. Charles Chan	Corporate interest	3,860,000 (note)	460,000 (note)	–
Chau Mei Wah, Rosanna	Personal interest	280,000	–	40,000

Note: The common shares and warrants of Burcon were held by wholly owned subsidiaries of the company. By virtue of his deemed interest in the ordinary share capital of the company, Dr. Charles Chan was deemed to be interested in these shares and warrants under the SDI Ordinance.

(e) *Interest in Star East Holdings Limited (“Star East”)*

Name of director	Nature of interest	Number of shares of Star East held	Number of share options of Star East held
Dr. Charles Chan	Corporate interest	635,082,479 (note)	–
Lau Ko Yuen, Tom	Personal interest	382,000	–
Chau Mei Wah, Rosanna	Personal interest	–	19,400,000
Wong Kun To	Personal interest	–	22,400,000

Note: The shares of Star East were held by a wholly owned subsidiary of the company. By virtue of his deemed interest in the ordinary share capital of the company, Dr. Charles Chan was deemed to be interested in these shares under the SDI Ordinance.

Paul Y. - ITC, Hanny, Burcon and Star East are associated corporations, within the meaning of the SDI Ordinance, of the company.

Save as disclosed herein, as at the latest practicable date, none of the directors or chief executive of the company had any interests in the equity or debt securities of the company, including the preference shares, or any of its associated corporations which are required to be notified to the company and the Stock Exchange pursuant to section 28 of the SDI Ordinance or to the Model Code, including interests which they are taken or deemed to have under section 31 of, or part I of the schedule to, the SDI Ordinance, or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

Save as disclosed herein, none of the directors has any interest, direct or indirect, in any assets which have since 31st March, 2002, being the date to which the latest published audited accounts of the company were made up, been acquired or disposed of by or leased to any member of the group, or which are proposed to be acquired or disposed of by or leased to any member of the group.

Save as disclosed herein, none of the directors is materially interested in any contract or arrangement subsisting as at the latest practicable date which is significant to the business of the group.

SUBSTANTIAL SHAREHOLDERS

As at the latest practicable date, according to the register of substantial shareholders kept by the company pursuant to section 16(1) of the SDI Ordinance, the shareholders of the company who were directly or indirectly interested or taken or deemed to be directly or indirectly interested in 10% or more of the voting power in all circumstances at general meetings of the company were as follows:

Name of shareholder	Number of shares held		Percentage of issued shares %
	Direct interest	Deemed interest	
Dr. Charles Chan (<i>note</i>)	–	219,681,911	34.8
Chinaview International Limited (<i>note</i>)	–	219,681,911	34.8
Galaxyway	219,681,911	–	34.8

Note: Galaxyway was a wholly owned subsidiary of Chinaview International Limited which was, in turn, wholly owned by Dr. Charles Chan. Chinaview International Limited and Dr. Charles Chan were both deemed to be interested in 219,681,911 shares held by Galaxyway.

Save as disclosed above, the directors are not aware of any other person who, as at the latest practicable date, was directly or indirectly interested in 10% or more of the voting power in all circumstances at general meetings of the company.

SERVICE CONTRACTS

None of the directors has entered into any service contracts with any member of the group which is not terminable by the group within one year without any payment of compensation, other than statutory compensation.

MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by the group within the two years preceding the date of the circular and are or may be material:

- a. an underwriting agreement dated 16th January, 2001 entered into between Hanny, BNP Paribas Peregrine Securities Limited (“BNP Paribas Peregrine”), Tai Fook Securities Company Limited (“Tai Fook”) and ITC Corporation in respect of the rights issue of Hanny under which, among others, ITC Corporation has agreed to take up in full its entitlement under the rights issue of Hanny comprising 418,016,168 rights shares of Hanny at the subscription price of HK\$0.16 per rights share;
- b. a subscription agreement dated 8th June, 2001 between Star East and ITC Corporation and the supplemental agreement dated 11th June, 2001 between the same parties amending the same in respect of the subscription of 67,000,000 new shares in Star East by ITC Corporation at the subscription price of HK\$0.185 per share;
- c. a placing and subscription agreement dated 18th June, 2001 between ITC Corporation, Galaxyway and Tai Fook under which Tai Fook agreed to place as an agent of Galaxyway a total of 68,500,000 shares in ITC Corporation held by Galaxyway to independent investors at HK\$0.60 per share and Galaxyway agreed to subscribe for 105,000,000 new shares in ITC Corporation at HK\$0.60 per share;
- d. a placing and subscription agreement dated 3rd May, 2002 between ITC Corporation, Star East and Peace Town Securities Limited (“Peace Town”) under which Peace Town agreed to place, as an agent of ITC Corporation, 276,200,000 existing shares in Star East held by ITC Corporation at a price of HK\$0.08 per share and the subscription of 350,000,000 new shares in Star East by ITC Corporation at a price of HK\$0.08 per share;
- e. a redemption and subscription agreement dated 16th September, 2002 between Galaxyway and ITC Corporation in relation to the redemption of (i) notes issued by ITC Corporation to Galaxyway in 1999 in the aggregate principal amount of HK\$50,000,000 and (ii) convertible notes issued by ITC Corporation to Galaxyway in 2000 in the aggregate principal amount of HK\$200,000,000 and the subscription of new convertible notes by Galaxyway in the principal amount of up to HK\$250,000,000 at face value, together with a supplemental agreement dated 4th October, 2002 between Galaxyway and ITC Corporation relating to the completion arrangements of the issue of the new convertible notes;

- f. a conditional placing agreement dated 20th September, 2002 between BNP Paribas Peregrine and ITC Corporation whereby BNP Paribas Peregrine agreed to place as an agent of ITC Corporation new convertible notes in an aggregate principal amount of up to HK\$330,000,000 on a best endeavours basis to the existing holders of the notes issued by the company (except Galaxyway) and/or other independent investors, together with a supplemental agreement dated 4th October, 2002 between BNP Paribas Peregrine and ITC Corporation relating to the completion arrangements of the issue of the new convertible notes; and
- g. a loan agreement dated 28th October, 2002 between Dr. Charles Chan and ITC Corporation whereby Dr. Charles Chan has granted a HK\$180 million loan facility to ITC Corporation on an unsecured basis.

LITIGATION

The group is currently involved in the following material litigation:

The liquidators of Hoi Sing Construction Company Limited (“Hoi Sing”), a former wholly owned subsidiary of the company, instituted proceedings against the company on 10th July, 1998 claiming approximately HK\$297,441,000 plus interest pursuant to an alleged guarantee by the company for debt owed by Hoi Sing Builders Limited, a former wholly owned subsidiary of the company, to Hoi Sing. The company does not admit the existence of the guarantee, and has put Hoi Sing to strict proof of its terms and the amounts claimed under it. Even if the Court upholds the alleged guarantee, the company has a defence of “set off” arising from a claim against Hoi Sing for approximately HK\$308,207,000. The company is a principal creditor of Hoi Sing and the liquidators of Hoi Sing have admitted a substantial portion of the company’s claim as at 30th September, 2002. The balance is being adjudicated by the liquidators of Hoi Sing.

MATERIAL CHANGES

The directors are not aware of any material adverse changes in the financial or trading position of the group since 31st March, 2002, the date to which the latest published audited accounts of the company were made up.

GENERAL

- a. The secretary of the company is Law Hon Wa, William, *AHKSA, FCCA*.
- b. The registered office of the company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong of the company is at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
- c. The transfer office and share registrars of the company are Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda and Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, respectively.
- d. The English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of Iu, Lai & Li at 20th Floor, Gloucester Tower, The Landmark, Central, Hong Kong from 18th November, 2002 to 4th December, 2002 (both dates inclusive):

- the memorandum of association and bye-laws of the company;
- material contracts referred to in this appendix;
- the audited consolidated financial statements of the Paul Y. - ITC group for the two years ended 31st March, 2002;
- the letter, summary of valuation and valuation certificate, the text of which is set out in appendix III of this circular;
- the letter from Dao Heng Securities, the text of which is set out on pages 14 to 24 of this circular;
- the audited consolidated financial statements of the group for the two years ended 31st March, 2002;
- the following documents issued by the company pursuant to the requirements set out under Chapter 14 of the Listing Rules since 31st March, 2002, being the date to which the latest published audited consolidated financial statements of the group were made up:
 - a. a circular dated 30th July, 2002 containing, inter alia, certain information regarding the amendments to the bye-laws of the company, general mandates to issue securities and to repurchase securities, and the notice of the special general meeting held on 27th August, 2002;
 - b. a circular dated 23rd September, 2002 containing, inter alia, certain information regarding the proposed redemption of existing convertible notes, the placing and subscription of new convertible notes, an increase in authorised share capital, and the notice of the special general meeting held on 9th October, 2002; and
- written consents referred to in this appendix.

NOTICE OF SPECIAL GENERAL MEETING



ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of ITC Corporation Limited (the “company”) will be held at 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 4th December, 2002 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendment, the following resolution as an ordinary resolution:–

ORDINARY RESOLUTION

“THAT:

- (a) the voluntary conditional offers by Anglo Chinese Corporate Finance, Limited on behalf of Hollyfield Group Limited (“Hollyfield”), an indirect wholly owned subsidiary of the company, to acquire all the issued shares in, and warrants of, Paul Y. - ITC Construction Holdings Limited (“Paul Y. - ITC”) (other than the shares in, and warrants of, Paul Y. - ITC presently owned by the company or its wholly owned subsidiaries), on and subject to the terms and conditions set out in the circular of the company dated 18th November, 2002 (or on such terms and conditions as the directors of the company (“directors”) may deem to be in the interests of the company and its shareholders as a whole subject to compliance with the Hong Kong Code on Takeovers and Mergers (“Takeovers Code”)) and, where required under the Takeovers Code, the making of offer or proposal in respect of the outstanding options granted under any share option scheme of Paul Y. - ITC on such terms and conditions as the directors may deem appropriate in accordance with the Takeovers Code be and are hereby unconditionally approved;
- (b) to the extent applicable and subject to and pursuant to the compulsory acquisition power under sections 102 and, or, 103 of the Companies Act 1981 of Bermuda, Hollyfield be and is hereby unconditionally authorised to exercise such power to acquire shares in Paul Y. - ITC other than those held by, or by a nominee for, it;
- (c) the approval and authorisation in paragraphs (a) and (b) above shall authorise the directors to issue the offer document, notice and other documents in connection with the above offers, proposal or acquisition and settling any terms of the offers, proposal and acquisition in accordance with the Takeovers Code, the laws of Bermuda and other relevant rules and regulations; and

NOTICE OF SPECIAL GENERAL MEETING

- (d) the directors and each of them be authorised to complete and do all things and act and issue and execute all documents as they or he may consider necessary or expedient to give effect to this resolution, with such amendments or modifications, if any, as they or he may consider necessary or appropriate in the interests of the company and its shareholders.”

By order of the board
Law Hon Wa, William
Company Secretary

Hong Kong, 18th November, 2002

Principal place of business in Hong Kong:

33rd Floor, Paul Y. Centre

51 Hung To Road

Kwun Tong

Kowloon

Hong Kong

Notes:

1. A member of the company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A member may appoint a proxy in respect of part only of his holding of ordinary shares in the company. A proxy need not be a member of the company.
2. A form of proxy is enclosed. In order to be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the company's principal place of business in Hong Kong at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof, as the case may be.