



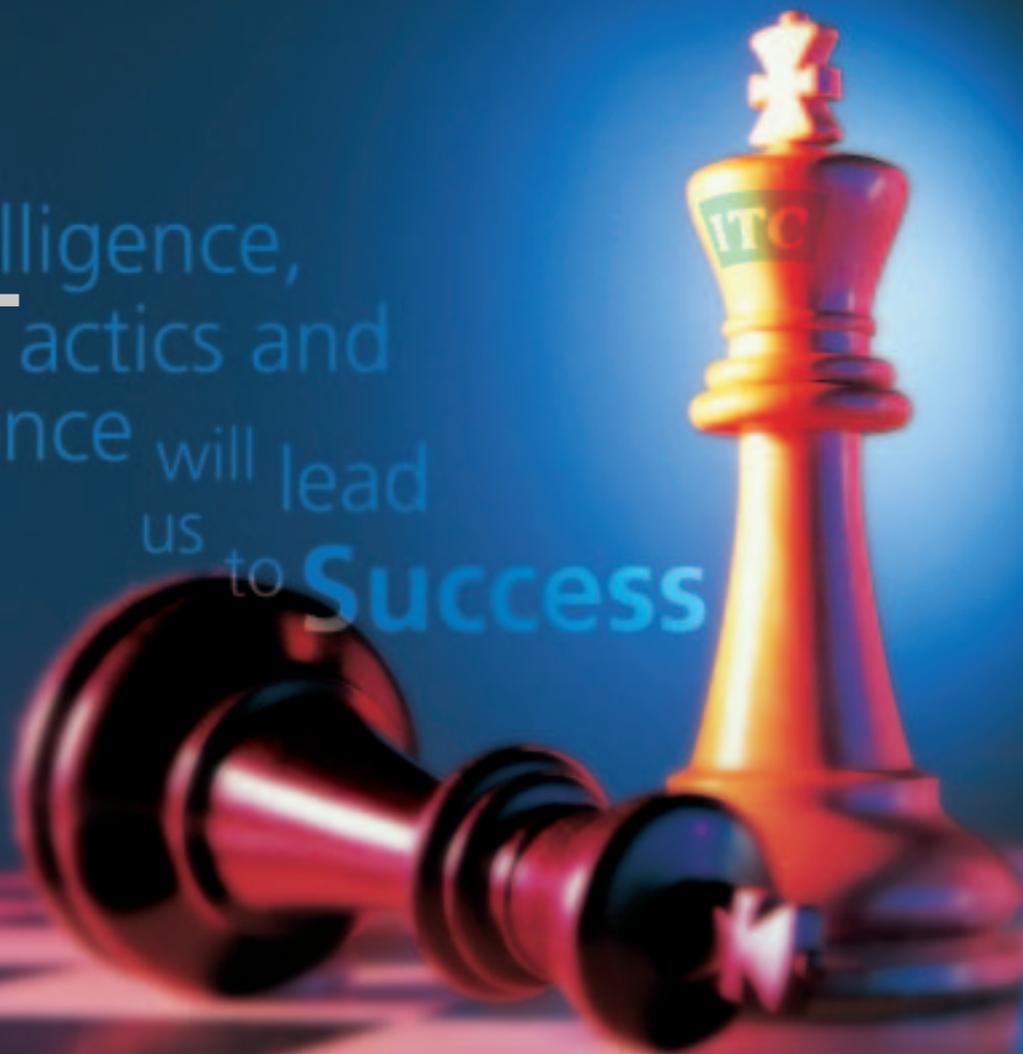
ITC Corporation Limited

德祥企業集團有限公司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

ANNUAL REPORT 2005 年度報告

Intelligence,
Tactics and
Confidence will lead
us to Success





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CORPORATE INFORMATION

BOARD OF 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
Chuck, Winston Calptor
Lee Kit Wah
Wong Kam Cheong, Stanley

SECRETARY

Law Hon Wa, William

SOLICITORS

Herbert Smith (*Hong Kong*)
Iu, Lai & Li (*Hong Kong*)
Conyers Dill & Pearman (*Bermuda*)

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
CITIC Ka Wah Bank Limited
HSBC Bank Canada
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation
Limited
Wing Lung Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

33/F, Paul Y. Centre
51 Hung To Road
Kwun Tong, Kowloon
Hong Kong
Tel : (852) 2831 8338
Fax : (852) 2833 1030

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Secretaries Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

WEBSITE

<http://www.itccorp.com.hk>

STOCK CODE

Hong Kong Stock Exchange	372
Reuters	0372.HK
Bloomberg	372 HK

CHAIRMAN'S STATEMENT

I am pleased to present to shareholders the annual report of the Group for the year ended 31st March, 2005.

RESULTS AND FINANCIAL HIGHLIGHTS

During the year ended 31st March, 2005, Hong Kong was in a period of economic rebound. The appreciation in value of the stock and property markets together with the drop in unemployment rate have revived the confidence of people in Hong Kong. The Group has also benefited from the economic rebound and reported a satisfactory result for the year ended 31st March, 2005.

The results and financial position of the Group for the year ended 31st March, 2005 are summarised in the table below:

	2005	2004	Percentage change
Consolidated turnover (<i>HK\$'million</i>)	2,026.3	3,434.7	-41.0%
Profit from operations (<i>HK\$'million</i>)	92.6	71.8	+29.0%
Profit for the year (<i>HK\$'million</i>)	186.7	28.9	+546.0%
Total assets (<i>HK\$'million</i>)	1,930.2	4,982.5	-61.3%
Shareholders' funds (<i>HK\$'million</i>)	1,614.7	1,353.2	+19.3%
Basic earnings per ordinary share (<i>HK\$</i>)	0.24	0.02	+1,100.0%
Current ratio	0.56	1.58	-64.6%

The Group has ceased to consolidate Paul Y. – ITC Construction Holdings Limited ("Paul Y. – ITC") as a subsidiary in the accounts of the Group since the disposal of 77 million shares in Paul Y. – ITC by the Group on 20th October, 2004 as disclosed in the circular dated 5th November, 2004. Since then the Group shared its results as an associate using the equity accounting method. Such change accounted for most of the significant fluctuation for the year under review when compared with the last corresponding year, especially the decrease in consolidated turnover and the consolidated total assets of the Group.

For the year ended 31st March, 2005, the Group reported a profit of approximately HK\$186.7 million. The significant increase was mainly due to the increase in contribution from Paul Y. – ITC. Accordingly, the shareholders' funds increased to approximately HK\$1,614.7 million.

As the convertible notes of principal amount of approximately HK\$164.5 million will be redeemed on 3rd March, 2006, it has been classified as current liability at the balance sheet date, leading to the decrease in current ratio. However, the current ratio will be improved significantly after the Group receives the special cash dividend of approximately HK\$475.1 million from Paul Y. – ITC by the end of July 2005.

REVIEW OF OPERATIONS

During the year ended 31st March, 2005, the Group continued to hold significant interests, both directly or indirectly, in a number of companies listed in Hong Kong, Canada, Australia, Singapore, Germany and the United States ("U.S.") and also high potential unlisted investments pursuant to its long term strategy of exploring potential investments and enhancing the value of its strategic investments by active participation in or close liaisons with the management of the companies invested by the Group.

On 23rd March, 2005, the Group acquired approximately 50.07% interest in Trasy Gold Ex Limited ("Trasy") and, subsequent to the year end, the interest was increased to approximately 56.45% after the close of the cash offers.

The principal business of the Trasy group is the provision and operation of an Internet-based electronic trading system to facilitate trading of precious metals.



CHAIRMAN'S STATEMENT *(continued)*

The Group is now conducting a detailed review on the business operation and financial position of the Trasy group in order to formulate business and/or financing plans and strategies for the Trasy group's future business development with an aim to strengthening the Trasy group's overall business performance. Subject to the results of the financial and operational review and should suitable opportunities arise, the Group may consider diversifying the business of Trasy group with a view to broadening its income stream and capturing further business opportunities. Trading in the shares of Trasy has been suspended since 10th June, 2003 at the request of Trasy and an application for trading resumption has been submitted for the consideration by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

Strategic Investments

As at 31st March, 2005, the Group had the following significant strategic investments:

Listed strategic investments directly held

Paul Y. – ITC

The Paul Y. – ITC group is principally engaged in the development and investment in port and infrastructure projects, property development and investment, treasury investment and, through Paul Y. Engineering Group Limited ("Paul Y. Engineering") and its subsidiaries, in building construction, civil engineering and specialist works. In addition, Paul Y. – ITC group holds approximately 29.4% interest in China Strategic Holdings Limited ("China Strategic") as at 31st March, 2005. For the year ended 31st March, 2005, Paul Y. – ITC reported a consolidated profit for the year of HK\$522.9 million and its overall after tax contribution to the Group was a profit of HK\$289.2 million. In addition, the Group has reported a loss of approximately HK\$38.1 million due to the disposal of 77 million shares in Paul Y. – ITC.

Hanny Holdings Limited ("Hanny")

The Hanny group is principally engaged in the trading of computer related products, consumer electronic products which comprise the manufacturing, distribution and marketing of data storage media (primarily floppy disks, CD-R, CD-RW and DVD), the distribution and marketing of computer accessories and storage media drives, scanners, audio and video cassettes, minidisks, household electronic products and telecommunication accessories, and securities trading. The Hanny group also made strategic investments in information technology, supply of household consumer products and other businesses. For the year ended 31st March, 2005, Hanny reported a consolidated loss for the year of HK\$160.9 million and its after tax contribution to the Group was a loss of HK\$35.6 million.

Burcon NutraScience Corporation ("Burcon")

Burcon is a research and development company developing a portfolio of composition, application and process patents around its plant protein extraction and purification technology. The goal of Burcon's research is to develop its patented process to utilise inexpensive oilseed meals for the production of purified plant proteins that exhibit valuable nutritional, functional or nutraceutical profiles. Burcon is currently focusing its efforts on developing the world's first commercial canola proteins, namely Puratein® and Supertein™ (the "Products"). Canola, recognised for its nutritional qualities, is the second-largest oilseed crop in the world after soybeans. Burcon's goal is to develop the Products to participate with soy, dairy and egg proteins in the expanding multi-billion-dollar protein ingredient market, with potential uses in prepared foods, nutritional supplements and personal care products. For the year ended 31st March, 2005, Burcon's after tax contribution to the Group was a loss of HK\$4.8 million.

Listed strategic investments indirectly held

Paul Y. Engineering

The principal activities of Paul Y. Engineering group include building construction, civil engineering, specialist works, and manufacturing and trading of construction materials.

China Strategic

China Strategic is an investment holding company. Through its subsidiaries, China Strategic is engaged in the business of manufacturing and trading of batteries and property investment and development in the Mainland; and through its associates engaged in manufacturing and marketing of tires in the Mainland and other countries abroad; and the business of providing package tour, travel and other related services; and hotel and leisure related businesses.

CHAIRMAN'S STATEMENT *(continued)*

PSC Corporation Ltd ("PSC")

The PSC group focuses on three core businesses, namely food, healthcare and education. It is involved in food trading, logistics, manufacturing and retail franchising as well as healthcare consultancy and services, and logistics and supply chain management training.

China Enterprises Limited ("China Enterprises")

China Enterprises is an investment holding company. Through its subsidiaries, China Enterprises is engaged in the business of property investment and development in the Mainland; and has substantial interests in investment companies, the subsidiaries of which are principally engaged in the business of providing package tour, travel and other related services, hotel operation and the manufacturing and trading of tires in the Mainland and other countries abroad.

MRI Holdings Limited ("MRI")

MRI, as an investment company, has continued to actively seek for suitable investment opportunities to meet the strategic goals of MRI.

Wing On Travel (Holdings) Limited ("Wing On Travel")

Wing On Travel is an investment holding company. Its subsidiaries are principally engaged in the business of providing package tour, travel and other related services, and hotel operation including a hotel chain branded under the name of "Rosedale" in Hong Kong and the Mainland.

The Group's interests in listed subsidiary and strategic investments are summarised below:

Listed subsidiary and strategic investments directly held

Name of investee company	Place of listing	Stock code	Shareholding percentage	
			As at 31st March, 2005	As at the date of this report
Trasy	The Growth Enterprise Market of Hong Kong Stock Exchange	8063	50.1%	56.5%
Paul Y. – ITC	Hong Kong Stock Exchange	498	49.6%	49.6%
Hanny	Hong Kong Stock Exchange	275	20.5%	20.5%
Burcon	TSX Venture Exchange and Frankfurt Stock Exchange	BU WKN 157793	25.0%	25.0%



CHAIRMAN'S STATEMENT *(continued)*

Listed strategic investments indirectly held

Name of investee company	Place of listing	Stock code	Effective interest	
			As at 31st March, 2005	As at the date of this report
Paul Y. Engineering	Hong Kong Stock Exchange	577	32.3% <i>(Note a)</i>	32.3% <i>(Note a)</i>
China Strategic	Hong Kong Stock Exchange	235	20.6% <i>(Note b)</i>	20.6% <i>(Note b)</i>
PSC	Singapore Exchange Securities Trading Limited	PSC	4.4% <i>(Note c)</i>	4.9% <i>(Note c)</i>
China Enterprises	OTC Bulletin Board, U.S.	CSHEF	11.4% <i>(Note d)</i>	11.4% <i>(Note d)</i>
MRI	Australian Stock Exchange	MRI	11.8% <i>(Note d)</i>	11.8% <i>(Note d)</i>
Wing On Travel	Hong Kong Stock Exchange	1189	2.4% <i>(Note e)</i>	3.2% <i>(Note e)</i>

Notes:

- (a) The Group's interest is held through its direct interest in Paul Y. – ITC.
- (b) The Group's interest is held through its direct interests in Paul Y. – ITC and Hanny.
- (c) The Group's interest is held through its direct interest in Hanny.
- (d) The Group's interest is held through its indirect interest in China Strategic.
- (e) The Group's interest is held through its indirect interest in China Enterprises.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash, bank balances and deposits as at 31st March, 2005 amounted to approximately HK\$16.0 million. As at 31st March, 2005, the Group had bank borrowings of approximately HK\$79.9 million and other loan of approximately HK\$18.8 million of which HK\$17.4 million and HK\$18.8 million, respectively, are repayable within one year or on demand.

During the year, convertible notes in an aggregate principal amount of HK\$125.0 million were converted into ordinary shares at the conversion price of HK\$0.3 per ordinary share. The balance in an aggregate principal amount of HK\$164.5 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, 2005, all the Group's borrowings are at floating interest rates and the Group's current ratio was 0.56.

EXCHANGE RATE EXPOSURE

As at 31st March, 2005, approximately 18.1% of the cash, bank balances and deposits were in other currencies and only 5.7% of the Group's total borrowings of HK\$263.1 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\$247.1 million and the shareholders' funds of HK\$1,614.7 million, was 15.3% as at 31st March, 2005, as compared to 42.8% as at 31st March, 2004.

CHAIRMAN'S STATEMENT *(continued)*

PLEDGE OF ASSETS

As at 31st March, 2005, certain of the Group's properties with an aggregate carrying value of approximately HK\$143.1 million were pledged to banks and financial institutions to secure general facilities granted to the Group.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31st March, 2005.

EMPLOYEE AND REMUNERATION POLICY

As at 31st March, 2005, the Group employed a total of approximately 54 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.

MAJOR EVENTS

Disposal of shares in Paul Y. – ITC

On 18th August, 2004, the Board announced that the Group intended to place out sufficient shares in Paul Y. – ITC so that on completion of the placement Paul Y. – ITC will become an associate of the Company. On 20th October, 2004, the Company disposed of 77 million shares in Paul Y. – ITC at a consideration of HK\$1.05 per share. After the disposal and upon the receipt of scrip shares from Paul Y. – ITC on 29th October, 2004, the Group's interest was decreased from approximately 55.06% to approximately 49.58% and Paul Y. – ITC has become an associate of the Company with effect from 20th October, 2004.

Acquisition of property interest in Hong Kong

On 20th October, 2004, a wholly-owned subsidiary of the Company entered into a provisional sale and purchase agreement with a third party to acquire the whole of the 30th Floor and 4 carparking spaces on 4th Floor, Bank of America Tower, No. 12 Harcourt Road, Hong Kong at a consideration of approximately HK\$102 million. The acquisition of the property has been approved by the ordinary shareholders of the Company on 26th November, 2004 and was completed on 30th December, 2004. The property is being used as a downtown office of the Group.

Conversion of convertible preference shares into redeemable convertible preference shares

Upon the approval by the ordinary shareholders and preference shareholders on 13th October, 2004, the conversion of the convertible preference shares into redeemable convertible preference shares has taken effect from 3rd November, 2004. The redeemable convertible preference shares will be redeemed, according to their terms, at HK\$1.06 per share on 3rd November, 2007.

Acquisition of interest in Trasy

On 23rd March, 2005, Golden Hall Holdings Limited ("Golden Hall"), a wholly-owned subsidiary of the Company, acquired approximately 50.07% interest in Trasy at an aggregate consideration of HK\$8 million, representing approximately HK\$0.00575 per share of Trasy. As a result of the acquisition, Golden Hall made unconditional mandatory cash offers for all the shares of Trasy at HK\$0.00575 each and for all the options of Trasy at HK\$1 for every 1,000,000 options not already owned by it and its concert parties.

On 25th May, 2005, the cash offers were closed and the Group's interest in Trasy was increased to approximately 56.45%.

SECURITIES IN ISSUE

As a result of the issue of new ordinary shares under the conversion of the convertible notes and the redeemable convertible preference shares, the total number of issued ordinary shares and issued redeemable convertible preference shares of the Company as at the date of this report are 1,072,008,541 and 266,952,000, respectively of HK\$0.10 each.



CHAIRMAN'S STATEMENT *(continued)*

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of 1.5 cents per ordinary share for the year ended 31st March, 2005 (2004: Nil) to holders of ordinary shares whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 5th October, 2005. The final dividend is expected to be paid to shareholders by post on or around 3rd November, 2005. The Board has also proposed that the final dividend should be satisfied by cash, with an option to elect scrip dividend of ordinary shares, in respect of part or all of such dividend. The market value of the ordinary shares to be issued under the scrip dividend alternate will be fixed by reference to the average of the closing prices of the ordinary shares of the Company for the three consecutive trading days ending 5th October, 2005 less a discount of five per cent. of such average price or the par value of ordinary shares, whichever is the higher. The proposed scrip dividend is conditional upon the Hong Kong Stock Exchange granting listing of, and permission to deal in, the new shares to be issued and the passing at the forthcoming annual general meeting of the Company of an ordinary resolution to approve the final dividend. A circular giving full details of the scrip dividend alternate and a form of election will be sent to shareholders of the Company.

DIVIDEND ON PREFERENCE SHARES

The Board has resolved to pay a dividend of HK\$0.04 per redeemable convertible preference share of the Company of HK\$0.10 each in respect of the twelve month period ending on but excluding 3rd November, 2005 to holders of redeemable convertible preference shares whose names appear on the register of redeemable convertible preference shares as at the close of business on 14th October, 2005. The dividend on redeemable convertible preference shares is expected to be paid to holders of redeemable convertible preference shares by post on or around 3rd November, 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st March, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

OUTLOOK

The year ahead will continue to be challenging. On the one hand, the opening of Hong Kong Disneyland, the ongoing relaxation of Individual Visit Scheme and the improvement in unemployment rate are expected to prolong tourism boom and boost consumer sentiment which will sustain the growth of Hong Kong economy. On the other hand, the impact of the record high oil price and the rising interest rate is still uncertain in the long run. However, the Group is cautiously optimistic about the business operation in the coming year. Building on its existing assets base and growing diversified investment portfolio, the Group aims at sustaining stable income growth and capitalising high growth opportunities while hedging the Group's performance against unforeseeable business risks in any particular sector. It is the ultimate goal of the Group to increase shareholder value and reward shareholders with stable dividend payout. With the strong cash position gained from the special cash dividend received from Paul Y. – ITC, the Group will proactively yet prudently explore and take advantage of any business investment and expansion opportunities that may enhance long term profitability. Barring unforeseen circumstances, the Group is confident in meeting future challenges.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the shareholders for their continuous support to the Company and extend my appreciation to all management and staff members for their contribution and dedication throughout the year.

Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong, 22nd July, 2005

BIOGRAPHIES OF DIRECTORS AND QUALIFIED ACCOUNTANT

DIRECTORS

Chan Kwok Keung, Charles, aged 50, is the Chairman of the Company. Dr. Chan holds an honorary degree of Doctor of Laws and a bachelor's degree in civil engineering and has over 25 years' international corporate management experience in the construction and property sectors as well as in strategic investments. He joined the Group in February 1997 and is responsible for its strategic planning. Dr. Chan is, the chairman of Hanny Holdings Limited ("Hanny") (0275.HK), the chairman and chief executive officer of China Strategic Holdings Limited ("China Strategic") (0235.HK) and a non-executive director of Paul Y. – ITC Construction Holdings Limited ("Paul Y. – ITC") (0498.HK). He is the sole director of Chinaview International Limited and Galaxyway Investments Limited which are substantial shareholders of the Company as disclosed in the section headed "Interests and short positions of substantial shareholders/other persons recorded in the register kept under section 336 of the SFO" in the directors' report. Dr. Chan is the elder brother of Mr. Chan Kwok Hung, an executive director of the Company.

Lau Ko Yuen, Tom, aged 54, is the Deputy Chairman of the Company and is a director of various subsidiaries of the Group. Mr. Lau has over 32 years' international corporate management experience in the construction industry. He joined the Group in February 1997 and is responsible for its general corporate development and administration. Mr. Lau is the deputy chairman and managing director of Paul Y. – ITC (0498.HK) and the deputy chairman of Paul Y. Engineering Group Limited (0577.HK). He is also the deputy chairman of Downer EDI Limited (DOW.AX).

Chau Mei Wah, Rosanna, aged 50, is the Managing Director of the Company, a member of the Remuneration Committee of the Company and a director of various subsidiaries of the Group. Ms. Chau has over 25 years' experience in international corporate management and finance. She holds a bachelor's degree and a master's degree in commerce and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia and a member of the Certified General Accountants' Association of Canada. She joined the Group in February 1997 and is responsible for its general corporate development, administration and overall finance activities. Ms. Chau is an executive director of Paul Y. – ITC (0498.HK) and China Strategic (0235.HK). She is also a director of Burcon NutraScience Corporation (BU-TSX Venture, WKN 157793 – FWB).

Chan Kwok Hung, aged 46, joined the Company as an executive director in November 1997 and is a director of various subsidiaries of the Group. Mr. Chan holds a diploma in arts and has over 22 years' experience in trading business in China. He is an executive director of Hanny (0275.HK). Mr. Chan is also an alternate director to Dr. Chan Kwok Keung, Charles in China Strategic (0235.HK). He is the younger brother of Dr. Chan Kwok Keung, Charles, the Chairman of the Company.

Chan Fut Yan, aged 51, joined the Company as an executive director in December 1997 and is a director of various subsidiaries of the Group. Mr. Chan has over 32 years' experience in the local construction field specialising in site supervision, planning of works and progress monitoring. Mr. Chan is the managing director of Cheung Tai Hong Holdings Limited ("Cheung Tai Hong") (0199.HK) and an executive director of Paul Y. – ITC (0498.HK).

Cheung Hon Kit, aged 51, joined the Company as independent non-executive director in December 1999 and was appointed as an executive director in September 2001. He is also a director of a subsidiary of the Group. Mr. Cheung graduated from the University of London with a bachelor of arts degree. He has over 27 years' experience in real estate development, property investment and corporate finance. He has worked in key executive position in various leading property development companies in Hong Kong. Mr. Cheung is the chairman of Cheung Tai Hong (0199.HK), the managing director of Wing On Travel (Holdings) Limited (1189.HK), an executive director of Paul Y. – ITC (0498.HK), a non-executive director of Hanny (0275.HK) and an independent non-executive director of Panva Gas Holdings Limited (8132.HK), International Entertainment Corporation (8118.HK) and Innovo Leisure Recreation Holdings Limited (0703.HK).



BIOGRAPHIES OF DIRECTORS AND QUALIFIED ACCOUNTANT *(continued)*

DIRECTORS *(continued)*

Chuck, Winston Calptor, aged 49, joined the Company as an independent non-executive director in November 2001. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Chuck graduated from the University of Western Ontario, Canada with a bachelor of arts degree. He is a practising solicitor in Hong Kong and has over 23 years' experience in the legal fields. He is also an independent non-executive director of Starlight International Holdings Limited (0485.HK).

Lee Kit Wah, aged 49, joined the Company as an independent non-executive director in July 2004. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Lee graduated from University of Toronto with a bachelor's degree in commerce. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Taxation Institute of Hong Kong. He has been practising as a certified public accountant in Hong Kong since 1988 and is the managing director of an accounting firm. Mr. Lee is also an independent non-executive director of SinoCom Software Group Limited (299.HK).

Wong Kam Cheong, Stanley, aged 47, joined the Company as an independent non-executive director in September 2004 and is also a member of the Audit Committee of the Company. Mr. Wong has an honours degree in civil engineering awarded by the University of Manchester, U.K. and a master of science degree in finance awarded by the Chinese University of Hong Kong. He is a member of the Hong Kong Institution of Engineers, a Registered Professional Engineer in Hong Kong, a Chartered Professional Engineer of Australia, a U.K. Chartered Civil and Structural Engineer and a fellow member of the Hong Kong Institution of Real Estate Administration. He is also a Registered Structural Engineer and Authorised Person (Engineer) registered under the Buildings Ordinance (CAP123) Section 3. He has over 24 years of experience in the field of design, construction, project management, property development and management.

QUALIFIED ACCOUNTANT

Law Hon Wa, William, aged 40, is the Company Secretary and the Chief Accountant of the Company and is also a director of various subsidiaries of the Group. Mr. Law has over 16 years' experience in auditing, accounting and financial management. He holds a bachelor's degree in business administration and a master's degree in applied finance. He is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and also a certified public accountant in Hong Kong. He joined the Group in 2000 and is responsible for its finance, accounting, and company secretarial functions.

DIRECTORS' REPORT

The directors have pleasure to present their report and the audited financial statements of the Company and of the Group for the year ended 31st March, 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries and the Group's principal associates as at 31st March, 2005 are set out in note 50 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating results for the year ended 31st March, 2005 is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2005 are set out in the consolidated income statement on page 24 of the annual report.

An interim dividend of 1.0 cent per ordinary share amounting to approximately HK\$6,543,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of 1.5 cents per ordinary share in cash with scrip dividend of ordinary shares option to the holders of ordinary shares whose names appear on the register of holders of ordinary shares on 5th October, 2005 amounting to approximately HK\$16,080,000.

The directors resolved to pay a dividend of HK\$0.04 per redeemable convertible preference share in respect of the twelve month period ending on but excluding 3rd November, 2005 to holders of redeemable convertible preference shares whose names appear on the register of redeemable convertible preference shares as at the close of business on 14th October, 2005 amounting to approximately HK\$10,678,000.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 28 and note 38 to the financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers in aggregate and the single largest customer of the Group for the year ended 31st March, 2005 accounted for approximately 70% and 25% of the turnover of the Group respectively. The aggregate purchases attributable to the five largest suppliers of the Group during the year were less than 30% of the purchases of the Group.

As far as the directors are aware, certain director and/or his associate, within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"), have an interest of less than 1% in shares and/or equity derivatives of one of the five largest customers of the Group for the year ended 31st March, 2005.

Save as disclosed above, as far as the directors are aware, none of the directors, their associates, within the meaning of the Listing Rules, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital have an interest in any of the five largest customers of the Group for the year ended 31st March, 2005.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 77 of the annual report.



DIRECTORS' REPORT *(continued)*

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired a property at a cost of approximately HK\$107 million, which together with other land and buildings was revalued at the year end date. The net surplus arising on the revaluation, which had been credited directly to revaluation reserve and income statement, amounted to approximately HK\$14 million and HK\$291,000 respectively.

Certain of the Group's property, plant and equipment were disposed as a result of the disposal of its listed subsidiary, Paul Y. – ITC Construction Holdings Limited ("Paul Y. – ITC"). The net book value of property, plant and equipment disposed of amounted to approximately HK\$396 million.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

INVESTMENT PROPERTIES

During the year, the Group's principal investment properties were disposed of as a result of the disposal of Paul Y. – ITC.

Details of these and other movements in the investment properties of the Group during the year are set out in note 17 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the principal subsidiaries of the Company and principal associates of the Group as at 31st March, 2005 are set out in note 50 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 36 to the financial statements.

SHARE OPTIONS

Details of the movements in the share options of the Company, its subsidiary and associate during the year are set out in note 37 to the financial statements.

BORROWINGS

Bank borrowings and other loans repayable within one year or on demand are classified as current liabilities. Details of the repayment analysis of bank borrowings and other loans of the Group and the Company as at 31st March, 2005 are set out in notes 32 and 33 to the financial statements respectively.

As at 31st March, 2005, the Group had in issue convertible notes with an aggregate principal value of HK\$164,500,000. Details of the convertible notes are set out in note 31 to the financial statements.

Interest of approximately HK\$1,491,000 was capitalised into contracts in progress by the Group during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

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
 Wong Kun To

(retired on 7th September, 2004)

DIRECTORS' REPORT *(continued)*

DIRECTORS *(continued)*

Independent non-executive directors:

Chuck, Winston Calptor	
Lee Kit Wah	(appointed on 23rd July, 2004)
Wong Kam Cheong, Stanley	(appointed on 30th September, 2004)
Lai, Dominic	(retired on 7th September, 2004)

In accordance with Bye-law 98(A) of the Company's Bye-laws, Mr. Lau Ko Yuen, Tom and Mr. Chuck, Winston Calptor retire by rotation at the forthcoming annual general meeting. In addition, in accordance with Bye-law 103(B) of the Company's Bye-Laws, Mr. Wong Kam Cheong, Stanley retires at the forthcoming annual general meeting. All retiring directors, being eligible for re-election, offer themselves for re-election, except Mr. Lau Ko Yuen, Tom who does not offer himself for re-election.

The term of office for each of the independent non-executive directors is the period up to his retirement by rotation at least once every three years and in accordance with the Company's Bye-laws.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March, 2005, 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 Securities and Futures Ordinance (the "SFO"), as recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules 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	Number of ordinary shares of the Company held	Number of underlying shares (in respect of convertible notes (unlisted equity derivatives)) of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Chan Kwok Keung, Charles	Interest of controlled corporation (Note 1)	Long position	359,681,910	–	33.55%
Chan Kwok Keung, Charles	Beneficial owner	Long position	–	443,333,334 (Note 2)	41.36%

Notes:

- Galaxyway Investments Limited ("Galaxyway") was a wholly-owned subsidiary of Chinaview International Limited ("Chinaview") which was, in turn, wholly owned by Dr. Chan Kwok Keung, Charles. Dr. Chan Kwok Keung, Charles was deemed to be interested in 359,681,910 ordinary shares of the Company held by Galaxyway.
- Dr. Chan Kwok Keung, Charles owned convertible notes issued by the Company in an aggregate principal amount of HK\$133,000,000 carrying rights to convert into 443,333,334 ordinary shares of the Company at an initial conversion price of HK\$0.30 per ordinary share, subject to adjustment.



DIRECTORS' REPORT *(continued)***DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**
*(continued)***(b) Interests and short positions in shares, underlying shares and debentures of Trasy Gold Ex Limited ("Trasy")**

Name of director	Capacity	Long position/ Short position	Number of shares of Trasy held	Approximate percentage of the issued share capital of Trasy
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	1,391,430,000	50.07%

Note: The shares of Trasy were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 33.55% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of Trasy.

(c) Interests and short positions in shares, underlying shares and debentures of Paul Y. – ITC

Name of director	Capacity	Long position/ Short position	Number of shares of Paul Y. – ITC held	Number of underlying shares (in respect of the share options (unlisted equity derivatives)) of Paul Y. – ITC held	Approximate percentage of the issued share capital of Paul Y. – ITC
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	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%
Lau Ko Yuen, Tom	Beneficial owner	Long position	–	13,000,000	0.95%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	13,000,000	0.95%
Chan Fut Yan	Beneficial owner	Long position	–	13,000,000	0.95%

Note: The shares of Paul Y. – ITC were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 33.55% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of Paul Y. – ITC.

DIRECTORS' REPORT *(continued)***DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**
*(continued)***(d) Interests and short positions in shares, underlying shares and debentures of Hanny Holdings Limited ("Hanny")**

Name of director	Capacity	Long position/ Short position	Number of shares of Hanny held	Number of underlying shares (in respect of the share options (unlisted equity derivatives)) of Hanny held	Approximate percentage of the issued share capital of Hanny
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	45,798,813	–	20.48%
Chan Kwok Keung, Charles	Beneficial owner	Long position	–	5,600,000	2.50%
Chan Kwok Hung	Beneficial owner	Long position	–	3,350,000	1.50%

Note: The shares of Hanny were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 33.55% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of Hanny.

(e) Interests and short positions in shares, underlying shares and debentures of Burcon NutraScience Corporation ("Burcon")

Name of director	Capacity	Long position/ Short position	Number of shares of Burcon held	Number of underlying shares (in respect of the share options (unlisted equity derivatives)) of Burcon held	Approximate percentage of the 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	–	45,000	0.25%



DIRECTORS' REPORT *(continued)***DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES***(continued)***(f) Interests and short positions in shares, underlying shares and debentures of Paul Y. Engineering Group Limited ("Paul Y. Engineering")**

Name of director	Capacity	Long position/ Short position	Number of shares of Paul Y. Engineering held	Number of underlying shares (in respect of the unlisted equity derivatives) of Paul Y. Engineering held	Approximate percentage of the issued share capital of Paul Y. Engineering
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	375,826,317	–	65.17%
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	–	100,000,000	17.34%

Note: The shares of Paul Y. Engineering were held by a wholly-owned subsidiary of Paul Y. – ITC of which a wholly-owned subsidiary of the Company owns approximately 49.58% of the issued share capital. Paul Y. – ITC also indirectly held an interest in 100,000,000 underlying shares of Paul Y. Engineering by virtue of a loan facility pursuant to which convertible note(s) will be issued by Paul Y. Engineering, upon draw down of the facility, in the principal amount of the facility drawn. Such convertible notes are convertible into shares of Paul Y. Engineering at an initial conversion price of HK\$1.00 per share, up to a maximum aggregate principal amount of HK\$100,000,000. By virtue of his deemed interests in approximately 33.55% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and underlying shares of Paul Y. Engineering.

(g) Interests and short positions in shares, underlying shares and debentures of China Strategic Holdings Limited ("China Strategic")

Name of director	Capacity	Long position/ Short position	Number of shares of China Strategic held	Approximate percentage of the issued share capital of China Strategic
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	258,819,795	29.36%

Note: The shares of China Strategic were held by a wholly-owned subsidiary of Paul Y. – ITC of which a wholly-owned subsidiary of the Company owned approximately 49.58% of the issued share capital. By virtue of his deemed interests in approximately 33.55% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of China Strategic.

Paul Y. – ITC entered into a conditional share sale agreement for the disposal of 135,000,000 shares of China Strategic on 10th March, 2005. The disposal has not yet been completed as at 31st March, 2005.

DIRECTORS' REPORT *(continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

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

Dr. Chan Kwok Keung, Charles was, by virtue of his deemed interest in approximately 33.55% 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 the 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 31st March, 2005, none of the directors and chief executives of the Company had any interests and 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) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(a) Share Option Scheme of the Company adopted on 16th January, 2002 (the "ITC Scheme")

As at 31st March, 2005, 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 the year. Details of the ITC Scheme are set out in note 37 to the financial statements.

(b) New Share Option Scheme of Paul Y. – ITC adopted on 27th August, 2002 (the "Paul Y. – ITC New Scheme")

As at 20th October, 2004, the date on which Paul Y. – ITC ceased to be a subsidiary of the Company, there were no outstanding share options granted by Paul Y. – ITC pursuant to the Paul Y. – ITC New Scheme. No share options were granted, exercised, cancelled or lapsed during the period from 1st April, 2004 to 20th October, 2004. Details of the Paul Y. – ITC New Scheme are set out in note 37 to the financial statements.

(c) Pre-IPO Option Plan of Trasy adopted on 6th November, 2000 and New Share Option Scheme of Trasy adopted on 30th April, 2002.

As at 31st March, 2005, there were no share options granted by Trasy pursuant to the share option schemes of Trasy to the directors of the Company. Details of the two share option schemes of Trasy are set out in note 37 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 49 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



DIRECTORS' REPORT *(continued)*

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors of the Company is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as at 31st March, 2005.

The changes in details of the directors' interests in competing businesses previously disclosed in the annual report of the Company for the year ended 31st March, 2004 (the "Annual Report 2004") were set out below:

1. Dr. Chan Kwok Keung, Charles is the chairman and chief executive officer of China Strategic and Mr. Chan Kwok Hung is an alternate director to Dr. Chan Kwok Keung, Charles. Ms. Chau Mei Wah, Rosanna is an executive director of China Strategic. China Strategic and its subsidiaries had competing business of property business in the Mainland (being the People's Republic of China, excluding Hong Kong and Macau) as disclosed in the Annual Report 2004.
2. Dr. Chan Kwok Keung, Charles resigned as a director of Wing On Travel (Holdings) Limited ("Wing On Travel") on 30th December, 2004. Mr. Cheung Hon Kit is the managing director of Wing On Travel. Wing On Travel and its subsidiaries had competing business of property business in Hong Kong as disclosed in the Annual Report 2004.
3. Dr. Chan Kwok Keung, Charles and Mr. Chan Kwok Hung resigned on 10th May, 2004, as the chairman and an executive director, respectively, of Pacific Century Premium Developments Limited ("PCPD"). PCPD and its subsidiaries had competing business of trading of building materials in Hong Kong as disclosed in the Annual Report 2004.
4. Mr. Cheung Hon Kit holds indirect shareholding interest in Universal Engineering & Construction Ltd. which had competing business of construction as disclosed in the Annual Report 2004. Mr. Cheung Hon Kit is a director and a shareholder of Silver City Limited, Co-Forward Development Limited, China Development Limited and Asia City Holding Limited, all of which had competing business of property business in Hong Kong as disclosed in the Annual Report 2004.
5. Mr. Wong Kun To retired as an executive director of the Company on 7th September, 2004.
6. All the competing businesses as mentioned in items (1) to (4) above are also businesses of Paul Y. – ITC, which ceased to be a subsidiary of the Company in October 2004.

DIRECTORS' REPORT *(continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 31st March, 2005, so far as is known to the directors and the chief executives of the Company, the interests or short positions of substantial shareholders/other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

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

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Number of underlying shares (in respect of the unlisted equity derivatives) of the Company held	Approximate percentage of the issued ordinary share capital of the the Company
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	359,681,910	-	33.55%
Chan Kwok Keung, Charles	Beneficial owner	Long position	-	443,333,334 <i>(Note)</i>	41.36%
Chinaview	Interest of controlled corporation <i>(Note)</i>	Long position	359,681,910	-	33.55%
Galaxyway	Beneficial owner	Long position	359,681,910	-	33.55%
Ng Yuen Lan, Macy	Interest of spouse <i>(Note)</i>	Long position	359,681,910	-	33.55%
Ng Yuen Lan, Macy	Interest of spouse <i>(Note)</i>	Long position	-	443,333,334 <i>(Note)</i>	41.36%

Note: Galaxyway was a wholly-owned subsidiary of Chinaview which was 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, Dr. Chan Kwok Keung, Charles and Ms. Ng Yuen Lan, Macy were deemed to be interested in the ordinary shares of the Company held by Galaxyway.

Dr. Chan Kwok Keung, Charles owned convertible notes issued by the Company in an aggregate principal amount of HK\$133,000,000 carrying rights to convert into 443,333,334 ordinary shares of the Company 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)) held by Dr. Chan Kwok Keung, Charles.



DIRECTORS' REPORT *(continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO *(continued)*

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

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Number of underlying shares (in respect of the unlisted equity derivatives) of the Company held	Approximate percentage of the issued ordinary share capital of the the Company
CEF Holdings Limited ("CEF Holdings")	Interest of controlled corporations <i>(Note)</i>	Long position	2,773,046	–	0.26%
CEF Holdings	Interest of controlled corporations <i>(Note)</i>	Long position	–	213,015,153	19.87%
Canadian Imperial Bank of Commerce	Interest of controlled corporations <i>(Note)</i>	Long position	2,773,046	–	0.26%
Canadian Imperial Bank of Commerce	Interest of controlled corporations <i>(Note)</i>	Long position	–	213,015,153	19.87%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations <i>(Note)</i>	Long position	2,773,046	–	0.26%
CKH	Interest of controlled corporations <i>(Note)</i>	Long position	–	213,015,153	19.87%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee <i>(Note)</i>	Long position	2,773,046	–	0.26%
TUT1	Trustee <i>(Note)</i>	Long position	–	213,015,153	19.87%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee & beneficiary of a trust <i>(Note)</i>	Long position	2,773,046	–	0.26%
TDT1	Trustee & beneficiary of a trust <i>(Note)</i>	Long position	–	213,015,153	19.87%

DIRECTORS' REPORT *(continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO *(continued)*

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

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Number of underlying shares (in respect of the unlisted equity derivatives) of the Company held	Approximate percentage of the issued ordinary share capital of the the Company
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee & beneficiary of a trust <i>(Note)</i>	Long position	2,773,046	–	0.26%
TDT2	Trustee & beneficiary of a trust <i>(Note)</i>	Long position	–	213,015,153	19.87%
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts <i>(Note)</i>	Long position	2,773,046	–	0.26%
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts <i>(Note)</i>	Long position	–	213,015,153	19.87%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long position	48,844,000	–	4.55%
Deutsche Bank Aktiengesellschaft	Security interest	Long position	38,450,000	–	3.59%

Note: 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.



DIRECTORS' REPORT *(continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO *(continued)*

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

Note: (continued)

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, no other parties were recorded in the register of the Company required to be kept under Section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31st March, 2005.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 42 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which was in force prior to 1st January, 2005, except that during the year the independent non-executive directors of the Company were not appointed for a specific term as they were subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors.

All directors have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code during the year ended 31st March, 2005.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed minimum public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

DIRECTORS' REPORT *(continued)*

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation of independence from each of the independent non-executive directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st March, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 48 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong, 22nd July, 2005



AUDITORS' REPORT



TO THE MEMBERS OF ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
22nd July, 2005



CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	5	2,026,328	3,434,666
Cost of sales		<u>(1,869,539)</u>	<u>(3,288,566)</u>
Gross profit		156,789	146,100
Other operating income	6	24,002	80,091
Administrative expenses		(109,128)	(154,429)
Negative goodwill recognised arising from acquisition of subsidiaries		<u>20,938</u>	<u>-</u>
Profit from operations	7	92,601	71,762
Finance costs	10	(16,588)	(38,722)
Net investment expenses	11	(8,182)	(43,183)
Deficit arising from revaluation of investment properties		-	(14,000)
Allowance for amounts due from associates and a related company		(17,001)	(40,985)
Net (loss) gain on disposal and dilution of interests in subsidiaries and associates	12	(98,114)	83,600
Share of results of associates		319,967	156,400
Share of results of jointly controlled entities		<u>117</u>	<u>9,074</u>
Profit before taxation		272,800	183,946
Taxation	13	<u>(57,788)</u>	<u>(53,719)</u>
Profit before minority interests		215,012	130,227
Minority interests		<u>(28,284)</u>	<u>(101,295)</u>
Profit for the year		<u>186,728</u>	<u>28,932</u>
Dividends	14	<u>33,301</u>	<u>-</u>
Earnings per share	15		
Basic		<u>HK\$0.24</u>	<u>HK\$0.02</u>
Diluted		<u>HK\$0.11</u>	<u>HK\$0.01</u>



CONSOLIDATED BALANCE SHEET

AT 31ST MARCH, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Property, plant and equipment	16	151,785	452,374
Investment properties	17	–	515,000
Negative goodwill	18	–	(314,540)
Interests in associates	20	1,652,095	1,750,489
Interests in jointly controlled entities	21	–	14,817
Investments in securities	22	1,840	24,894
Loan receivable	28	–	50,000
Deferred tax assets	35	–	2,714
		<u>1,805,720</u>	<u>2,495,748</u>
Current assets			
Inventories		115	138
Amounts due from customers for contract works	23	–	273,210
Debtors, deposits and prepayments	24	4,612	1,214,942
Amounts due from associates	25	8,538	327,650
Amounts due from jointly controlled entities	26	–	871
Amounts due from related companies	27	1,632	90,224
Loans receivable	28	23,231	221,474
Investments in securities	22	5,025	39,374
Tax recoverable		–	15,831
Gold bullion		65,303	–
Bank deposits		12,814	24,824
Bank balances and cash		3,218	278,227
		<u>124,488</u>	<u>2,486,765</u>
Current liabilities			
Amounts due to customers for contract works	23	–	456,140
Creditors and accrued expenses	29	20,306	888,474
Amounts due to associates	30	93	96,273
Amounts due to jointly controlled entities	30	–	55,584
Amounts due to related companies	30	–	216
Tax payable		–	1,056
Convertible notes – due within one year	31	164,378	–
Bank borrowings – due within one year	32	17,372	58,247
Other loans – due within one year	33	18,774	17,317
		<u>220,923</u>	<u>1,573,307</u>
Net current (liabilities) assets		<u>(96,435)</u>	<u>913,458</u>
Total assets less current liabilities		<u>1,709,285</u>	<u>3,409,206</u>
Minority interests		<u>29,659</u>	<u>1,195,365</u>

CONSOLIDATED BALANCE SHEET *(continued)*

AT 31ST MARCH, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Non-current liabilities			
Convertible notes – due after one year	31	–	289,050
Bank borrowings – due after one year	32	62,550	517,000
Provision for long service payments	34	–	1,727
Deferred tax liabilities	35	2,396	52,882
		<u>64,946</u>	<u>860,659</u>
Net assets		<u>1,614,680</u>	<u>1,353,182</u>
Capital and reserves			
Share capital			
Ordinary shares	36	107,201	65,429
Preference shares	36	26,695	26,798
		<u>133,896</u>	92,227
Reserves		<u>1,480,784</u>	<u>1,260,955</u>
Shareholders' funds		<u>1,614,680</u>	<u>1,353,182</u>

The financial statements on pages 24 to 76 were approved and authorised for issue by the Board of Directors on 22nd July, 2005 and are signed on its behalf by:

Chau Mei Wah, Rosanna
Managing Director

Chan Fui Yan
Director



BALANCE SHEET

AT 31ST MARCH, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Non-current asset			
Interests in subsidiaries	19	<u>1,758,480</u>	<u>1,719,250</u>
Current assets			
Debtors, deposits and prepayments		278	238
Bank deposits		8,000	–
Bank balances and cash		<u>42</u>	<u>47,205</u>
		<u>8,320</u>	<u>47,443</u>
Current liabilities			
Creditors and accrued expenses		6,368	22,616
Convertible notes – due within one year	31	164,378	–
Other loans – due within one year	33	–	<u>17,317</u>
		<u>170,746</u>	<u>39,933</u>
Net current (liabilities) assets		<u>(162,426)</u>	<u>7,510</u>
Total assets less current liabilities		<u>1,596,054</u>	<u>1,726,760</u>
Non-current liability			
Convertible notes – due after one year	31	–	<u>289,050</u>
Net assets		<u>1,596,054</u>	<u>1,437,710</u>
Capital and reserves			
Share capital			
Ordinary shares	36	107,201	65,429
Preference shares	36	<u>26,695</u>	<u>26,798</u>
		<u>133,896</u>	<u>92,227</u>
Reserves	38	<u>1,462,158</u>	<u>1,345,483</u>
Shareholders' funds		<u>1,596,054</u>	<u>1,437,710</u>

Chau Mei Wah, Rosanna
Managing Director

Chan Fui Yan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2005

	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) profits HK\$'000	Total HK\$'000
At 1st April, 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 from 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
Exchange differences arising from translation of overseas operations	-	-	-	-	-	-	(16,055)	-	-	(16,055)
Share of post-acquisition reserve movements of associates	-	-	-	-	(8,707)	(3,074)	(24,482)	(121)	-	(36,384)
Surplus arising from revaluation of land and buildings	-	-	-	-	-	13,693	-	-	-	13,693
Deferred tax liability arising on revaluation of land and buildings	-	-	-	-	-	(2,396)	-	-	-	(2,396)
Net gain not recognised in the income statement	-	-	-	-	(8,707)	8,223	(40,537)	(121)	-	(41,142)
Issue of shares	41,669	83,331	-	-	-	-	-	-	-	125,000
Transfer of contributed surplus	-	-	(983,307)	-	-	-	-	-	983,307	-
Released on disposal and dilution of interests in subsidiaries	-	-	-	-	173	(340)	(5,767)	3,482	-	(2,452)
Released on disposal and dilution of interests in associates	-	-	-	-	(317)	-	(631)	855	-	(93)
Profit for the year	-	-	-	-	-	-	-	-	186,728	186,728
Dividend paid	-	-	-	-	-	-	-	-	(6,543)	(6,543)
At 31st March, 2005	133,896	293,220	1,108,927	908	(1,721)	11,297	34,613	(44,851)	78,391	1,614,680

As at 31st March, 2005, the accumulated profits (losses) of the Group included accumulated losses of approximately HK\$519,630,000 (2004: HK\$514,187,000) retained by the associates of the Group.

As at 31st March, 2004, the accumulated losses of the Group included accumulated profits of approximately HK\$10,969,000 retained by jointly controlled entities of the Group.

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 in other capital reorganisations and the transfers to the accumulated losses as approved by the board of directors from time to time.



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2005

	2005 HK\$'000	2004 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	272,800	183,946
Adjustments for:		
Share of results of jointly controlled entities	(117)	(9,074)
Share of results of associates	(319,967)	(156,400)
Net loss (gain) on disposal and dilution of interests in subsidiaries and associates	98,114	(83,600)
Allowance for amounts due from associates and a related company	17,001	40,985
Deficit arising from revaluation of investment properties	-	14,000
Gain on disposal of investment securities	-	(17,180)
Impairment loss on investment securities	9,821	5,340
(Gain) loss on disposal of investment properties	(1,129)	2,152
(Reverse of provision of) loss on option agreement	(510)	52,871
Interest expenses	16,260	38,237
Amortisation of deferred expenditure on issuance of convertible notes	328	485
Negative goodwill recognised arising from acquisition of subsidiaries	(20,938)	-
Depreciation and amortisation of property, plant and equipment	34,948	74,969
Impairment loss on property interests	-	1,496
Loss (gain) on disposal of property, plant and equipment	1,324	(3,875)
Surplus arising from revaluation of land and buildings	(291)	(273)
Release of negative goodwill	(27,130)	(53,139)
Net loss (gain) on disposal of listed other investments	1,574	(26,643)
Net unrealised holding loss (gain) on listed other investments	7,328	(36)
Reverse of provision of guarantees in previous years	(5,483)	-
Operating cash flows before movements in working capital	83,933	64,261
(Increase) decrease in property held for resale	(41,000)	2,342
Decrease in inventories	23	118
Decrease (increase) in amounts due from (to) customers for contract works, net of attributable interest expenses and depreciation and amortisation	23,797	(101,929)
Decrease (increase) in debtors, deposits and prepayments	72,340	(17,709)
(Increase) decrease in amounts due from associates	(25,569)	4,955
Decrease (increase) in amounts due from jointly controlled entities	664	(664)
(Increase) decrease in amounts due from related companies	(7,649)	7,344
Decrease in loans receivable	48,286	69,249
(Decrease) increase in creditors and accrued expenses	(41,258)	13,564
Decrease in amounts due to associates	(94,161)	(25,751)
(Decrease) increase in amounts due to related companies	(216)	11
Cash generated from operations	19,190	15,791
Dividends received from associates	66,206	55,844
Dividends received from a jointly controlled entity	4,000	-
Overseas tax paid	(3,869)	(4,487)
Hong Kong Profits Tax refunded	484	-
Hong Kong Profits Tax paid	(141)	(11,822)
NET CASH FROM OPERATING ACTIVITIES	85,870	55,326

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
INVESTING ACTIVITIES			
Proceeds from disposal of investment properties		61,129	47,056
Repayment from jointly controlled entities		2,000	3,000
Proceeds from disposal of investments in securities		1,337	48,319
Proceeds from disposal of property, plant and equipment		1,064	33,429
Acquisition of subsidiaries, net of cash and cash equivalents acquired	39	(432,773)	(59,742)
Additions to property, plant and equipment		(117,334)	(10,979)
Disposal of subsidiaries, net of cash and cash equivalents disposed	40	(43,588)	–
Additions to properties under development		(28,363)	–
Amounts advanced to related companies		(23,361)	(94,681)
Proceeds from disposal of interests in associates		–	565,568
Proceeds from partial disposal of interests in subsidiaries		–	128,913
Repayment from related companies		–	74,874
Proceeds from disposal of listed other investments		–	71,476
Repayments from associates		–	49,759
Acquisition of interests in associates		–	(124,137)
Amounts advanced to associates		–	(76,431)
Additions to investment securities		–	(40,144)
Acquisition of additional interests in subsidiaries		–	(27,059)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(579,889)	589,221
FINANCING ACTIVITIES			
Loans from a minority shareholder of a subsidiary raised		341,000	–
New bank loans raised		75,000	–
Other loans raised		18,774	–
Repayments of bank borrowings		(78,850)	(215,493)
Repayments of advances from a minority shareholder of a subsidiary		(55,159)	(4,373)
Repayment of advance from a jointly controlled entity		(34,818)	(13,759)
Interest paid		(17,751)	(38,237)
Repayments of other loans		(17,317)	(126,500)
Dividends paid		(6,543)	–
Capital contributed by minority shareholders		–	3,750
Redemption of convertible notes		–	(96,000)
Dividend paid to minority shareholders of a subsidiary		–	(76,219)
Expenditure incurred for issuance of convertible notes		–	(234)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		224,336	(567,065)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(269,683)	77,482
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		271,804	195,654
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(1,011)	(1,332)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		1,110	271,804
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank deposits		12,814	24,824
Bank balances and cash		3,218	278,227
Bank overdrafts		(14,922)	(31,247)
		1,110	271,804



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2005

1. GENERAL

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

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries and the Group's principal associates are set out in note 50.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK\$96,435,000 as at 31st March, 2005. The directors are satisfied that the Group has access to sufficient funding and facilities to be able to meet in full its liabilities as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

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

HKFRS 3 is applicable to business combination for which the agreement date is on or after 1st January, 2005. The Group has adopted the transitional provision of HKFRS 3 for its acquisition of Trasy Gold Ex Limited ("Trasy") in March 2005. Details of the acquisition are set out in note 39. Under HKFRS 3, the negative goodwill arising from the acquisition is determined as the excess of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition over the cost of acquisition and is recognised in the income statement immediately on acquisition. The negative goodwill arising from the acquisition of Trasy is approximately HK\$21,000,000. HKFRS 3 does not require retrospective adjustment of business combinations occurred prior to 1st January, 2005.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

The results of subsidiaries, 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment, 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 properties 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 properties 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.

Construction in progress is stated at cost which includes all development expenditure and other direct costs attributable to such projects. It is not depreciated or amortised until completion of construction. Costs of completed construction works are transferred to the appropriate categories of property, plant and equipment.

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 33 $\frac{1}{3}$ % per annum.

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

Investment properties

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 arising on acquisition of businesses or subsidiaries with agreement dated prior to 1st January, 2005 represents the excess of the fair value ascribed to the Group's share of the identifiable assets and liabilities of businesses or subsidiaries at the date of acquisition over the purchase consideration. Such negative goodwill continues to be held in reserves if it was arising on acquisitions prior to 1st April, 2001; and is presented as a deduction from the assets in the balance sheet and released to income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets if it was arising on acquisitions on or after 1st April, 2001.

Negative goodwill arising on acquisition with the agreements dated on or after 1st January, 2005 represents the excess of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of businesses or subsidiaries at the date of acquisition over the purchase consideration. Such negative goodwill is recognised in income statement immediately.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Gold bullion

Gold bullion is stated at the gold price prevailing at the close of business at the balance sheet date. Differences arising from changes in gold prices are dealt with in the income statement.

Inventories

Inventories represent finished goods which are stated at the lower of cost and net realisable value. Cost is calculated using 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.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

4. 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

4. 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 taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable 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 is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

5. TURNOVER AND SEGMENTAL INFORMATION

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Continuing operations:		
Investment and finance	71,376	46,142
Property investment	24,806	48,269
Others	8,179	6,179
	104,361	100,590
Discontinued operations:		
Building construction	1,424,932	2,418,339
Civil engineering	272,972	463,440
Specialist works	223,239	448,849
Construction materials	824	3,448
	1,921,967	3,334,076
	2,026,328	3,434,666

Business segments

For management purposes, the Group's operations are currently organised into two operating divisions namely investment and finance and property investment. These divisions are the basis on which the Group reports its primary segment information.

Prior to the partial disposal of the Group's interest in a subsidiary, Paul Y. – ITC Construction Holdings Limited ("Paul Y – ITC") which is now re-classified as an associate of the Group, the Group was also involved in building construction, civil engineering, specialist works and construction materials. Those operations were discontinued during the year. Details of the discontinued operations are set out in note 8.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

5. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Business segments *(continued)*

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

	Continuing operations			Discontinued operations						Consolidated HK\$'000
	Investment and finance HK\$'000	Property investment HK\$'000	Others HK\$'000	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Construction materials HK\$'000	Others HK\$'000	Eliminations HK\$'000	
TURNOVER										
External sales	71,376	24,806	8,179	1,424,932	272,972	223,239	824	-	-	2,026,328
Inter-segment sales	2,038	10,288	29	-	-	98,977	33,150	-	(144,482)	-
Total	<u>73,414</u>	<u>35,094</u>	<u>8,208</u>	<u>1,424,932</u>	<u>272,972</u>	<u>322,216</u>	<u>33,974</u>	<u>-</u>	<u>(144,482)</u>	<u>2,026,328</u>
RESULT										
Segment result	<u>5,212</u>	<u>21,706</u>	<u>(276)</u>	<u>41,812</u>	<u>7,841</u>	<u>6,413</u>	<u>24</u>	<u>-</u>	<u>-</u>	82,732
Release of negative goodwill										27,130
Negative goodwill recognised arising from acquisition of subsidiaries										20,938
Unallocated corporate expenses										<u>(38,199)</u>
Profit from operations										92,601
Finance costs										(16,588)
Net investment expenses	(9,821)	1,129	510	-	-	-	-	-	-	(8,182)
Allowance for amounts due from associates and a related company										(17,001)
Net loss on disposal and dilution of interests in subsidiaries and associates	-	-	(98,114)	-	-	-	-	-	-	(98,114)
Share of results of associates										
- an associate of Paul Y. - ITC engaged in engineering and infrastructure service										130,807
- others	-	-	185,635	-	3,327	-	198	-	-	189,160
Share of results of jointly controlled entities	-	-	-	(45)	162	-	-	-	-	<u>117</u>
Profit before taxation										272,800
Taxation										<u>(57,788)</u>
Profit before minority interests										215,012
Minority interests										<u>(28,284)</u>
Profit for the year										<u>186,728</u>

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



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

5. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Business segments *(continued)*

	Continuing operations			Discontinued operations					Consolidated HK\$'000
	Investment and finance HK\$'000	Property investment HK\$'000	Others HK\$'000	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Construction materials HK\$'000	Others HK\$'000	
BALANCE SHEET									
ASSETS									
Segment assets	131,780	11,106	2,259	-	-	-	-	-	145,145
Interests in associates									1,652,095
Unallocated corporate assets									132,968
Total assets									<u>1,930,208</u>
LIABILITIES									
Segment liabilities	7,398	46	2,425	-	-	-	-	-	9,869
Convertible notes, bank borrowings and other loans									263,074
Unallocated corporate liabilities									12,926
Total liabilities									<u>285,869</u>
OTHER INFORMATION									
Capital additions	137	-	114,952	2,356	-	-	-	460	117,905
Depreciation and amortisation of property, plant and equipment	53	280	15,025	8,247	1,262	7,601	3,414	-	35,882
Amortisation of deferred expenditure on issuance of convertible notes	-	-	328	-	-	-	-	-	328
Impairment loss on investment securities	9,821	-	-	-	-	-	-	-	9,821
Loss on disposal of property, plant and equipment	-	-	1,324	-	-	-	-	-	1,324

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

5. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Business segments *(continued)*

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

	Continuing operations			Discontinued operations						Consolidated HK\$'000
	Investment and finance HK\$'000	Property investment HK\$'000	Others HK\$'000	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Construction materials HK\$'000	Others HK\$'000	Eliminations HK\$'000	
TURNOVER										
External sales	46,142	48,269	6,179	2,418,339	463,440	448,849	3,448	-	-	3,434,666
Inter-segment sales	800	17,022	88	28,713	-	76,384	71,029	-	(194,036)	-
Total	<u>46,942</u>	<u>65,291</u>	<u>6,267</u>	<u>2,447,052</u>	<u>463,440</u>	<u>525,233</u>	<u>74,477</u>	<u>-</u>	<u>(194,036)</u>	<u>3,434,666</u>
RESULT										
Segment result	<u>57,128</u>	<u>14,935</u>	<u>802</u>	<u>(8,633)</u>	<u>(5,632)</u>	<u>(4)</u>	<u>(24,923)</u>	<u>-</u>	<u>-</u>	33,673
Release of negative goodwill										53,139
Unallocated corporate expenses										<u>(15,050)</u>
Profit from operations										71,762
Finance costs										(38,722)
Net investment expenses	11,840	(2,152)	(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	-	-	(163,053)	-	-	-	-	246,653	-	83,600
Share of results of associates										
- an associate of Paul Y. - ITC engaged in engineering and infrastructure service										191,879
- others	-	-	(37,590)	334	(16)	-	1,793	-	-	(35,479)
Share of results of jointly controlled entities	-	-	-	-	9,074	-	-	-	-	<u>9,074</u>
Profit before taxation										183,946
Taxation										<u>(53,719)</u>
Profit before minority interests										130,227
Minority interests										<u>(101,295)</u>
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.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

5. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Business segments *(continued)*

	Continuing operations			Discontinued operations					Consolidated HK\$'000
	Investment and finance HK\$'000	Property investment HK\$'000	Others HK\$'000	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Construction materials HK\$'000	Others HK\$'000	
BALANCE SHEET									
ASSETS									
Segment assets	798,246	568,057	526,704	924,550	450,958	179,949	64,738	-	3,513,202
Interests in associates	-	-	1,089,698	21,019	249	-	4,582	634,941	1,750,489
Interests in jointly controlled entities	-	-	-	-	14,817	-	-	-	14,817
Negative goodwill									(314,540)
Unallocated corporate assets									18,545
Total assets									<u>4,982,513</u>
LIABILITIES									
Segment liabilities	1,881	22,676	269,763	775,262	297,904	99,633	31,295	-	1,498,414
Convertible notes, bank borrowings and other loans									881,614
Unallocated corporate liabilities									53,938
Total liabilities									<u>2,433,966</u>
OTHER INFORMATION									
Capital additions	90	351	56,030	2,374	992	2,975	1,999	-	64,811
Depreciation and amortisation of property, plant and equipment	298	11,694	10,915	22,039	6,415	21,072	6,544	-	78,977
Amortisation of deferred expenditure on issuance of convertible notes	-	-	485	-	-	-	-	-	485
Impairment loss on property interests	-	1,496	-	-	-	-	-	-	1,496
Loss on option agreement	-	-	52,871	-	-	-	-	-	52,871

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2005

5. TURNOVER AND SEGMENTAL INFORMATION (continued)**Geographical segments**

Over 90% of the turnover of the Group was to the customers in Hong Kong; accordingly, no geographical analysis of turnover was presented.

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

	Carrying amount of segment assets		Capital additions	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong	1,901,716	4,205,209	117,419	62,677
The PRC	–	109,087	460	2,118
Pacific region and South East Asia	–	636,435	–	–
Others	28,492	31,782	26	16
	<u>1,930,208</u>	<u>4,982,513</u>	<u>117,905</u>	<u>64,811</u>

6. OTHER OPERATING INCOME

	2005 HK\$'000	2004 HK\$'000
Surplus arising from revaluation of land and buildings	291	273
Release of negative goodwill	27,130	53,139
Net (loss) gain on disposal of listed other investments	(1,574)	26,643
Net unrealised holding (loss) gain on listed other investments	(7,328)	36
Reverse of provision of guarantees in previous years	5,483	–
	<u>24,002</u>	<u>80,091</u>



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

7. PROFIT FROM OPERATIONS

	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,861	2,544
Cost of inventories recognised as expenses	3,436	3,733
Depreciation and amortisation of property, plant and equipment (<i>note (a)</i> below)	34,948	74,969
Impairment loss on property interests	–	1,496
Loss on disposal of property, plant and equipment	1,324	–
Minimum lease payments under operating leases in respect of:		
Premises	2,548	4,096
Plant and machinery	473	3,616
Staff costs, including directors' emoluments (<i>note (b)</i> below)	69,032	128,115
and after crediting:		
Gain on disposal of property, plant and equipment	–	3,875
Interest income	27,116	42,904
Rental income under operating leases in respect of:		
Premises, net of outgoings of approximately HK\$9,177,000 (2004: HK\$20,171,000)	13,503	19,474
Plant and machinery	32	385

Notes:

	2005 HK\$'000	2004 HK\$'000
(a) Depreciation and amortisation of property, plant and equipment:		
Owned assets	35,882	78,977
Less: Amount capitalised in respect of contracts in progress	(934)	(4,008)
	<u>34,948</u>	<u>74,969</u>
	2005 HK\$'000	2004 HK\$'000
(b) Staff costs, including directors' emoluments:		
Salaries and other benefits	175,551	333,511
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$1,202,000 (2004: HK\$1,536,000)	5,348	8,794
	<u>180,899</u>	<u>342,305</u>
Less: Amount capitalised in respect of contracts in progress	(111,867)	(214,190)
	<u>69,032</u>	<u>128,115</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

8. DISCONTINUED OPERATIONS

On 20th October, 2004, the Group disposed sufficient shares in Paul Y. – ITC and on completion of the disposal, it became an associate of the Group.

The Group's operations in building construction, civil engineering, special works and construction materials are solely attributable to Paul Y. – ITC and its subsidiaries ("Paul Y. – ITC Group") and they have been discontinued after the disposal of the shares in Paul Y. – ITC.

Other than these operations, Paul Y. – ITC Group and the Group also operate in investment and finance and property investment. These operations are still be carried on by the Group subsequent to the disposal of shares in Paul Y. – ITC. Accordingly, these operations are disclosed as continuing operations in note 5.

The results of the discontinued operations for the year were as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover		
Building construction	1,424,932	2,418,339
Civil engineering	272,972	463,440
Specialist works	223,239	448,849
Construction materials	824	3,448
	1,921,967	3,334,076
Cost of sales	(1,821,422)	(3,277,824)
Gross profit	100,545	56,252
Administrative expenses	(44,455)	(95,444)
Profit (loss) from operations	56,090	(39,192)
Finance costs	(67)	(402)
Net gain on disposal and dilution of interests in subsidiaries and associates	–	246,653
Share of results of associates	134,332	193,990
Share of results of jointly controlled entities	117	9,074
Profit before taxation	190,472	410,123
Taxation	(4,046)	(45,483)
Profit after taxation	186,426	364,640

The carrying amounts of the assets and liabilities of the discontinued operations as at the date of disposal, or as at 31st March, 2004 were as follows:

	As at the date of disposal HK\$'000	As at 31st March, 2004 HK\$'000
Total assets	2,306,180	2,295,803
Total liabilities	1,551,598	1,204,094



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

8. DISCONTINUED OPERATIONS *(continued)*

The cash flows of the discontinued operations for the year were as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net cash from (used in) operating activities	45,794	(42,124)
Net cash (used in) from investing activities	(454,097)	563,679
Net cash from (used in) financing activities	<u>301,280</u>	<u>(123,589)</u>

9. 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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Directors' fees:		
– executive	64	72
– independent non-executive	<u>316</u>	<u>240</u>
	<u>380</u>	<u>312</u>
Other emoluments (executive directors):		
– salaries and other benefits	10,094	13,888
– discretionary bonus	1,500	16,400
– retirement benefit scheme contributions	<u>829</u>	<u>1,139</u>
	<u>12,423</u>	<u>31,427</u>
	<u>12,803</u>	<u>31,739</u>

Emoluments of the directors were within the following bands:

	2005 <i>Number of directors</i>	2004 <i>Number of directors</i>
Nil to HK\$1,000,000	6	5
HK\$2,000,001 to HK\$2,500,000	3	–
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$8,000,001 to HK\$8,500,000	<u>–</u>	<u>3</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2005

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

The five highest paid individuals in the Group for the year ended 31st March, 2005 included five directors (2004: four directors and one employee) and information regarding their emoluments are as follows:

	2005 HK\$'000	2004 HK\$'000
Fees	50	40
Salaries and other benefits	10,089	13,787
Discretionary bonus	1,500	16,200
Retirement benefit scheme contributions	829	1,144
	<u>12,468</u>	<u>31,171</u>

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

	2005 Number of employees	2004 Number of employees
HK\$2,000,001 to HK\$2,500,000	3	–
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	1	2
HK\$8,000,001 to HK\$8,500,000	–	3
	<u>–</u>	<u>3</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.

10. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Amortisation of deferred expenditure on issuance of convertible notes	328	485
Interest payable on:		
Bank borrowings wholly repayable within five years	5,616	14,467
Bank borrowings not wholly repayable within five years	180	–
Convertible notes	13,502	19,152
Other borrowings wholly repayable within five years	60	8,454
Overprovision of previous years	(1,607)	–
Other finance charges	–	1,218
	<u>18,079</u>	<u>43,776</u>
Less: Amount capitalised in respect of contracts in progress	(1,491)	(5,054)
	<u>16,588</u>	<u>38,722</u>



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

11. NET INVESTMENT EXPENSES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Gain on disposal of investment securities	–	17,180
Impairment loss on investment securities	(9,821)	(5,340)
Gain (loss) on disposal of investment properties	1,129	(2,152)
Reverse of provision of (loss on) settlement of option agreement	510	(52,871)
	<u>(8,182)</u>	<u>(43,183)</u>

12. NET (LOSS) GAIN ON DISPOSAL AND DILUTION OF INTERESTS IN SUBSIDIARIES AND ASSOCIATES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss on disposal and dilution of interests in subsidiaries	(38,052)	(104,961)
Gain on disposal and dilution of interests in associates	920	221,355
Loss on dilution of interests in associates	(60,982)	(32,794)
	<u>(98,114)</u>	<u>83,600</u>

13. TAXATION

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong Profits Tax		
Current year	–	–
Underprovision in previous years	21	166
	21	166
Overseas taxation	3,995	3,322
	4,016	3,488
Deferred tax <i>(note 35)</i>		
Charge (credit) for the year	12,389	(6,832)
Taxation attributable to the Company and its subsidiaries	16,405	(3,344)
Share of taxation attributable to associates	41,383	57,063
	<u>57,788</u>	<u>53,719</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2005

13. TAXATION (continued)

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

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	<u>272,800</u>	<u>183,946</u>
Tax at Hong Kong Profits Tax rate of 17.5%	47,740	32,190
Tax effect of expenses not deductible for tax purposes	21,864	41,308
Tax effect of income not taxable for tax purposes	(5,610)	(59,856)
Tax effect of deductible temporary differences not recognised	-	245
Tax effect of utilisation of deductible temporary differences previously not recognised	(27)	(8,219)
Tax effect of tax losses not recognised	8,432	39,757
Tax effect of utilisation of tax losses previously not recognised	-	(19,981)
Tax effect of different tax rates of associates and jointly controlled entities operating in other jurisdictions	(14,632)	28,109
Underprovision in previous years	<u>21</u>	<u>166</u>
Tax charge for the year	<u><u>57,788</u></u>	<u><u>53,719</u></u>

Details of the deferred tax are set out in note 35.

14. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Ordinary shares:		
Interim dividend paid for 2005 – 1.0 cent (2004: Nil) per share	6,543	-
Final dividend proposed for 2005 – 1.5 cents (2004: Nil) per share	<u>16,080</u>	-
	22,623	-
Preference shares – 4 cents (2004: Nil) per share	<u>10,678</u>	-
	<u><u>33,301</u></u>	-

The amount of the final dividend proposed for the year ended 31st March, 2005, which will be payable in cash with an option to elect scrip, has been calculated by reference to the 1,072,008,541 issued ordinary shares as at the date of the report.

The amount of the preference share dividend in respect of the twelve month period ending on but excluding 3rd November, 2005 has been calculated by reference to the 266,952,000 redeemable convertible preference shares as at the date of the report.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

15. EARNINGS PER SHARE

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit for the year	186,728	28,932
Dividend for preference shares	(15,312)	(18,491)
	<hr/>	<hr/>
Profit for the purposes of basic earnings per share	171,416	10,441
Effect of dilutive potential ordinary shares:		
Interest and amortisation of deferred expenditure on convertible notes	13,830	–
Dividend for redeemable convertible preference shares	4,369	–
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	–	(2,963)
Adjustment to the share of results of associates based on dilution of their earnings per share	(271)	–
	<hr/>	<hr/>
Profit for the purposes of diluted earnings per share	189,344	7,478
	<hr/>	<hr/>
	2005 <i>Number of shares</i>	2004 <i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	722,619,374	636,379,717
Effect of dilutive potential ordinary shares:		
Redeemable convertible preference shares	111,337,564	–
Convertible notes	897,979,908	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,731,936,846	636,379,717
	<hr/>	<hr/>

For the year ended 31st March, 2004, the convertible notes and compulsorily convertible cumulative preference shares were anti-dilutive as the exercise of these convertible notes and compulsorily convertible cumulative preference shares resulted in an increase in earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2005

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Plant, machinery and office equipment HK\$'000	Motor vehicles and vessels HK\$'000	Furniture and fixtures HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1st April, 2004	242,901	414,416	100,142	138,873	–	896,332
Translation adjustments	1,489	23	55	77	–	1,644
Acquisition of subsidiaries	–	13	450	108	–	571
Disposal of subsidiaries	(221,326)	(403,217)	(90,153)	(137,084)	–	(851,780)
Additions	106,933	876	4,761	960	3,804	117,334
Disposals	–	(10,794)	(962)	(1,501)	–	(13,257)
Revaluation increase	13,079	–	–	–	–	13,079
	<u>143,076</u>	<u>1,317</u>	<u>14,293</u>	<u>1,433</u>	<u>3,804</u>	<u>163,923</u>
At 31st March, 2005						
Comprising:						
At cost	–	1,317	14,293	1,433	3,804	20,847
At valuation – 2005	<u>143,076</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>143,076</u>
	<u>143,076</u>	<u>1,317</u>	<u>14,293</u>	<u>1,433</u>	<u>3,804</u>	<u>163,923</u>
DEPRECIATION AND AMORTISATION						
At 1st April, 2004	–	324,003	33,627	86,328	–	443,958
Translation adjustments	–	23	55	73	–	151
Eliminated on disposal of subsidiaries	(2,987)	(330,173)	(31,006)	(91,913)	–	(456,079)
Provided for the year	3,892	16,231	8,095	7,664	–	35,882
Eliminated on disposals	–	(9,111)	(863)	(895)	–	(10,869)
Written back on revaluation	(905)	–	–	–	–	(905)
	<u>–</u>	<u>973</u>	<u>9,908</u>	<u>1,257</u>	<u>–</u>	<u>12,138</u>
At 31st March, 2005						
NET BOOK VALUES						
At 31st March, 2005	<u>143,076</u>	<u>344</u>	<u>4,385</u>	<u>176</u>	<u>3,804</u>	<u>151,785</u>
At 31st March, 2004	<u>242,901</u>	<u>90,413</u>	<u>66,515</u>	<u>52,545</u>	<u>–</u>	<u>452,374</u>

As at balance sheet dates, 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. This revaluation gave rise to a surplus on revaluation of approximately HK\$13,984,000 of which approximately HK\$291,000 and HK\$13,693,000 had been credited to the income statement and properties revaluation reserve of the Group respectively.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2005

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Freehold properties in Canada	23,076	21,574
Long-term leasehold properties in the PRC	-	141
Medium-term leasehold properties in:		
Hong Kong	120,000	220,600
The PRC	-	586
	<u>143,076</u>	<u>242,901</u>

As at 31st March, 2005, had the Group's land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value would have been approximately HK\$133,054,000 (2004: HK\$240,407,000).

17. INVESTMENT PROPERTIES

	THE GROUP	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
VALUATION		
At beginning of the year	515,000	572,608
Transfer from deposits and prepayments	-	5,600
Disposals	(60,000)	(49,208)
Disposal of subsidiaries	(455,000)	-
Deficit arising on revaluation	-	(14,000)
	<u>-</u>	<u>(14,000)</u>
At end of the year	<u>-</u>	<u>515,000</u>

As at 31st March, 2004, the Group's investment properties were held for rental purposes under operating leases.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

18. NEGATIVE GOODWILL

	THE GROUP HK\$'000
GROSS AMOUNT	
At 1st April, 2004	379,191
Disposal and dilution of interests in subsidiaries	(38,205)
Transfer to interests in associates	<u>(340,986)</u>
At 31st March, 2005	<u>–</u>
RELEASED TO INCOME AND OTHER MOVEMENTS	
At 1st April, 2004	64,651
Released on disposal and dilution of interests in subsidiaries	(9,247)
Released to income during the year	27,130
Transfer to interests in associates	<u>(82,534)</u>
At 31st March, 2005	<u>–</u>
CARRYING AMOUNTS	
At 31st March, 2005	<u>–</u>
At 31st March, 2004	<u><u>314,540</u></u>

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

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	<u>2,716,408</u>	<u>2,677,178</u>
	2,716,409	2,677,179
Less: Allowances for amounts due from subsidiaries	<u>(957,929)</u>	<u>(957,929)</u>
	<u>1,758,480</u>	<u>1,719,250</u>

Particulars of the Company's principal subsidiaries as at 31st March, 2005 are set out in note 50.

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Of these amounts, an amount of approximately HK\$2,460,096,000 (2004: HK\$2,420,866,000) bears interest at commercial rates and the remaining balances are 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.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

20. INTERESTS IN ASSOCIATES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Share of net assets of associates:		
Listed in Hong Kong	1,903,727	920,360
Listed overseas	2,704	552,433
Unlisted	–	23,828
Goodwill (<i>note a</i>)	491	245,323
Negative goodwill (<i>note b</i>)	(254,827)	(17,855)
	<u>1,652,095</u>	<u>1,724,089</u>
Amounts due from associates (<i>note f</i>)	–	26,400
	<u>1,652,095</u>	<u>1,750,489</u>
Market value of listed securities:		
Hong Kong	1,866,436	286,319
Overseas	23,468	1,158,296
	<u>1,889,904</u>	<u>1,444,615</u>

Notes:

(a) Movement of goodwill is analysed as follows:

	HK\$'000
Cost	
At 1st April, 2004	260,815
Additions	14,615
Dilution of interests in associates	(4,815)
Disposal of subsidiaries	(270,085)
	<u>530</u>
At 31st March, 2005	
Amortisation and impairment	
At 1st April, 2004	15,492
Charge for the year	25,248
Eliminated on dilution of interests in associates	(539)
Eliminated on disposal of subsidiaries	(40,162)
	<u>39</u>
At 31st March, 2005	
Net book values	
At 31st March, 2005	<u>491</u>
At 31st March, 2004	<u>245,323</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

20. INTERESTS IN ASSOCIATES *(continued)**Notes: (continued)*

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

	<i>HK\$'000</i>
Gross amount	
At 1st April, 2004	19,587
Transfer from negative goodwill of subsidiaries	340,986
Dilution of interests in associates	(3,247)
	<hr/>
At 31st March, 2005	357,326
	<hr/>
Released to income and other movements	
At 1st April, 2004	1,732
Transfer from negative goodwill of subsidiaries	82,534
Released to income during the year	18,614
Released on dilution of interests in associates	(381)
	<hr/>
At 31st March, 2005	102,499
	<hr/>
Carrying amounts	
At 31st March, 2005	254,827
	<hr/>
At 31st March, 2004	17,855
	<hr/>

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

- (c) During the year, the Group's equity interest in Paul Y. – ITC decreased from 55.06% to 49.58%. Accordingly, the investment has been reclassified from interests in subsidiaries to interests in associates. Extracts of the consolidated results and financial position of Paul Y. – ITC from its audited financial statements for the year ended 31st March, 2005 are set out in note 51.
- (d) The Group's equity interest in Hanny Holdings Limited ("Hanny") was diluted from 24.55% at the beginning of the year to 20.48% 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, 2005 are set out in note 51.
- (e) Followed the classification of the Group's interest in Paul Y. – ITC to interests in associates, Downer EDI Limited and China Strategic Holdings Limited ("China Strategic") ceased to be the associates of the Group during the year.
- (f) As at 31st March, 2004, the amounts due from associates were unsecured and bore interest at commercial rate. In the opinion of the directors, the amount would not be repayable within twelve months from 31st March, 2004. Accordingly, the amounts were shown as non-current.

Details of the Group's principal associates as at 31st March, 2005 are set out in note 50.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

As at 31st March, 2004, the amount due from a jointly controlled entity was unsecured and interest-free. The balance with jointly controlled entity was fully repaid of during the year.

22. INVESTMENTS IN SECURITIES**THE GROUP**

	Investment securities		Other investments		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Listed equity securities:						
– Hong Kong	-	9,401	5,025	39,374	5,025	48,775
– Elsewhere	-	1,481	-	-	-	1,481
	<u>-</u>	<u>10,882</u>	<u>5,025</u>	<u>39,374</u>	<u>5,025</u>	<u>50,256</u>
Other unlisted investments	-	-	-	5,035	-	5,035
Unlisted club debentures	-	-	1,840	8,977	1,840	8,977
	<u>-</u>	<u>-</u>	<u>1,840</u>	<u>8,977</u>	<u>1,840</u>	<u>8,977</u>
Total	<u>-</u>	<u>10,882</u>	<u>6,865</u>	<u>53,386</u>	<u>6,865</u>	<u>64,268</u>
Market value of listed securities	<u>11,075</u>	<u>13,971</u>	<u>5,025</u>	<u>39,374</u>	<u>16,100</u>	<u>53,345</u>
Carrying amount analysed for reporting purposes as:						
Current	-	-	5,025	39,374	5,025	39,374
Non-current	-	10,882	1,840	14,012	1,840	24,894
	<u>-</u>	<u>10,882</u>	<u>6,865</u>	<u>53,386</u>	<u>6,865</u>	<u>64,268</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

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

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred to date	–	35,203,304
Recognised profits less recognised losses	–	862,708
	<u>–</u>	<u>36,066,012</u>
Less: Progress billings	–	(36,248,942)
	<u>–</u>	<u>(182,930)</u>
Analysed for reporting purposes are:		
Amounts due from customers for contract works included in current assets	–	273,210
Amounts due to customers for contract works included in current liabilities	–	(456,140)
	<u>–</u>	<u>(182,930)</u>

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

24. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$2,090,000 (2004: HK\$503,395,000) and their aged analysis at the balance sheet date is as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Trade debtors		
0 – 30 days	1,852	403,517
31 – 60 days	24	29,584
61 – 90 days	90	2,750
Over 90 days	124	67,544
	<u>2,090</u>	<u>503,395</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 investment 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.

25. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates of the Group are unsecured, interest-free and repayable within one year. At 31st March, 2004, an amount of approximately HK\$324,028,000 bore interest at commercial rates and the remaining balance was interest-free.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

26. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

At 31st March, 2004, the amounts due from jointly controlled entities of Group were unsecured, interest-free and had no fixed terms of repayment.

27. AMOUNTS DUE FROM RELATED COMPANIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
China Strategic and its subsidiaries	358	–
Associates of China Strategic	1,274	89,935
Other related companies	–	289
	<u>1,632</u>	<u>90,224</u>

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

The amounts are unsecured, interest-free and repayable within one year except that as at 31st March, 2004, an amount of approximately HK\$86,881,000 bore interest at commercial rates. Details of the transactions and balances with related companies are set out in note 49.

28. LOANS RECEIVABLE

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Loans receivable	23,231	271,474
Less: Amounts due within one year shown under current assets	<u>(23,231)</u>	<u>(221,474)</u>
Amount due after one year	<u>–</u>	<u>50,000</u>
Analysed as:		
Secured	17,731	–
Unsecured	<u>5,500</u>	<u>271,474</u>
	<u>23,231</u>	<u>271,474</u>

Of the amounts, approximately HK\$23,231,000 (2004: HK\$246,215,000) bear interest at commercial rates.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

29. CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade payables of approximately HK\$4,925,000 (2004: HK\$354,324,000) and their aged analysis at the balance sheet date is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Trade creditors		
0 – 30 days	4,817	315,826
31 – 60 days	54	18,742
61 – 90 days	33	1,476
Over 90 days	21	18,280
	<u>4,925</u>	<u>354,324</u>

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

The balances of the Group were unsecured, interest-free and had no fixed terms of repayment.

31. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Convertible notes due 2006 (<i>note</i>)	164,500	289,500
Less: Unamortised deferred expenditure	(122)	(450)
	<u>164,378</u>	<u>289,050</u>
Less: Amounts due within one year under current liabilities	(164,378)	–
	<u>–</u>	<u>289,050</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.

On 31st January, 2005 and 3rd February, 2005, HK\$112,900,000 and HK\$12,100,000 convertible notes were converted into 376,333,333 and 40,333,332 ordinary shares of the Company at HK\$0.30 per ordinary share, respectively.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

32. BANK BORROWINGS

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Bank borrowings comprise:		
Mortgage loans	65,000	364,000
Bank loans	–	180,000
Bank overdrafts	14,922	31,247
	<u>79,922</u>	<u>575,247</u>
Analysed as:		
Secured	79,922	558,199
Unsecured	–	17,048
	<u>79,922</u>	<u>575,247</u>
The bank borrowings are repayable as follows:		
Within one year or on demand	17,372	58,247
More than one year, but not exceeding two years	2,450	217,000
More than two years, but not exceeding five years	7,350	300,000
More than five years	52,750	–
	79,922	575,247
Less: Amounts due within one year or on demand shown under current liabilities	(17,372)	(58,247)
Amounts due after one year	<u>62,550</u>	<u>517,000</u>

33. OTHER LOANS**THE GROUP AND THE COMPANY**

The loans are unsecured, bear interest at commercial rates and repayable within one year.

34. PROVISION FOR LONG SERVICE PAYMENTS

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
At beginning of the year	1,727	1,727
Disposal of subsidiaries	(1,727)	–
At end of the year	<u>–</u>	<u>1,727</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2005

35. DEFERRED TAX**THE GROUP**

	2005 HK\$'000	2004 HK\$'000
Deferred tax liabilities	2,396	52,882
Deferred tax assets	–	(2,714)
	<u>2,396</u>	<u>50,168</u>

The following table shows the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of medium term leasehold properties situated in Hong Kong <i>HK\$'000</i>	Undistributed earnings of an associate <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Recognition of contracting income <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 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 difference	–	–	8,690	–	–	–	8,690
At 31st March, 2004	32,625	–	29,865	(8,911)	(3,426)	15	50,168
Acquisition of subsidiaries	–	–	–	–	–	900,000	900,000
Charge (credit) to income statement	3,709	–	7,302	1,110	271	(3)	12,389
Charge to equity	–	2,396	–	–	–	–	2,396
Disposal of subsidiaries	(35,469)	–	(37,173)	6,936	3,155	(900,012)	(962,563)
Exchange difference	–	–	6	–	–	–	6
At 31st March, 2005	<u>865</u>	<u>2,396</u>	<u>–</u>	<u>(865)</u>	<u>–</u>	<u>–</u>	<u>2,396</u>

As at the balance sheet date, the Group has unused tax losses of approximately HK\$457,000,000 (2004: HK\$1,403,000,000) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately HK\$5,000,000 (2004: HK\$49,000,000) 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

As at the balance sheet date, the Company has unused tax losses of approximately HK\$162,000,000 (2004: HK\$161,000,000). No deferred tax asset has been recognised in relation to such assets due to the unpredictability of future profit streams.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

36. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2003, 31st March, 2004 and 31st March, 2005	<u>3,000,000,000</u>	<u>300,000</u>
Compulsorily convertible cumulative preference shares/ Redeemable convertible preference shares (with effect from 3rd November, 2004) (<i>note a</i>) of HK\$0.10 each		
At 1st April, 2003, 31st March, 2004 and 31st March, 2005	<u>280,000,000</u>	<u>28,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2003	630,960,774	63,096
Conversion of convertible notes (<i>note b</i>)	<u>23,333,333</u>	<u>2,333</u>
At 31st March, 2004	654,294,107	65,429
Conversion of convertible notes (<i>note b</i>)	416,666,665	41,667
Conversion of redeemable convertible preference shares (<i>note c</i>)	<u>1,047,769</u>	<u>105</u>
At 31st March, 2005	<u>1,072,008,541</u>	<u>107,201</u>
Compulsorily convertible cumulative preference shares/ Redeemable convertible preference shares (with effect from 3rd November, 2004) of HK\$0.10 each		
At 1st April, 2003 and 31st March, 2004	267,980,000	26,798
Conversion of redeemable convertible preference shares (<i>note c</i>)	<u>(1,028,000)</u>	<u>(103)</u>
At 31st March, 2005	<u>266,952,000</u>	<u>26,695</u>

Notes:

- (a) Prior to 3rd November, 2004, the preference shares are non-voting, non-redeemable and are entitled to a cumulative dividend of HK\$0.069 per share per annum. With effect from 3rd November, 2004, the preference shares have been converted into non-voting and redeemable convertible preference shares with a cumulative preferential dividend of HK\$0.04 for every redeemable convertible preference share per annum subject to the rights and restrictions as set out in the special resolution of the Company (the "Special Resolution") passed on 13th October, 2004 by the shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2005

36. SHARE CAPITAL (continued)

Notes: (continued)

- (b) 416,666,665 ordinary shares (2004: 23,333,333) of the Company of HK\$0.10 each were issued upon conversion of the convertible notes at the conversion price of HK\$0.30 per ordinary share. Details are as follows:

Date of conversion	Amount of convertible notes being converted HK\$'000	No. of ordinary shares issued upon conversion
7th January, 2004	7,000	23,333,333
31st January, 2005	112,900	376,333,333
3rd February, 2005	12,100	40,333,332
	<u>125,000</u>	<u>416,666,665</u>

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

- (c) On 3rd February, 2005, 1,047,769 ordinary shares of the Company of HK\$0.10 each were issued upon conversion of 1,028,000 redeemable convertible preference shares of HK\$0.10 each at the conversion price of HK\$1.04 per ordinary share and such conversion is calculated by multiplying the number of redeemable convertible preference shares being converted by HK\$1.06 and dividing the product by HK\$1.04 in accordance with the rights and restrictions as set out in the Special Resolution. The ordinary shares issued by the Company ranked pari passu with the then existing ordinary shares of the Company in all respects.

The redeemable convertible preference shares rank in priority to the ordinary shares in the Company as to dividends and return of capital. The redeemable convertible preference shares are convertible into ordinary shares of the Company at the option of the holders at any time in accordance with the rights and restrictions as set out in the Special Resolution. However, redeemable convertible 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 conversion price of HK\$1.04, subject to adjustments, for twenty consecutive trading days; or
- there are less than 50,000,000 redeemable convertible preference shares in issue.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

37. 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.

At the time of adoption by the Company of the ITC Scheme, the aggregate 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 exceed 10% of the total number of issued ordinary shares of the Company as at the date of shareholders' approval of the ITC Scheme. By ordinary resolution passed on 7th September, 2004 relating to the refreshing of the scheme limit on grant of options under the ITC Scheme and any other share option scheme(s) of the Company, the scheme limit on grant of options was refreshed. As a result, the total number of ordinary shares available for issue under the ITC Scheme is 65,429,410, representing approximately 6.10% of the aggregate number of issued ordinary shares of the Company as at the date of this report. Notwithstanding the foregoing, the maximum number of ordinary shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the ITC Scheme and any other share option scheme(s) of the Company must not, in aggregate, exceed 30% of the total number of issued ordinary shares of the Company from time to time.

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 directors of 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 highest 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 prices 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, 2005 and 2004, 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

37. 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, the directors of Paul Y. – ITC might at their discretion grant options to any directors or full time employees of Paul Y. – ITC Group to subscribe for shares in Paul Y. – ITC. The Paul Y. – ITC Initial Scheme was expired on 31st August, 2003.

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 1.4.2003	Lapsed during the year	Balance at 31.3.2004 and 31.3.2005
17.12.1999	0.5552	16,100,000	(16,100,000)	–

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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from time to time; and (ii) the nominal value of Paul Y. – ITC's share.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

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

At the time of adoption by Paul Y. – ITC of the Paul Y. – ITC New Scheme, the aggregate number of shares which 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 exceed 10% of the total number of issued shares of Paul Y. – ITC as at the date of shareholders' approval of the Paul Y. – ITC New Scheme. By ordinary resolutions passed on 8th September, 2003 and 7th September, 2004 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, the scheme limit on grant of options was refreshed. As a result, the total number of shares available for issue under the Paul Y. – ITC New Scheme is 134,524,901, representing approximately 9.84% of the aggregate number of issued ordinary shares of Paul Y. – ITC as at the date of this report. 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(s) of Paul Y. – ITC must not, in aggregate, exceed 30% of the total number of issued shares of Paul Y. – ITC 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 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 share options were granted, exercised, cancelled or lapsed for the year ended 31st March, 2004 and for the period from 1st April, 2004 to 20th October, 2004, the date on which Paul Y. – ITC ceased to be a subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

37. SHARE OPTIONS *(continued)*

(c) Share options of Trasy

(i) *Pre-IPO Option Plan of Trasy*

Trasy adopted a pre-IPO share option plan (the "Trasy Pre-IPO Plan") on 6th November, 2000. Pursuant to the Trasy Pre-IPO Plan, the board of directors of Trasy could, at its discretion, grant options to, inter alia, any full-time employees or executives of Trasy and its subsidiaries on or before 29th November, 2000.

Details of the share options granted under the Trasy Pre-IPO Plan are as follows:

Grantees	Date of grant	Exercise price HK\$	Number of shares of Trasy to be issued upon exercise of the share options				
			Balance at 1.4.2003	Lapsed during the year	Balance at 31.3.2004	Lapsed during the year	Balance at 31.3.2005
Directors of Trasy	29.11.2000	0.21	88,304,000	44,152,000	44,152,000	–	44,152,000
Others	29.11.2000	0.21	27,774,000	8,940,000	18,834,000	2,254,000	16,580,000
Total			<u>116,078,000</u>	<u>53,092,000</u>	<u>62,986,000</u>	<u>2,254,000</u>	<u>60,732,000</u>

All the above options have a duration of ten years from the date of grant.

No share options were exercised or cancelled under the Trasy Pre-IPO Plan during the year and prior year.

(ii) *New Share Option Scheme of Trasy*

Trasy adopted a new share option scheme (the "Trasy New Scheme") on 30th April, 2002. The purpose of the Trasy New Scheme is to enable the board of Trasy, at its discretion, grant options to any employees or proposed employees or executives, including executive directors, of Trasy, the controlling company and of their respective subsidiaries, non-executive directors of Trasy, any controlling company and their respective subsidiaries; any suppliers, adviser, consultant, contractor, customers, person or entity that provides research, development or other technological support to Trasy and its subsidiaries (the "Trasy Group") or any shareholder of any member of the Trasy Group or any investor entity as incentives or rewards for their contribution to the Trasy Group.

The total number of shares may be issued upon exercise of all options to be granted under the Trasy New Scheme must not, in aggregate, exceed 10% of the issued share capital of Trasy as at the date of adoption of the Trasy New Scheme, unless approval by its shareholders has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time. The maximum entitlement of each participant under the Trasy New Scheme in any 12-month period up to the date of grant shall not exceed 1% of shares in issue as at the date of grant.

An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option upon payment of HK\$1.00 to Trasy by way of consideration for the grant. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised in accordance with the terms of the Trasy New Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2005

37. SHARE OPTIONS (continued)**(c) Share options of Trasy** (continued)*(ii) New Share Option Scheme of Trasy* (continued)

The exercise price in respect of any particular option granted under the Trasy New Scheme shall be determined by the board of directors of Trasy and will not be less than the highest of (a) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant; (b) the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

The Trasy New Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

No share options were granted by Trasy under the Trasy New Scheme since the adoption date of the Trasy New Scheme.

38. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
THE COMPANY					
At 1st April, 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)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st March, 2004	209,889	2,117,993	908	(983,307)	1,345,483
Issue of ordinary shares	83,331	–	–	–	83,331
Transfer of contributed surplus	–	(983,307)	–	983,307	–
Profit for the year	–	–	–	39,887	39,887
Dividend paid	–	–	–	(6,543)	(6,543)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st March, 2005	<u>293,220</u>	<u>1,134,686</u>	<u>908</u>	<u>33,344</u>	<u>1,462,158</u>

Notes:

Pursuant to the resolution passed on 22nd September, 2004 by the board of directors of the Company, part of the contributed surplus was transferred to eliminate the accumulated losses of the Company as at 31st March, 2004.

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 as approved by the board of directors from time to time.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2005

38. RESERVES (continued)

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:

	2005 HK\$'000	2004 HK\$'000
Contributed surplus	1,134,686	2,117,993
Accumulated profits (losses)	33,344	(983,307)
	<u>1,168,030</u>	<u>1,134,686</u>

39. ACQUISITION OF SUBSIDIARIES

	2005 HK\$'000	2004 HK\$'000
NET ASSETS ACQUIRED		
Property, plant and equipment	571	53,832
Properties under development	1,784,684	–
Properties held for resale	–	2,342
Investments in securities	250	–
Debtors, deposits and prepayments	6,849	116
Loans receivable	–	3,585
Gold bullion	65,303	–
Bank balances and cash	3,030	1
Creditors and accrued expenses	(37,048)	(133)
Bank borrowings	(18,850)	–
Deferred tax liabilities	(900,000)	–
Minority interests	(448,048)	–
	<u>456,741</u>	<u>59,743</u>
Negative goodwill	(20,938)	–
	<u>435,803</u>	<u>59,743</u>
SATISFIED BY:		
Cash	<u>435,803</u>	<u>59,743</u>
Net cash outflow arising on acquisition:		
	2005 HK\$'000	2004 HK\$'000
Cash consideration	(435,803)	(59,743)
Bank balances and cash acquired	3,030	1
	<u>(432,773)</u>	<u>(59,742)</u>

In April 2004, the Group, through Paul Y. – ITC, acquired 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, the PRC, for a consideration of HK\$396,000,000, which is satisfied by cash.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2005

39. ACQUISITION OF SUBSIDIARIES (continued)

In October 2004, the Group, through Paul Y. – ITC, acquired 100% of the issued share capital of and the shareholder's loan to Yetwide Investments Limited ("Yetwide") for a consideration of HK\$31,000,000, which is satisfied by cash. The principal asset of Yetwide and its subsidiaries is the properties under development in the PRC.

In March 2005, the Group acquired approximately 50.07% of the issued share capital of Trasy, for a consideration of HK\$8,803,000 (including expenses incurred), which is satisfied by cash. The principal asset of Trasy and its subsidiaries is gold bullion. If the acquisition had been completed on 1st April, 2004, total Group revenue for the year would have been HK\$2,027,953,000, and profit for the year would have been HK\$183,228,000.

The newly acquired subsidiaries during both years did not make any significant impact on the Group's results for both years.

40. DISPOSAL OF SUBSIDIARIES

	2005 HK\$'000	2004 HK\$'000
NET ASSETS DISPOSED		
Property, plant and equipment	395,701	–
Investment properties	455,000	–
Interests in associates	1,222,918	–
Interests in jointly controlled entities	8,934	–
Investments in securities	38,103	–
Deferred tax assets	1,680	–
Properties under development	1,813,047	–
Properties held for resale	41,000	–
Amounts due from customers for contract works	189,074	–
Debtors, deposits and prepayments	1,144,839	–
Amounts due from associates	344,681	–
Amounts due from jointly controlled entities	207	–
Amounts due from related companies	118,106	–
Loans receivable	199,957	–
Tax recoverable	14,291	–
Bank deposits	48,374	–
Bank balances and cash	79,799	–
Amounts due to customers for contract works	(393,376)	–
Creditors and accrued expenses	(858,475)	–
Amounts due to associates	(2,019)	–
Amounts due to jointly controlled entities	(20,766)	–
Bank borrowings	(501,051)	–
Loans from a minority shareholder	(341,000)	–
Minority interests	(1,569,026)	–
Provision for long service payments	(1,727)	–
Deferred tax liabilities	(964,243)	–
	<u>1,464,028</u>	–
Reserves released on disposal:		
Other reserve	173	–
Properties revaluation reserve	(340)	–
Translation reserve	(5,767)	–
Goodwill reserve	3,482	–
Negative goodwill released	(28,958)	–
Loss on disposal	(38,052)	–
Reclassification to interests in associates	(1,317,032)	–
	<u>77,534</u>	–
SATISFIED BY:		
Cash	<u>77,534</u>	–

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

40. DISPOSAL OF SUBSIDIARIES *(continued)*

Net cash outflow arising on disposal:

	2005 HK\$'000	2004 HK\$'000
Cash consideration	77,534	–
Bank deposits, bank balances and cash disposed less bank overdrafts disposed	(121,122)	–
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(43,588)	–

The subsidiaries disposed of during the year contributed approximately HK\$1,970,241,000 (2004: nil) to the Group's turnover and approximately HK\$65,913,000 (2004: nil) to the Group's profit from operations.

41. MAJOR NON-CASH TRANSACTION

(a) During the year ended 31st March, 2005:

- (i) HK\$125,000,000 convertible notes issued by the Company were converted into 416,666,665 ordinary shares of the Company at HK\$0.30 per share as set out in note 31.
- (ii) 1,028,000 redeemable convertible preference shares were converted into 1,047,769 ordinary shares of the Company at HK\$1.04 per share as set out in note 36.

(b) 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\$0.30 per share.
- (ii) HK\$17,500,000 convertible notes receivable held by the Group were converted into shares of a company with its shares listed on the Hong Kong Stock Exchange.

42. 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2005

43. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Outstanding performance bonds in respect of construction contracts	-	623,257	-	-
Guarantees given to banks and financial institutions in respect of general facilities granted to subsidiaries	-	-	65,000	-
	<u>-</u>	<u>623,257</u>	<u>65,000</u>	<u>-</u>

44. 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 for approximately HK\$308,207,000.

In an affirmation filed on behalf of Hoi Sing in opposition to a striking out application brought by the Company (see below), Hoi Sing confirmed that the Company was entitled to set off the debt owed to it by Hoi Sing and would only claim the balance of approximately HK\$40,000,000. Hoi Sing's admission neither affects the Company's denial of the existence of the guarantee nor Hoi Sing's obligation to prove its terms and the amounts claimed under it. At present (and pending the result of the guarantee claim), the Company is a principal unsecured creditor of Hoi Sing as the liquidators have admitted a substantial portion of the Company's claim, with the balance still to be adjudicated.

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

The Company took out an application to strike out Hoi Sing's claim on the ground of inordinate and inexcusable delay in July 2004. On 22nd April, 2005, the High Court dismissed this application, finding that although Hoi Sing was guilty of inordinate and inexcusable delay, that delay did not prejudice the Company. The Company filed an appeal against this decision on 13th May, 2005, which has been fixed to be heard on 6th December, 2005. The striking out application does not go to the merits of Hoi Sing's claim.

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

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within one year	308	1,060
In the second to fifth year inclusive	61	1,877
After five years	-	718
	<u>369</u>	<u>3,655</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2005

45. 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	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	563	26,786
In the second to fifth year inclusive	1,542	13,901
	<u>2,105</u>	<u>40,687</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.

46. COMMITMENTS

	THE GROUP		THE COMPANY	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of:				
Equity investments	43,200	450,671	-	-
Property, plant and equipment	2,984	-	-	-
	<u>46,184</u>	<u>450,671</u>	<u>-</u>	<u>-</u>

47. PLEDGE OF ASSETS

As at 31st March, 2005, certain of the Group's properties with an aggregate value of approximately HK\$143,076,000 (2004: HK\$696,290,000) have been pledged to banks and financial institutions to secure general credit facilities granted to the Group. Facilities amounting to approximately HK\$79,922,000 (2004: HK\$558,199,000) were utilised as at 31st March, 2005.

48. POST BALANCE SHEET EVENTS

- (a) As a result of the acquisition of approximately 50.07% shareholding interests in Trasy, a company whose shares are listed on the Growth Enterprise Market of the Hong Kong Stock Exchange, by the Group in March 2005, the Group made unconditional mandatory cash offers for all the shares of Trasy at HK\$0.00575 each and for all the options of Trasy at HK\$1 for every 1,000,000 option not already owned by it and its concert parties. In May 2005, the cash offers closed and the Group's shareholding interests in Trasy was increased to approximately 56.45%.
- (b) In May 2005, the Group completed the subscription of 40,000,000 shares in Capital Strategic Investment Limited ("Capital Strategic"), a company whose shares are listed in Hong Kong and engaged in property and securities investment, for a consideration of HK\$43,200,000. The subscribed shares represents 8.25% of the then issued share capital of Capital Strategic.
- (c) In June 2005, the directors of Paul Y. – ITC resolved to pay a special cash dividend of HK\$0.7 per share by the end of July 2005. Accordingly, the Group will receive special cash dividend of approximately HK\$475,100,000 from Paul Y. – ITC.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

49. 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	2005 HK\$'000	2004 HK\$'000
Associates of the Group	Sales of building materials <i>(note a)</i>	17	-
	Dividend income (including scrip dividend)	66,206	48,079
	Purchase of concrete products <i>(note a)</i>	36	104
	Rentals and related building management fee charged by the Group <i>(notes b and c)</i>	4,528	5,219
	Service fees charged by the Group <i>(note c)</i>	840	406
	Service fees charged to the Group <i>(note c)</i>	1,100	308
	Construction works charged to the Group <i>(note d)</i>	42,320	182
	Subcontracting fees charged by the Group <i>(note d)</i>	2,062	5,437
	Interest income received <i>(note e)</i>	13,432	23,219
	Balance due by the Group <i>(note 30)</i>	93	96,273
	Balance due to the Group <i>(notes 20 and 25)</i>	8,538	354,050
Jointly controlled entities of the Group	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
	Service fees charged by the Group <i>(note c)</i>	376	144
	Balance due by the Group <i>(note 30)</i>	-	55,584
	Balance due to the Group <i>(notes 21 and 26)</i>	-	2,871
Directors or company controlled by director	Interest paid by the Group <i>(note e)</i>	10	2,700
	Interest payable on convertible notes issued by the Group <i>(note f)</i>	10,647	12,526
	Balance due by the Group <i>(note 33)</i>	18,774	-
	Convertible notes due by the Group <i>(note 31)</i>	133,000	250,000
Related companies	Rental and related building management fee charged by the Group <i>(notes b and c)</i>	3,284	6,896
	Purchase of medicine and health products by the Group <i>(note d)</i>	-	432
	Service fees charged by the Group <i>(note c)</i>	31	-
	Service fees charged to the Group <i>(note c)</i>	1,356	883
	Subcontracting fees charged by the Group <i>(note d)</i>	-	1,207
	Interest income received <i>(note e)</i>	5,929	12,027
	Balance due by the Group <i>(note 30)</i>	-	216
	Balance due to the Group <i>(note 27)</i>	1,632	90,224

Notes:

- The transactions were carried out by reference to the prevailing market price for comparable transactions.
- Rentals were charged at the pre-agreed fixed monthly amounts.
- Building management fee and services fees were charged at the pre-agreed rates.
- Construction works, subcontracting fees, 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.
- Interest was charged at commercial rates.
- Interest was charged at the Best Lending Rate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

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

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company*/ subsidiaries %	Percentage of issued share capital/ registered capital attributable to the Group %	Principal activities
Burcon Group Limited	Canada	CAD1,000 class A common share	100	100	Investment and property holding
Dreyer and Company Limited	Hong Kong	HK\$6,424,000 ordinary shares	99	99	Trading of building materials and machinery
Great Intelligence Holdings Limited	Hong Kong	HK\$2 ordinary shares	100	100	Treasury investment
Great Intelligence Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Great Intelligence Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding and investment
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 and treasury investment
Large Scale Investments Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Trasy	Cayman Islands	HK\$27,790,000 ordinary shares	100	50.07	Provision and operation of an Internet-based electronic platform to facilitate the trading of precious metals

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 Burcon Group Limited which operates in Canada.

All of the above subsidiaries are limited companies.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(continued)*

(b) Particulars of the Group's principal associates as at 31st March, 2005 are as follows:

Name of associate	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/registered capital attributable to the Group %	Principal activities
Burcon NutraScience Corporation ("Burcon")	Canada	CAD14,780,639 common shares	25.01	Investment holding in company engaged in the development of commercial canola protein
Central Town Limited	Hong Kong	HK\$2	50.00	Property investment
Hanny	Bermuda	HK\$2,236,284.12 ordinary shares	20.48	Investment holding in companies engaged in trading of computer related products, consumer electronic products, distribution and marketing of computer accessories, household electronic products and telecommunication accessories and securities trading
Paul Y. – ITC	Bermuda	HK\$136,919,543.60 ordinary shares	49.58	Investment holding in companies engaged in development and investment in port and infrastructure project, property development and investment, treasury investment, construction, engineering and specialist works

All of the above associates operate in Hong Kong with the exception of Burcon, which operates in Canada.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2005

51. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES**Paul Y. – ITC**(a) *Result for the year ended 31st March, 2005*

	<i>HK\$'000</i>
Turnover	<u>3,588,015</u>
Profit before taxation	<u>533,684</u>
Profit for the year	<u>522,857</u>

(b) *Financial Position
As at 31st March, 2005*

	<i>HK\$'000</i>
Non-current assets	3,108,072
Current assets	4,003,244
Current liabilities	(1,929,911)
Minority interests	(535,895)
Non-current liabilities	<u>(1,465,747)</u>

Hanny(a) *Result for the years ended 31st March, 2005 and 2004*

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>5,676,459</u>	<u>5,025,930</u>
Profit before taxation	<u>22,343</u>	<u>121,639</u>
(Loss) profit for the year	<u>(160,925)</u>	<u>13,300</u>

(b) *Financial Position
As at 31st March, 2005 and 2004*

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	1,285,558	1,643,529
Current assets	2,371,932	2,299,707
Current liabilities	(1,240,452)	(1,653,951)
Minority interests	(449,617)	(405,157)
Non-current liabilities	<u>(160,110)</u>	<u>(10,947)</u>

Full details of the results and financial position of Paul Y. – ITC and Hanny can be found in their respective annual reports dated 22nd July, 2005.



FINANCIAL SUMMARY

RESULTS

	Year ended 31st March,				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	
Turnover	<u>63,144</u>	<u>40,147</u>	<u>768,697</u>	<u>3,434,666</u>	<u>2,026,328</u>
(Loss) profit before taxation	(586,543)	(273,450)	(332,729)	183,946	272,800
Taxation	<u>(21,800)</u>	<u>(27,186)</u>	<u>(28,019)</u>	<u>(53,719)</u>	<u>(57,788)</u>
(Loss) profit after taxation	(608,343)	(300,636)	(360,748)	130,227	215,012
Minority interests	<u>-</u>	<u>-</u>	<u>2,224</u>	<u>(101,295)</u>	<u>(28,284)</u>
(Loss) profit for the year	<u>(608,343)</u>	<u>(300,636)</u>	<u>(358,524)</u>	<u>28,932</u>	<u>186,728</u>

ASSETS AND LIABILITIES

	As at 31st March,				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	
Total assets	2,406,969	2,097,437	4,851,204	4,982,513	1,930,208
Total liabilities	(802,902)	(626,194)	(2,782,569)	(2,433,966)	(285,869)
Minority interests	<u>-</u>	<u>-</u>	<u>(863,395)</u>	<u>(1,195,365)</u>	<u>(29,659)</u>
Shareholders' funds	<u>1,604,067</u>	<u>1,471,243</u>	<u>1,205,240</u>	<u>1,353,182</u>	<u>1,614,680</u>

