
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, 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 the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 372)

MAJOR TRANSACTION

ACQUISITION OF PROPERTY

A notice convening a special general meeting of the holders of ordinary shares of ITC Corporation Limited to be held at 11:00 a.m. on Friday, 26th November, 2004 at Conference Room, 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong is set out on page 83 of this circular. There is a form of proxy for use at the special general meeting of ITC Corporation Limited accompanying this circular. If holders of ordinary shares of ITC Corporation Limited are not able to attend the meeting, they are requested to complete and return the accompanying form of proxy to the principal place of business of the Company in Hong Kong at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude holders of ordinary shares from attending and voting in person at the meeting should they so wish.

11th November, 2004

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DEFINITIONS

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

“Acquisition”	the acquisition of the Property by the Purchaser from the Vendor
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	ITC Corporation Limited, a company incorporated in Bermuda whose securities are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Provisional Sale and Purchase Agreement or (as the case may be) the Formal Agreement
“Completion Date”	30th December, 2004
“connected persons”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration payable by the Purchaser for the Acquisition under the Provisional Sale and Purchase Agreement, being HK\$102,018,000
“Director(s)”	the director(s) of the Company
“Formal Agreement”	formal agreement to be entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Property pursuant to the Provisional Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	8th November, 2004, 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 Issuers in Appendix 10 of the Listing Rules
“Ordinary Shareholders”	holders of the Ordinary Shares
“Ordinary Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Paul Y. - ITC”	Paul Y. - ITC Construction Holdings Limited, a company incorporated in Bermuda whose shares are listed on the main board of the Stock Exchange
“Paul Y. - ITC group”	Paul Y. - ITC and its subsidiaries
“Property”	the whole of the 30th Floor and Car Parking Spaces Nos. 4087, 4088, 4089 and 4043 on 4th Floor, Bank of America Tower, No.12 Harcourt Road, Hong Kong
“Provisional Sale and Purchase Agreement”	the provisional sale and purchase agreement dated 20th October, 2004 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Property
“Purchaser”	Great Intelligence Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“RHL”	RHL Appraisal Ltd., an independent property valuer

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition by the Ordinary Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Great Treasure Assets Limited, a company incorporated in the British Virgin Islands, who and whose ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company or its connected persons
“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*)
Chan Kwok Hung
Chan Fut Yan
Cheung Hon Kit

Independent Non-executive Directors:

Chuck Winston Calptor
Lee Kit Wah
Wong Kam Cheong, Stanley

Registered office:

Clarendon House
2 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

11th November, 2004

*To the Ordinary Shareholders and, for information only,
holders of the preference shares and the convertible notes
issued by the Company*

Dear Sir and Madam,

MAJOR TRANSACTION ACQUISITION OF PROPERTY

INTRODUCTION

The Board announced on 20th October, 2004 that the Purchaser, a wholly-owned subsidiary of the Company, has entered into the Provisional Sale and Purchase Agreement with the Vendor in relation to the acquisition of the Property on 20th October, 2004 at a consideration of HK\$102,018,000.

As the Consideration amounted to approximately 33% of the total market capitalisation of the Company of approximately HK\$309.5 million (based on the average closing price per Ordinary Share of HK\$0.473 as quoted on the Stock Exchange for the last five trading days prior to 20th October, 2004) at the material time, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is conditional on the approval of the Ordinary Shareholders at the SGM.

The purpose of this circular is to provide you with further information regarding the Acquisition, to set out the valuation report of RHL as well as to give you notice of the SGM.

THE PROVISIONAL SALE AND PURCHASE AGREEMENT

Date:

20th October, 2004

Parties:

Vendor: Great Treasure Assets Limited, a company incorporated in the British Virgin Islands, who and whose ultimate beneficial owner, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company or its connected persons. The Vendor is principally engaged in property holding and was introduced to the Purchaser through an estate agent.

LETTER FROM THE BOARD

Purchaser: Great Intelligence Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. The Purchaser is not a subsidiary of Paul Y. - ITC. Paul Y. - ITC was a 55.1% owned subsidiary of the Company until 20 October 2004 and since then an associated company of the Company.

Property:

The whole of the 30th Floor and Car Parking Spaces Nos. 4087, 4088, 4089 and 4043 on 4th Floor, Bank of America Tower, No. 12 Harcourt Road, Hong Kong. The Property comprises offices with a total gross floor area of approximately 13,880 square feet. According to the information provided by the Vendor, the Property was rented out for the last three financial years. The Property has been vacant since mid December 2003.

Consideration:

The Consideration, being HK\$102,018,000, is payable as follows:

- (a) HK\$10,201,800 (the "Deposit"), representing 10% of the Consideration, has already been paid by the Purchaser as initial deposit and part payment upon the signing of the Provisional Sale and Purchase Agreement;
- (b) HK\$5,100,900 (the "Part Payment"), representing 5% of the Consideration, has been paid by the Purchaser as further deposit and part payment on 1st November, 2004; and
- (c) the balance of the Consideration in the sum of HK\$86,715,300 shall be paid by the Purchaser upon Completion.

The Property was valued at HK\$103 million as at 19th October, 2004 by RHL. This valuation represents the open market value of the Property as at such date with its existing physical state and condition. The full text of the valuation report issued by RHL is set out in Appendix II to this circular.

The Consideration was arrived at after arms length negotiation with the Vendor after taking into account the valuation of the Property provided by RHL.

Condition:

Completion is conditional upon the approval of the Acquisition by the Ordinary Shareholders having been obtained on or before the Completion Date. In the event that such condition is not fulfilled, the Purchaser shall have the option to rescind the Provisional Sale and Purchase Agreement by serving a written notice on or before the Completion Date, whereupon the Deposit shall be forfeited by the Vendor, and the Part Payment shall be returned by the Vendor to the Purchaser in full but without any compensation, interest (if such return is made within seven days) or costs, after which neither party shall have any claim against the other.

Completion:

Pursuant to the terms of the Provisional Sale and Purchase Agreement, Completion shall take place on the Completion Date.

FORMAL AGREEMENT

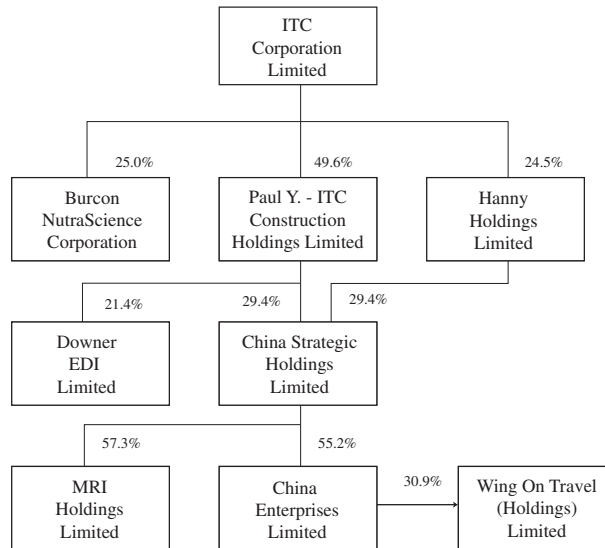
Pursuant to the terms of the Provisional Sale and Purchase Agreement, the Vendor and the Purchaser shall enter into the Formal Agreement in a form which incorporates the terms and conditions contained in the Provisional Sale and Purchase Agreement and so far as the same are applicable and are not inconsistent with the Provisional Sale and Purchase Agreement, the terms and conditions contained in Part A of the Second Schedule to the Conveyancing and Property Ordinance. As at the Latest Practicable Date, the Formal Agreement has not been signed.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY

The Company is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies. The Group holds interests in a number of listed associated companies, namely, Paul Y. - ITC, Hanny Holdings Limited and Burcon NutraScience Corporation. Through the above listed associated companies, the Group has indirect interests in China Strategic Holdings Limited, Downer EDI Limited, Wing On Travel (Holdings) Limited, China Enterprises Limited and MRI Holdings Limited. The principal activities of the Group comprise investment holding of listed companies, provision of finance, provision of management services, leasing of properties and trading of building materials and machinery.

The following is a simplified holding structure of the various direct and indirect investments of the Group in listed companies as at the Latest Practicable Date:



REASONS FOR AND EFFECTS OF THE ACQUISITION

The headquarters of the Group is now located in Kwun Tong at offices in Paul Y. Centre rented from Paul Y. - ITC on a monthly basis with no fixed term. The Group therefore wishes to acquire an office in downtown for convenience and smooth operation of the business of the Group. In view of the prime location of the Property, the Directors consider that the Acquisition not only meets the requirement of the Group but also represents an opportunity for the Group to expand its assets base. The Directors presently intend to retain the Property for the Group's use as a downtown office. The Directors are of the view that the terms of the Acquisition are fair and reasonable having regard to the valuation of the Property provided by RHL and after taking into account recent transactions of comparable properties in the vicinity. The existing headquarters of the Group in Kwun Tong will be retained.

The Consideration will be financed as to approximately 35% by internal resources and as to the remaining approximately 65% by banking facilities. The Directors are negotiating with various banks as to the terms to be offered by them for such banking facilities (including the securities required), which terms have not been agreed yet. It is expected that such banking facilities will be on normal commercial terms and to be secured by a legal charge on the Property. The stamp duty of approximately HK\$3,826,000 and legal and professional fees, commission and other costs of approximately HK\$1,300,000 payable in connection with the Acquisition will be financed by internal resources. Based on the pro forma assets and liabilities statement in section 7 of Appendix I in this circular, which was prepared for illustrative purposes only, there would be an increase in property, plant and equipment of approximately HK\$107.2 million and a decrease in bank balances and cash of approximately HK\$107.2 million. The gearing ratio of the Group was approximately 42.8% as at 31st March, 2004 which was calculated by using the Group's net borrowings of approximately HK\$578.5 million (being borrowings of approximately HK\$881.6 million, which were the aggregate of bank borrowings of approximately HK\$575.2 million, other loans of approximately HK\$17.3 million and convertible notes of approximately HK\$289.1 million, less the aggregate of bank deposits, bank balances and cash of approximately HK\$303.1 million) and shareholders' funds of approximately HK\$1,353.2 million as at 31st March, 2004. Based on the pro forma assets and

LETTER FROM THE BOARD

liabilities statement of the Group set out in section 7 of Appendix I, the gearing ratio, which was calculated by using the Group's net borrowings of approximately HK\$685.7 million (being borrowings of approximately HK\$881.6 million, which were the aggregate of bank borrowings of approximately HK\$575.2 million, other loans of approximately HK\$17.3 million and convertible notes of approximately HK\$289.1 million, less the aggregate of bank deposits, bank balances and cash of approximately HK\$195.9 million) and shareholders' funds of approximately HK\$1,353.2 million as reflected in the aforesaid pro forma assets and liabilities statement of the Group, would be increased to 50.7% while the current ratios would be decreased from 1.58 times (being current assets of approximately HK\$2,486.8 million over current liabilities of approximately HK\$1,573.3 million) to 1.51 times (being current assets of approximately HK\$2,379.6 million over current liabilities of approximately HK\$1,573.3 million) as if the Acquisition had taken place as at 31st March, 2004. The Group considers that the increase in gearing ratio and the decrease in current ratio are common and acceptable regarding acquisition of property of this nature. As the Group is negotiating new banking facilities to finance the Acquisition, the level of borrowings will be increased and the Property will be pledged as security once such facilities are granted and utilised. Save for the effect of the new banking facilities to be obtained (which terms have not yet been finalised and agreed), there will not be any change on the capital structure of the Group as a result of the Acquisition. As the Property will be retained for the Group's own use as a downtown office, it will not generate any income but will give rise to an annual depreciation charge of approximately HK\$2.5 million. Save as aforesaid, since the Consideration is at market value of the Property, the Acquisition would not have a significant effect on the earnings and the net asset value of the Group.

MAJOR TRANSACTION

As the Consideration amounts to approximately 33% of the total market capitalisation of the Company of approximately HK\$309.5 million (based on the average closing price per Ordinary Share of HK\$0.473 as quoted on the Stock Exchange for the last five trading days prior to 20th October, 2004) at the material time, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is conditional on the approval of the Ordinary Shareholders at a general meeting. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Ordinary Shareholder or its associates has any interest in the Acquisition which is not the same as the other Ordinary Shareholders. Therefore, no Ordinary Shareholder is required to abstain from voting on the resolution to be proposed at the SGM. There is no requirement that voting on the resolution to be proposed at the SGM shall be by way of poll unless demanded pursuant to the bye-laws of the Company. The procedure for demanding a poll is set out in Appendix III of this circular.

RECOMMENDATION

Having considered the reasons set out herein, the Directors are of the opinion that the terms of the Provisional Sale and Purchaser Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the shareholders of the Company as a whole. Accordingly, the Directors recommend the Ordinary Shareholders to vote in favour of the ordinary resolution to be put forward at the SGM.

SPECIAL GENERAL MEETING

Set out on page 83 of this circular is a notice convening the SGM to be held at Conference Room, 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong at 11:00 a.m. on Friday, 26th November, 2004 at which a resolution will be proposed to the Ordinary Shareholders to approve the Acquisition.

A form of proxy for use at the SGM is enclosed. If any Ordinary Shareholder is not able to attend the SGM, he is strongly urged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon, and to lodge it at the principal place of business of the Company in Hong Kong at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude him from attending and voting in person at the SGM or any adjourned meeting should he so wish.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
ITC Corporation Limited
Dr. Chan Kwok Keung, Charles
Chairman

1. SUMMARY OF FINANCIAL STATEMENTS

1.1 Three years financial summary

Summary of the audited consolidated results and of the assets and liabilities of the Group for each of the three years ended 31st March, 2004 (based on the 2002, 2003 and 2004 annual reports of the Company) is set out below:

(a) Results

	Year ended 31st March,		
	2002 HK\$'000 (Note)	2003 HK\$'000 (Note)	2004 HK\$'000
Turnover	40,147	768,697	3,434,666
Cost of sales	(5,164)	(709,563)	(3,288,566)
Gross profit	34,983	59,134	146,100
Other operating income	4,062	84,694	80,091
Administrative expenses	(35,753)	(76,959)	(154,429)
Profit from operations	3,292	66,869	71,762
Finance costs	(49,446)	(36,680)	(38,722)
Net investment income (expenses)	341	(20,409)	(43,183)
Deficit arising from revaluation of investment properties	–	–	(14,000)
Allowance for amounts due from associates and a related company	–	–	(40,985)
Net gain on disposal and dilution of interests in subsidiaries and associates	2,128	–	83,600
Impairment loss in respect of goodwill arising on acquisition of associates	(196,451)	–	–
Share of results of associates	(33,314)	(344,404)	156,400
Share of results of jointly controlled entities	–	1,895	9,074
(Loss) profit before taxation	(273,450)	(332,729)	183,946
Taxation	(27,186)	(28,019)	(53,719)
(Loss) profit before minority interests	(300,636)	(360,748)	130,227
Minority interests	–	2,224	(101,295)
(Loss) profit for the year	<u>(300,636)</u>	<u>(358,524)</u>	<u>28,932</u>

(b) Assets and liabilities

	At 31st March,		
	2002 HK\$'000 (Note)	2003 HK\$'000 (Note)	2004 HK\$'000
Property, plant and equipment	25,611	489,331	452,374
Investment properties	1,125	572,608	515,000
Negative goodwill	–	(423,474)	(314,540)
Interests in associates	1,778,913	1,354,627	1,750,489
Interests in jointly controlled entities	–	8,743	14,817
Investments in securities	4,008	676,092	24,894
Loan receivable	–	–	50,000
Convertible notes receivable	–	17,500	–
Deferred tax assets	–	4,165	2,714
Net current (liabilities) assets	(338,414)	527,409	913,458
	<u>1,471,243</u>	<u>3,227,001</u>	<u>3,409,206</u>
Share capital	89,894	89,894	92,227
Reserves	1,381,349	1,115,346	1,260,955
Shareholders' funds	1,471,243	1,205,240	1,353,182
Minority interests	–	863,395	1,195,365
Long-term liabilities	–	1,158,366	860,659
	<u>1,471,243</u>	<u>3,227,001</u>	<u>3,409,206</u>

Note: The figures were restated as a result of prior period adjustment of adoption of Statement of Standard Accounting Practice 12 (Revised) "Income taxes".

1.2 Audited financial statements

Terms defined herein are applied to this section only.

The following is the audited consolidated income statement of the Group for each of the two years ended 31st March, 2004 and the audited consolidated balance sheet of the Group as at 31st March, 2003 and 2004 together with the relevant notes (“Financial Statements”), as extracted from the Company’s annual report for the year ended 31st March, 2004.

Consolidated Income Statement

For the year ended 31st March, 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (As restated)
Turnover	4	3,434,666	768,697
Cost of sales		<u>(3,288,566)</u>	<u>(709,563)</u>
Gross profit		146,100	59,134
Other operating income	5	80,091	84,694
Administrative expenses		<u>(154,429)</u>	<u>(76,959)</u>
Profit from operations	6	71,762	66,869
Finance costs	8	(38,722)	(36,680)
Net investment expenses	9	(43,183)	(20,409)
Deficit arising from revaluation of investment properties		(14,000)	–
Allowance for amounts due from associates and a related company		(40,985)	–
Net gain on disposal and dilution of interests in subsidiaries and associates	10	83,600	–
Share of results of associates		156,400	(344,404)
Share of results of jointly controlled entities		<u>9,074</u>	<u>1,895</u>
Profit (loss) before taxation		183,946	(332,729)
Taxation	11	<u>(53,719)</u>	<u>(28,019)</u>
Profit (loss) before minority interests		130,227	(360,748)
Minority interests		<u>(101,295)</u>	<u>2,224</u>
Profit (loss) for the year		<u><u>28,932</u></u>	<u><u>(358,524)</u></u>
Earnings (loss) per share	13		
Basic		<u><u>HK\$0.02</u></u>	<u><u>(HK\$0.60)</u></u>
Diluted		<u><u>HK\$0.01</u></u>	<u><u>(HK\$0.60)</u></u>

Consolidated Balance Sheet

At 31st March, 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (As restated)
Non-current assets			
Property, plant and equipment	14	452,374	489,331
Investment properties	15	515,000	572,608
Negative goodwill	16	(314,540)	(423,474)
Interests in associates	18	1,750,489	1,354,627
Interests in jointly controlled entities	19	14,817	8,743
Investments in securities	20	24,894	676,092
Loan receivable	27	50,000	–
Convertible notes receivable	21	–	17,500
Deferred tax assets	34	2,714	4,165
		<u>2,495,748</u>	<u>2,699,592</u>
Current assets			
Inventories		138	251
Amounts due from customers for contract works	22	273,210	200,934
Debtors, deposits and prepayments	23	1,214,942	1,079,351
Amounts due from associates	24	327,650	137,253
Amounts due from jointly controlled entities	25	871	207
Amounts due from related companies	26	90,224	299,848
Loans receivable	27	221,474	159,595
Investments in securities	20	39,374	26,527
Tax recoverable		15,831	6,457
Bank deposits		24,824	214,963
Bank balances and cash		278,227	26,226
		<u>2,486,765</u>	<u>2,151,612</u>
Current liabilities			
Amounts due to customers for contract works	22	456,140	494,855
Creditors and accrued expenses	28	888,474	797,355
Amounts due to associates	29	96,273	12,772
Amounts due to jointly controlled entities	29	55,584	69,343
Amounts due to related companies	29	216	205
Tax payable		1,056	4,503
Bank borrowings – due within one year	31	58,247	167,853
Other loans – due within one year	32	17,317	77,317
		<u>1,573,307</u>	<u>1,624,203</u>
Net current assets		<u>913,458</u>	<u>527,409</u>
Total assets less current liabilities		<u>3,409,206</u>	<u>3,227,001</u>
Minority interests		<u>1,195,365</u>	<u>863,395</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (As restated)
Non-current liabilities			
Convertible notes	30	289,050	391,799
Bank borrowings – due after one year	31	517,000	637,175
Other loans – due after one year	32	–	66,500
Provision for long service payments	33	1,727	1,727
Deferred tax liabilities	34	52,882	61,165
		<u>860,659</u>	<u>1,158,366</u>
Net assets		<u><u>1,353,182</u></u>	<u><u>1,205,240</u></u>
Capital and reserves			
Share capital			
Ordinary shares	35	65,429	63,096
Compulsorily convertible cumulative preference shares	35	26,798	26,798
		<u>92,227</u>	<u>89,894</u>
Reserves		<u>1,260,955</u>	<u>1,115,346</u>
Shareholders' funds		<u><u>1,353,182</u></u>	<u><u>1,205,240</u></u>

Balance Sheet

At 31st March, 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current asset			
Interests in subsidiaries	17	1,719,250	1,949,961
Current assets			
Debtors, deposits and prepayments		238	3,282
Loan receivable	27	–	1,898
Bank deposits		–	4,000
Bank balances and cash		47,205	43
		<u>47,443</u>	<u>9,223</u>
Current liabilities			
Creditors and accrued expenses		22,616	16,895
Bank borrowings – due within one year	31	–	9,936
Other loans – due within one year	32	17,317	17,317
		<u>39,933</u>	<u>44,148</u>
Net current assets (liabilities)		<u>7,510</u>	<u>(34,925)</u>
Total assets less current liabilities		<u>1,726,760</u>	<u>1,915,036</u>
Non-current liabilities			
Convertible notes	30	289,050	391,799
Other loans – due after one year	32	–	66,500
		<u>289,050</u>	<u>458,299</u>
Net assets		<u><u>1,437,710</u></u>	<u><u>1,456,737</u></u>
Capital and reserves			
Share capital			
Ordinary shares	35	65,429	63,096
Compulsorily convertible cumulative preference shares	35	26,798	26,798
		<u>92,227</u>	<u>89,894</u>
Reserves	37	1,345,483	1,366,843
Shareholders' funds		<u><u>1,437,710</u></u>	<u><u>1,456,737</u></u>

Consolidated Statement of Changes in Equity*For the year ended 31st March, 2004*

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Properties revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April, 2002										
- as previously reported	89,894	205,222	2,092,234	908	-	-	(21,851)	(139,650)	(737,323)	1,489,434
- prior period adjustment (note 2)	-	-	-	-	-	-	-	-	(18,191)	(18,191)
- as restated	89,894	205,222	2,092,234	908	-	-	(21,851)	(139,650)	(755,514)	1,471,243
Exchange differences arising from translation of overseas operations	-	-	-	-	-	-	34,587	-	-	34,587
Share of post-acquisition reserve movements of associates	-	-	-	-	-	-	16,010	-	-	16,010
Surplus arising on revaluation of land and buildings	-	-	-	-	-	805	-	-	-	805
Net gain not recognised in the income statement	-	-	-	-	-	805	50,597	-	-	51,402
Share of post-acquisition reserve movements in associates	-	-	-	-	-	-	-	41,119	-	41,119
Loss for the year (as restated)	-	-	-	-	-	-	-	-	(358,524)	(358,524)
At 31st March, 2003	89,894	205,222	2,092,234	908	-	805	28,746	(98,531)	(1,114,038)	1,205,240
Exchange differences arising from translation of overseas operations	-	-	-	-	-	-	60,884	-	-	60,884
Share of post-acquisition reserve movements of associates	-	-	-	-	7,130	-	4,274	-	-	11,404
Surplus arising on revaluation of land and buildings	-	-	-	-	-	2,731	-	-	-	2,731
Released on disposal of land and buildings	-	-	-	-	-	(5)	-	-	5	-
Net gain not recognised in the income statement	-	-	-	-	7,130	2,726	65,158	-	5	75,019
Issue of shares	2,333	4,667	-	-	-	-	-	-	-	7,000
Share of post-acquisition reserve movements of associates	-	-	-	-	-	-	-	3,433	-	3,433
Released on disposal and dilution of interests in subsidiaries	-	-	-	-	-	(117)	(12,522)	-	-	(12,639)
Released on disposal and dilution of interests in associates	-	-	-	-	-	-	166	46,031	-	46,197
Profit for the year	-	-	-	-	-	-	-	-	28,932	28,932
At 31st March, 2004	92,227	209,889	2,092,234	908	7,130	3,414	81,548	(49,067)	(1,085,101)	1,353,182

The accumulated losses of the Group include accumulated losses of approximately HK\$514,187,000 (2003: HK\$652,040,000) and accumulated profits of approximately HK\$10,969,000 (2003: HK\$1,895,000) retained by the associates and jointly controlled entities of the Group respectively.

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 arising from another capital reorganisations.

Consolidated Cash Flow Statement*For the year ended 31st March, 2004*

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(As restated)
OPERATING ACTIVITIES		
Profit (loss) before taxation	183,946	(332,729)
Adjustments for:		
Share of results of associates	(156,400)	344,404
Share of results of jointly controlled entities	(9,074)	(1,895)
Release of negative goodwill	(53,139)	(18,412)
Interest expenses	38,237	34,295
Amortisation of deferred expenditure on issuance of convertible notes	485	2,385
Depreciation and amortisation of property, plant and equipment	74,969	18,756
Impairment loss on property interests	1,496	–
Allowance for amounts due from associates and a related company	40,985	–
Net gain on disposal and dilution of interests in subsidiaries and associates	(83,600)	–
Impairment loss on investment securities	5,340	20,410
Loss on option agreement	52,871	–
Deficit arising from revaluation of investment properties	14,000	–
Surplus arising from revaluation of land and buildings	(273)	(242)
Net unrealised holding (gain) loss on listed other investments	(36)	3,049
Gain on disposal of investment securities	(17,180)	–
Net gain on disposal of listed other investments	(26,643)	(669)
(Gain) loss on disposal of property, plant and equipment	(3,875)	2,746
Loss (gain) on disposal of investment properties	2,152	(1)
Operating cash flows before movements in working capital	64,261	72,097
Decrease in property held for resale	2,342	–
Decrease (increase) in inventories	118	(38)
Increase in amounts due from (to) customers for contract works, net of attributable interest expenses and depreciation and amortisation	(101,929)	(26,763)
(Increase) decrease in debtors, deposits and prepayments	(17,709)	28,716
Decrease in amounts due from associates	4,955	73
Increase in amounts due from jointly controlled entities	(664)	–
Decrease (increase) in amounts due from related companies	7,344	(4,846)
Decrease in loans receivable	69,249	826
Increase (decrease) in creditors and accrued expenses	13,564	(82,186)
(Decrease) increase in amounts due to associates	(25,751)	4,889
Increase (decrease) in amounts due to related companies	11	(1,569)
Cash generated from (used in) operations	15,791	(8,801)
Dividends received from associates	55,844	8,973
Dividends received from a jointly controlled entity	–	5,000
Overseas tax (paid) refunded	(4,487)	7
Hong Kong Profits Tax refunded	–	12
Hong Kong Profits Tax paid	(11,822)	(513)
NET CASH FROM OPERATING ACTIVITIES	55,326	4,678

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (As restated)
INVESTING ACTIVITIES			
Proceeds from disposal of interests in associates		565,568	27
Proceeds from partial disposal of interests in subsidiaries		128,913	–
Repayments from related companies		74,874	36,663
Proceeds from disposal of listed other investments		71,476	3,561
Repayments from associates		49,759	134,129
Proceeds from disposal of investments in securities		48,319	–
Proceeds from disposal of investment properties		47,056	1,126
Proceeds from disposal of property, plant and equipment		33,429	13,582
Repayments from jointly controlled entities		3,000	–
Acquisition of interests in associates		(124,137)	(27,370)
Amounts advanced to related companies		(94,681)	(37,043)
Amounts advanced to associates		(76,431)	(109,326)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	38	(59,742)	81,286
Additions to investment securities		(40,144)	(1,286)
Acquisition of additional interests in subsidiaries		(27,059)	–
Additions to property, plant and equipment		(10,979)	(12,023)
Investment in convertible notes receivable		–	(17,500)
NET CASH FROM INVESTING ACTIVITIES		589,221	65,826
FINANCING ACTIVITIES			
Repayments of bank borrowings		(215,493)	(92,815)
Repayments of other loans		(126,500)	(20,000)
Redemption of convertible notes		(96,000)	(580,000)
Dividend paid to minority shareholders of a subsidiary		(76,219)	(1,350)
Interest paid		(38,237)	(36,712)
Repayment of advance from a jointly controlled entity		(13,759)	–
Loan (repaid to) advanced from minority shareholders of a subsidiary		(4,373)	1,560
Expenditure incurred for issuance of convertible notes		(234)	(721)
Capital contributed by minority shareholders		3,750	–
Proceeds from issue of convertible notes		–	392,500
New bank loans raised		–	218,190
Other loans raised		–	146,500
Amount advanced from jointly controlled entities		–	21,883
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(567,065)	49,035
NET INCREASE IN CASH AND CASH EQUIVALENTS		77,482	119,539
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		195,654	76,874
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(1,332)	(759)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		271,804	195,654
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank deposits		24,824	214,963
Bank balances and cash		278,227	26,226
Bank overdrafts		(31,247)	(45,535)
		271,804	195,654

Notes to Financial Statements

For the year ended 31st March, 2004

1. GENERAL

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the Hong Kong Society of Accountants (“HKSA”), the term of HKFRSs is inclusive of Statements of Standard Accounting Practice (“SSAP(s)”) and Interpretations approved by the HKSA:

SSAP 12 (Revised) Income taxes

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly.

The financial effect of the adoption of SSAP 12 (Revised) is summarised below:

	Interests in associates <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Deferred tax assets <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Deferred tax liabilities <i>HK\$'000</i>
Balance at 1st April, 2003						
– As previously reported	1,352,832	434,580	–	1,092,731	882,257	3,930
– Prior period adjustment	1,795	(11,106)	4,165	21,307	(18,862)	57,235
– As restated	<u>1,354,627</u>	<u>423,474</u>	<u>4,165</u>	<u>1,114,038</u>	<u>863,395</u>	<u>61,165</u>
Balance at 1st April, 2002						
– As previously reported	1,797,104	–	–	737,323	–	–
– Prior period adjustment	(18,191)	–	–	18,191	–	–
– As restated	<u>1,778,913</u>	<u>–</u>	<u>–</u>	<u>755,514</u>	<u>–</u>	<u>–</u>

The adoption of SSAP 12 (Revised) has resulted in an increase in the profit for the year ended 31st March, 2004 by HK\$1,623,000 (2003: an increase in the loss for the year by HK\$3,116,000).

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

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

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

Property, plant and equipment

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

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

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

No amortisation is provided in respect of freehold land.

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

Depreciation is provided so as to write off the cost of items of other property, plant and equipment over their estimated useful lives, using the straight-line method, at rates ranging from 10% to 33¹/₃% per annum.

In previous years, motor vehicles, and furniture and fixtures were depreciated at 10% per annum. With effect from 1st April, 2003, they are depreciated at 20% per annum which reflects the Group's previous experience of the useful lives of its assets. The change in depreciation rate has increased the depreciation charge for the year by approximately HK\$15,769,000.

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.

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

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

Investment properties are stated at 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 twenty years or less.

Goodwill

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

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

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

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

Negative goodwill

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

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

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

Investments in subsidiaries

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

Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment in the value of individual investments.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Interests in jointly controlled entities**

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

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

Investments in securities

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

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

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

Inventories

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Construction contracts

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

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

Convertible notes

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

The costs incurred in connection with the issue of convertible notes are deferred and amortised on a straight-line basis over the terms 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Revenue recognition**

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

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

Service revenue is recognised when services are rendered.

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

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

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

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

Capitalisation of borrowing costs

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

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

Foreign currencies

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

Retirement benefit costs

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

Operating leases

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

4. TURNOVER AND SEGMENTAL INFORMATION

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

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Building construction	2,418,339	407,653
Civil engineering	463,440	123,048
Specialist works	448,849	189,672
Construction materials	3,448	6,192
Property leasing	48,269	13,735
Investment and finance	46,142	22,346
Others	6,179	6,051
	<u>3,434,666</u>	<u>768,697</u>

Business segments

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

4. TURNOVER AND SEGMENTAL INFORMATION (continued)

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

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Property leasing	Investment and finance	Others	Corporate	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER											
External sales	2,418,339	463,440	448,849	3,448	-	48,269	46,142	6,179	-	-	3,434,666
Inter-segment sales	28,713	-	76,384	71,029	-	17,022	800	88	-	(194,036)	-
Total	<u>2,447,052</u>	<u>463,440</u>	<u>525,233</u>	<u>74,477</u>	<u>-</u>	<u>65,291</u>	<u>46,942</u>	<u>6,267</u>	<u>-</u>	<u>(194,036)</u>	<u>3,434,666</u>
RESULT											
Segment result	<u>(8,633)</u>	<u>(5,632)</u>	<u>(4)</u>	<u>(24,923)</u>	<u>-</u>	<u>14,935</u>	<u>57,128</u>	<u>802</u>	<u>-</u>	<u>-</u>	<u>33,673</u>
Release of negative goodwill											53,139
Unallocated corporate expenses											(15,050)
Profit from operations											71,762
Finance costs											(38,722)
Net investment expenses	-	-	-	-	-	(2,152)	11,840	-	(52,871)	-	(43,183)
Deficit arising from revaluation of investment properties	-	-	-	-	-	(14,000)	-	-	-	-	(14,000)
Allowance for amounts due from associates and a related company											(40,985)
Net gain on disposal and dilution of interests in subsidiaries and associates	-	-	-	-	246,653	-	-	-	(163,053)	-	83,600
Share of results of associates	334	(16)	-	1,793	191,879	-	-	-	(37,590)	-	156,400
Share of results of jointly controlled entities	-	9,074	-	-	-	-	-	-	-	-	9,074
Profit before taxation											183,946
Taxation											(53,719)
Profit before minority interests											130,227
Minority interests											(101,295)
Profit for the year											<u>28,932</u>

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

4. TURNOVER AND SEGMENTAL INFORMATION (continued)

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Property leasing	Investment and finance	Others	Corporate	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
BALANCE SHEET										
ASSETS										
Segment assets	924,550	450,958	179,949	64,738	-	568,057	798,246	1,169	525,535	3,513,202
Interests in associates	21,019	249	-	4,582	634,941	-	-	-	1,089,698	1,750,489
Interests in jointly controlled entities	-	14,817	-	-	-	-	-	-	-	14,817
Negative goodwill	-	-	-	-	-	-	-	-	(314,540)	(314,540)
Other assets	-	-	-	-	-	-	-	-	18,545	18,545
Total assets	945,569	466,024	179,949	69,320	634,941	568,057	798,246	1,169	1,319,238	4,982,513
LIABILITIES										
Segment liabilities	775,262	297,904	99,633	31,295	-	22,676	1,881	810	268,953	1,498,414
Convertible notes, bank borrowings and other loans	-	-	-	-	-	-	-	-	881,614	881,614
Other liabilities	-	-	-	-	-	-	-	-	53,938	53,938
Total liabilities	775,262	297,904	99,633	31,295	-	22,676	1,881	810	1,204,505	2,433,966
OTHER INFORMATION										
Capital additions	2,374	992	2,975	1,999	-	351	90	-	56,030	64,811
Depreciation and amortisation of property, plant and equipment	22,039	6,415	21,072	6,544	-	11,694	298	3	10,912	78,977
Amortisation of deferred expenditure on issuance of convertible notes	-	-	-	-	-	-	-	-	485	485
Release of negative goodwill	-	-	-	-	-	-	-	-	53,139	53,139
Impairment loss on property interests	-	-	-	-	-	1,496	-	-	-	1,496
Loss on option agreement	-	-	-	-	-	-	-	-	52,871	52,871

4. TURNOVER AND SEGMENTAL INFORMATION (continued)

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

	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Construction materials HK\$'000	Engineering and infrastructure services HK\$'000	Property leasing HK\$'000	Investment and finance HK\$'000	Others HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000 (As restated)
TURNOVER											
External sales	407,653	123,048	189,672	6,192	-	13,735	22,346	6,051	-	-	768,697
Inter-segment sales	543	-	39,807	23,136	-	4,428	829	29	-	(68,772)	-
Total	<u>408,196</u>	<u>123,048</u>	<u>229,479</u>	<u>29,328</u>	<u>-</u>	<u>18,163</u>	<u>23,175</u>	<u>6,080</u>	<u>-</u>	<u>(68,772)</u>	<u>768,697</u>
RESULT											
Segment result	<u>19,956</u>	<u>(40,519)</u>	<u>14,573</u>	<u>(7,244)</u>	<u>-</u>	<u>5,988</u>	<u>66,731</u>	<u>604</u>	<u>-</u>	<u>-</u>	60,089
Release of negative goodwill											18,412
Unallocated corporate expenses											(11,632)
Profit from operations											66,869
Finance costs											(36,680)
Net investment expenses	-	-	-	-	-	-	(20,409)	-	-	-	(20,409)
Share of results of associates	2,004	(9)	-	114	(541)	-	-	-	(345,972)	-	(344,404)
Share of results of jointly controlled entities	-	1,895	-	-	-	-	-	-	-	-	1,895
Loss before taxation											(332,729)
Taxation											(28,019)
Loss before minority interests											(360,748)
Minority interests											2,224
Loss for the year											<u>(358,524)</u>

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

4. TURNOVER AND SEGMENTAL INFORMATION (continued)

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Property leasing	Investment and finance	Others	Corporate	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
BALANCE SHEET										
ASSETS										
Segment assets	1,053,076	368,008	193,942	96,312	-	622,262	1,256,831	773	309,482	3,900,686
Interests in associates	43,231	293	-	3,093	649,099	-	-	-	658,911	1,354,627
Interests in jointly controlled entities	-	8,743	-	-	-	-	-	-	-	8,743
Negative goodwill	-	-	-	-	-	-	-	-	(423,474)	(423,474)
Other assets	-	-	-	-	-	-	-	-	10,622	10,622
Total assets	1,096,307	377,044	193,942	99,405	649,099	622,262	1,256,831	773	555,541	4,851,204
LIABILITIES										
Segment liabilities	871,883	298,347	95,744	47,353	-	22,789	1,486	660	37,995	1,376,257
Convertible notes, bank borrowings and other loans	-	-	-	-	-	-	-	-	1,340,644	1,340,644
Other liabilities	-	-	-	-	-	-	-	-	65,668	65,668
Total liabilities	871,883	298,347	95,744	47,353	-	22,789	1,486	660	1,444,307	2,782,569
OTHER INFORMATION										
Capital additions	769	70	182	8,667	-	88	80	-	2,167	12,023
Depreciation and amortisation of property, plant and equipment	4,096	1,605	5,532	1,733	-	3,044	340	6	2,569	18,925
Amortisation of deferred expenditure on issuance of convertible notes	-	-	-	-	-	-	-	-	2,385	2,385
Release of negative goodwill	-	-	-	-	-	-	-	-	18,412	18,412

Geographical segments

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

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	3,341,252	760,602
The People's Republic of China other than Hong Kong (the "PRC")	89,611	4,943
Others	3,803	3,152
	3,434,666	768,697

4. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

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

	Carrying amount of segment assets		Capital additions	
	2004 HK\$'000	2003 HK\$'000 (As restated)	2004 HK\$'000	2003 HK\$'000
Hong Kong	4,205,209	4,036,331	62,677	3,303
The PRC	109,087	116,290	2,118	8,640
Pacific region and South East Asia	636,435	674,946	–	–
Others	31,782	23,637	16	80
	<u>4,982,513</u>	<u>4,851,204</u>	<u>64,811</u>	<u>12,023</u>

5. OTHER OPERATING INCOME

	2004 HK\$'000	2003 HK\$'000 (As restated)
Surplus arising from revaluation of land and buildings	273	242
Release of negative goodwill	53,139	18,412
Net gain on disposal of listed other investments	26,643	669
Net unrealised holding gain (loss) on listed other investments	36	(3,049)
Bad debts recovered	–	10,503
Compensation recovered from a default purchaser in respect of disposal of property in previous year	–	57,917
	<u>80,091</u>	<u>84,694</u>

6. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	2,544	1,081
Cost of inventories recognised as expenses	3,733	3,718
Depreciation and amortisation of property, plant and equipment <i>(note (a) below)</i>	74,969	18,756
Impairment loss on property interests	1,496	–
Loss on disposal of property, plant and equipment	–	2,746
Minimum lease payments under operating leases in respect of:		
Premises	4,096	1,743
Plant and machinery	3,616	262
Staff costs, including directors' emoluments <i>(note (b) below)</i>	128,115	48,004
and after crediting:		
Gain on disposal of property, plant and equipment	3,875	–
Interest income	42,904	19,612
Rental income under operating leases in respect of:		
Premises, net of outgoings of HK\$20,171,000 (2003: HK\$2,512,000)	19,474	9,052
Plant and machinery	<u>385</u>	<u>94</u>

6. PROFIT FROM OPERATIONS (continued)

Notes:

	2004 HK\$'000	2003 HK\$'000
(a) Depreciation and amortisation of property, plant and equipment:		
Owned assets	78,977	18,925
Less: Amount capitalised in respect of contracts in progress	(4,008)	(169)
	<u>74,969</u>	<u>18,756</u>
	2004 HK\$'000	2003 HK\$'000
(b) Staff costs, including directors' emoluments:		
Salaries and other benefits	333,511	110,697
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$1,536,000 (2003: HK\$2,241,000)	8,794	1,366
	<u>342,305</u>	<u>112,063</u>
Less: Amount capitalised in respect of contracts in progress	(214,190)	(64,059)
	<u>128,115</u>	<u>48,004</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

	2004 HK\$'000	2003 HK\$'000
Directors' fees:		
– executive	72	84
– independent non-executive	240	240
	<u>312</u>	<u>324</u>
Other emoluments (executive directors):		
– salaries and other benefits	13,888	11,824
– discretionary bonus	16,400	–
– retirement benefit scheme contributions	1,139	829
	<u>31,427</u>	<u>12,653</u>
	<u>31,739</u>	<u>12,977</u>

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Emoluments of the directors were within the following bands:

	2004	2003
	<i>Number of directors</i>	<i>Number of directors</i>
Nil to HK\$1,000,000	5	5
HK\$1,500,001 to HK\$2,000,000	–	4
HK\$2,500,001 to HK\$3,000,000	1	2
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$8,000,001 to HK\$8,500,000	<u>3</u>	<u>–</u>

(b) Employees' emoluments

The five highest paid individuals in the Group for the year ended 31st March, 2004 included four directors and one employee (2003: five directors) and information regarding their emoluments are as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	40	50
Salaries and other benefits	13,787	10,173
Discretionary bonus	16,200	–
Retirement benefit scheme contributions	<u>1,144</u>	<u>730</u>
	<u>31,171</u>	<u>10,953</u>

Emoluments of the five highest paid individuals were within the following bands:

	2004	2003
	<i>Number of employees</i>	<i>Number of employees</i>
HK\$1,500,001 to HK\$2,000,000	–	3
HK\$2,500,001 to HK\$3,000,000	–	2
HK\$3,000,001 to HK\$3,500,000	2	–
HK\$8,000,001 to HK\$8,500,000	<u>3</u>	<u>–</u>

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.

8. FINANCE COSTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Amortisation of deferred expenditure on issuance of convertible notes	485	2,385
Interest payable on:		
Bank borrowings wholly repayable within five years	14,467	4,394
Bank borrowings not wholly repayable within five years	–	276
Convertible notes	19,152	27,247
Other borrowings wholly repayable within five years	8,454	2,817
Other finance charges	1,218	274
	<u>43,776</u>	<u>37,393</u>
<i>Less:</i> Amount capitalised in respect of contracts in progress	(5,054)	(713)
	<u><u>38,722</u></u>	<u><u>36,680</u></u>

9. NET INVESTMENT EXPENSES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Gain on disposal of investment securities	17,180	–
Impairment loss on investment securities	(5,340)	(20,410)
(Loss) gain on disposal of investment properties	(2,152)	1
Loss on option agreement	(52,871)	–
	<u>(43,183)</u>	<u>(20,409)</u>

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Loss on disposal and dilution of interests in subsidiaries	(104,961)	–
Gain on disposal of interests in associates	221,355	–
Loss on dilution of interests in associates	(32,794)	–
	<u><u>83,600</u></u>	<u><u>–</u></u>

11. TAXATION

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (As restated)
Hong Kong Profits Tax		
Current year	–	176
Underprovision in previous years	166	–
	<u>166</u>	<u>176</u>
Overseas taxation	3,322	1
	<u>3,488</u>	<u>177</u>
Deferred tax (<i>note 34</i>)		
Effect on change in tax rate	–	3,483
Credit for the year	(6,832)	(1,199)
	<u>(6,832)</u>	<u>2,284</u>
Taxation attributable to the Company and its subsidiaries	(3,344)	2,461
Share of taxation attributable to associates	57,063	25,558
	<u>53,719</u>	<u>28,019</u>

Hong Kong Profits Tax is calculated at the rate of 17.5% (2003: 16%) of the estimated assessable profit for the year. The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment.

No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

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

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit (loss) before taxation	<u>183,946</u>	<u>(332,729)</u>
Tax at the Hong Kong Profits Tax rate of 17.5% (2003: 16%)	32,190	(53,237)
Tax effect of expenses not deductible for tax purposes	41,308	10,626
Tax effect of income not taxable for tax purposes	(59,856)	(14,409)
Tax effect of deductible temporary differences not recognised	245	347
Tax effect of utilisation of deductible temporary differences previously not recognised	(8,219)	–
Tax effect of tax losses not recognised	39,757	6,240
Tax effect of utilisation of tax losses previously not recognised	(19,981)	(10,528)
Tax effect of different tax rates of associates and jointly controlled entities operating in other jurisdictions	28,109	85,497
Increase in opening deferred tax liabilities resulting from an increase in applicable tax rate	–	3,483
Underprovision in prior year	166	–
Tax charge for the year	<u>53,719</u>	<u>28,019</u>

Details of the deferred tax are set out in note 34.

12. DIVIDENDS

The directors do not recommend the payment of a dividend to ordinary shareholders for the year ended 31st March, 2004.

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.

13. EARNINGS (LOSS) PER SHARE

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (As restated)
Profit (loss) for the year	28,932	(358,524)
Dividend for preference shares	<u>(18,491)</u>	<u>(18,491)</u>
Profit (loss) for the purposes of basic earnings (loss) per share	10,441	(377,015)
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	<u>(2,963)</u>	<u>(1,370)</u>
Profit (loss) for the purposes of diluted earnings (loss) per share	<u><u>7,478</u></u>	<u><u>(378,385)</u></u>
	2004 <i>Number of shares</i>	2003 <i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<u><u>636,379,717</u></u>	<u><u>630,960,774</u></u>

For the year ended 31st March, 2004, the convertible notes and compulsorily convertible cumulative preference shares are anti-dilutive as the exercise of these convertible notes and compulsorily convertible cumulative preference shares resulted in an increase in earnings per share (2003: a decrease in loss per share).

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

	Basic <i>HK\$</i>	Diluted <i>HK\$</i>
Reconciliation of 2003 loss per share:		
Reported figures before adjustments	(0.59)	(0.59)
Adjustment arising from the adoption of SSAP 12 (Revised)	<u>(0.01)</u>	<u>(0.01)</u>
Restated	<u><u>(0.60)</u></u>	<u><u>(0.60)</u></u>

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Plant, machinery and office equipment <i>HK\$'000</i>	Motor vehicles and vessels <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST OR VALUATION					
At 1st April, 2003	255,914	441,325	72,690	142,076	912,005
Translation adjustments	2,478	37	90	128	2,733
On acquisition of subsidiaries	–	–	53,758	74	53,832
Additions	141	3,926	3,385	3,527	10,979
Disposals	(15,622)	(30,872)	(29,781)	(6,932)	(83,207)
Written back on revaluation	(10)	–	–	–	(10)
	<u>242,901</u>	<u>414,416</u>	<u>100,142</u>	<u>138,873</u>	<u>896,332</u>
At 31st March, 2004	<u>242,901</u>	<u>414,416</u>	<u>100,142</u>	<u>138,873</u>	<u>896,332</u>
Comprising:					
At cost	–	414,416	100,142	138,873	653,431
At directors' valuation – 2004	727	–	–	–	727
At valuation – 2004	<u>242,174</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>242,174</u>
	<u>242,901</u>	<u>414,416</u>	<u>100,142</u>	<u>138,873</u>	<u>896,332</u>
DEPRECIATION AND AMORTISATION					
At 1st April, 2003	–	310,826	43,507	68,341	422,674
Translation adjustments	–	32	79	112	223
Provided for the year	5,263	39,407	11,557	22,750	78,977
Eliminated on disposals	(20)	(26,262)	(21,516)	(4,875)	(52,673)
Written back on revaluation	(5,243)	–	–	–	(5,243)
	<u>–</u>	<u>324,003</u>	<u>33,627</u>	<u>86,328</u>	<u>443,958</u>
At 31st March, 2004	<u>–</u>	<u>324,003</u>	<u>33,627</u>	<u>86,328</u>	<u>443,958</u>
NET BOOK VALUES					
At 31st March, 2004	<u>242,901</u>	<u>90,413</u>	<u>66,515</u>	<u>52,545</u>	<u>452,374</u>
At 31st March, 2003	<u>255,914</u>	<u>130,499</u>	<u>29,183</u>	<u>73,735</u>	<u>489,331</u>

Land and buildings of the Group were revalued either by RHL Appraisal Ltd., an independent professional property valuer on an open market value basis or by the directors of the Group on an existing use basis as at 31st March, 2004. This revaluation gave rise to a surplus on revaluation of HK\$5,233,000 (2003: HK\$1,490,000) of which HK\$273,000 (2003: HK\$242,000), HK\$2,731,000 (2003: HK\$805,000) and HK\$2,229,000 (2003: HK\$443,000) has been credited to the income statement, properties revaluation reserve and shared by the minority shareholders of a subsidiary of the Company respectively.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Freehold properties in Canada	21,574	19,087
Long term leasehold properties in the PRC	141	2,623
Medium term leasehold properties in:		
Hong Kong	220,600	233,600
The PRC	586	604
	<u>242,901</u>	<u>255,914</u>

As at 31st March, 2004, had the Group's land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value would have been approximately HK\$240,407,000 (2003: HK\$258,155,000).

15. INVESTMENT PROPERTIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
VALUATION		
At 1st April	572,608	1,125
Transfer from deposits and prepayments	5,600	–
On acquisition of subsidiaries	–	572,608
Disposals	(49,208)	(1,125)
Deficit arising on revaluation	(14,000)	–
	<u>515,000</u>	<u>572,608</u>
At 31st March	<u>515,000</u>	<u>572,608</u>

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

The investment properties situated in Hong Kong held under medium term leases were revalued on 31st March, 2004, on an open market value basis, by RHL Appraisal Ltd., an independent professional property valuer. The valuation attributable to these investment properties amounted to approximately HK\$455,000,000 and no surplus or deficit arose on revaluation of these properties.

The Group's investment properties situated in Hong Kong held under long lease were revalued by the directors at approximately HK\$60,000,000 with reference to the value as quoted in the sale and purchase agreement. The deficit arose on revaluation of these properties amounted to HK\$14,000,000 were charged to the income statement.

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

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long-term leasehold properties in Hong Kong	60,000	74,000
Medium-term leasehold properties in:		
Hong Kong	455,000	455,000
The PRC	–	43,608
	<u>515,000</u>	<u>572,608</u>

16. NEGATIVE GOODWILL

	THE GROUP <i>HK\$'000</i>
GROSS AMOUNT	
At 1st April, 2003	
– as previously reported	455,535
– prior period adjustment (<i>note 2</i>)	<u>(11,608)</u>
– as restated	443,927
Eliminated on disposal and dilution of interests in subsidiaries	<u>(64,736)</u>
At 31st March, 2004	<u>379,191</u>
RELEASED TO INCOME	
At 1st April, 2003	
– as previously reported	20,955
– prior period adjustment (<i>note 2</i>)	<u>(502)</u>
– as restated	20,453
Released on disposal and dilution of interests in subsidiaries	(8,941)
Released in the year	<u>53,139</u>
At 31st March, 2004	<u>64,651</u>
CARRYING AMOUNTS	
At 31st March, 2004	<u><u>314,540</u></u>
At 31st March, 2003 (As restated)	<u><u>423,474</u></u>

The negative goodwill is released to income statement over a period of eight years.

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	<u>2,677,178</u>	<u>2,910,837</u>
	2,677,179	2,910,838
<i>Less:</i> Allowances for amounts due from subsidiaries	<u>(957,929)</u>	<u>(960,877)</u>
	<u><u>1,719,250</u></u>	<u><u>1,949,961</u></u>

Particulars of the Company's principal subsidiaries as at 31st March, 2004 are set out in note 47.

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Of these amounts, an amount of approximately HK\$2,420,866,000 (2003: HK\$2,651,577,000) bears interest at commercial rates and the remaining balance is interest-free. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000 (As restated)
Share of net assets of associates:		
Listed in Hong Kong	920,360	503,820
Listed overseas	552,433	652,590
Unlisted	23,828	(2,986)
Goodwill (<i>note a</i>)	245,323	554
Negative goodwill (<i>note b</i>)	(17,855)	(17,262)
	<u>1,724,089</u>	<u>1,136,716</u>
Amounts due from associates (<i>note h</i>)	26,400	217,911
	<u>1,750,489</u>	<u>1,354,627</u>
Market value of listed securities:		
Hong Kong	286,319	42,075
Overseas	1,158,296	964,965
	<u>1,444,615</u>	<u>1,007,040</u>

Notes:

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

	HK\$'000
Cost	
At 1st April, 2003	196,039
Arising from acquisition of additional interests in associates	313,131
Eliminated on disposal and dilution of interests in associates	(248,355)
At 31st March, 2004	<u>260,815</u>
Amortisation and impairment	
At 1st April, 2003	195,485
Charge for the year	17,601
Eliminated on disposal and dilution of interests in associates	(197,594)
At 31st March, 2004	<u>15,492</u>
Net book values	
At 31st March, 2004	<u>245,323</u>
At 31st March, 2003	<u>554</u>

The goodwill is amortised over a period of ten to twenty years.

18. INTERESTS IN ASSOCIATES (continued)

Notes: (continued)

(b) Movement of negative goodwill is analysed as follows:

	<i>HK\$'000</i>
Gross amount	
At 1st April, 2003	
– as previously reported	18,217
– prior period adjustment (note 2)	35
	18,252
– as restated	18,252
Arising from acquisition of additional interests in associates	4,541
Eliminated on dilution of interests in associates	(3,206)
	19,587
At 31st March, 2004	19,587
Released to income	
At 1st April, 2003	
– as previously reported	988
– prior period adjustment (note 2)	2
	990
– as restated	990
Released in the year	996
Released on dilution of interests in associates	(254)
	1,732
At 31st March, 2004	1,732
Carrying amounts	
At 31st March, 2004	17,855
At 31st March, 2003 (As restated)	17,262

The negative goodwill is released to income statement over a period of twenty years.

- (c) The Group's equity interest in Hanny Holdings Limited ("Hanny") was diluted from 28.26% at the beginning of the year to 24.55% at the end of the year. Extracts of the consolidated results and financial position of Hanny from its audited financial statements for the year ended 31st March, 2004 are set out in note 48.
- (d) Following a placement of shares by SMI Corporation Limited ("SMI", formerly known as Star East Holdings Limited) on 19th December, 2003, the Group's equity interest in SMI was diluted to less than 20% and the Group is no longer in a position to exercise significant influence over SMI such that the carrying amount of the Group's investment in SMI has been recorded as cost and dealt with in accordance with the Group's accounting policy for investment securities.
- (e) During the year, the Group's equity interest through Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC"), a subsidiary of the Company, in China Strategic Holdings Limited ("China Strategic") increased from 14.55% to 29.36%. Accordingly, the investment has been reclassified from investments in securities to interests in associates during the year.

18. INTERESTS IN ASSOCIATES (continued)

Notes: (continued)

- (f) Downer EDI Limited (“Downer”), an associate of the Group, is a company listed in Australia and New Zealand and its financial year end date is 30th June. Since only published financial information of Downer was available and used by the Group in applying the equity method, the Group’s share of interest in Downer at 31st March, 2004 is calculated based on the net assets of Downer at 31st December, 2003 and the results from 1st January, 2003 to 31st December, 2003 whilst the Group’s share of interest in Downer at 31st March, 2003 was calculated based on the net assets of Downer at 31st December, 2002. Extracts of the published consolidated results and financial position of Downer for the year ended 31st December, 2003 are set out in note 48.

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

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

- (g) China Strategic is a company listed on the Hong Kong Stock Exchange and its financial year end date is 31st December. Since only published financial information of China Strategic was available and used by the Group in applying the equity method, the Group’s share of interest in China Strategic at 31st March, 2004 is calculated based on the net assets of China Strategic at 31st December, 2003 and the results from the date China Strategic became an associate of the Group to 31st December, 2003. Extracts of the consolidated results and financial position of China Strategic from its audited financial statements for the year ended 31st December, 2003 are set out in note 48.
- (h) The amounts due from associates are unsecured. Of these amounts, an amount of approximately HK\$26,400,000 (2003: HK\$214,603,000) bears interest at commercial rate and the remaining balance is interest-free. In the opinion of the directors, the amount will not be repayable within twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

Particulars of the Group’s principal associates as at 31st March, 2004 are set out in note 47.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

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

Particulars of the Group’s jointly controlled entities as at 31st March, 2004 are set out in note 47.

20. INVESTMENTS IN SECURITIES

THE GROUP

	Investment securities		Other investments		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed equity securities:						
– Hong Kong	9,401	658,457	39,374	26,527	48,775	684,984
– Elsewhere	1,481	3,623	–	–	1,481	3,623
	<u>10,882</u>	<u>662,080</u>	<u>39,374</u>	<u>26,527</u>	<u>50,256</u>	<u>688,607</u>
Other unlisted investments	–	–	5,035	5,035	5,035	5,035
Unlisted club debentures	–	–	8,977	8,977	8,977	8,977
	<u>10,882</u>	<u>662,080</u>	<u>53,386</u>	<u>40,539</u>	<u>64,268</u>	<u>702,619</u>
Market value of listed securities	<u>13,971</u>	<u>22,877</u>	<u>39,374</u>	<u>26,527</u>	<u>53,345</u>	<u>49,404</u>
Carrying amount analysed for reporting purposes as:						
Current	–	–	39,374	26,527	39,374	26,527
Non-current	<u>10,882</u>	<u>662,080</u>	<u>14,012</u>	<u>14,012</u>	<u>24,894</u>	<u>676,092</u>
	<u>10,882</u>	<u>662,080</u>	<u>53,386</u>	<u>40,539</u>	<u>64,268</u>	<u>702,619</u>

21. CONVERTIBLE NOTES RECEIVABLE

The convertible notes were guaranteed by a company with its shares listed on the Hong Kong Stock Exchange (the “Guarantor”), bore interest at 5% per annum and would be matured on 29th August, 2005. During the year, the convertible notes were converted by the Group into shares of the Guarantor at a specified price and were disposed of at market value.

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

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

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

23. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$503,395,000 (2003: HK\$482,111,000) and their aged analysis at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors		
0-30 days	403,517	400,424
31-60 days	29,584	5,724
61-90 days	2,750	5,224
Over 90 days	67,544	70,739
	<u>503,395</u>	<u>482,111</u>

The Group's credit terms for its contracting business are negotiated with, and entered into under, normal commercial terms with its trade customers. Trade debtors arise from property leasing business are payable monthly in advance and the credit terms granted by the Group to other trade debtors normally range from 30 days to 90 days.

24. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates of the Group are unsecured and repayable within one year. Of these amounts, an amount of approximately HK\$324,028,000 (2003: HK\$86,851,000) bears interest at commercial rates and the remaining balance is interest-free.

25. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts due from jointly controlled entities of Group are unsecured, interest-free and have no fixed terms of repayment.

26. AMOUNTS DUE FROM RELATED COMPANIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
China Velocity Group Limited (formerly known as Rosedale Hotel Group Limited) and its subsidiaries	–	131,546
China Strategic and its subsidiaries	–	158,093
Associates of China Strategic	89,935	–
Other related companies	289	10,209
	<u>90,224</u>	<u>299,848</u>

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

The amounts are unsecured and repayable within one year. Of the amounts, an amount of approximately HK\$86,881,000 (2003: HK\$278,380,000) bears interest at commercial rates and the remaining balance is interest-free. Details of the transactions and balances with related companies are set out in note 46.

27. LOANS RECEIVABLE

The amounts are receivable within one year except for HK\$50,000,000 (2003: Nil) which is receivable after one year. Of the Group's amounts, amounts of approximately HK\$246,215,000 (2003: HK\$20,898,000) bear interest at commercial rates and the remaining balance is interest-free.

As at 31st March, 2003, the Company's loan receivable bore interest at commercial rates.

28. CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade payables of approximately HK\$354,324,000 (2003: HK\$326,987,000) and their aged analysis at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors		
0-30 days	315,826	273,309
31-60 days	18,742	24,780
61-90 days	1,476	9,342
Over 90 days	18,280	19,556
	<u>354,324</u>	<u>326,987</u>

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

The balances of the Group are unsecured, interest-free and have no fixed terms of repayment, except for an amount due to an associate of HK\$92,000,000 under a deed of settlement which is repayable in April 2004.

30. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Convertible notes due 2006 (<i>note</i>)	289,500	392,500
<i>Less:</i> Unamortised deferred expenditure	(450)	(701)
	<u>289,050</u>	<u>391,799</u>

Note:

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 9th October, 2002, the Company issued on 3rd March, 2003 HK\$250,000,000 and HK\$142,500,000 convertible notes to Dr. Chan Kwok Keung, Charles, a director and a substantial shareholder of the Company, and independent investors by way of subscription and placement, respectively.

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

All the noteholders have an option to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK\$0.30 per ordinary share, subject to adjustment, on or before 3rd March, 2006. The ordinary shares to be issued upon such conversion are to rank pari passu in all respects with the ordinary shares of the Company in issue on the relevant conversion date.

On 7th January, 2004, HK\$7,000,000 convertible notes were converted into 23,333,333 ordinary shares of the Company at HK\$0.30 per ordinary share. On 27th February, 2004, HK\$96,000,000 convertible notes were redeemed by the Company pursuant to redemption agreements dated 16th January, 2004 (the "Redemption") and the Redemption was approved by the disinterested shareholders at a special general meeting of the Company held on 25th February, 2004.

31. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank borrowings comprise:				
Mortgage loans	364,000	446,135	–	–
Bank loans	180,000	290,000	–	–
Trust receipt loans	–	23,358	–	–
Bank overdrafts	31,247	45,535	–	9,936
	<u>575,247</u>	<u>805,028</u>	<u>–</u>	<u>9,936</u>
Analysed as:				
Secured	558,199	736,354	–	–
Unsecured	17,048	68,674	–	9,936
	<u>575,247</u>	<u>805,028</u>	<u>–</u>	<u>9,936</u>
The bank borrowings are repayable as follows:				
Within one year or on demand	58,247	167,853	–	9,936
More than one year, but not exceeding two years	217,000	30,900	–	–
More than two years, but not exceeding five years	300,000	578,700	–	–
More than five years	–	27,575	–	–
	<u>575,247</u>	<u>805,028</u>	<u>–</u>	<u>9,936</u>
Less: Amounts due within one year or on demand shown under current liabilities	<u>(58,247)</u>	<u>(167,853)</u>	<u>–</u>	<u>(9,936)</u>
Amounts due after one year	<u>517,000</u>	<u>637,175</u>	<u>–</u>	<u>–</u>

32. OTHER LOANS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Secured loans	–	60,000	–	–
Unsecured loans	17,317	83,817	17,317	83,817
	<u>17,317</u>	<u>143,817</u>	<u>17,317</u>	<u>83,817</u>
The other loans are repayable as follows:				
Within one year or on demand	17,317	77,317	17,317	17,317
More than one year, but not exceeding two years	–	66,500	–	66,500
	<u>17,317</u>	<u>143,817</u>	<u>17,317</u>	<u>83,817</u>
Less: Amounts due within one year or on demand shown under current liabilities	<u>(17,317)</u>	<u>(77,317)</u>	<u>(17,317)</u>	<u>(17,317)</u>
Amounts due after one year	<u>–</u>	<u>66,500</u>	<u>–</u>	<u>66,500</u>

The loans bear interest at commercial rates.

33. PROVISION FOR LONG SERVICE PAYMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
At 1st April	1,727	–
On acquisition of subsidiaries	–	1,727
	<u>1,727</u>	<u>1,727</u>
At 31st March	<u>1,727</u>	<u>1,727</u>

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

34. DEFERRED TAX

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

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

	Accelerated tax depreciation HK\$'000	Undistributed earnings of an associate HK\$'000	Tax losses HK\$'000	Recognition of contracting income HK\$'000	Others HK\$'000	Total HK\$'000
At 1st April, 2002						
– As previously reported	–	–	–	–	–	–
– Prior period adjustment (note 2)	546	–	(546)	–	–	–
– As restated	546	–	(546)	–	–	–
Acquisition of subsidiaries (as restated)	46,265	28,101	(14,306)	(3,135)	(2,210)	54,715
(Credit) charge to income statement	(7,724)	1,816	2,953	(424)	2,180	(1,199)
Effect on change in tax rate	3,035	–	(27)	226	249	3,483
Realised on dilution of interest in an associate	–	(204)	–	–	–	(204)
Exchange differences	–	205	–	–	–	205
At 31st March, 2003	42,122	29,918	(11,926)	(3,333)	219	57,000
(Credit) charge to income statement	(9,557)	11,056	3,075	(93)	(204)	4,277
Effect of change in tax rate	60	–	(60)	–	–	–
Realised on dilution of interest in an associate	–	(19,799)	–	–	–	(19,799)
Exchange differences	–	8,690	–	–	–	8,690
At 31st March, 2004	<u>32,625</u>	<u>29,865</u>	<u>(8,911)</u>	<u>(3,426)</u>	<u>15</u>	<u>50,168</u>

34. DEFERRED TAX (continued)

At the balance sheet date, the Group has unused tax losses of approximately HK\$1,403,000,000 (2003: HK\$1,307,000,000) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately HK\$49,000,000 (2003: HK\$66,000,000) of such losses. No deferred tax asset in respect of the remaining tax losses has been recognised due to the unpredictability of future profit streams.

THE COMPANY

At the balance sheet date, the Company has unused tax losses of approximately HK\$161,000,000 (2003: HK\$150,000,000). No deferred tax asset has been recognised in relation to such assets due to the unpredictability of future profit streams.

35. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2002	2,000,000,000	200,000
Increase during the year (note a)	1,000,000,000	100,000
	<u>3,000,000,000</u>	<u>300,000</u>
At 31st March, 2003 and 2004	<u>3,000,000,000</u>	<u>300,000</u>
Compulsorily convertible cumulative preference shares of HK\$0.10 each		
At 1st April, 2002, 31st March, 2003 and 31st March, 2004	<u>280,000,000</u>	<u>28,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2002 and 31st March, 2003	630,960,774	63,096
Conversion of convertible notes (note b)	23,333,333	2,333
	<u>654,294,107</u>	<u>65,429</u>
At 31st March, 2004	<u>654,294,107</u>	<u>65,429</u>
Compulsorily convertible cumulative preference shares of HK\$0.10 each		
At 1st April, 2002, 31st March, 2003 and 31st March, 2004	<u>267,980,000</u>	<u>26,798</u>

Notes:

- (a) On 9th October, 2002, the authorised ordinary share capital of the Company was increased from HK\$200,000,000 to HK\$300,000,000 by the creation of 1,000,000,000 ordinary shares of HK\$0.10 each.
- (b) On 7th January, 2004, 23,333,333 ordinary shares of the Company of HK\$0.10 each were issued upon conversion of the convertible notes in the principal amount of HK\$7,000,000 at the conversion price of HK\$0.30 per ordinary share. The 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 are subject to compulsory conversion at the option of the Company in any of the following cases:

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

36. SHARE OPTIONS**(a) Share options of the Company**

The Company adopted a share option scheme (the “ITC Scheme”) on 16th January, 2002 (the “Adoption Date”) for the purpose of providing incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Company. The board of directors of the Company may in its absolute discretion, subject to the terms of the ITC Scheme, grant options to any employees (including directors) of the Company and its subsidiaries to subscribe for ordinary shares of the Company.

The maximum number of ordinary shares which may be issued upon the exercise of all options to be granted under the ITC Scheme and any other share option scheme(s) adopted by the Company must not in aggregate exceed 10% of the total number of issued ordinary shares of the Company as at the Adoption Date. The total number of ordinary shares available for issue under the ITC Scheme was 63,096,077 representing approximately 9.64% of the aggregate number of issued ordinary shares of the Company as at the date of this report.

Unless approved by the shareholders of the Company in general meeting, the total number of ordinary shares of the Company issued and to be issued upon exercise of the options granted and to be granted (whether exercised, cancelled or outstanding) under the ITC Scheme and any other share option scheme(s) of the Company to any eligible person in any 12-month period expiring on the date of offer shall not exceed 1% of the total number of the Company’s ordinary shares in issue from time to time.

The period within which the options may be exercised will be determined by the Company at the time of grant. This period must expire in any event not later than the last day of the ten year period after the Adoption Date. The ITC Scheme does not provide for any minimum period for which an option must be held before it can be exercised. Options may be granted at an initial payment of HK\$1.00 for each acceptance of grant of option(s). The directors of the Company shall specify a date, being a date not later than 30 days after (i) the date on which the offer of the options is issued, or (ii) the date on which the conditions for the offer are satisfied, by which the eligible person must accept the offer or be deemed to have declined it.

The exercise price of the options will be determined by the directors of the Company (subject to adjustments as provided in the rules of the ITC Scheme) which shall be at least the higher of (i) the nominal value of the ordinary shares of the Company; (ii) the closing price of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the date of the offer, which must be a business day; and (iii) the average of the closing price of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of the offer.

The ITC Scheme shall be valid and effective for a period of ten years commencing after the Adoption Date, after which period no further options shall be granted.

As at 31st March, 2004 and 2003, there were no outstanding share options granted by the Company pursuant to the ITC Scheme. No share options were granted, exercised, cancelled or lapsed during current and prior year.

36. SHARE OPTIONS (continued)

(b) Share options of Paul Y. - ITC

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

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

The maximum number of shares in respect of which options may be granted under the Paul Y. - ITC Initial Scheme was not permitted to exceed 10% of the issued share capital of Paul Y. - ITC from time to time.

No option may be granted to any individual under the Paul Y. - ITC Initial Scheme which, if exercised in full, would result in the total number of shares of Paul Y. - ITC already issued and issuable under all the options previously granted and to be granted to him which were for the time being subsisting and unexercised exceed 25% of the aggregate number of shares of Paul Y. - ITC for the time being issued and issuable under the Paul Y. - ITC Initial Scheme.

The offer of a grant of options may be accepted within 28 days from the date of offer of options, upon payment of a consideration of HK\$1.00 by the grantee. In each grant of options, the directors of Paul Y. - ITC may at their discretion determine the specific exercise period and in any event such period of time should not exceed a period of three years commencing on the expiry of six months after the date of acceptance of options. The exercise price was determined by the directors of Paul Y. - ITC, and would not be less than the higher of the nominal value of the shares of Paul Y. - ITC, and 80% of the average closing prices of the shares of Paul Y. - ITC on the five trading days immediately preceding the date of offer of options.

The following table discloses details of Paul Y. - ITC's share options under the Paul Y. - ITC Initial Scheme and movements in such holdings during both years:

Date of grant	Exercise price per share HK\$	Number of shares of Paul Y. - ITC to be issued upon exercise of the share options				
		Balance at 1.4.2002	Lapsed during the year	Balance at 31.3.2003	Lapsed during the year	Balance at 31.3.2004
18th December, 1998	0.6048	38,349,206	(38,349,206)	-	-	-
17th December, 1999	0.5552	16,100,000	-	16,100,000	(16,100,000)	-
		<u>54,449,206</u>	<u>(38,349,206)</u>	<u>16,100,000</u>	<u>(16,100,000)</u>	<u>-</u>

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

(ii) New Share Option Scheme of Paul Y. - ITC

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

36. SHARE OPTIONS *(continued)***(b) Share options of Paul Y. - ITC** *(continued)**(ii) New Share Option Scheme of Paul Y. - ITC (continued)*

Under the Paul Y. - ITC New Scheme, the directors of Paul Y. - ITC may at their discretion grant options to any Eligible Person to subscribe for shares in Paul Y. - ITC without consideration. The directors of Paul Y. - ITC may at their discretion determine the specific exercise period which should expire in any event no later than ten years from date of adoption of the Paul Y. - ITC New Scheme. The exercise price is determined by the directors of Paul Y. - ITC and will be at least the higher of (i) the subscription price as is permissible under the Listing Rules from time to time; and (ii) the nominal value of Paul Y. - ITC's share.

The maximum number of shares may be issued upon the exercise of all options to be granted under the Paul Y. - ITC New Scheme and any other share option scheme(s) adopted by Paul Y. - ITC must not in aggregate exceed 10% of the total number of issued shares of Paul Y. - ITC, i.e. 103,674,472 shares, as at its adoption date. An ordinary resolution relating to the refreshing of the scheme limit on grant of options under the Paul Y. - ITC New Scheme and any other share option scheme(s) of Paul Y. - ITC up to 10 per cent. of the shares of Paul Y. - ITC in issue as at the date of such general meeting, i.e. 107,266,479 shares, representing 7.97% of the issued share capital of Paul Y. - ITC as at the date of this report, was passed at the annual general meeting of shareholders of Paul Y. - ITC held on 8th September, 2003. Subject to the approval of the shareholders of the Paul Y. - ITC in general meeting, the limit may be refreshed to 10% of the total number of shares in issue as at the date of approval by the shareholders of Paul Y. - ITC in general meeting. Notwithstanding the foregoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Paul Y. - ITC New Scheme and any other share option scheme of Paul Y. - ITC must not in aggregate exceed 30% of the total number of shares in issue from time to time.

The maximum number of shares of Paul Y. - ITC in respect of which options may be granted to each Eligible Person under the Paul Y. - ITC New Scheme and any other share option scheme(s) of Paul Y. - ITC (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue from time to time unless such grant has been duly approved by shareholders of Paul Y. - ITC at general meeting at which the Eligible Person and his associates (as defined in the Listing Rules) abstained from voting. Options granted to a substantial shareholder and/or an independent non-executive director or any of their respective associates (as defined in the Listing Rules) in any 12-month period in excess of 0.1% of total number of shares in issue and have an aggregate value exceeding HK\$5,000,000 must be approved by the shareholders of Paul Y. - ITC in general meeting in advance.

No options have been granted under the Paul Y. - ITC New Scheme since its adoption.

37. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
At 1st April, 2002	205,222	2,117,993	908	(933,399)	1,390,724
Loss for the year	—	—	—	(23,881)	(23,881)
At 31st March, 2003	205,222	2,117,993	908	(957,280)	1,366,843
Issue of ordinary shares	4,667	—	—	—	4,667
Loss for the year	—	—	—	(26,027)	(26,027)
At 31st March, 2004	<u>209,889</u>	<u>2,117,993</u>	<u>908</u>	<u>(983,307)</u>	<u>1,345,483</u>

Notes:

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

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:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Contributed surplus	2,117,993	2,117,993
Accumulated losses	(983,307)	(957,280)
	<u>1,134,686</u>	<u>1,160,713</u>

38. ACQUISITION OF SUBSIDIARIES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (As restated)
NET ASSETS ACQUIRED		
Property, plant and equipment	53,832	483,977
Properties held for resale	2,342	–
Investment properties	–	572,608
Interests in associates	–	661,008
Interests in jointly controlled entities	–	11,848
Investments in securities	–	695,676
Amounts due from customers for contract works	–	218,650
Debtors, deposits and prepayments	116	1,103,763
Amounts due from associates	–	191,906
Amounts due from jointly controlled entities	–	207
Amounts due from related companies	–	248,876
Loans receivable	3,585	155,697
Tax recoverable	–	5,412
Bank deposits	–	99,881
Bank balances and cash	1	56,548
Amounts due to customers for contract works	–	(540,579)
Creditors and accrued expenses	(133)	(858,727)
Amounts due to associates	–	(7,772)
Amounts due to jointly controlled entities	–	(47,460)
Amounts due to related companies	–	(1,774)
Tax payable	–	(3,775)
Bank overdrafts	–	(3,647)
Bank borrowings	–	(634,118)
Minority interests	–	(846,277)
Provision for long service payments	–	(1,727)
Deferred tax	–	(54,715)
	<u>59,743</u>	<u>1,505,486</u>
Negative goodwill	–	(403,622)
Reclassification from interests in associates	–	(1,030,368)
	<u><u>59,743</u></u>	<u><u>71,496</u></u>
SATISFIED BY:		
Cash	<u><u>59,743</u></u>	<u><u>71,496</u></u>
Net cash (outflow) inflow arising on acquisition:		
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cash consideration	(59,743)	(71,496)
Bank deposits, bank balances and cash acquired less bank overdrafts acquired	<u>1</u>	<u>152,782</u>
Net (outflow) inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u><u>(59,742)</u></u>	<u><u>81,286</u></u>

38. ACQUISITION OF SUBSIDIARIES *(continued)*

In August 2003, the Group acquired Kan Hock Investment & Development Co. Limited, the entire issued share capital of, and shareholders' loan of that company at a cash consideration of HK\$2,400,000.

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

The newly acquired subsidiaries did not make any significant impact on the Group's results for the current year.

The subsidiaries acquired in previous year contributed to the Group's turnover of HK\$746,868,000 and a loss of HK\$4,592,000, respectively in that year.

39. MAJOR NON-CASH TRANSACTION

(a) During the year ended 31st March, 2004:

- (i) HK\$7,000,000 convertible notes issued by the Company were converted into 23,333,333 ordinary shares of the Company at HK\$0.3 per share as set out in note 30.
- (ii) HK\$17,500,000 convertible notes receivable were converted by the Group into shares of the Guarantor at a specified price as set out in note 21.

(b) During the year ended 31st March, 2003, an amount due from an associate of HK\$28,000,000 was settled by distribution of 3,996,812,500 shares of M Channel Corporation Limited (formerly known as 36.com Holdings Limited), representing 18.8% of its issued share capital.

40. RETIREMENT BENEFIT SCHEMES

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

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

At the balance sheet date, there were no significant forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

The Group has also joined a Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund 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.

41. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Outstanding performance bonds in respect of construction contracts	623,257	740,529	–	–
Guarantees given to banks and financial institutions in respect of general facilities granted to:				
Subsidiaries	–	–	–	62,899
Associates	–	2,419	–	–
Financial support given to an investee company	–	4,355	–	4,355
	<u>623,257</u>	<u>747,303</u>	<u>–</u>	<u>67,254</u>

42. MATERIAL LITIGATION

The liquidators of Hoi Sing Construction Company Limited (“Hoi Sing”), a former wholly-owned subsidiary of the Company, instituted proceedings against the Company on 10th July, 1998 claiming approximately HK\$297,441,000 plus interest pursuant to an alleged guarantee by the Company for debt owed by Hoi Sing Builders Limited to Hoi Sing. The Company does not admit the existence of the guarantee, and has put Hoi Sing to strict proof of its terms and the amounts claimed under it. Even if the Court upholds the alleged guarantee, the Company has a defence of “set off” arising from a claim against Hoi Sing for approximately HK\$308,207,000. As at 31st March, 2004, 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. 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.

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	
	2004	2003
	HK\$'000	HK\$'000
Within one year	1,060	1,201
In the second to fifth year inclusive	1,877	2,392
After five years	718	1,026
	<u>3,655</u>	<u>4,619</u>

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

43. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) The Group as a lessor:

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	26,786	26,571
In the second to fifth year inclusive	13,901	10,665
	<u>40,687</u>	<u>37,236</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		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of equity investments	<u>450,671</u>	<u>56,660</u>	<u>–</u>	<u>20,000</u>

45. PLEDGE OF ASSETS

As at 31st March, 2004, certain of the Group's properties and investment securities with an aggregate value of approximately HK\$696,290,000 (2003: HK\$911,086,000) and the interests in certain issued shares of subsidiaries of the Company have been pledged to banks and financial institutions to secure general credit facilities granted to the Group. Facilities amounting to approximately HK\$558,199,000 (2003: HK\$796,354,000) were utilised as at 31st March, 2004.

46. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Class of related party	Nature of transactions/balances	2004	2003
		HK\$'000	HK\$'000
Associates of the Group	Sales of building materials (<i>note a</i>)	–	511
	Dividend income (including scrip dividend)	48,079	11,178
	Purchase of concrete products (<i>note a</i>)	104	–
	Rentals and related building management fee charged by the Group (<i>notes b and c</i>)	5,219	2,395
	Rentals and related building management fee charged to the Group (<i>notes b and c</i>)	–	500
	Service fees charged by the Group (<i>note c</i>)	406	–
	Service fees charged to the Group (<i>note c</i>)	308	–
	Construction works charged to the Group (<i>note d</i>)	182	–
	Subcontracting fees charged by the Group (<i>note d</i>)	5,437	393
	Sales of motor car registration marks to the Group (<i>note d</i>)	–	790
	Interest income received (<i>note e</i>)	23,219	10,471
	Balances due by the Group (<i>note 29</i>)	96,273	12,772
	Balances due to the Group (<i>notes 18 and 24</i>)	<u>354,050</u>	<u>355,164</u>
	Jointly controlled entities of the Group	Dividend income	–
Project management fees charged by the Group (<i>note c</i>)		–	3,000
Rentals charged by the Group (<i>note b</i>)		102	–
Construction works charged by the Group (<i>note d</i>)		268	–
Subcontracting fees charged to the Group (<i>note d</i>)		104,734	40,249
Service fees charged by the Group (<i>note c</i>)		144	60
Balances due by the Group (<i>note 29</i>)		55,584	69,343
Balances due to the Group (<i>notes 19 and 25</i>)		<u>2,871</u>	<u>5,207</u>
Directors or company controlled by director	Interest paid by the Group (<i>note f</i>)	2,700	900
	Interest payable on convertible notes issued by the Group (<i>note f</i>)	12,526	12,655
	Balance due by the Group (<i>notes f and g</i>)	–	66,500
	Convertible notes due by the Group (<i>note 30</i>)	<u>250,000</u>	<u>250,000</u>
Related companies	Rental and related building management fee charged by the Group (<i>notes b and c</i>)	6,896	1,592
	Project management fees charged by the Group (<i>note c</i>)	–	549
	Purchase of medicine and health products by the Group (<i>note d</i>)	432	–
	Service fees charged to the Group (<i>note c</i>)	883	–
	Subcontracting fees charged by the Group (<i>note d</i>)	1,207	–
	Interest income received (<i>note e</i>)	12,027	6,044
	Balance due by the Group (<i>note 29</i>)	216	205
	Balances due to the Group (<i>note 26</i>)	<u>90,224</u>	<u>299,848</u>

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

During the year ended 31st March, 2003, the Company issued an aggregate principal amount of HK\$250,000,000 convertible notes to Dr. Chan Kwok Keung, Charles for redemption of the convertible notes issued by the Company in an aggregate principal amount of HK\$250,000,000 held by Galaxyway Investments Limited (“Galaxyway”), a company in which Dr. Chan Kwok Keung, Charles, has a beneficial interests pursuant to a conditional agreement entered on 16th September, 2002 (as amended by a supplemental agreement dated 4th October, 2002) by the Company and Galaxyway.

Notes:

- (a) The transactions were carried out by reference to the prevailing market price for comparable transactions.
- (b) Rentals were charged at the pre-agreed fixed monthly amounts.
- (c) Building management fee, service fees and project management fees were charged at the pre-agreed rates.
- (d) Construction works, subcontracting fees, sales of motor car registration marks and purchase of medicine and health products were charged at market price or, where no market price was available, at terms determined and agreed by both parties.
- (e) Interest was charged at commercial rates.
- (f) Interest was charged at the Best Lending Rate.
- (g) The amount was unsecured and fully repaid during the year.

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

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

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
Burcon Group Limited	Canada	CAD1,000 class A common share	100	100	Investment and property holding
Calisan Developments Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Century Harbour Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Corless Limited	British Virgin Islands	US\$2 ordinary shares	100	55.06	Investment holding
Cycle Company Limited	Hong Kong	HK\$2 ordinary shares HK\$2 non-voting deferred shares (Note (i) below)	100 –	55.06 –	Property investment and holding
DH Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Dreyer and Company Limited	Hong Kong	HK\$6,424,000 ordinary shares	99	99	Trading of building materials and machinery
Full Winners Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Property sale and holding
Great Intelligence Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Gunnell Properties Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Property investment and holding
Hamker Concrete Products Limited ("Hamker")	Hong Kong	HK\$10,000,000 ordinary shares	85	46.8	Manufacturing and trading of concrete products
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 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

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

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company*/ subsidiaries %	attributable to the Group %	Principal activities
Large Scale Investments Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Nation Cheer Investment Limited	Hong Kong	HK\$1,200,000 ordinary shares	100	55.06	Securities investment and trading
Paul Y. - CREC Engineering Co., Limited	Hong Kong	HK\$10 ordinary shares	70	38.5	Civil engineering
Paul Y. - CREC Joint Venture	Hong Kong	– (Note (ii) below)	70	38.5	Civil engineering
Paul Y. - ITC (E & M) Contractors Limited	Hong Kong	HK\$20,000,000 ordinary shares	99.9998	55.06	Provision of electrical, mechanical and building services
Paul Y. - ITC Construction Group Limited	Hong Kong	HK\$2 ordinary shares HK\$1,000,000 non-voting deferred shares (Note (iii) below)	100 –	55.06 –	Investment holding
Paul Y. - ITC	Bermuda	HK\$134,524,901.9 ordinary shares	55.06	55.06	Investment holding in companies engaged in construction, engineering and infrastructure management services, property development and investment
Paul Y. - ITC Construction Limited	Hong Kong	HK\$102,000,000 ordinary shares	100	55.06	Building construction
Paul Y. - ITC Construction & Engineering Co. Limited	Hong Kong	HK\$42,000,000 ordinary shares	100	55.06	Building construction and specialist works
Paul Y. - ITC General Contractors Limited	Hong Kong	HK\$36,000,000 ordinary shares	100	55.06	Civil engineering and building construction
Paul Y. - ITC Interior Contractors Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Interior decoration works
Paul Y. - ITC Investments Group Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Paul Y. - ITC Management Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Management services

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

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company*/ subsidiaries %	attributable to the Group %	Principal activities
Paul Y. - ITC Plant Hire Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Hire of motor vehicles and plant and machinery
Paul Y. Building Management Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Property management services
Paul Y. Construction Company, Limited	Hong Kong	HK\$2 ordinary shares HK\$50,000,000 non-voting preferred shares (Note (iv) below)	100 –	55.06 –	Civil engineering, building construction and investment holding
Paul Y. Foundation Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Paul Y. Foundation Limited	Hong Kong	HK\$10,000,000 ordinary shares	100	55.06	Civil engineering and foundation works
Paul Y. Properties Group Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Paul Y. Tunnel Engineering Co. Limited	Hong Kong	HK\$2 ordinary shares	100	55.06	Civil engineering
Tai Shan Paul Y. Construction Co., Ltd.	PRC	US\$5,005,340 registered capital (Note (v) below)	100	55.06	Civil engineering and building construction
Unicon Concrete Products (HK) Limited	Hong Kong	HK\$12,000,002 ordinary shares	100	55.06	Manufacturing and trading of concrete products
Unistress Concrete Products (H.K.) Limited	Hong Kong	HK\$200 ordinary shares HK\$1,000,000 non-voting deferred shares (Note (iii) below)	100 100	55.06 55.06	Manufacturing and trading of concrete products
Unistress Group Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Investment holding
Winstate Limited	British Virgin Islands	US\$1 ordinary share	100	55.06	Vessel holding

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

Notes:

- (i) The holders of the non-voting deferred shares are not entitled to vote, are not entitled to any dividends unless the net profits of the company available for dividend exceed HK\$100,000,000,000,000 in which case they should be entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year and are, on winding up, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the company.
- (ii) No capital has been contributed by the joint venture partners of the joint venture.
- (iii) The holders of the non-voting deferred shares are not entitled to vote, are not entitled to any dividends for any financial year and are, on winding up or otherwise, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the company.
- (iv) The holders of the non-voting preferred shares are not entitled to vote, are not entitled to any dividends unless the net profits of the company available for dividend exceed HK\$100,000,000,000 in which case they should be entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year and are, on winding up, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK\$10,000,000,000 has been distributed to the holders of the ordinary shares of the company.
- (v) The company is a sino-foreign equity joint venture company.

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

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

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

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

Name of associate	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital attributable to the Group %	Principal activities
Burcon NutraScience Corporation ("Burcon")	Canada	CAD15,724,484 common shares	25.1	Investment holding in company engaged in the development of commercial canola protein
China Strategic	Hong Kong	HK\$88,159,508.70 ordinary shares	23.4	Investment holding
CSCEC - Paul Y. Construction Company Limited	PRC	US\$10,000,000 registered capital (Note below)	17.2	Civil engineering and building construction
Domain - Paul Y. Sdn. Bhd.	Malaysia	RM1,000,000 ordinary shares	27.0	Design and building construction
Downer	Australia	A\$563,057,694 ordinary shares	11.7	Investment holding

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

Name of associate	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital attributable to the Group %	Principal activities
Hanny	Bermuda	HK\$1,865,532.02 ordinary shares	24.55	Investment holding in companies engaged in the manufacturing, distribution and marketing of data storage media, the distribution of related products, securities investments and strategic investments in information technology related businesses and other businesses
Paul Y. - CREC Construction Co., Limited	Hong Kong	HK\$100 ordinary shares	27.53	Civil engineering
Zhujiang Kwan On Concrete Products Co., Ltd. ("Zhujiang Kwan On")	PRC	RMB6,320,000 registered capital (Note below)	27.53	Manufacturing and trading of concrete products

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

All of the above associates operate in Hong Kong with the exception of Burcon, Downer and Zhujiang Kwan On, which operate in Canada, Australia and the PRC respectively.

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

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

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

Name of jointly controlled entity	Place of incorporation	Issued and fully paid share capital	Percentage of issued share capital attributable to the Group %	Principal activities
DL & PY JV Limited	Hong Kong	HK\$2 ordinary shares	27.53	Civil engineering
Paul Y. - Penta-Ocean Joint Venture	Hong Kong	– (Note below)	27.53	Civil engineering

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

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

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

Hanny(a) *Result for the years ended 31st March, 2004 and 2003*

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (As restated)
Turnover	<u>5,009,930</u>	<u>4,162,804</u>
Profit (loss) before taxation	<u>121,639</u>	<u>(570,474)</u>
Profit (loss) for the year	<u>13,300</u>	<u>(648,620)</u>

(b) *Financial Position**As at 31st March, 2004 and 2003*

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (As restated)
Non-current assets	1,643,529	1,604,463
Current assets	2,299,707	1,663,268
Current liabilities	(1,653,951)	(1,185,858)
Minority interests	(405,157)	(174,598)
Non-current liabilities	<u>(10,947)</u>	<u>(177,708)</u>

Downer(a) *Result for the year ended 31st December, 2003*

	<i>HK\$'000</i>
Revenue from ordinary activities	<u>16,380,841</u>
Profit from ordinary activities before taxation	<u>520,505</u>
Profit from ordinary activities after taxation	<u>380,746</u>

(b) *Financial position**As at 31st December, 2003 and 2002*

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets	5,501,196	4,141,241
Current assets	6,281,918	4,249,336
Current liabilities	(4,159,429)	(2,392,544)
Non-current liabilities	(3,057,649)	(2,506,737)
Preference share capital	<u>–</u>	<u>(285,987)</u>

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

China Strategic

(a) *Result for the year ended 31st December, 2003*

	<i>HK\$'000</i>
Turnover	<u>2,884,493</u>
Loss before taxation	<u>(169,184)</u>
Loss for the year	<u>(189,528)</u>

(b) *Financial Position*

As at 31st December, 2003

	<i>HK\$'000</i>
Non-current assets	1,124,597
Current assets	1,064,647
Current liabilities	(161,090)
Minority interests	(250,160)
Non-current liabilities	<u>(244,614)</u>

Full details of the results and financial position of Hanny can be found in its annual reports dated 23rd July, 2004.

The financial position of Downer and China Strategic have been extracted from the published financial information as at 31st December, 2003.

2. INDEBTEDNESS

At the close of business on 30th September, 2004 (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\$27,386,000 (of which approximately HK\$12,024,000 are unsecured and attributable to the Paul Y. - ITC group (out of which approximately HK\$7,958,000 attributable to certain members of the Paul Y. - ITC group are guaranteed by Paul Y. - ITC while the remaining are not guaranteed), and the balance of approximately HK\$15,362,000 to members of the Group other than the Paul Y. - ITC group and are secured by deposits and properties of members of the Group other than the Paul Y. - ITC group but are not guaranteed) and bank loans of approximately HK\$541,000,000 (which are all attributable to the Paul Y. - ITC group with approximately HK\$531,000,000 secured by the properties of the Paul Y. - ITC group and guaranteed by Paul Y. - ITC and the remaining unsecured and not guaranteed). The Group had outstanding as at that date other unsecured loan due to an independent third party of approximately HK\$17,317,000 (all attributable to members of the Group other than the Paul Y. - ITC group and is not guaranteed), an unsecured loan of approximately HK\$241,000,000 (all attributable to the Paul Y. - ITC group and is not guaranteed) from a minority shareholder of a 90.1% owned subsidiary of Paul Y. - ITC to a wholly-owned subsidiary of Paul Y. - ITC and unsecured convertible notes of approximately HK\$289,500,000 which are not guaranteed (all attributable to members of the Group other than the Paul Y. - ITC group) and of which approximately HK\$250,000,000 were held by Dr. Charles Chan, a director and a substantial shareholder of the Company, and the balance of approximately HK\$39,500,000 by independent third parties.

In addition, as at 30th September, 2004, the Paul Y. - ITC group had contingent liabilities in respect of outstanding performance bonds on its construction contracts of approximately HK\$431,143,000. Members of the Group other than the Paul Y. - ITC group did not have any contingent liabilities in respect of outstanding performance bonds on construction contracts as at 30th September, 2004.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities (whether issued and outstanding, and authorised or otherwise created but unissued), term loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits, other borrowings or indebtedness in the nature of borrowings or any guarantees or other material contingent liabilities as at the close of business on 30th September, 2004.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 30th September, 2004.

There has been no material adverse change in the indebtedness or contingent liabilities of the Group since 30th September, 2004.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internal resources available to the Group and the proposed banking facilities to finance the Acquisition and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

Up to the Latest Practicable Date, the Board is not aware of any material adverse change in the financial or trading position of the Group since 31st March, 2004, the date to which the latest audited consolidated financial statements of the Group were made up to.

5. PROFIT AND LOSS STATEMENT OF THE PROPERTY

For the three years ended 30th November, 2003 and 10 months ended 30th September, 2003 and 2004

	Notes	For the year ended 30th November,			10 months period ended 30th September,	
		2001 HK\$	2002 HK\$	2003 HK\$	2003 HK\$	2004 HK\$
Rental income	1	4,815,664	5,100,000	4,449,956	3,839,236	147,754
Expenses						
Government rates	2,3	–	–	–	–	(105,036)
Management fee	2,3	–	–	–	–	(614,179)
Net income (expenses)		<u>4,815,664</u>	<u>5,100,000</u>	<u>4,449,956</u>	<u>3,839,236</u>	<u>(571,461)</u>

Profit and loss statement of the Property for the three financial years ended 30th November, 2003 and 10 months ended 30th September, 2003 and 2004 (the “Relevant Periods”) set out above has been prepared by the Directors based on relevant tenancy agreements (“Tenancy Agreements”) in respect of the Property provided by the Vendor and using the accounting policies materially consistent with those of the Group. As the Directors have requested the Vendor for access to the underlying accounting books and records of the Vendor in relation to the Property but the same has not been made available, this statement may not give a true picture of the performance of the Property that actually occurred during each of the three financial years ended 30th November, 2003 and 10 months ended 30th September, 2003 and 2004. So far as the Directors are aware, after making enquiries with the Vendor, no valuation report on the Property has been commissioned by the Vendor for the last three financial years.

Notes:

1. The rental income for each of the three financial years ended 30th November, 2003 and 10 months ended 30th September, 2003 and 2004 was derived from the Tenancy Agreements.
2. Based on the Tenancy Agreements, government rates and management fee were borne by the tenants of the Property. Accordingly, the Directors believe that no government rates and management fee were incurred by the Vendor during the period when the Property was fully leased out during the period of the Tenancy Agreements.
3. Expenses comprise government rates and management fee. Although the Directors have requested access to the underlying accounting books and records of the Vendor in relation to the Property, the same has not been made available and hence the amount of the government rates and management fee paid by the Vendor were based on the government rates demand notes and management fee debit notes of the Relevant Periods provided by the Vendor. It is assumed that such amounts have to be paid by the Vendor to the relevant parties as expenses of the Property after the expiry of the Tenancy Agreements in mid December 2003.
4. Save for the Tenancy Agreements, the Directors do not have any other information about the Property such as the Vendor’s financing arrangement or tax arrangement in relation to the Property. Although the Directors have requested the Vendor for access to the underlying accounting books and records of the Vendor in relation to the Property, the same has not been made available. Due to the limited information available to them, the Directors are unable to ascertain the amount of the finance costs and Hong Kong Profits Tax expenses in relation to the Property. Accordingly, no finance cost and provision of Hong Kong Profits Tax were included in the above statement.
5. The Property will be retained for the Group’s use as a downtown office and treated as fixed assets and form part of the property, plant and equipment of the Group. Amortisation will be provided to write off the cost or valuation of leasehold land over the remaining period of the relevant lease using the straight-line method. The cost or valuation of buildings will be depreciated using the straight-line method over their estimated useful lives of forty three years, being the remaining period of the relevant government lease.

6. REPORT ON PRO FORMA ASSETS AND LIABILITIES STATEMENT

The following is the text of the report prepared by Deloitte Touche Tohmatsu on the pro forma assets and liabilities statement of the Group for inclusion in this circular.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

11th November, 2004

The Directors
ITC Corporation Limited

Dear Sirs,

We report on the pro forma assets and liabilities statement of ITC Corporation Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) (the “Pro Forma Assets and Liabilities Statement”) set out in Section 7 of Appendix I to the circular dated 11th November, 2004 (the “Circular”), which has been prepared, for illustration purposes only, to demonstrate the effect of the proposed acquisition of the whole of the 30th Floor and Car Parking Spaces Nos. 4087, 4088, 4089 and 4043 on 4th Floor, Bank of America Tower, No. 12 Harcourt Road, Hong Kong (the “Acquisition of Property”) as if the acquisition had taken place on 31st March, 2004. It is based on the audited consolidated balance sheet of the Group as at 31st March, 2004, adjusted only to reflect the effect of the transactions set out in the notes to the Pro Forma Assets and Liabilities Statement.

Responsibilities

It is the responsibility solely of the directors of the Company (the “Directors”) to prepare the Pro Forma Assets and Liabilities Statement in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by the Listing Rules, on the Pro Forma Assets and Liabilities Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Assets and Liabilities Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the listing rules” issued by the Auditing Practices Board in the United Kingdom. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Assets and Liabilities Statement with the Directors.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the Pro Forma Assets and Liabilities Statement.

The Pro Forma Assets and Liabilities Statement has been prepared on the basis set out in Section 7 of Appendix I to the Circular for illustrative purpose only and, because of its nature, it may not give an indicative financial position of the Group as at 31st March, 2004.

Opinion

In our opinion:

- (a) the Pro Forma Assets and Liabilities Statement has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Assets and Liabilities Statement as disclosed pursuant to Rule 4.29 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

7. PRO FORMA ASSETS AND LIABILITIES STATEMENT

(i) Introduction to the pro forma assets and liabilities statement

The pro forma assets and liabilities statement of the Group has been prepared to demonstrate the effect to the Group's proposed acquisition (the "Acquisition") of the whole of the 30th Floor and Car Parking Spaces Nos. 4087, 4088, 4089 and 4043 on 4th Floor, Bank of America Tower, No.12 Harcourt Road, Hong Kong (the "Property") at a cash consideration of HK\$102,018,000 as if the Acquisition had taken place on 31st March, 2004.

In connection with the Acquisition of the Property, the Group will be required to incur incidental costs including stamp duty and legal costs. The amount payable for stamp duty will be HK\$3,826,000 which is calculated at 3.75% of the consideration for completion of the transaction. The legal costs and commission as incurred will be the legal and professional fees, commission and other costs for the Acquisition of the Property. Such costs as advised by the respective parties and estimated by the directors of the Company will be approximately HK\$1,300,000.

The pro forma assets and liabilities statement of the Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition of the Property as if the Acquisition had taken place on 31st March, 2004.

The pro forma assets and liabilities statement of the Group is based upon the audited consolidated net assets of the Group as at 31st March, 2004, which has been extracted from the Annual Report of the Company for the year ended 31st March, 2004, adjusted only to reflect the effect of transactions set out in the notes below. A narrative description of the pro forma adjustments of the Acquisition of the Property that are (i) directly attributable to the transaction; and (ii) factually supportable, are summarised in the accompanying notes.

The pro forma assets and liabilities statement of the Group is based on a number of assumptions, estimates, uncertainties stated above. Accordingly, the accompanying pro forma assets and liabilities statement of the Group does not purport to describe the actual financial position of the Group that would have been attained had the Acquisition of the Property been completed on 31st March, 2004. The pro forma assets and liabilities statement of the Group does not purport to predict the future financial position of the Group.

The pro forma assets and liabilities statement of the Group should be read in conjunction with the historical financial information of the Company as set out in the Annual Report of the Company for the year ended 31st March, 2004 and other financial information included in Appendix I of this circular.

(ii) Pro forma assets and liabilities statement

	As at 31.3.2004 (audited) HK\$'000 (Note 3)	Pro forma adjustments HK\$'000	Notes	Adjusted balance HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	452,374	107,144	1	559,518
Investment properties	515,000			515,000
Negative goodwill	(314,540)			(314,540)
Interests in associates	1,750,489			1,750,489
Interests in jointly controlled entities	14,817			14,817
Investments in securities	24,894			24,894
Loan receivable	50,000			50,000
Deferred tax assets	2,714			2,714
	<u>2,495,748</u>			<u>2,602,892</u>
Current assets				
Inventories	138			138
Amounts due from customers for contract works	273,210			273,210
Debtors, deposits and prepayments	1,214,942			1,214,942
Amounts due from associates	327,650			327,650
Amounts due from jointly controlled entities	871			871
Amounts due from related companies	90,224			90,224
Loans receivable	221,474			221,474
Investments in securities	39,374			39,374
Tax recoverable	15,831			15,831
Bank deposits	24,824			24,824
Bank balances and cash	278,227	(107,144)	2	171,083
	<u>2,486,765</u>			<u>2,379,621</u>
Total assets	<u><u>4,982,513</u></u>			<u><u>4,982,513</u></u>

	As at 31.3.2004 (audited) HK\$'000 (Note 3)	Pro forma adjustments HK\$'000	Notes	Adjusted balance HK\$'000
LIABILITIES				
Current liabilities				
Amounts due to customers				
for contract works	456,140			456,140
Creditors and accrued expenses	888,474			888,474
Amounts due to associates	96,273			96,273
Amounts due to jointly controlled entities	55,584			55,584
Amounts due to related companies	216			216
Tax payable	1,056			1,056
Bank borrowings – due within one year	58,247			58,247
Other loans – due within one year	17,317			17,317
	<u>1,573,307</u>			<u>1,573,307</u>
Non-current liabilities				
Convertible notes	289,050			289,050
Bank borrowings – due after one year	517,000			517,000
Provision for long service payments	1,727			1,727
Deferred tax liabilities	52,882			52,882
	<u>860,659</u>			<u>860,659</u>
Total liabilities	<u>2,433,966</u>			<u>2,433,966</u>
Total assets less total liabilities	<u>2,548,547</u>			<u>2,548,547</u>
Minority interests	<u>1,195,365</u>			<u>1,195,365</u>
NET ASSETS	<u>1,353,182</u>			<u>1,353,182</u>

This statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Group following completion of the Acquisition of the Property.

Notes:

1. The Group will acquire the Property at a consideration of HK\$102,018,000. In connection with the Acquisition of the Property, the Group will be required to incur incidental costs including stamp duty of approximately HK\$3,826,000 and legal and professional fees, commission and other costs of approximately HK\$1,300,000. The pro forma assets and liabilities statement adjustments reflect the increase in the carrying amount of property of HK\$107,144,000 as a result of the Acquisition of the Property as if the Acquisition had taken place on 31st March, 2004.
2. The consideration for the Acquisition of the Property will be HK\$102,018,000 payable in cash. In connection with the Acquisition of the Property, the Group will be required to pay stamp duty of approximately HK\$3,826,000 and legal and professional fees, commission and other costs of approximately HK\$1,300,000. The total payments in connection with the Acquisition of the Property will be approximately HK\$107,144,000. It is the intention of the Directors that the Acquisition of the Property will be financed in part by internal resources and in part by the credit facilities to be obtained by the Group. However, to date, the new credit facilities have not been finally put in place. For the purposes of preparing the pro forma financial information, it has been assumed that the Acquisition of the Property will be funded in full by internal resources.
3. The audited consolidated balance sheet of the Group as at 31st March, 2004 is extracted from the Company's annual report for the year ended 31st March, 2004.

8. MANAGEMENT DISCUSSION AND ANALYSIS FOR YEAR ENDED 31ST MARCH, 2004*Liquidity and financial resources*

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities is maintained to meet its working capital requirements. Cash, bank balances and deposits as at 31st March, 2004 amounted to approximately HK\$303.1 million. As at 31st March, 2004, the Group had bank borrowings of approximately HK\$575.2 million and other loans of approximately HK\$17.3 million of which HK\$58.2 million and HK\$17.3 million, respectively, are repayable within one year or on demand.

During the year, convertible notes in aggregate principal amounts of HK\$96 million and HK\$7 million were redeemed and converted into ordinary shares at the conversion price of HK\$0.3 per ordinary share, respectively. The balance in an aggregate principal amount of HK\$289.5 million will be redeemed on 3rd March, 2006 (or the next following business day if it is not a business day) unless they are previously converted, redeemed or purchased and cancelled.

As at 31st March, 2004, all the Group's borrowings are at floating interest rates and the Group's current ratio was 1.58 times.

Exchange rate exposure

As at 31st March, 2004, approximately 14.5% of the cash, bank balances and deposits were in other currencies and only 1.6% of the Group's total borrowings of HK\$881.6 million was denominated in Canadian dollars. The Canadian dollars denominated borrowings are directly tied in with the Group's business in Canada.

Gearing ratio

The Group's gearing ratio, which was calculated using the Group's net borrowings of HK\$578.5 million and the shareholders' funds of HK\$1,353.2 million, was 42.8% as at 31st March, 2004 as compared to 91.2% as at 31st March, 2003. The decrease was mainly due to the reduction of borrowings by HK\$459.0 million during the year.

Pledge of assets

As at 31st March, 2004, certain of the Group's properties and investment in securities with an aggregate carrying value of approximately HK\$696 million and the interests in certain issued shares of subsidiaries of the Company were pledged to banks and financial institutions to secure general facilities granted to the Group.

Contingent liabilities

As at 31st March, 2004, the Group has contingent liabilities in respect of outstanding performance bonds on construction contracts of HK\$623 million.

Employee and remuneration policy

As at 31st March, 2004, the Group employed a total of approximately 1,270 employees. The Group's remuneration package is structured with reference to the individual performance and the prevailing salary levels in the market. The Group also offers other benefits to employees including discretionary bonus, training, provident funds and medical coverage. Share option schemes are established for the eligible employees but no share option was granted during the year.

9. FINANCIAL AND TRADING PROSPECTS

The principal activities of the Group comprise investment holding of listed companies, provision of finance, provision of management services, leasing of properties and trading of building materials and machinery.

The Group holds interests in a number of listed associated companies, namely, Paul Y. - ITC, Hanny Holdings Limited and Burcon NutraScience Corporation. Through these listed associated companies, the Group has indirect interests in China Strategic Holdings Limited, Downer EDI Limited, Wing On Travel (Holdings) Limited, China Enterprises Limited and MRI Holdings Limited.

Building on its existing platform with stringent cost control measures to maintain a sound financial management, and under a prudent investment and development policy, the Group will continue to pursue its long term strategy of exploring high potential investments (including but not limited to those stated above) and attractive business opportunities and receive contributions and dividends from its investments. On the other hand, the segments of provision of finance, trading of building materials and machinery, and provision of management services are relatively stable and make positive contribution to the results and the cashflow of the Group as a whole.

Since 20th October, 2004 Paul Y. - ITC ceased to be a subsidiary of the Group and becomes an associated company of the Company, and the Company has 49.6% interest in it as at the Latest Practicable Date. Accordingly, the Group no longer carries on the businesses of building construction, civil engineering, specialist works, and manufacturing and trading of construction materials (which were all carried through Paul Y. - ITC) and ceases to consolidate the turnover and results of Paul Y. - ITC as subsidiary starting from 20th October, 2004. Instead, the Company will equity account for the results of the Paul Y. - ITC group according to the equity interest held by it in Paul Y. - ITC. For Hanny Holdings Limited and Burcon NutraScience Corporation, the Group will continue to equity account for their results as associated companies.

There are no special trade factors or risks which are unlikely to be known or anticipated by the general public, and which could materially affect the profits of the Group.

The following is the text of a report received from RHL, which report has been prepared for the purpose of inclusion in this circular.



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, Tsimshatsui, Kowloon, HK

11th November, 2004

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

Dear Sirs,

**Re: Valuation of The Whole of 30th Floor and 4 Car Parking Spaces, Bank of America Tower, No. 12
Harcourt Road, Central, Hong Kong**

1. INSTRUCTION

In accordance with the instructions from ITC Corporation Limited (the “Company”) for us to value the captioned property (referred to as the “Property”) in Hong Kong, 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 19th October, 2004 (referred to as the “date of valuation”).

This letter, which forms part of our valuation report explains the basis and methodology of valuation and set out assumptions made and other qualifications.

2. BASIS OF VALUATION

Our 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 purchaser with a special interest; and
- (v) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

3. VALUATION METHODOLOGY

In valuing the Property, the direct comparison method is adopted where comparison based on prices information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

4. ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the Property on the open market in the existing state without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect its values of the Property.

We have assumed that the owners of the Property have free and uninterrupted rights to use the Property for the whole of the unexpired term of its Government Lease.

Other special assumptions of the Property, if any, have been stated out in the footnotes of the valuation certificate.

5. TITLE INVESTIGATION

We have caused searches to be made at the appropriate Land Registries for the Property in Hong Kong. However, we have not verify ownership of the Property. The land registration details have been used for reference only.

6. LIMITING CONDITIONS

We have inspected the exterior of the Property valued and, where possible, we have also inspected the interior of the premises 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 Property is free from rot, infestation or any other structural defects. No tests were carried out or any of the services. All dimension, measurements and areas are based on the information supplied by the Company where possible, they will be verified by us by referring to the copies of documents available to us.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on matters such as statutory notices, easements, tenure, occupancy, site and floor areas and in the identification of the Property.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Company. We have relied on the Company confirmation that no material facts have been omitted from the information supplied.

No allowance has been made in our valuation for any outstanding land premium charge, mortgage or amount owing on any property interests nor for expense or taxation which may be incurred in effecting a sale. We have assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect the value.

Our valuation has been prepared in accordance with the Guidance Notes on the valuation of the Property Assets (2nd Edition) published by the Hong Kong Institute of Surveyors and complied with all the requirements contained in Chapter 5 of the Listing Rules issued by The Stock Exchange of Hong Kong Limited.

We enclosed herewith the valuation certificate.

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

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

Wayne W.K. Lee
MRICS MHKIS RPS(GP)
Director

Serena S. W. Lau is a fellow member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute, a Registered Professional Surveyor in General Practice and a Registered Real Estate Appraiser in the PRC. Wayne W.K. Lee is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. Both of them have over ten years' experience in valuation of properties in Hong Kong, Macau and the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 19th October, 2004
The whole of the 30th Floor and Car Parking Space Nos. 4043, 4087, 4088 and 4089 on 4th Floor, Bank of America Tower, No. 12 Harcourt Road, Central, Hong Kong.	The property comprises all office premises on the 30th floor and four car parking spaces on the 4th floor of Bank of America Tower which is a 39-storey commercial building plus a basement completed in 1975.	As at the valuation date, the property was vacant.	HK\$103,000,000
144/10,000th shares of and in Inland Lot No. 8294 (the "Lot")	The saleable floor area of the property (excluding the car parking spaces) is approximately 12,310 square feet.	The property is held under the Conditions of Sale No. 10225 for a term of 75 years from 29th September, 1972 with a right of renewal for a further term of 75 years. The current total ground rent payable for the Lot is HK\$8,306 per annum.	

Note: The registered owner of the property is Great Treasure Assets Limited vide memorial No. 7799484 dated 17th June, 1999.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular 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.

DISCLOSURE OF INTERESTS**(A) Directors' interests and short positions in shares, underlying shares and debentures**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO were as follows:

(a) Interests and short positions in shares, underlying shares and debentures of the Company

Name of Director	Capacity	Long position/ Short position	No. of Ordinary Shares held	No. of underlying shares (in respect of convertible notes (unlisted equity derivatives)) of the Company held	Approximate % of the existing issued ordinary share capital of the Company
Chan Kwok Keung, Charles	Interest of controlled corporation (Note 1)	Long position	219,681,911	-	33.58%
Chan Kwok Keung, Charles	Beneficial owner	Long position	-	833,333,333 (Note 2)	127.36%

Notes:

- Galaxyway Investments Limited is a wholly-owned subsidiary of Chinaview International Limited which is, in turn, wholly owned by Dr. Chan Kwok Keung, Charles. Dr. Chan Kwok Keung, Charles was deemed to be interested in 219,681,911 Ordinary Shares held by Galaxyway Investments Limited.
- Dr. Chan Kwok Keung, Charles owned convertible notes issued by the Company in an aggregate principal amount of HK\$250,000,000 carrying rights to convert into 833,333,333 Ordinary Shares at an initial conversion price of HK\$0.30 per Ordinary Share, subject to adjustment.

(b) *Interests and short positions in shares, underlying shares and debentures of the following associated corporations*(i) **Paul Y. - ITC**

Name of Director	Capacity	Long position/ Short position	No. of shares of Paul Y. - ITC held	Approximate % of the existing issued share capital of Paul Y. - ITC
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	678,791,961	49.58%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,840,896	0.86%
Cheung Hon Kit	Beneficial owner	Long position	400	0.00%

Note: The shares were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 33.58% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares.

(ii) **Hanny Holdings Limited (“Hanny”)**

Name of Director	Capacity	Long position/ Short position	No. of shares of Hanny held	No. of underlying shares (in respect of the share options (unlisted equity derivatives)) of Hanny held	Approximate % of the existing issued share capital of Hanny
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	45,798,813	–	24.54%
Chan Kwok Keung, Charles	Beneficial owner	Long position	–	5,600,000	3.00%
Chan Kwok Hung	Beneficial owner	Long position	–	3,350,000	1.80%

Note: The shares were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 33.58% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares.

(iii) **Burcon NutraScience Corporation (“Burcon”)**

Name of Director	Capacity	Long position/ Short position	No. of shares of Burcon held	No. of underlying shares (in respect of the share options (unlisted equity derivatives)) of Burcon held	Approximate % of the existing issued share capital of Burcon
Chau Mei Wah, Rosanna	Beneficial owner	Long position	285,769	-	1.58%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	-	65,000	0.36%

(iv) **China Strategic Holdings Limited (“China Strategic”)**

Name of Director	Capacity	Long position/ Short position	No. of shares of China Strategic held	Approximate % of the existing issued share capital of China Strategic
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	258,819,795	29.36%

Note: The shares were held by a wholly-owned subsidiary of Paul Y. - ITC, of which a wholly-owned subsidiary of the Company owns approximately 49.58%. By virtue of his deemed interests in approximately 33.58% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares.

Paul Y. - ITC, Hanny, Burcon and China Strategic are associated corporations, within the meaning of Part XV of the SFO, of the Company.

Dr. Chan Kwok Keung, Charles was, by virtue of his deemed interest in approximately 33.58% of the issued ordinary share capital of the Company, deemed to be interested in the shares and underlying shares (in respect of equity derivatives), if any, of associated corporations (within the meaning of Part XV of the SFO) of the Company held by the Group under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) Interests and short positions of substantial shareholders/other persons recorded in the register kept under the SFO

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, the following parties had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) Interests and short positions of substantial shareholders in shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	No. of Ordinary Shares held	No. of underlying shares (in respect of unlisted equity derivatives) of the Company held	Approximate % of the existing issued ordinary share capital of the Company	
Chan Kwok Keung, Charles	<i>Note</i>	Interest of controlled corporation	Long position	219,681,911	–	33.58%
Chan Kwok Keung, Charles	<i>Note</i>	Beneficial owner	Long position	–	833,333,333	127.36%
Chinaview International Limited	<i>Note</i>	Interest of controlled corporation	Long position	219,681,911	–	33.58%
Galaxyway Investments Limited	<i>Note</i>	Beneficial owner	Long position	219,681,911	–	33.58%
Ng Yuen Lan, Macy	<i>Note</i>	Interest of spouse	Long position	219,681,911	–	33.58%
Ng Yuen Lan, Macy	<i>Note</i>	Interest of spouse	Long position	–	833,333,333	127.36%

Note: Galaxyway Investments Limited is a wholly-owned subsidiary of Chinaview International Limited which is in turn wholly owned by Dr. Chan Kwok Keung, Charles. Ms. Ng Yuen Lan, Macy is the spouse of Dr. Chan Kwok Keung, Charles. Chinaview International Limited, Dr. Chan Kwok Keung, Charles and Ms. Ng Yuen Lan, Macy were deemed to be interested in the Ordinary Shares held by Galaxyway Investments Limited.

Dr. Chan Kwok Keung, Charles owned convertible notes issued by the Company in an aggregate principal amount of HK\$250,000,000 carrying rights to convert into 833,333,333 Ordinary Shares at an initial conversion price of HK\$0.30 per Ordinary Share, subject to adjustment. Ms. Ng Yuen Lan, Macy, being the spouse of Dr. Chan Kwok Keung, Charles, was deemed to be interested in the underlying shares (in respect of the convertible notes (unlisted equity derivatives)) of the Company held by Dr. Chan Kwok Keung, Charles.

(b) Interests and short positions of other persons in shares and underlying shares of the Company

Name	Notes	Capacity	Long position/ Short position	No. of Ordinary Shares held	No. of underlying shares of the Company held	Approximate % of the existing issued ordinary share capital of the Company
Leung Choi Yin		Beneficial owner	Long position	32,053,333	–	4.90%
Leung Choi Yin		Beneficial owner	Long position	–	26,666,667	4.08%
Gold Device Ltd.	1	Beneficial owner	Long position	–	40,000,000	6.11%
Wang Yung-tyng	1	Interest of controlled corporation	Long position	–	40,000,000	6.11%
CEF Holdings Limited (“CEF Holdings”)	2	Interest in controlled corporations	Long position	2,773,046	–	0.42%
CEF Holdings	2	Interest in controlled corporations	Long position	–	213,015,153	32.56%
Canadian Imperial Bank of Commerce	2	Interest of controlled corporations	Long position	2,773,046	–	0.42%
Canadian Imperial Bank of Commerce	2	Interest of controlled corporations	Long position	–	213,015,153	32.56%
Cheung Kong (Holdings) Limited (“CKH”)	2	Interest of controlled corporations	Long position	2,773,046	–	0.42%
CKH	2	Interest of controlled corporations	Long position	–	213,015,153	32.56%
Li Ka-Shing Unity Trustee Company Limited (“TUT1”)	2	Trustee	Long position	2,773,046	–	0.42%
TUT1	2	Trustee	Long position	–	213,015,153	32.56%
Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”)	2	Trustee & beneficiary of a trust	Long position	2,773,046	–	0.42%
TDT1	2	Trustee & beneficiary of a trust	Long position	–	213,015,153	32.56%
Li Ka-Shing Unity Trustcorp Limited (“TDT2”)	2	Trustee & beneficiary of a trust	Long position	2,773,046	–	0.42%

Name	Notes	Capacity	Long position/ Short position	No. of Ordinary Shares held	No. of underlying shares of the Company held	Approximate % of the existing issued ordinary share capital of the Company
TDT2	2	Trustee & beneficiary of a trust	Long position	-	213,015,153	32.56%
Li Ka-shing	2	Interest of controlled corporations & founder of discretionary trusts	Long position	2,773,046	-	0.42%
Li Ka-shing	2	Interest of controlled corporations & founder of discretionary trusts	Long position	-	213,015,153	32.56%

Note 1: Gold Device Ltd. is wholly owned by Mr. Wang Yung-tyng. Mr. Wang Yung-tyng was deemed to be interested in the underlying shares (in respect of the unlisted equity derivatives) of the Company held by Gold Device Ltd..

Note 2: The number of Ordinary Shares and underlying shares (in respect of listed equity derivatives) of the Company held by Asialand Investment Limited (“Asialand”), CEF (Capital Markets) Limited (“CEF Capital Markets”) and Asian Resources Investment Limited (“Asian Resources”) were 48,076,922, 164,938,231 and 2,773,046 respectively. CEF Capital Markets and Asian Resources were wholly owned by CEF Holdings. Asialand was wholly owned by CEF M B Investments Limited which was in turn wholly owned by CEF Holdings.

Each of CKH and CIBC Holdings (Cayman) Limited was entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of CEF Holdings. CIBC Holdings (Cayman) Limited was wholly owned by Canadian Imperial Bank of Commerce. CEF M B Investments Limited was deemed to be interested in Ordinary Shares and/or underlying shares (in respect of listed equity derivatives) of the Company held by Asialand. CEF Holdings, CIBC Holdings (Cayman) Limited and Canadian Imperial Bank of Commerce were all deemed to be interested in Ordinary Shares and underlying shares (in respect of listed equity derivatives) of the Company held by Asialand, CEF Capital Markets and Asian Resources.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

In addition, Li Ka-Shing Unity Holdings Limited also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and TDT2 as trustee of another discretionary trust (“DT2”). Each of TDT1 and TDT2 held units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr. Li Ka-shing being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, CKH, TUT1, TDT1 and TDT2 was deemed to be interested in Ordinary Shares and underlying shares (in respect of listed equity derivatives) of the Company held by Asialand, CEF Capital Markets and Asian Resources.

Save as disclosed above, the Directors and the chief executives of the Company are not aware that there is any party who, as at the Latest Practicable Date, had an interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such shares.

DIRECTORS' INTERESTS IN CONTRACTS, ASSETS AND COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group:

A redemption and subscription agreement dated 16th September, 2002 was entered into between Galaxyway Investments Limited ("Galaxyway"), a company indirectly wholly-owned by Dr. Chan Kwok Keung, Charles, and the Company in relation to the redemption of (i) notes issued by the Company to Galaxyway in 1999 in an aggregate principal amount of HK\$50,000,000; and (ii) convertible notes issued by the Company to Galaxyway in 2000 in an 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 the Company relating to the completion arrangements of the issue of the new convertible notes.

None of the directors had any interest, direct or indirect, in any asset which have since 31st March, 2004, being the date to which the latest published accounts of the Company were made up, up to the Latest Practicable Date, 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.

As at the Latest Practicable Date, none of the Directors or their respective associates were interested in any business apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to rule 8.10 of the Listing Rules.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had 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.

LITIGATION

As at the Latest Practicable Date, the Group was 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 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 under a proof of debt for a recorded receivable of approximately HK\$308,207,000 which was fully provided for by the Company in the financial year ended 31st December, 1996 and the period ended 31st March, 1998. So far the Company is a principal unsecured creditor of Hoi Sing and the liquidators of Hoi Sing have admitted a substantial portion of the Company's claim. The balance is being adjudicated by the liquidators of Hoi Sing. There has not been any significant progress since early 2000. As at the Latest Practicable Date, the litigation is still in progress.

Save as disclosed above, there is no other member of the Group as at the Latest Practicable Date engaged in any litigation or claim of material importance to the Group and no litigation or claim of material importance to the Group is known to the Directors to be pending or threatened against any member of the Group.

QUALIFICATION OF EXPERT

The following is the qualification of each of the experts who has given opinions or advice which are contained in this circular:

Deloitte Touche Tohmatsu (“Deloitte”)
RHL

Certified Public Accountants
Professional property surveyors and valuers

As at the Latest Practicable Date, Deloitte and RHL were not interested beneficially in the securities of the Company or its subsidiaries and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or its subsidiaries.

As at the Latest Practicable Date, Deloitte and RHL did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Company or its subsidiaries or are proposed to be acquired or disposed of by or leased to the Company or its subsidiaries since 31st March, 2004, being the date up to which the latest published audited consolidated accounts of the Company were made.

Deloitte and RHL have given and have not withdrawn its written consent to the issue of this circular with the inclusion herein of copies of its report, letter and/or references to its name, in the form and context in which they respectively appear.

MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by the Company or its subsidiaries within the two years preceding the date of this circular up to the Latest Practicable Date and which are or may be material:

1. Subscription agreement dated 28th March, 2003 entered into between the Company and SMI Corporation Limited (“SMI”) (formerly known as Star East Holdings Limited) relating to subscription of 500,000,000 new shares in SMI at a price of HK\$0.04 per share, together with supplemental agreement dated 30th June, 2003 between the Company and SMI in relation to the amendment of the subscription agreement;
2. Mandate letter dated 24th June, 2003 entered into between the Company, Paul Y. - ITC, Hanny and Kingsway Capital Limited in relation to the mandatory conditional cash offer by Kingsway SW Securities Limited on behalf of Calisan Developments Limited (“Calisan”), a wholly owned subsidiary of Paul Y. - ITC, and Well Orient Limited (“Well Orient”), a wholly owned subsidiary of Hanny, to acquire all the issued shares of China Strategic and outstanding warrants of China Strategic, other than those shares in and warrants of China Strategic then owned by Calisan and Well Orient and parties acting in concert with them, and to cancel all outstanding options of China Strategic;
3. Redemption agreements dated 16th January, 2004 entered into between the Company and certain registered holders of convertible notes issued by the Company in March 2003 and due in 2006 (the “Convertible Notes”) relating to the redemption of certain Convertible Notes in an aggregate principal amount of HK\$96,000,000 on face value;
4. Contract note for disposal by Hollyfield Group Limited (“Hollyfield”) of 190 million shares of Paul Y. - ITC at HK\$0.70 per share on 21st January, 2004;
5. Placing and subscription agreement dated 28th January, 2004 between the Company, Hanny and Young Champion Securities Limited (“Young Champion”) under which Young Champion agreed to place, as an agent of the Company, 21,500,000 existing shares in Hanny held by the Company at a price of HK\$4.00 per share at a placing commission of 0.75% of the aggregate price of the placing shares and the Company agreed to subscribe 21,500,000 new shares in Hanny at a price of HK\$4.00 per share;
6. Confirmation for disposal by Hollyfield of 77 million shares of Paul Y. - ITC at HK\$1.05 per share on 20th October, 2004; and
7. The Provisional Sale and Purchase Agreement.

PROCEDURE TO DEMAND A POLL AT SGM

Pursuant to bye-law 79 of the bye-laws of the Company, at any general meeting a resolution put to the vote at the meeting shall be determined on a show of hands of members present in person or by a duly authorised corporate representative or by proxy entitled to vote unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three members present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by any member or members present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a member or in case of a duly authorised corporate representative shall be deemed to be the same as a demand by a member.

In accordance with the requirements of the Listing Rules, the results of the polls will be published by way of an announcement in the local newspapers on the business day following the meeting.

GENERAL

- a. The secretary and the qualified accountant of the Company is Law Hon Wa, William, an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- b. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
- c. The principal share registrars and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda and the branch share registrars and transfer office of the Company is Secretaries Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- d. The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of Vincent T. K. Cheung, Yap & Co. at 15th Floor, Alexandra House, 16-20 Chater Road, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the audited consolidated financial statements of the Company for each of the two years ended 31st March, 2004;
- (c) the letter from Deloitte in respect of the pro forma assets and liabilities statement of the Group set out in Appendix I to this circular;
- (d) the letter, summary of valuation and valuation certificate, issued by RHL the text of which is set out in Appendix II of this circular;
- (e) the material contracts referred to in this Appendix III;
- (f) the following circulars issued by the Company pursuant to the requirements set out under Chapter 14 of the Listing Rules since 31st March, 2004, being the date to which the latest published audited consolidated financial statements of the Group were made up:

- (i) a circular dated 5th May, 2004 containing, inter alia, certain information regarding a discloseable transaction resulting from acquisition by Paul Y. - ITC of an approximately 54.06% indirect interest in a joint venture company to build and operate a bulk handling sea port at Yangkou Port, Nantong City, Jiangsu, China;
 - (ii) a circular dated 21st September, 2004 containing, inter alia, certain information regarding a very substantial disposal resulting from possible disposal of shares in Paul Y. - ITC, conversion of existing convertible preference shares into redeemable convertible preference shares and variation of terms; and
 - (iii) a circular dated 2nd November, 2004 containing, inter alia, certain information regarding a discloseable transaction resulting from the acquisition of property interest by Paul Y. - ITC; and
- (g) the letters of consent from Deloitte and RHL referred to in this Appendix III.

NOTICE OF THE SPECIAL GENERAL MEETING



ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 372)

NOTICE IS HEREBY GIVEN that a special general meeting of ITC Corporation Limited (the "Company") will be held at Conference Room, 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Friday, 26th November, 2004 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT:

- (a) the provisional sale and purchase agreement (the "**Provisional Sale and Purchase Agreement**") dated 20th October, 2004 (a copy of which is tabled at the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose) entered into between Great Treasure Assets Limited and Great Intelligence Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, in respect of the acquisition by the Purchaser of the property known as the whole of the 30th Floor and Car Parking Spaces Nos. 4087, 4088, 4089 and 4043 on 4th Floor, Bank of America Tower, No. 12 Harcourt Road, Hong Kong and the transactions contemplated thereunder be and are hereby approved; and
- (b) the directors of the Company be and are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements (including the formal agreement (the "**Formal Agreement**") to be executed pursuant to the Provisional Sale and Purchase Agreement) and to do all such acts or things as they may consider necessary, desirable or expedient in connection with or to give effect to the Provisional Sale and Purchase Agreement, the Formal Agreement and the completion thereof."

By Order of the Board
ITC Corporation Limited
Law Hon Wa, William
Company Secretary

Hong Kong, 11th November, 2004

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
33rd Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Hong Kong

Notes:

- (1) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and to vote in his stead. A proxy need not be a member of the Company.
- (2) A form of proxy for use at the meeting is enclosed herewith. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the form of proxy must be under its common seal or under the hand of an officer or attorney duly authorised on its behalf.
- (3) To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney must be completed and returned in accordance with the terms printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for holding the meeting.
- (4) Completion and return of the proxy shall not preclude a member from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should he so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (5) As at the date of this notice, the board of directors of the Company comprises nine directors, of which (i) six are executive directors, namely Dr. Chan Kwok Keung, Charles, Mr. Lau Ko Yuen, Tom, Ms. Chau Mei Wah, Rosanna, Mr. Chan Kwok Hung, Mr. Chan Fut Yan and Mr. Cheung Hon Kit; and (ii) three are independent non-executive directors, namely, Mr. Chuck Winston Calptor, Mr. Lee Kit Wah and Mr. Wong Kam Cheong, Stanley.