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If you are in any doubt as to any aspect of this composite document or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in and, or, warrants of Paul Y. - ITC Construction Holdings Limited, you should at once hand this composite document and the accompanying white and pink forms of acceptance to the purchaser, transferee or to the bank manager, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)



PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

**OFFERS BY
ANGLO CHINESE CORPORATE FINANCE, LIMITED
ON BEHALF OF**

**HOLLYFIELD GROUP LIMITED
AN INDIRECT WHOLLY OWNED SUBSIDIARY OF
ITC CORPORATION LIMITED**

**TO ACQUIRE ALL THE ISSUED SHARES IN, AND WARRANTS OF
PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED**

**OTHER THAN THE SHARES AND WARRANTS PRESENTLY OWNED BY
ITC CORPORATION LIMITED
OR ITS WHOLLY OWNED SUBSIDIARIES**

Financial adviser to Hollyfield Group Limited

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

**Independent financial adviser to the
independent director of Paul Y. - ITC Construction Holdings Limited**



PLATINUM
Securities

A letter from the independent director of Paul Y. - ITC Construction Holdings Limited is set out on page 18 of this composite document. A letter from Platinum containing its advice to the independent director of Paul Y. - ITC Construction Holdings Limited is set out on pages 19 to 40 of this composite document.

The procedure for acceptance of the offers is set out on pages 41 to 47 of this composite document and in the accompanying white form of acceptance and pink form of acceptance. Acceptances of the offers should be despatched as soon as possible, by hand or by post, to Paul Y. - ITC Construction Holdings Limited's branch share and warrant registrar, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong and in any event so as to be received by not later than 4:00 p.m. on Friday, 27th December, 2002, or such later time and, or date as the offeror may decide.

6th December, 2002

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SUMMARY OF RECOMMENDATION, THE OFFERS AND ACCEPTANCE

RECOMMENDATION

The letter from Platinum is set out on pages 19 to 40 of this composite document. The letter from the independent Paul Y. - ITC director is set out on page 18 of this composite document.

THE OFFERS

The share offer

The share offer is a conditional cash offer on the following basis:

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

The share offer is conditional upon the offeror having received acceptances in respect of voting rights which, together with voting rights acquired or agreed to be acquired before or during the share offer, will result in the offeror and persons acting in concert with it holding more than 50% of the voting rights of Paul Y. - ITC.

The warrant offer

The warrant offer is a conditional cash offer on the following basis:

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

The warrant offer is conditional upon the share offer becoming or being declared unconditional in all respects.

HOW TO ACCEPT THE OFFERS

The procedure for acceptance of the offers are set out on pages 41 to 47 of this composite document and the accompanying forms of acceptance.

Assuming the offers become or are declared unconditional on Friday, 13th December, 2002, acceptances of the offers must be received by not later than 4:00 p.m. on Friday, 27th December, 2002, or such later time as the offeror may decide subject to the Takeovers Code. You are encouraged to read the section headed "Expected timetable" set out in the composite document and the section headed "Acceptance period and revisions" in appendix I set out on page 44 of this composite document carefully.

Paul Y. - ITC shareholders and the Paul Y. - ITC warrant holders are encouraged to read the composite document carefully before they take any action in respect of the share offer or the warrant offer respectively.

EXPECTED TIMETABLE

Offers open	Friday, 6th December, 2002
Closing date ⁽¹⁾	4:00 p.m. on Friday, 27th December, 2002
First date an acceptor of the offers could withdraw his acceptance if the offers have not become unconditional ⁽²⁾	Friday, 17th January, 2003
Long stop date ⁽³⁾	Tuesday, 4th February, 2003

Notes:

- (1) Under the Takeovers Code, the offers must be open for acceptance for at least 21 days following the date on which this composite document is posted.
- (2) Under the Takeovers Code, if the share offer has not become or been declared unconditional by 17th January, 2003, being the day falling 21 days from the closing date, an acceptor of the share offer or the warrant offer shall be entitled to withdraw his acceptance. This entitlement to withdraw shall be exercisable until such time as the share offer becomes or is declared unconditional.
- (3) As required by the Takeovers Code, where the offers become or are declared unconditional, it should remain open for acceptance for not less than 14 days thereafter. If the offers become or are declared unconditional on 4th February, 2003, the first date on which the offers may close is 18th February, 2003. The offeror reserves the right to extend the offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The offeror will, itself or through ITC Corporation, issue a press announcement in relation to any extension of the offers, which announcement will state either the next closing date or that the offers will remain open until further notice. In the latter case, at least 14 days notice in writing must be given before the offers are closed to those Paul Y. - ITC shareholders and Paul Y. - ITC warrant holders who have not accepted the offers.
- (4) Under the Takeovers Code, in order to be valid, acceptances must be received by 4:00 p.m. on the relevant closing date. Acceptances received after 4:00 p.m. on such closing date will only be valid if the offers are revised or extended before the closing date, or if the offers have become or been declared unconditional by 4:00 p.m. on such closing date.
- (5) Cheques in respect of the relevant consideration for any acceptance of the offers will be posted within 10 days of the later of (i) the date on which the offers become or are declared unconditional and (ii) the receipt of all the relevant documents by the share and warrant registrar to render the acceptance under the offers complete and valid, at the risk of the accepting Paul Y. - ITC shareholders or Paul Y. - ITC warrant holders, as the case may be.

DEFINITIONS

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

“Act”	the Companies Act 1981 of Bermuda
“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, an investment adviser and dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“board of Paul Y. - ITC”	the board of directors of Paul Y. - ITC
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Clearing
“closing date”	27th December, 2002 being the 21st day after the despatch of the composite document and the closing date of the offers unless the offers are revised or extended or become unconditional
“composite document”	this composite offer and response document dated 6th December, 2002 despatched jointly by ITC Corporation and Paul Y. - ITC in relation to the offers
“Dr. Charles Chan”	Dr. Chan Kwok Keung, Charles, the chairman of Paul Y. - ITC and a substantial shareholder of Paul Y. - ITC
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegates of the Executive Director
“forms of acceptance”	white form of acceptance and pink form of acceptance
“Hollyfield” or “offeror”	Hollyfield Group Limited, an indirect wholly owned subsidiary of ITC Corporation
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Clearing”	Hong Kong Securities Clearing Company Limited
“independent Paul Y. - ITC director”	the independent director of Paul Y. - ITC, Mr. Kwok Shiu Keung, Ernest
“independent Paul Y. - ITC shareholders”	Paul Y. - ITC shareholders other than ITC Corporation and its associates

DEFINITIONS

“independent Paul Y. - ITC warrant holders ”	Paul Y. - ITC warrant holders other than ITC Corporation and its associates
“ITC Corporation”	ITC Corporation Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“ITC Corporation group”	ITC Corporation and its subsidiaries
“joint announcement”	the joint announcement made by Paul Y. - ITC and ITC Corporation on 25th October, 2002
“latest practicable date”	3rd December, 2002, being the latest practicable date prior to the printing of this composite document for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“long stop date”	midnight of 4th February, 2003, being the 60th day after the date of posting of this composite document by which the offers may become or be declared unconditional as to acceptances, or such later date as may be consented to by the Executive
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules
“offer period”	the period commencing from 25th October, 2002, being the date of the joint announcement giving, amongst other things, details on the offers until whichever is the latest of (a) the date which the offers close for acceptances and (b) the date when the offers lapse
“offers”	the share offer and warrant offer
“Paul Y. - ITC”	Paul Y. - ITC Construction Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Paul Y. - ITC director(s)”	the director(s) of Paul Y. - ITC
“Paul Y. - ITC group”	Paul Y. - ITC and its subsidiaries
“Paul Y. - ITC shareholder(s)”	holders of Paul Y. - ITC shares
“Paul Y. - ITC share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Paul Y. - ITC

DEFINITIONS

“Paul Y. - ITC warrant(s)”	warrant(s) of Paul Y. - ITC carrying rights to subscribe in cash up to an aggregate amount of HK\$81,968,139.60 for Paul Y. - ITC shares at an initial subscription price of HK\$0.40 per Paul Y. - ITC share, subject to adjustment, at any time from 1st March, 2002 up to and including 29th August, 2003 and, for the purpose of this composite document, the expression “per Paul Y. - ITC warrant” or similar expressions shall mean each subscription unit of HK\$0.40 each in which the subscription rights under the Paul Y. - ITC warrants may be exercised
“Paul Y. - ITC warrant holder(s)”	holder(s) of Paul Y. - ITC warrant(s)
“pink form of acceptance”	the pink form of acceptance and transfer for the warrant offer which accompanies this composite document
“Platinum”	Platinum Securities Company Limited, an investment adviser and a securities dealer registered under the Securities Ordinance (Chapter 333 of the laws of Hong Kong), which has been appointed as the independent financial adviser to the independent Paul Y. - ITC director
“PRC”	The People’s Republic of China and for the purpose of this composite document, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RHL”	RHL Appraisal Limited, an independent professional property valuer
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“SFC”	the Securities and Futures Commission
“share and warrant registrar”	Secretaries Limited, the branch share and warrant registrar of Paul Y. - ITC, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong
“share offer”	voluntary conditional cash offer of HK\$0.30 per Paul Y. - ITC share to acquire all the issued shares in Paul Y. - ITC, other than those Paul Y. - ITC shares presently owned by ITC Corporation or its wholly owned subsidiaries, on the terms and conditions set out in this composite document and the white form of acceptance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“warrant offer”	cash offer of HK\$0.01 per Paul Y. - ITC warrant to acquire all the outstanding Paul Y. - ITC warrants, other than those Paul Y. - ITC warrants presently owned by ITC Corporation or its wholly owned subsidiaries, on the terms and conditions set out in this composite document and the pink form of acceptance
“white form of acceptance”	the white form of acceptance and transfer for the share offer which accompanies this composite document
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong



PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

Chan Kwok Keung, Charles (*Chairman*)

Lau Ko Yuen, Tom (*Deputy Chairman*)

Chan Fut Yan (*Managing Director*)

Chau Mei Wah, Rosanna

Cheung Hon Kit

Cheung Ting Kau, Vincent*

Kwok Shiu Keung, Ernest*

* *Independent Non-Executive Directors*

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business

in Hong Kong:

31st Floor, Paul Y. Centre

51 Hung To Road

Kwun Tong, Kowloon

Hong Kong

6th December, 2002

*To the Paul Y. - ITC shareholders and
the Paul Y. - ITC warrant holders*

Dear Sir or Madam,

**OFFERS FOR
THE ISSUED SHARES IN, AND WARRANTS OF,
PAUL Y. - ITC**

INTRODUCTION

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

LETTER FROM THE BOARD OF PAUL Y. - ITC

The making of the share offer is conditional upon the fulfillment of certain preconditions. Upon the passing of the ordinary resolution at the special general meeting of ITC Corporation on 4th December, 2002 approving the making of the offers, all the preconditions to which the making of the share offer was subject have been fulfilled.

The purpose of this composite document is to provide you with, among other things, the information relating to the offeror and the offers, and to set out the letter from the independent Paul Y. - ITC director containing his advice to the independent Paul Y. - ITC shareholders and the independent Paul Y. - ITC warrant holders on the offers and the letter from Platinum containing its advice to the independent Paul Y. - ITC director in respect of the offers. Terms defined in the composite document shall have the same meanings when used in this letter unless the context defines otherwise.

OFFER FOR THE PAUL Y. - ITC SHARES

Anglo Chinese is making, on behalf of the offeror, the offer to acquire all the issued shares in Paul Y. - ITC, other than those shares presently owned by ITC Corporation or its wholly owned subsidiaries, on the following basis:

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

and on the terms and the condition set out in the composite document and the accompanying white form of acceptance. The Paul Y. - ITC shares to be acquired under the share offer will be acquired free from all liens, charges, equities, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached or accruing thereto on or after 25th October, 2002, the date of the joint announcement, including the right to receive all dividends and distributions declared, paid or made on or after that date, save for the 2002 final dividend of HK\$0.01 per Paul Y. - ITC share paid on 31st October, 2002.

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

As at the latest practicable date, ITC Corporation and its concert parties held 447,042,556 Paul Y. - ITC shares representing approximately 42.61% of the issued share capital of Paul Y. - ITC.

LETTER FROM THE BOARD OF PAUL Y. - ITC

OFFER FOR THE PAUL Y. - ITC WARRANTS

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

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

and on the terms and the condition set out in the composite document and the accompanying pink form of acceptance. The Paul Y. - ITC warrants to be acquired under the warrant offer will be acquired free from all liens, charges, equities, encumbrances, rights of pre-emption and any other third party rights of any nature.

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

As at the latest practicable date, ITC Corporation and its concert parties owned 86,485,747 Paul Y. - ITC warrants, representing approximately 42.20% of the outstanding Paul Y. - ITC warrants.

OPTIONS

Outstanding options to subscribe for up to 16,100,000 Paul Y. - ITC shares have been issued by Paul Y. - ITC to certain of its executive directors and employees at a subscription price of HK\$0.5552 each. The holders of the outstanding options have all agreed not to accept an offer for their options should an offer be made at a nominal value, which is the offer required by the Takeovers Code. As all the option holders have agreed not to accept such an offer, no offer will be made to cancel the outstanding options.

INTENTIONS OF ITC CORPORATION REGARDING PAUL Y. - ITC

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

THE WITHDRAWAL OF THE PROPOSED GROUP REORGANISATION

The respective boards of directors of ITC Corporation and Paul Y. - ITC consider that the share offer provides a more certain prospect to Paul Y. - ITC shareholders to realise all or a portion of their investment in Paul Y. - ITC than the group reorganisation announced on 7th October, 2002 and that the terms of the share offer are more attractive than the terms of the group reorganisation. Paul Y. - ITC shareholders will be able to realise all or a portion of their investment at a substantial premium to the prevailing market price without the requirement for the support of any other Paul Y. - ITC shareholders.

LETTER FROM THE BOARD OF PAUL Y. - ITC

The compulsory acquisition of Paul Y. - ITC shares will only occur if the share offer receives a very high level of acceptances. It is for these reasons that Paul Y. - ITC has agreed to the withdrawal of the group reorganisation and its substitution by the share offer.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the offeror and ITC Corporation” set out in the letter from Anglo Chinese on pages 16 to 17 of the composite document.

INFORMATION ON PAUL Y. - ITC

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

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

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

LETTER FROM THE BOARD OF PAUL Y. - ITC

RECOMMENDATIONS

Your attention is drawn to the letters from the independent Paul Y. - ITC director and Platinum set out on page 18 and pages 19 to 40, respectively, of the composite document containing their recommendation and advice in respect of the offers.

FURTHER INFORMATION

Your attention is also drawn to the letters from Anglo Chinese, the independent Paul Y. - ITC director and Platinum, and appendix I to the composite document, which set out the terms, conditions and procedures for acceptance of the offers, and the other appendices to the composite document, which contain financial information on the Paul Y. - ITC group, the property valuation report prepared by RHL and the information required to be given to recipients of the offers under the Takeovers Code.

Yours faithfully,
For and on behalf of
Paul Y. - ITC Construction Holdings Limited
Lau Ko Yuen, Tom
Deputy Chairman

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

財務顧問有限公司
英商

6th December, 2002

*To the Paul Y. - ITC shareholders and
the Paul Y. - ITC warrant holders*

Dear Sir or Madam,

**OFFERS FOR
THE ISSUED SHARES IN, AND WARRANTS OF,
PAUL Y. - ITC**

INTRODUCTION

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

The making of the share offer is conditional upon the fulfillment of certain preconditions. Upon the passing of the ordinary resolution at the special general meeting of ITC Corporation on 4th December, 2002 approving the making of the offers, all the preconditions to which the making of the share offer was subject have been fulfilled.

OFFER FOR THE SHARES IN PAUL Y. - ITC

Anglo Chinese hereby offers, on behalf of the offeror, to acquire all the issued shares in Paul Y. - ITC, other than those shares presently owned by ITC Corporation or its wholly owned subsidiaries on the following basis:

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

and on the terms and the condition set out in the composite document and the accompanying white form of acceptance. The Paul Y. - ITC shares to be acquired under the share offer will be acquired free from all liens, charges, equities, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached or accruing thereto on or after 25th October, 2002, the date of

LETTER FROM ANGLO CHINESE

the joint announcement, including the right to receive all dividends and distributions declared, paid or made on or after that date, save for the 2002 final dividend of HK\$0.01 per Paul Y. - ITC share paid on 31st October, 2002.

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

As at the latest practicable date, ITC Corporation and its concert parties held 447,042,556 Paul Y. - ITC shares representing approximately 42.61% of the issued share capital of Paul Y. - ITC.

CONDITION OF THE SHARE OFFER

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

OFFER FOR THE PAUL Y. – ITC WARRANTS

Conditional upon the share offer becoming unconditional, Anglo Chinese hereby offers, on behalf of the offeror, to acquire all the outstanding Paul Y. - ITC warrants, which carry a subscription price of HK\$0.40 each, other than those warrants presently owned by ITC Corporation or its wholly owned subsidiaries, on the following basis:

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

and on the terms and the condition set out in the composite document and the accompanying pink form of acceptance. The Paul Y. - ITC warrants to be acquired under the warrant offer will be acquired free from all liens, charges, equities, encumbrances, rights of pre-emption and any other third party rights of any nature.

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

As at the latest practicable date, ITC Corporation and its concert parties owned 86,485,747 Paul Y. - ITC warrants, representing approximately 42.20% of the outstanding Paul Y. - ITC warrants.

LETTER FROM ANGLO CHINESE

VALUATION OF THE OFFERS

The consideration payable under the offers represents:

- a premium of approximately 42.9% to the closing price of HK\$0.21 per Paul Y. - ITC share and the same price as the closing price of the Paul Y. - ITC warrants of HK\$0.01 per warrant as quoted on the Stock Exchange on 22nd October, 2002, being the last trading day on which Paul Y. - ITC shares and Paul Y. - ITC warrants were traded on the Stock Exchange prior to the suspension of trading of securities in Paul Y. - ITC;
- a premium of approximately 43.0% to the weighted average closing price of approximately HK\$0.2098 per Paul Y. - ITC share and the same price as the average closing price of the Paul Y. - ITC warrants of HK\$0.01 per warrant as quoted on the Stock Exchange for the ten consecutive trading days up to and including 22nd October, 2002;
- a premium of approximately 46.3% to the weighted average closing price of approximately HK\$0.2050 per Paul Y. - ITC share and the same price as the average closing price of the Paul Y. - ITC warrants of HK\$0.01 per warrant as quoted on the Stock Exchange for the thirty trading days up to and including 22nd October, 2002;
- a premium of approximately 26.8% to the weighted average closing price of approximately HK\$0.2366 per Paul Y. - ITC share as quoted on the Stock Exchange for the six month period up to and including 22nd October, 2002. No comparative figure is given for Paul Y. - ITC warrants as they have been in issue for less than six months; and
- a premium of approximately 9.1% to the closing price of HK\$0.275 per Paul Y. - ITC share and the same price as the closing price of the Paul Y. - ITC warrants of HK\$0.01 per warrant as quoted on the Stock Exchange on the latest practicable date.

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

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

OPTIONS

Outstanding options to subscribe for up to 16,100,000 Paul Y. - ITC shares have been issued by Paul Y. - ITC to certain of its executive directors and employees at a subscription price of HK\$0.5552 each. The holders of the outstanding options have all agreed not to accept an offer for their options should an offer be made at a nominal value, which is the offer required by the Takeovers Code. As all the option holders have agreed not to accept such an offer, no offer will be made to cancel the outstanding options.

LETTER FROM ANGLO CHINESE

FINANCING

Dr. Charles Chan has agreed to finance the offers in full by granting to ITC Corporation on 28th October, 2002, a term loan facility of up to HK\$180 million on an unsecured basis and on normal commercial terms, if so requested by ITC Corporation. In addition, the payment of interest on and repayment of such loan will not depend on the business of Paul Y. - ITC. Anglo Chinese confirms that Dr. Charles Chan has sufficient resources available to him to make available funds to ITC Corporation to enable the offeror to satisfy full acceptance of the offers. The offeror has also confirmed that, subsequent to the offers, it is not their current intention to dispose of the material underlying assets of Paul Y. - ITC except in the ordinary course of business.

OVERSEAS HOLDERS

As the making of the offers to overseas holders may be affected by the laws of the relevant jurisdictions, overseas holders should inform themselves about and observe any and all applicable legal requirements.

It is the responsibility of any overseas holders who wish to accept the share offer or the warrant offer, as the case may be, to take any action in relation thereto, to satisfy themselves as to the full observance of the laws of any relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consent which may be required and compliance with other necessary formalities or legal requirements. Any such overseas holders will be responsible for the payment of any transfer or other taxes by whomsoever payable due in respect of that jurisdiction and the offeror or Anglo Chinese and any person acting on their behalf shall be entitled to be fully indemnified and held harmless by such overseas holders for any such transfer or other taxes as such person may be required to pay.

UNDERTAKINGS BY ITC CORPORATION

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

UNDERTAKINGS BY DR. CHARLES CHAN

Dr. Charles Chan has undertaken to ITC Corporation that he will provide ITC Corporation with the finance to enable the offeror to satisfy full acceptance of the offers, as referred to above.

INTENTIONS OF ITC CORPORATION REGARDING PAUL Y. - ITC

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

LETTER FROM ANGLO CHINESE

COMPULSORY ACQUISITION

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

MAINTENANCE OF THE LISTING OF PAUL Y. - ITC

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

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

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

THE REASONS FOR THE SHARE OFFER

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

INFORMATION ON THE OFFEROR AND ITC CORPORATION

The offeror

The offeror is a company incorporated in Samoa on 18th January, 1996 with limited liability and is an indirectly wholly owned subsidiary of ITC Corporation. The offeror is an investment holding company established for the purpose of holding ITC Corporation's interests in the securities of Paul Y. - ITC. The directors of the offeror are Mr. Lau Ko Yuen, Tom, Ms. Chau Mei Wah, Rosanna and Mr. Chan Fut Yan.

LETTER FROM ANGLO CHINESE

ITC Corporation

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

FURTHER TERMS OF THE OFFERS

The attention of the independent Paul Y. - ITC shareholders and the independent Paul Y. - ITC warrant holders are drawn to appendix I to the composite document setting out further terms of the offers, including the procedure for acceptance, the acceptance period and revisions of the share offer and the warrant offer.

ADDITIONAL INFORMATION

Your attention is drawn to the further information contained in the appendices to the composite document.

GENERAL INFORMATION

Your attention is drawn to the letter from the board of Paul Y. - ITC set out on pages 7 to 11 of the composite document; the letter from the independent Paul Y. - ITC director to the independent Paul Y. - ITC shareholders and the independent Paul Y. - ITC warrant holders set out on page 18 of the composite document; and the letter of advice from Platinum to the independent Paul Y. - ITC director set out on pages 19 to 40 of the composite document.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited
Stephen Clark
Managing Director



PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

6th December, 2002

*To the independent Paul Y. - ITC shareholders and
independent Paul Y. - ITC warrant holders*

Dear Sir or Madam,

**OFFERS FOR
THE ISSUED SHARES IN, AND WARRANTS OF,
PAUL Y. - ITC**

I have been appointed by the board of Paul Y. - ITC to advise you in connection with the offers. Details of the offers are contained in the letter from the board of Paul Y. - ITC dated 6th December, 2002 set out on pages 7 to 11 of the composite document to the independent Paul Y. - ITC shareholders and the independent Paul Y. - ITC warrant holders dated 6th December, 2002 of which this letter forms part. Terms defined in the composite document shall have the same meanings when they are used in this letter unless the context otherwise requires.

I wish to draw your attention to the letter from the board of Paul Y. - ITC, the letter from Anglo Chinese set out on pages 12 to 17 of the composite document and the letter of advice from Platinum set out on pages 19 to 40 of the composite document. I have considered and discussed with Platinum its letter and the matters, factors and advice contained therein. Having taken the aforesaid into account, I concur with Platinum's advice and recommend the independent Paul Y. - ITC shareholders to take the action in respect of the share offer set out in the letter from Platinum.

I consider the warrant offer to be an appropriate offer and advise the independent Paul Y. - ITC warrant holders to take the action in respect of the warrant offer set out in the letter from Platinum.

Notwithstanding my recommendations, the independent Paul Y. - ITC shareholders and the independent Paul Y. - ITC warrant holders should consider carefully the terms and conditions of the offers.

Yours faithfully,
the independent director of
Paul Y. - ITC Construction Holdings Limited
Kwok Shiu Keung, Ernest

LETTER FROM PLATINUM



PLATINUM Securities Company Limited

22/F Standard Chartered Bank Building
4 Des Voeux Road, Central
Hong Kong

Telephone (852) 2841 7000

Facsimile (852) 2522 2700

Paul Y. - ITC Construction Holdings Limited
31/F., Paul Y. Centre,
51 Hung To Road,
Kwun Tong, Kowloon
Hong Kong

6 December 2002

To the independent Paul Y. - ITC director

Dear Sir,

OFFERS FOR THE ISSUED SHARES IN, AND WARRANTS OF, PAUL Y. - ITC

INTRODUCTION

We refer to our appointment as the independent financial adviser to the independent Paul Y. - ITC director in respect of the offers, details of which are set out in the composite document dated 6 December 2002 to the independent Paul Y. - ITC shareholders and the independent Paul Y. - ITC warrant holders of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as defined in the composite document unless the context otherwise requires.

As the independent financial adviser to the independent Paul Y. - ITC director, our role is to give an independent opinion as to whether or not the terms of the offers are fair and reasonable as far as the interests of the independent Paul Y. - ITC shareholders and the independent Paul Y. - ITC warrant holders are concerned. We are independent from, and not connected nor acting in concert with, the offeror, Paul Y. - ITC and their respective associates or parties acting in concert with any of them and accordingly, are considered suitable to give independent advice on the offers.

LETTER FROM PLATINUM

In formulating our opinion, we have relied on the accuracy of the information and facts supplied by, the opinions expressed by and the representations of, the directors and management of Paul Y. - ITC concerning the offers, including those facts, opinions and representations set out in the composite document. We have assumed that all such information was true at the time it was made available to us and continues to be true at the date hereof. The Paul Y. - ITC directors have confirmed that they take full responsibility for the contents of the composite document in so far as it relates to the Paul Y. - ITC group. We have no reason to believe that such information is inaccurate or that any material facts have been omitted or withheld from the information supplied or opinions expressed in the composite document. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Paul Y. - ITC group. The Paul Y. - ITC directors have confirmed that no material facts have been omitted from the information supplied to us. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our recommendation regarding the offers.

We have not considered the tax implications on the independent Paul Y. - ITC shareholders and the independent Paul Y. - ITC warrant holders of their acceptances or non-acceptances of the share offer and the warrant offer respectively, since this is particular to their own individual circumstances. In particular, independent Paul Y. - ITC shareholders and independent Paul Y. - ITC warrant holders who are residents outside Hong Kong may be subject to overseas taxation as well as Hong Kong taxation on securities dealings and should consider their own tax position with regards to the share offer and the warrant offer respectively and, if in any doubt, they should consult their own professional advisers.

THE INDEPENDENT PAUL Y. - ITC DIRECTOR

The board of Paul Y. - ITC as at the latest practicable date comprises five executive directors, namely Dr. Charles Chan, Mr. Lau Ko Yuen, Tom, Mr. Chan Fut Yan, Ms. Chau Mei Wah, Rosanna, and Mr. Cheung Hon Kit, and two independent non-executive directors, namely Mr. Cheung Ting Kau, Vincent and Mr. Kwok Shiu Keung, Ernest. As all the five executive directors of Paul Y. - ITC are also directors of ITC Corporation, they are not considered independent to advise the independent Paul Y. - ITC shareholders and the independent Paul Y. - ITC warrant holders in respect of the share offer and the warrant offer. Mr. Cheung Ting Kau, Vincent, an independent non-executive director of Paul Y. - ITC is considered not suitable to be appointed as the independent Paul Y. - ITC director due to him being one of the partners of Vincent T. K. Cheung, Yap & Co. which has, during the past two years from the publication date of the joint announcement, provided general legal services not connected with the offers to ITC Corporation group and Paul Y. - ITC group. Therefore, the remaining independent non-executive directors of Paul Y. - ITC, namely Mr. Kwok Shiu Keung, Ernest, who has confirmed that he does not hold any securities in Paul Y. - ITC, is not involved in the daily operations of Paul Y. - ITC and is not connected to the subsidiaries of Paul Y. - ITC and ITC Corporation, their respective controlling shareholder and chief executive, the Paul Y. - ITC directors, their respective families or associates, has been appointed as the independent Paul Y. - ITC director to advise the independent Paul Y. - ITC shareholders and the independent Paul Y. - ITC warrant holders in respect of the share offer and the warrant offer respectively. We have discussed with the independent Paul Y. - ITC director all questions and comments that he has so as to help ensure that the information received by him, including our letter, is adequate to help him make his recommendation to the independent Paul Y. - ITC shareholders and independent Paul Y. - ITC warrant holders.

LETTER FROM PLATINUM

BACKGROUND OF THE OFFERS

The offers follow the fulfillment of the preconditions of the share offer as highlighted in the section headed “Introduction” in the letter from the board of Paul Y. - ITC in the composite document.

Anglo Chinese, on behalf of the offeror, is making an offer to acquire all the issued shares of Paul Y. - ITC other than those already held by ITC Corporation or its wholly-owned subsidiaries on the following basis:

for each Paul Y. - ITC share HK\$0.30 in cash (the “Share Offer Price”)

As at the latest practicable date, ITC Corporation and its concert parties held 447,042,556 Paul Y. - ITC shares representing approximately 42.61% of the issued share capital of Paul Y. - ITC.

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

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

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

for each Paul Y. - ITC warrant HK\$0.01 in cash (the “Warrant Offer Price”)

As at the latest practicable date, ITC Corporation and its concert parties owned 86,485,747 Paul Y. - ITC warrants, representing approximately 42.20% of the outstanding Paul Y. - ITC warrants.

Further details of the offers have been stated in the letter from Anglo Chinese contained in the composite document.

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As stated in the letter from the board of Paul Y. - ITC, as at the latest practicable date, outstanding options to subscribe for up to 16,100,000 Paul Y. - ITC shares have been issued by Paul Y. - ITC to certain of its executive directors and employees at a subscription price of HK\$0.5552 each. As stated in the section headed “Options” as set out in the letter from the board of Paul Y. - ITC in the composite document, the holders of the outstanding options have all agreed not to accept an offer for their options should an offer be made at a nominal value, which is the offer required by the Takeovers Code. As all the holders of the outstanding options have agreed not to accept such an offer, no offer will be made to cancel the outstanding options. Accordingly, we will only opine on the fairness and reasonableness of the terms of the share offer and the warrant offer.

SHARE OFFER

In giving our opinion as to the fairness and reasonableness of the share offer, we have taken into consideration the following principal factors:

1. Business and financial performance of the Paul Y. - ITC group

As detailed in the section headed “Information on Paul Y. - ITC” in the letter from the board of Paul Y. - ITC in the composite document, the principal business of the Paul Y. - ITC group (the “Principal Business”) includes building construction, civil engineering, specialist works, property development and investment, and manufacturing and trading of construction materials. Its primary business focus is in Hong Kong and the PRC. In addition, Paul Y. - ITC has two substantial listed investments, namely an approximate 36.57% equity interest in Downer EDI Limited (“Downer EDI”, together with its subsidiaries, the “Downer Group”), an Australian listed company providing comprehensive engineering and infrastructure management services to the public and private rail, road, power, telecommunication, mining and resources sector in the Asian-Pacific region, and an approximate 14.55% equity interest in China Strategic Holdings Limited (“China Strategic”), a Hong Kong listed company engaging in the business of tire manufacturing, property investment and development, manufacturing, retailing and distribution of medicine and health products, hotel operations, and the provision of travel agency services.

Set out in the table below is a summary of the financial information of the Paul Y. - ITC group as extracted from the annual reports of Paul Y. - ITC for the three years ended 31 March 2002.

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**Table 1: Summary of financial information of the Paul Y. - ITC group
for the three years ended 31 March 2002**

	Financial year ended 31 March,		
	2000	2001	2002
	<i>HK\$(million)</i> (As restated)	<i>HK\$(million)</i> (As restated)	<i>HK\$(million)</i>
Turnover	11,111.68	10,803.26	5,343.81
Operating profit before taxation	132.91	191.18	18.19
Operating profit margin	1.20%	1.77%	0.34%
Finance costs	(220.23)	(211.65)	(38.30)
Investment income/(expenses) – net	94.38	(18.74)	39.58
Gain/(loss) on disposal and dilution of interests in subsidiaries and an associate	171.41	(289.19)	(6.69)
Share of results of associates	59.69	14.97	103.90
Share of results of jointly controlled entities	–	0.29	8.56
Profit/(loss) attributable to Paul Y. - ITC shareholders	85.25	(454.44)	70.70
Earnings/(loss) per share – basic (<i>HK\$</i>)	0.10	(0.46)	0.07
Net assets	3,337.42	2,834.90	2,995.03
Return on equity	2.56%	n/a	2.36%
Gearing	68.94%	20.27%	23.18%

Sources: Annual reports of Paul Y. - ITC

As shown in Table 1 above, the profitability of the Paul Y. - ITC group showed a volatile pattern. For the three years ended 31 March 2002, Paul Y. - ITC recorded a profit of approximately HK\$85 million, a loss of approximately HK\$454 million and a profit of approximately HK\$71 million respectively. Whilst the consolidated net asset value of Paul Y. - ITC remained in the region from the lowest of approximately HK\$2,835 million to the highest of approximately HK\$3,337 million during the period under review, the return on equity was volatile and uncertain. For the year ended 31 March 2002, the return on equity was approximately 2.36%. Due to redemption of convertible bonds of approximately HK\$1,027 million and the exclusion of debts of the Downer Group when it became an associate of the Paul Y. - ITC group, the gearing ratio of the Paul Y. - ITC group decreased from approximately 68.9% as at 31 March 2000 to approximately 20.3% as at 31 March 2001. The gearing ratio of the Paul Y. - ITC group slightly increased to approximately 23.2% as at 31 March 2002.

Year ended 31 March 2000

For the year ended 31 March 2000, the Paul Y. - ITC group recorded a turnover and net profit of approximately HK\$11,112 million and HK\$85 million respectively. As stated in the 2000 annual report of Paul Y. - ITC, Hong Kong was by far, the major revenue source for the Paul Y. - ITC group, accounting for approximately 56.9% of total turnover. However it accounted for approximately 13.8% of operating profit only. It is our understanding from the Paul Y. - ITC directors that this is mainly due to the adverse performance of the civil engineering activities in Hong Kong. However the Paul Y. - ITC group benefited from the good performance of mining activities in Australia via its interest in the Downer Group. While Australia accounted for approximately 20.5% of total turnover, it accounted for

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approximately 37.6% of operating profit of the Paul Y. - ITC group. In addition, share of results of associates registered a profit of approximately HK\$60 million. Investment income and profit on disposal of subsidiaries and associates amounted to approximately HK\$94 million and HK\$171 million respectively. The profit on disposal of subsidiaries and associates was mainly attributable from the deemed disposal of interest in New World CyberBase Limited (“CyberBase”) from approximately 74.3% to 25.6% subsequent to the acquisition by CyberBase of an interactive multimedia communication business for HK\$300 million, which was partly satisfied by the issue of 100 million new CyberBase shares. Its equity interest in CyberBase was further reduced to approximately 10.6% subsequent to a placement of 230 million shares of CyberBase to independent third parties. Subsequently, the remaining equity interest in CyberBase was disposed of by the Paul Y. - ITC group during the year ended 31 March 2001.

Year ended 31 March 2001

During this financial year, the turnover of Paul Y. - ITC remained stable as compared to the corresponding figure in the previous year. However, in respect of its profitability, the Paul Y. - ITC group incurred a loss of approximately HK\$454 million as compared to a profit of approximately HK\$85 million in the previous financial year. A decrease in operating profit before taxation was one of the contributing factors to the decrease in performance of Paul Y. - ITC group. According to the 2001 annual report of Paul Y. - ITC, the operating profit before taxation decreased from approximately HK\$336 million for the year ended 31 March 2000 to HK\$221 million for the year ended 31 March 2001. Due to the adoption of a new accounting standard by Paul Y. - ITC to account for the amortisation and impairment losses of goodwill during the year ended 31 March 2002, Paul Y. - ITC restated operating profit before taxation for the year ended 31 March 2000 of approximately HK\$133 million versus an operating profit before taxation of approximately HK\$336 million as stated in the 2001 annual report of Paul Y. - ITC. According to the 2001 annual report of Paul Y. - ITC, the decrease in operating profit was mainly due to the loss incurred on certain major civil engineering projects as a result of the final settlement on a commercial dispute. Furthermore, Paul Y. - ITC also recognised a loss of approximately HK\$289 million on disposal and dilution of interest in subsidiaries and an associate. With reference to the operating profit before taxation as stated in the 2001 annual report of Paul Y. - ITC, the operating profit margin of Paul Y. - ITC decreased from approximately 3.0% for the year ended 31 March 2000 to approximately 2.0% for the year ended 31 March 2001.

Year ended 31 March 2002

For the year ended 31 March 2002, turnover and operating profit of the Paul Y. - ITC group decreased substantially. The decline is mainly attributable to the exclusion of the contribution of the turnover and operating profit from the Downer Group since Downer EDI became an associate instead of a subsidiary of the Paul Y. - ITC group since mid February 2001. According to the pro forma income statement of the Paul Y. - ITC group, which was prepared on the basis as if the Downer Group was equity accounted for and the attributable profit to the Paul Y. - ITC group was reflected as share of results of associates for the whole year ended 31 March 2001 (as contained in the 2002 annual report of Paul Y. - ITC), the turnover of the Paul Y. - ITC group decreased from approximately HK\$6,272 million for the year ended 31 March 2001 to approximately HK\$5,344 million for the year ended 31 March 2002. However, the profitability of Paul Y. - ITC improved from an operating loss of approximately HK\$88 million for the year ended 31 March 2001 to an operating profit of approximately HK\$18 million for the year ended 31 March 2002. The improvement in profitability is mainly attributable to: (i) the improvement

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in gross profit margin from approximately 2.0% for the year ended 31 March 2001 to approximately 3.2% for the year ended 31 March 2002; and (ii) the reduction in administrative expenses from approximately HK223 million for the year ended 31 March 2001 to approximately HK\$175 million for the year ended 31 March 2002. With a lesser amount of loss on disposal and dilution of interest in subsidiaries and associates and an increase in profit contribution from associates, the Paul Y. - ITC group recorded a turnaround profit of approximately HK\$71 million for the year ended 31 March 2002.

In July 2002, Paul Y. - ITC sold its hotel property and operation to China Land Group Limited, the then non-wholly owned subsidiary of China Strategic, for a consideration of approximately HK\$250 million. Such transaction was completed on 2 December 2002. As stated in the circular to the Paul Y. - ITC shareholders dated 16 August 2002, the carrying value of such hotel property and operation was approximately HK\$260 million as at 31 March 2002.

2. Future prospects of the Paul Y. - ITC group

With reference to the Principal Business of Paul Y. - ITC, it was highlighted in the 2002 annual report of Paul Y. - ITC that, for the contracting and construction materials operations, the Paul Y. - ITC group secured new contracts with an aggregate attributable value of approximately HK\$5,261 million. Subsequent to the year-end, the Paul Y. - ITC group secured further new contracts with an aggregate attributable value of approximately HK\$1,295 million. Despite highly competitive market conditions, the Paul Y. - ITC group managed to improve the margins by implementing various cost control measures such that the administrative expenses for the year were reduced to approximately HK\$175 million from the corresponding pro forma figure of approximately HK\$223 million for the prior year.

However, as stated in the 2002 annual report of Paul Y. - ITC, the Paul Y. - ITC directors believe that the local economy will remain stagnant, the result of which will be the continued downward trend of the gross value of construction work in Hong Kong. This has, therefore, led to intensified competition and tighter margins. Nevertheless, it is our understanding from the Paul Y. - ITC directors that the Paul Y. - ITC group will pursue its attempt in continued cost reduction and implementation of streamlining measures to enhance its cost competitiveness.

In light of the above, we are of the opinion that the effectiveness of the continued attempts at cost reduction and cost competitiveness enhancement of the Paul Y. - ITC group remains doubtful. In addition, based on our analysis on the historical financial performance of the Paul Y. - ITC group as stated in the section headed "Business and financial performance of the Paul Y. - ITC group" in this letter, we cannot conclude that there will be any definite positive future prospects to the Paul Y. - ITC group as the current market conditions remains uncertain.

As for the contribution of Downer EDI to the future prospects of Paul Y. - ITC, it was stated in the annual report of Downer EDI for the year ended 30 June 2002 that, the directors of Downer EDI believe that the outlook for Downer EDI is positive for 2003 as it is well positioned to capitalise on global trends towards outsourcing and expect steady growth to come from its ability to provide clients with turnkey service delivery in its target markets of mining, power, rail, road, telecommunications, with its focus on the Australian, New Zealand and Asian markets. However the directors of Downer EDI are of the view that a highly competitive market and lower activity in sectors such as the oil and gas sectors in Australia will continue to place pressure on margins. In light of the uncertainty in the current economic environment,

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it is uncertain whether the future contribution of the Downer Group to the Paul Y. - ITC group would be improved or sustained.

Overall, in light of: (i) the intention of ITC Corporation that the offers will not of themselves result in any changes in the business or the continued employment of the employees of the Paul Y. - ITC group as stated in the section headed "Intentions of ITC Corporation regarding Paul Y. - ITC" in the letter from the board of Paul Y. - ITC; (ii) the abovementioned observations of the future prospects of the Paul Y. - ITC group; and (iii) the current uncertain economic market conditions, we are of the opinion that the future prospects of the Paul Y. - ITC group remains uncertain.

3. Valuation of the Share Offer Price

We evaluate the Share Offer Price against various valuation parameters of Paul Y. - ITC as stated below.

Historical price performance of the Paul Y. - ITC shares

The Share Offer Price of HK\$0.30 each represents:

- (i) a premium of approximately 42.86% to the closing price of HK\$0.210 per Paul Y. - ITC share as quoted on the Stock Exchange on 22 October 2002, being the last trading day immediately prior to the release of the joint announcement (the "Pre-suspension Date");
- (ii) a premium of approximately 50.75% to the average closing price of approximately HK\$0.199 per Paul Y. - ITC share as quoted on the Stock Exchange, for the one month ended the Pre-suspension Date;
- (iii) a premium of approximately 23.46% to the average closing price of approximately HK\$0.243 per Paul Y. - ITC share as quoted on the Stock Exchange, for the six months ended the Pre-suspension Date;
- (iv) a premium of approximately 12.36% to the average closing price of approximately HK\$0.267 per Paul Y. - ITC share as quoted on the Stock Exchange, for the one year ended the Pre-suspension Date; and
- (v) a premium of approximately 9.09% to the closing price of HK\$0.275 per Paul Y. - ITC share as quoted on the Stock Exchange, on the latest practicable date.

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As stated above, the Share Offer Price generally represents a premium on the selected performance parameters of the closing prices of the Paul Y. - ITC shares as quoted on the Stock Exchange.

The following chart shows the historical price performance of the Paul Y. - ITC shares from 23 October 2001 to the Pre-suspension Date (the “Review Period”).

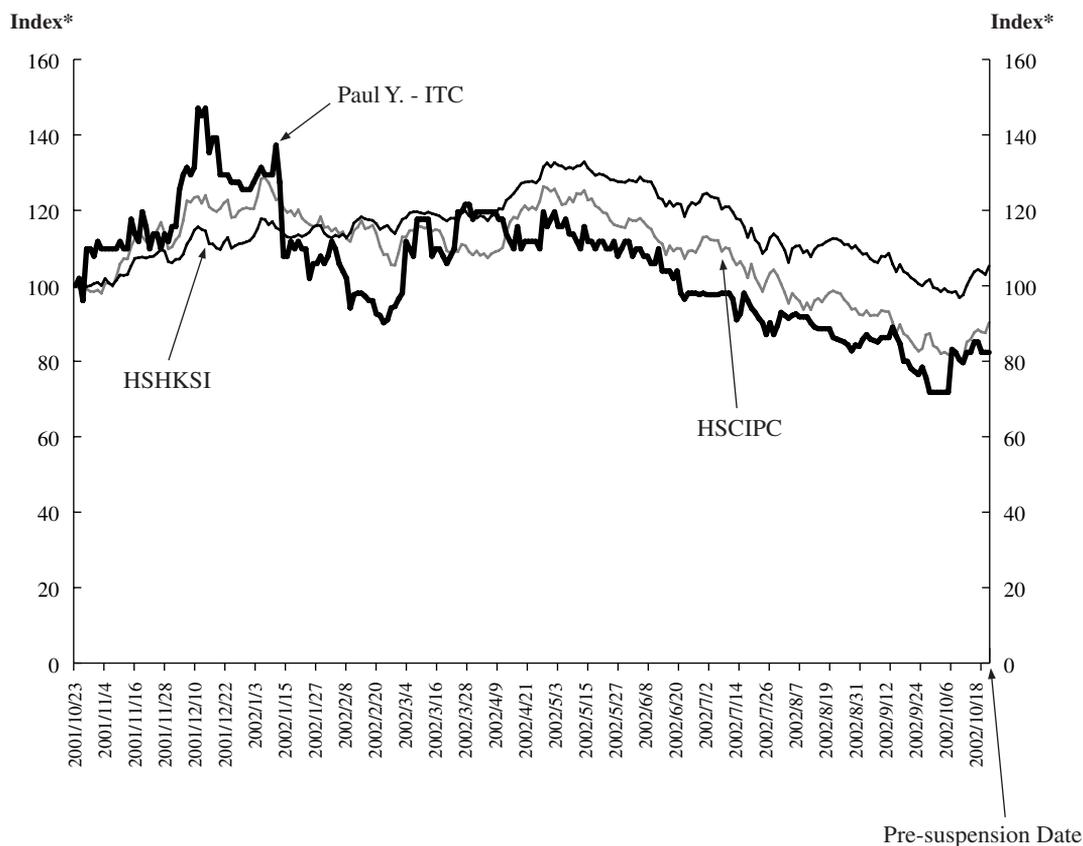
Chart 1: Price of the Paul Y. - ITC shares during the Review Period



Source: Bloomberg

We have further reviewed the relative price performance of the Paul Y. - ITC shares as compared to the Hang Seng Composite Index - Hang Seng HK SmallCap Index (the “HSHKSI”) and the Hang Seng Composite Industry Index - Properties & Construction (the “HSCIPC”) during the Review Period, as shown in the following chart.

Chart 2: Comparison of the price of Paul Y. - ITC shares vs HSHKSI and HSCIPC during the Review Period



* Closing price of the Paul Y. - ITC shares, the HSHKSI and the HSCIPC have been rebased to 100 on 23 October 2001

Source: Bloomberg

As shown in Chart 1, the Share Offer Price is generally higher than the closing price of the Paul Y. - ITC shares during the Review Period and at a premium of approximately 12.36% over the average closing price of approximately HK\$0.267 of the Paul Y. - ITC shares during the Review Period. In addition, we noted that the closing price of the Paul Y. - ITC shares showed a consistent and steady decreasing trend from HK\$0.30 per share on 17 May 2002, being the last trading day that the closing price of the Paul Y. - ITC shares, has been higher or equal to the Share Offer Price, to HK\$0.183 per Paul Y. - ITC share on 26 September 2002, being the last trading day immediately prior to the release of the first joint announcement (the “First Joint Announcement”) by ITC Corporation and Paul Y. - ITC in respect of the group reorganisation of Paul Y. - ITC on 8 October 2002. As shown in Chart 2, having said that, such a decreasing trend in the price performance of the Paul Y. - ITC shares is in line with the performance of the HSHKSI and the HSCIPC, it under-performed both the abovementioned indices during the same period. After the release of the First Joint Announcement on 8 October 2002, the closing price of the Paul Y. - ITC shares surged to a high of HK\$0.212 on that date and closed at HK\$0.21 on the Pre-suspension Date. Immediately after the release of the joint announcement, the closing price of the Paul Y. - ITC shares surged further to HK\$0.28 on 28 October, 2002 and remained in the region of HK\$0.27 to HK\$0.29 thereafter, up to and including the latest practicable date.

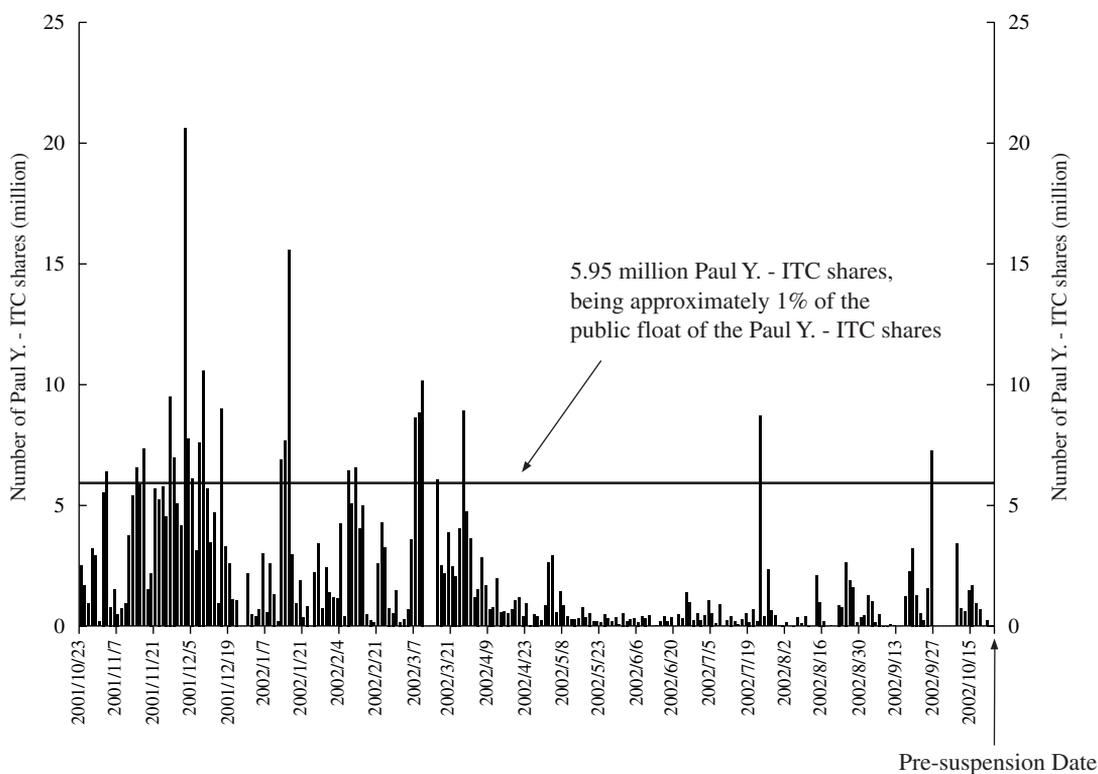
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Given that: (i) the Share Offer Price is generally higher than the market price of the Paul Y. - ITC shares during the Review Period; and (ii) the market price of the Paul Y. - ITC shares under-performed the HSHKSI and the HSCIPC and showed a declining trend, we consider that the market price of the Paul Y. - ITC shares may not likely be sustainable at a level close to the Share Offer Price after the share offer. Accordingly, the Share Offer Price is fair and reasonable insofar as the interests of the independent Paul Y. - ITC shareholders are concerned.

Liquidity of the Paul Y. - ITC shares

We have also reviewed the daily trading volume of the Paul Y. - ITC shares during the Review Period as illustrated in the following chart and table:

Chart 3: Average daily trading volume of the Paul Y. - ITC shares during the Review Period



Source: Bloomberg

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Table 2: Average daily trading volume of the Paul Y. - ITC shares during the Review Period

	Average daily trading volume of the Paul Y. - ITC shares	Average daily trading volume of the Paul Y. - ITC shares as a percentage of the public float of the Paul Y. - ITC shares*
For the six-month period ended the Pre-suspension Date	686,937	0.12%
For the Review Period	1,939,958	0.33%
For the period from the trading day immediately after the release of the joint announcement to the latest practicable date	3,685,961	0.62%

* *The calculation of the public float of the Paul Y. - ITC shares is based on the deduction of 441,779,130 Paul Y. - ITC shares being held by ITC Corporation and its concert parties from a total of 1,036,744,924 Paul Y. - ITC shares outstanding as at the Pre-suspension Date.*

Source: Bloomberg

As shown in Chart 3, the daily trading volume of the Paul Y. - ITC shares has generally been thin during the Review Period. There were only 23 out of a total of 246 trading days on which the daily trading volume of the Paul Y. - ITC shares was higher than 1% of the public float of the Paul Y. - ITC shares during the Review Period. Indeed, as shown in Table 2 above, the average daily trading volume of the Paul Y. - ITC shares only accounted for approximately 0.33% of the public float of the Paul Y. - ITC shares during the corresponding period. For the six months ended the Pre-suspension Date, the daily trading volumes of the Paul Y. - ITC shares were even thinner. There were only 2 out of a total of 126 trading days on which the daily trading volume of the Paul Y. - ITC shares was higher than 1% of the public float of the Paul Y. - ITC shares. The average daily trading volume of the Paul Y. - ITC shares for the six-month period ended the Pre-suspension Date only accounted for approximately 0.12% of the public float of the Paul Y. - ITC shares. The thin trading volume of the Paul Y. - ITC shares during the Review Period indicates a lack of public interest in dealing in the Paul Y. - ITC shares.

After the release of the joint announcement, the average daily trading volume of the Paul Y. - ITC shares increased substantially as compared to that of during the Review Period, but the average daily trading volume of the Paul Y. - ITC shares for the period between the day after the Pre-suspension Date and the latest practicable date still only accounted for approximately 0.62% of the public float of the Paul Y. - ITC shares.

Given that, during the Review Period, the liquidity of the Paul Y. - ITC shares was generally low, we consider the share offer an opportunity for the independent Paul Y. - ITC shareholders to realise or swap out of their investments in Paul Y. - ITC.

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Price-earnings multiple

We have reviewed the accounts of the Paul Y. - ITC group for the past five years ended 31 March 2002 and noted that the financial performance of the Paul Y. - ITC group showed a volatile pattern. For the two financial years ended 1999 and 2001, the Paul Y. - ITC group recorded losses of approximately HK\$919 million and HK\$454 million respectively. For the three financial years ended 1998, 2000 and 2002, the Paul Y. - ITC group recorded profits of approximately HK\$161 million, HK\$85 million and HK\$71 million, respectively. With uncertainty of the future profitability of the Paul Y. - ITC group, we consider using the price-earnings multiple approach, which assumes the company to be valued is consistently profitable, not an appropriate method for valuing the Paul Y. - ITC group. Nevertheless, we have performed a comparative analysis of the price-earnings multiple of the Share Offer Price for reference purposes.

Based on the basic earnings of approximately HK\$0.07 per Paul Y. - ITC share for the year ended 31 March 2002, the Share Offer Price represents a price-earnings multiple of approximately 4.23 times.

We have selected seven companies listed on the Stock Exchange, namely Shui On Construction and Materials Limited, Hanison Construction Limited, Chun Wo Holdings Limited, Wai Kee Holdings Limited, Yau Lee Holdings Limited, Hsin Chong Construction Group Limited and Dickson Group Holdings Limited, the major businesses of which comprise building and construction operations, to compare their price-earnings multiples with that represented by the Share Offer Price. As both Hsin Chong Construction Group Limited and Dickson Group Holdings Limited are loss making as stated in their respective latest published annual reports, they have been excluded for comparison purposes. Out of the remaining five companies, we have selected two, namely Chun Wo Holdings Limited and Wai Kee Holdings Limited (the “Comparable Companies”) for comparison purposes, as their respective market capitalisation is closest, out of these five companies, to the market capitalisation of Paul Y. - ITC as represented by the Share Offer Price. The respective market capitalisation for the remaining three companies, namely Shui On Construction and Materials Limited, Hanison Construction Limited and Yau Lee Holdings Limited, is either higher than HK\$1 billion or lower than HK\$105 million as at the Pre-suspension Date. The following table shows the price-earnings multiples of these companies.

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Table 3: Price-earnings multiples of Paul Y. - ITC and the Comparable Companies

	Market capitalisation as at the Pre-suspension Date <i>HK\$(million)</i>	Price-earnings multiple as at the Pre-suspension Date <i>(times)</i>
Comparable Companies:-		
Chun Wo Holdings Limited	180.41	4.37
Wai Kee Holdings Limited	504.04	5.00
<i>Simple average</i>		<i>4.69</i>
Paul Y. - ITC	311.02 <i>(note)</i>	4.23 <i>(note)</i>

Note: Market capitalisation and price-earnings multiple as represented by the Share Offer Price.

Source: Bloomberg

As shown in Table 3 above, although we note that the price-earnings multiple represented by the Share Offer Price of approximately 4.23 times is slightly below that of the simple average of the price-earnings multiples of the Comparable Companies of approximately 4.69 times. Such a slight difference of approximately 9.8% of the price-earnings multiple represented by the Share Offer Price of 4.23 times to that of the Comparable Companies is, in our opinion, not significant.

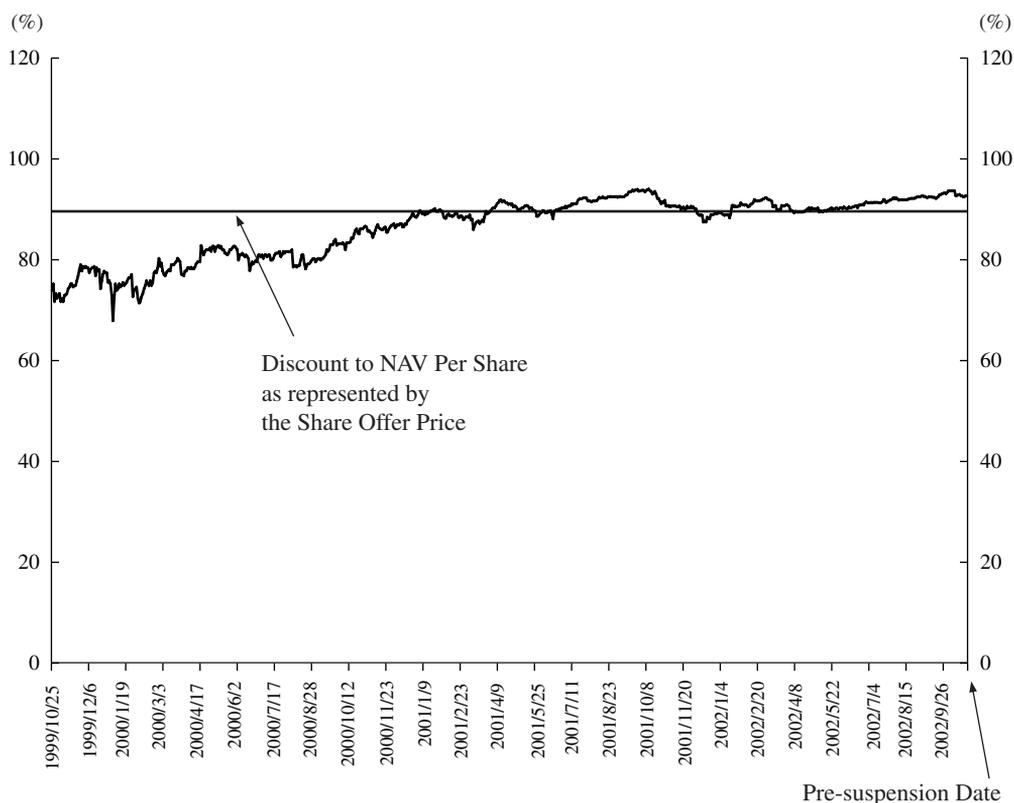
Net asset value

Based on the audited consolidated balance sheet of the Paul Y. - ITC group as set out in appendix II to the composite document, the audited consolidated net asset value per Paul Y. - ITC share as at 31 March 2002 was approximately HK\$2.89. The Share Offer Price of HK\$0.30 per Paul Y. - ITC share represents a discount of approximately 89.62% to the audited consolidated net asset value per Paul Y. - ITC share of approximately HK\$2.89. In assessing whether such a discount is fair and reasonable, consideration was given to the following factors:

- (i) Historical discounts to net asset value

The chart below plots the historical discounts of the market price to the net asset value per Paul Y. - ITC share (the “NAV Per Share”) for the past three years up to the Pre-suspension Date.

Chart 4: Historical discounts of the market price of Paul Y. - ITC shares to NAV Per Share



Source: Bloomberg and annual reports of Paul Y. - ITC

As illustrated in Chart 4 above, the Paul Y. - ITC shares have historically, for the past three years up to the Pre-suspension Date, been trading at a deep discount to the NAV Per Share. For these three years, the average discount of the market price of Paul Y. - ITC shares to the NAV Per Share was approximately 86.54% with the lowest discount being approximately 67.90% on 4 January 2000 and the highest discount of approximately 94.04% on 8 October 2001. In addition, the discounts of the market price of Paul Y. - ITC shares to the NAV Per Share have been gradually increasing over the last three years up to the Pre-suspension Date. The average discount of the market price of Paul Y. - ITC shares to the NAV Per Share was approximately 78.88% for the one-year period between 23 October 1999 to 22 October 2000. This average discount increased to approximately 89.88% for the one-year period between 23 October 2000 to 22 October 2001, then increased to approximately 90.91% for the one-year period between 23 October 2001 to the Pre-suspension Date. The trend implies that the gap between the value placed on Paul Y. - ITC shares and the NAV Per Share is widening. That is, the market is pricing the Paul Y. - ITC shares with little or no regards to the NAV Per Share. Nonetheless, the discount of approximately 89.62% to NAV Per Share represented by the Share Offer Price approximates the average historical discounts and is within the historical range of the discounts during this particular period under review.

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(ii) Comparison to Comparable Companies

We have also compared the discount to the NAV Per Share represented by the Share Offer Price versus the discount of the market price to the net asset value of the Comparable Companies, the results of which are shown in the following table.

Table 4: Discount of market price to net asset value

Comparable Companies	Market capitalisation as at the Pre-suspension Date <i>HK\$(million)</i>	Discount of market price of the shares to the net asset value per share as at the Pre-suspension Date <i>(%)</i>
Chun Wo Holdings Limited	180.41	70.92
Wai Kee Holdings Limited	504.04	73.25
Simple average		72.09
Paul Y. - ITC	311.02 <i>(note)</i>	89.62 <i>(note)</i>

Note: Market Capitalisation and discount to the NAV Per Share as represented by the Share Offer Price.

As illustrated in Table 4 above, the shares of the Comparable Companies were as at the Pre-suspension Date, similar to the Paul Y. - ITC shares, also trading at deep discounts (simple average of approximately 72.09%) to their respective net asset value per share. The discount to NAV Per Share represented by the Share Offer Price is higher than all that of the Comparable Companies.

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(iii) Value of the underlying assets of Paul Y. - ITC

In light of the fact that the underlying assets of Paul Y. - ITC mainly comprises listed securities, mainly shares of Downer EDI and China Strategic, we have evaluated the net asset value of the Paul Y. - ITC group based on the market value of these listed assets as follows:

Table 5: Value of the underlying assets of Paul Y. - ITC

	Based on pro forma net book value as at 31 March 2002 HK\$(million)	Based on market value as at the Pre-suspension Date HK\$(million)
Value of the approximate 36.83% equity interest in Downer EDI	774 <i>(note 1)</i>	879 <i>(note 2)</i>
Value of the approximate 14.55% equity interest in China Strategic	644 <i>(note 1)</i>	12 <i>(note 3)</i>
Other assets including property, plant and equipment	1,577 <i>(note 4)</i>	1,577 <i>(note 4)</i>
Net asset value of Paul Y. - ITC	2,995 <i>(note 5)</i>	2,468
NAV Per Share	2.89 <i>(note 6)</i>	2.38 <i>(note 6)</i>
Discount of the Share Offer Price to the NAV Per Share	89.62%	87.39%

Notes:

1. *As stated in the First Joint Announcement.*
2. *The market value is based on approximately 354,674,194 shares of Downer EDI, representing approximately 36.83% of the total outstanding shares of Downer EDI as at the Pre-suspension Date, and the closing price of A\$0.59 per share of Downer EDI Limited as at the Pre-suspension Date. The exchange rate used is A\$1:HK\$4.20.*
3. *The market value is based on approximately 120,660,000 shares of China Strategic, representing approximately 14.55% of the total outstanding shares of China Strategic as at the Pre-suspension Date, and the closing price of HK\$0.10 per share of China Strategic as at the Pre-suspension Date.*
4. *Based on the deduction of the pro forma value of the interests of Paul Y. - ITC in Downer EDI and China Strategic from the net asset value of Paul Y. - ITC as at 31 March 2002.*
5. *As stated in the 2002 annual report of Paul Y. - ITC.*
6. *Based on 1,036,744,924 Paul Y. - ITC shares in issue as at 31 March 2002 and the Pre-suspension Date.*

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As illustrated in Table 5 above, similar to the discount of approximately 89.62% of the Share Offer Price to the book value NAV Per Share as at 31 March 2002, the discount of the Share Offer Price to the market value NAV Per Share as at the Pre-suspension Date of approximately 87.39% is also very deep.

Having said that the discount on NAV Per Share, either on a book value basis or market value basis, as represented by the Share Offer Price, is the deepest one as compared to the relevant discounts for the Comparable Companies. Independent Paul Y. - ITC shareholders should note that they have been investing in the Paul Y. - ITC shares with the knowledge that the Paul Y. - ITC shares have historically been trading at a deep discount to the NAV Per Share, and such discount is increasing.

Independent Paul Y. - ITC shareholders should note that Paul Y. - ITC is operating its business on an on-going basis. As stated in the section headed “Intentions of ITC Corporation regarding Paul Y. - ITC” in the letter from the board of Paul Y. - ITC, it is the intention of ITC Corporation that the offers will not result in any changes in the business or the continued employment of the employees of the Paul Y. - ITC group, and as confirmed by the offeror that, subsequent to the offers, it is not their current intention to dispose of the material underlying assets of Paul Y. - ITC except in the ordinary course of business. We also noted that the offeror, together with the parties acting in concert with it holding approximately 42.61% interest in Paul Y. - ITC, has undertaken to Paul Y. - ITC that it will purchase Paul Y. - ITC shares in the market so as to increase its shareholding in Paul Y. - ITC to over 50% of its issued share capital. This indicates that an alternative offer may not be likely without the acceptance of the offeror and parties acting in concert with it. Therefore, independent Paul Y. - ITC shareholders, in our opinion, may find it difficult to obtain a higher valuation for their investments in Paul Y. - ITC despite the market price of the Paul Y. - ITC shares being at a deep discount on NAV Per Share on both a book value basis as well as on a market value basis.

To conclude, the discount of the Share Offer Price to the NAV Per Share, on this basis alone, is not reasonable and fair. However, considering the above observations and with Paul Y. - ITC shares trading at an average discount of approximately 86.54% discount to the NAV Per Share for the past three years up to the Pre-suspension Date, there seems to be little relevance between the NAV Per Share and the market price of the Paul Y. - ITC shares. Therefore, we are of the view that the true measure of the value of the Paul Y. - ITC shares is not the NAV Per Share but what the investors are willing to buy and sell the Paul Y. - ITC shares at, that is, the market price of the Paul Y. - ITC shares. Accordingly, although the analysis above shows that there is a deep discount on NAV Per Share as demonstrated by the Share Offer Price, we are justified to say that such a measurement of the Share Offer Price against the NAV Per Share would not warrant a determining factor in evaluating the fairness and reasonableness of the terms of the share offer as a whole.

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4. Dividend yield

The table below shows the dividend yield and dividend payout ratios of the Paul Y. - ITC shares for the last three financial years ended 31 March 2002.

Table 6: Historical dividend yield and dividend payout ratio of Paul Y. - ITC

Period	Average closing share price HK\$	Dividend per share HK\$	Dividend yield (%)	Earnings per share HK\$	Dividend payout ratio (%)
1 April 1999 to 31 March 2000 (As restated)	0.89	0.02	2.25	0.10	20.00
1 April 2000 to 31 March 2001 (As restated)	0.46	0.02	4.35	(0.46)	n/a
1 April 2001 to 31 March 2002	0.27	0.02	7.41	0.07	28.17

Source: Bloomberg and annual reports of Paul Y. - ITC.

From our analysis as shown in Table 6 above, Paul Y. - ITC has paid a dividend of HK0.02 for each of the last three years ended 31 March 2002. However, it is our understanding from the Paul Y. - ITC directors that Paul Y. - ITC does not have a stable or fixed dividend policy. Actually as Paul Y. - ITC was loss making for the year ended 31 March 2001, the dividend per Paul Y. - ITC share paid out for this particular financial year was actually only a return of capital to the Paul Y. - ITC shareholders. Although the dividend yield seemingly increases from approximately 2.25% for the year ended 31 March 2000 to approximately 7.41% for the year ended 31 March 2002, it is actually a result of the drop in the average closing price of the Paul Y. - ITC shares from approximately HK\$0.89 for the year ended 31 March 2000 to approximately HK\$0.27 for the year ended 31 March 2002. As we have not received any indication from the Paul Y. - ITC directors of their future dividend policy, it is our view that in light of the current difficult economic environment, the payment of any future dividends may be uncertain.

5. Comparison to recent cash offers

Based on our review of the recent cash offer precedents, as there were no cash offers announced for companies engaged in the property and construction business from 1 January 2002 to the Pre-suspension Date. Accordingly, we have reviewed 19 cash offers (the "Cash Offers") which were announced in Hong Kong in the corresponding period, the key statistics of which are summarised in the table below.

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Table 7: Cash Offers announced from 1 January 2002 to the Pre-suspension Date

Cash Offers	Announcement date of the Cash Offers	Premium/(discount) of the offer price to the pre- suspension closing price (%)	Premium/(discount) of the offer price to the net asset value per share (%)
Quality Food International Limited	02/01/02	(10.91)	(41.46)
Maxx Bioscience Holdings Limited	11/01/02	(64.88)	(79.66)
Wong's International (Holdings) Limited	16/01/02	10.57	(25.65)
Shanghai Merchants Holdings Limited	25/01/02	(62.00)	(15.56)
Swank International Manufacturing Company Limited	31/01/02	(93.77)	(note)
Symphony Holdings Limited	18/02/02	16.67	(10.71)
Star Bio-Tech (Holdings) Limited	27/02/02	(87.18)	(note)
Kim Eng Holdings (Hong Kong) Limited	06/03/02	16.00	11.06
OSK Asia Corporation Limited	18/03/02	47.95	25.58
Pacific Challenge Holdings Limited	25/04/02	17.54	(26.37)
SC Industrial Development Company Limited	29/04/02	(52.22)	56.93
Codebank Limited	06/06/02	(64.29)	(64.91)
Emperor Technology Venture Limited	11/06/02	35.14	(40.48)
Jade Dynasty Food Culture Group Limited	02/07/02	207.14	416.00
China Motor Bus Company Limited	10/07/02	(99.99)	(99.99)
Shanghai Ming Yuan Holdings Limited	11/07/02	(45.98)	(70.89)
ehealthcareasia Limited	19/08/02	(11.11)	(note)
International Capital Network Holdings Limited	05/09/02	(70.59)	(81.25)
Panda- Recruit Limited	05/10/02	(36.54)	(45.00)
Premium/(discount) range (%)		(99.99) to 207.14	(99.99) to 416.00
Paul Y. - ITC	25/10/02	42.86	(89.62)

Note: As shown in the respective announcements or circulars, these companies have net liabilities.

Source: Bloomberg, respective announcements and circulars of the respective companies.

As illustrated in Table 7 above, due to the wide range of premiums/(discounts) represented by the offer price of the Cash Offers to their respective pre-suspension price and net asset value per share, there is no particular benchmark for comparison of the discount of the Share Offer Price to the price of the Paul Y. - ITC shares at the Pre-suspension Date and the NAV Per Share respectively. Although on a net asset value basis, the share offer might not be in the interests of the independent Paul Y. - ITC shareholders as the discount of the Share Offer Price to the NAV Per Share is among one of the highest when compared to the corresponding figures for the Cash Offers, independent Paul Y. - ITC shareholders should note that on a premium to market price basis, the premium of the Share Offer Price to the market price of the Paul Y. - ITC shares as at the Pre-suspension Date is (besides the respective cash offers for Jade Dynasty Food Culture Group Limited and OSK Asia Corporation Limited) the most attractive when compared to the corresponding figures of the Cash Offers. On this basis, we are of the opinion that the Share Offer Price is in the interests of the independent Paul Y. - ITC shareholders.

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6. Intention of ITC Corporation regarding the future business of the Paul Y. - ITC group

Independent Paul Y. - ITC shareholders are advised to consider the intention of ITC Corporation regarding Paul Y. - ITC as set out in the composite document. As stated in the section headed “Intentions of ITC Corporation regarding Paul Y. - ITC” in the letter from the board of Paul Y. - ITC, it is the intention of ITC Corporation that the offers will not of themselves result in any changes in the business or the continued employment of the employees of the Paul Y. - ITC group. As stated in the section headed “Financing” in the letter from Anglo Chinese, the offeror has also confirmed that, subsequent to the offers, it is not their current intention to dispose of the material underlying assets of Paul Y. - ITC except in the ordinary course of business.

It is our view that given the intention of ITC Corporation as stated above and the current difficult market conditions, the future performance of the Paul Y. - ITC group remains uncertain. In addition, we have not received any information which might indicate that there would be any significant or immediate improvement in the future performance of the Paul Y. - ITC group.

RECOMMENDATION

In determining whether the Share Offer Price of HK\$0.30 is fair and reasonable and in the interests of the independent Paul Y. - ITC shareholders, we have noted that the Share Offer Price represents a deep discount to NAV Per Share. Nevertheless, in arriving at our recommendation as to whether the independent Paul Y. - ITC shareholders should accept the share offer, we have also considered the following factors:

- (i) historical performance of the Paul Y. - ITC group was volatile and its future profitability is uncertain;
- (ii) in general, the Share Offer Price represents a premium to the market price of the Paul Y. - ITC shares under the Review Period;
- (iii) the low liquidity of the Paul Y. - ITC shares;
- (iv) the price-earnings multiple represented by the Share Offer Price for the Paul Y. - ITC shares is only slightly lower than the average price-earnings multiple of the Comparable Companies;
- (v) the Paul Y. - ITC shares have historically been trading at a deep discount to the NAV Per Share during the past three years up to the Pre-suspension Date;
- (vi) the payment of any future dividends by Paul Y. - ITC remains uncertain;
- (vii) the premium to the market price of the Paul Y. - ITC shares represented by the Share Offer Price is one of the highest when compared to that of the Cash Offers; and
- (viii) the intention of the offeror regarding the future business of the Paul Y. - ITC group.

Therefore, on balance, we consider that the share offer is fair and reasonable. Accordingly, we advise the independent Paul Y. - ITC director to recommend the independent Paul Y. - ITC shareholders to accept the share offer.

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II. WARRANT OFFER

Conditional upon the share offer becoming unconditional, Paul Y. - ITC warrant holders will be presented with the warrant offer on the following basis:

for each Paul Y. - ITC warrant held HK\$0.01 in cash

The exercise price of the Paul Y. - ITC warrants of HK\$0.40 per Paul Y. - ITC share represents a premium of approximately 90.48% and approximately 45.45% over the closing prices of HK\$0.21 per Paul Y. - ITC share on the Pre-suspension Date and HK\$0.275 as at the latest practicable date respectively. The Paul Y. - ITC warrants are substantially out-of-the-money and they currently do not have any market value, as such they have been trading at the nominal value of HK\$0.01 on the Stock Exchange since 25 September 2002. The Warrant Offer Price of HK\$0.01 is equal to the prevailing market price of the Paul Y. - ITC warrants, which is based on the nominal value of HK\$0.01. However the Paul Y. - ITC warrants are only due to expire on 29 August 2003.

Based on our analysis on the Share Offer Price to the market price of the Paul Y. - ITC shares and the exercise price of the Paul Y. - ITC warrants of HK\$0.40, we consider the terms of the warrant offer fair and reasonable as far as the interests of the independent Paul Y. - ITC warrant holders are concerned.

Accordingly, we recommend the independent Paul Y. - ITC director to advise the independent Paul Y. - ITC warrant holders to accept the warrant offer.

Nevertheless, the independent Paul Y. - ITC warrant holders should note that the Paul Y. - ITC warrants do not expire until 29 August 2003. Should the independent Paul Y. - ITC warrant holders be attracted by the future business and earnings prospects of the Paul Y. - ITC group after the offers, they may consider retaining the Paul Y. - ITC warrants.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Jeny Lau
Managing Director

PROCEDURE FOR ACCEPTANCE

If you decide to accept the share offer and, or, the warrant offer, please complete and sign the accompanying relevant form(s) of acceptance in accordance with the instructions thereon in respect of your holdings of Paul Y. - ITC shares and, or, warrants, as the case may be. Please then return the original form(s) of acceptance duly completed together with the relevant share certificate(s) and, or, warrant certificate(s), as the case may be, and, or, transfer receipt(s) and, or other document(s) of title and, or, any satisfactory indemnity or indemnities required in respect thereof for the whole of your holding of shares in and, or warrants of Paul Y. - ITC, or for not less than the number of shares in and, or, amount of warrants of Paul Y. - ITC in respect of which you accept the share offer or warrant offer, as the case may be, to the share and warrant registrar, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong and in any event so as to be received by not later than 4:00 p.m. on Friday, 27th December, 2002, or such later time and, or date as the offeror may decide. Acceptances received after 4:00 p.m. on such closing day will only be valid if the offers are revised or extended before the closing date, or if the offers have become or been declared unconditional by 4:00 p.m. on such closing date.

Share offer

Subject to the share offer becoming or being declared unconditional and provided that the white form of acceptance, the Paul Y. - ITC share certificate(s) and, or transfer receipt(s) and, or other documents of title, and, or any satisfactory indemnity or indemnities required in respect thereof, are completed and in good order and have been received by the share and warrant registrar before the close of the share offer, cheques in respect of the relevant consideration will be posted at the risk of the accepting Paul Y. - ITC shareholders within ten days of the later of:

- the date on which the share offer becomes or is declared unconditional; and
- the receipt of all the relevant documents by the share and warrant registrar to render the acceptance under the share offer complete and valid.

If the Paul Y. - ITC share certificate(s) and, or, transfer receipt(s) and, or, any other document(s) of title for your Paul Y. - ITC shares are in the name of a nominee company or some name other than your own, and you wish to accept the share offer you must either

- lodge your Paul Y. - ITC share certificate(s) and, or, transfer receipt(s) and, or, any other document(s) of title, and, or, any satisfactory indemnity or indemnities required in respect thereof, with the nominee company, or other nominee, with instructions authorising it to accept the share offer on your behalf and requesting it to deliver the white form of acceptance, duly completed together with the relevant Paul Y. - ITC share certificate(s) and, or, transfer receipt(s) and, or, any, other document(s) of title, and, or, any satisfactory indemnity or indemnities required in respect thereof, to the share and warrant registrar; or
- arrange for the Paul Y. - ITC shares to be registered in your name by the share and warrant registrar and send the completed white form of acceptance to them together with the relevant Paul Y. - ITC share certificate(s) and, or, transfer receipt(s) and, or, any other document(s) of title, and, or, any satisfactory indemnity or indemnities required in respect thereof; or

- if you have deposited your Paul Y. - ITC shares with CCASS, instruct your broker to authorise HKSCC Nominees Limited to accept the share offer on your behalf on or before the deadline set by HKSCC Nominees Limited before the closing date. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker for the timing on processing your instruction, and submit your instruction to your broker as required.

If the Paul Y. - ITC share certificate(s) and, or, transfer receipt(s) and, or, any other document(s) of title, and, or, any satisfactory indemnity or indemnities in respect thereof, of your Paul Y. - ITC shares are not readily available or is, are, lost and you wish to accept the share offer, you should nevertheless complete and sign the white form of acceptance and deliver it to the share and warrant registrar and arrange for the relevant Paul Y. - ITC share certificate(s) and, or, transfer receipt(s) and, or, other document(s) of title, and, or, any satisfactory indemnity or indemnities required in respect thereof, to be forwarded to the share and warrant registrar as soon as possible thereafter accompanied by a letter stating that you have lost one or more of your Paul Y. - ITC share certificate(s) and, or, transfer receipt(s) and, or, any other document(s) of title, and, or, any satisfactory indemnity or indemnities required in respect thereof, or that they are not readily available. If you have lost your share certificate(s), you should also write to the share and warrant registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the share and warrant registrar.

If you have lodged a transfer of Paul Y. - ITC share for registration in your name but have not yet received your share certificate(s) and you wish to accept the share offer, you should nevertheless complete the white form of acceptance and deliver it to the share and warrant registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to the offeror or its agents to collect, on your behalf, the relevant Paul Y. - ITC share certificate(s) when issued and to deliver such share certificate(s) to the share and warrant registrar, subject to the terms of the share offer, as if they were share certificates delivered to the share and warrant registrar with the white form of acceptance.

The cash consideration due will not be despatched until the relevant share certificate and, or transfer receipt and, or any other documents of title (and, or a satisfactory indemnity or indemnities in respect of any lost share certificate) have been received by the share and warrant registrar and otherwise subject to the terms and conditions of the share offer. However, an acceptance may not be counted towards fulfilling the acceptance condition unless it is received on or before the latest time for acceptance set out in the composite document, the white form of acceptance is duly completed and is accompanied by the relevant Paul Y. - ITC share certificate(s) and, or, transfer receipts and, or, other documents of title or certified by the share and warrant registrar or the Stock Exchange.

Warrant offer

Subject to the warrant offer becoming or being declared unconditional and provided that the pink form of acceptance, the Paul Y. - ITC warrant certificate(s) and, or transfer receipt(s) and, or other documents of title, and, or any satisfactory indemnity or indemnities required in respect thereof, are completed and in good order and have been received by the share and warrant registrar before the close of the warrant offer, cheques in respect of the relevant consideration will be posted at the risk of the accepting Paul Y. - ITC warrant holders within ten days of the later of:

- the date on which the warrant offer becomes or is declared unconditional; and
- the receipt of all the relevant documents by the share and warrant registrar to render the acceptance under the warrant offer complete and valid.

If the Paul Y. - ITC warrant certificate(s) and, or, transfer receipt(s) and, or, any other document(s) of title for your Paul Y. - ITC warrants are in the name of a nominee company or some name other than your own, and you wish to accept the warrant offer you must either

- lodge your Paul Y. - ITC warrant certificate(s) and, or, transfer receipt(s) and, or, any other document(s) of title, and, or, any satisfactory indemnity or indemnities required in respect thereof, with the nominee company, or other nominee, with instructions authorising it to accept the warrant offer on your behalf and requesting it to deliver the pink form of acceptance, duly completed together with the relevant Paul Y. - ITC warrant certificate(s) and, or, transfer receipt(s) and, or, any, other document(s) of title, and, or, any satisfactory indemnity or indemnities required in respect thereof, to the share and warrant registrar; or
- arrange for the Paul Y. - ITC warrants to be registered in your name by the share and warrant registrar and send the completed pink form of acceptance to them together with the relevant Paul Y. - ITC warrant certificate(s) and, or, transfer receipt(s) and, or, any other document(s) of title, and, or, any satisfactory indemnity or indemnities required in respect thereof; or
- if you have deposited your Paul Y. - ITC warrants with CCASS, instruct your broker to authorise HKSCC Nominees Limited to accept the warrant offer on your behalf on or before the deadline set by HKSCC Nominees Limited before the closing date. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker for the timing on processing your instruction, and submit your instruction to your broker as required.

If the Paul Y. - ITC warrant certificate(s) and, or, transfer receipt(s) and, or, any other document(s) of title, and, or, any satisfactory indemnity or indemnities in respect thereof, of your Paul Y. - ITC warrants are not readily available or is, are, lost and you wish to accept the warrant offer, you should nevertheless complete and sign the pink form of acceptance and deliver it to the share and warrant registrar and arrange for the relevant Paul Y. - ITC warrant certificate(s) and, or, transfer receipt(s) and, or, other document(s) of title, and, or, any satisfactory indemnity or indemnities required in respect thereof, to be forwarded to the share and warrant registrar as soon as possible thereafter accompanied by a letter stating that you have lost one or more of your Paul Y. - ITC warrant certificate(s) and, or, transfer receipt(s) and, or, any other document(s) of title, and, or, any satisfactory indemnity or indemnities required in respect thereof, or that they are not readily available. If you have lost your warrant certificate(s), you should also write to the share and warrant registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the share and warrant registrar.

If you have lodged a transfer of Paul Y. - ITC warrants for registration in your name but have not yet received your warrant certificate(s) and you wish to accept the warrant offer, you should nevertheless complete the pink form of acceptance and deliver it to the share and warrant registrar together with the

transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to the offeror or its agents to collect, on your behalf, the relevant Paul Y. - ITC warrant certificate(s) when issued and to deliver such warrant certificate(s) to the share and warrant registrar, subject to the terms of the warrant offer, as if they were warrant certificates delivered to the share and warrant registrar with the pink form of acceptance.

The cash consideration due will not be despatched until the relevant warrant certificate and, or a satisfactory indemnity or indemnities in respect of any lost warrant certificate has been received by the share and warrant registrar and otherwise subject to the terms and conditions of the warrant offer.

No acknowledgement of receipt of any white or pink form(s) of acceptance, share certificate, warrant certificate and, or, transfer receipt and, or, any other documents of title will be given.

ACCEPTANCE PERIOD AND REVISIONS

The offeror reserves the right to revise or extend the offers after the despatch of the composite document.

Unless the offers have previously been extended or revised or the share offer has previously become or been declared unconditional, the offers will close and acceptance must be received by 4:00 p.m. on the closing date.

If the share offer becomes or is declared unconditional, the offers will remain open for acceptance for not less than fourteen days from the date on which the offeror announces that the share offer has become or is declared unconditional.

The offers shall not be capable of:

- becoming or being declared unconditional after the long stop date; or
- being kept open after that date, provided that the offeror reserves the right, with the permission of the Executive under the Takeovers Code, to extend the offers to a later time and, or, date.

If the share offer or the warrant offer is revised, it will remain open for acceptance for a period of not less than fourteen days following the date on which the revised offer document is posted. The benefit of any revision of the share offer or the warrant offer will be available to any Paul Y. - ITC shareholder who has previously accepted the share offer or any Paul Y. - ITC warrant holder who has previously accepted the warrant offer. The execution by or on behalf of any Paul Y. - ITC shareholder or Paul Y. - ITC warrant holder who has previously accepted the share offer or the warrant offer under any white form of acceptance or pink form of acceptance shall be deemed to constitute acceptance of the revised share offer or warrant offer, unless such Paul Y. - ITC shareholder or Paul Y. - ITC warrant holder becomes entitled to withdraw his acceptance and duly does so.

ANNOUNCEMENTS

By 6:00 p.m. on the closing date, or such later time and, or, date as the Executive may agree, the offeror will immediately inform the Executive and the Stock Exchange that the offers have expired or have been revised or extended or have become or been declared unconditional and will itself or through ITC Corporation publish a teletext announcement through the Stock Exchange by 7:00 p.m. on the closing date to that effect. The offeror shall itself or through ITC Corporation publish an announcement on the next business day stating whether the offers have been revised, extended or have expired or have become or been declared unconditional. The announcement shall state the total number of Paul Y. - ITC shares and warrants and rights over such shares:

- for which acceptances of the share offer and, or, warrant offer have been received;
- held, controlled or directed by the offeror or persons acting in concert with it before the offer period; and
- acquired or agreed to be acquired during the offer period by the offeror or any persons acting in concert with it.

The announcement shall include the details of voting rights, rights over shares, derivatives and arrangements as required by Rule 3.5(c), (d) and (f) of the Takeovers Code. The announcement shall also specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

References in the composite document to the making of an announcement include the release of any announcement by advertising agents or public relations consultants to the press. An announcement made otherwise than to the Stock Exchange will be notified simultaneously to the Stock Exchange. In computing the number of Paul Y. - ITC shares and, or, warrants represented by acceptances, there will be included, for the purpose of the announcement, acceptances which are not in all respects in order or are subject to verification.

As required under the Takeovers Code and the Listing Rules, all announcements as referred to in the composite document, of which the Executive has confirmed that he has no further comments thereon, must be published as a paid announcement in at least one leading English language newspaper and one leading Chinese language newspaper being in each case a newspaper which is published daily and circulating generally in Hong Kong.

RIGHT OF WITHDRAWAL

An acceptor of the share offer or warrant offer, as the case may be, shall be entitled to withdraw his acceptance any time after 21 days from the closing date if the share offer has not by then become unconditional as to acceptances by notice in writing signed by the acceptor or his agent duly appointed in writing and evidence of whose appointment is produced with the notice to the share and warrant registrar but such entitlement to withdraw shall be exercisable only until such time as the share offer becomes or is declared unconditional as to acceptances. In addition, if the offeror is unable to comply with any of the requirements to announce the results of the offers pursuant to the Takeovers Code, the Executive may

require that the acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met. Save as aforesaid, acceptances shall be irrevocable.

GENERAL

All communications, notices, white forms of acceptance, pink forms of acceptance, share certificates, warrant certificates and, or, transfer receipts, other documents of title and remittances to be delivered by or sent to or from the Paul Y. - ITC shareholders or the Paul Y. - ITC warrant holders will be delivered by or sent to or from them, or their designated agents, at their own risk, and neither Paul Y. - ITC nor the offeror accepts any liability for any loss in postage or any other liabilities that may arise as a result.

The provisions set out in the accompanying white form of acceptance form part of the terms of the share offer. The provisions set out in the pink form of acceptance form part of the terms of the warrant offer.

The accidental omission to despatch the composite document and, or, the relevant form of acceptance relating to the share offer or the warrant offer, or any one of them to any person to whom the share offer or the warrant offer is made will not invalidate the share offer or the warrant offer in any way.

The share offer and the warrant offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

References to the share offer in the composite document and in the white form of acceptance relating to the share offer and the pink form of acceptance relating to the warrant offer shall include any extension and, or, revision thereof and references to the share offer becoming unconditional shall include a reference to the share offer being declared unconditional.

Settlement of the consideration to which any Paul Y. - ITC shareholder or Paul Y. - ITC warrant holder is entitled under any of the offers will be implemented in full in accordance with the terms of the relevant offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the offeror may otherwise be, or claim to be, entitled against such Paul Y. - ITC shareholders or Paul Y. - ITC warrant holders.

Due execution of a white form of acceptance in respect of the share offer will constitute an authority to the offeror, any director of the offeror or of Anglo Chinese or their respective agents to complete and execute on behalf of the accepting Paul Y. - ITC shareholders, the white form of acceptance and any document and to do any other act that may be necessary or expedient for the purposes of vesting in the offeror, or such person or persons as the offeror shall direct, all rights of the accepting Paul Y. - ITC shareholders in respect of the Paul Y. - ITC shares forming the subject of such acceptance.

Due execution of a pink form of acceptance in respect of the warrant offer will constitute an authority to the offeror, any director of the offeror or of Anglo Chinese or its respective agents to complete and execute on behalf of the accepting Paul Y. - ITC warrant holders, the pink form of acceptance and any document and to do any other act that may be necessary or expedient for the purpose of vesting in the offeror, or such person or persons as the offeror shall direct, all rights of the accepting Paul Y. - ITC warrant holders in respect of the Paul Y. - ITC warrants, which are the subject of such acceptance.

Seller's ad valorem stamp duty arising in connection with each acceptance received pursuant to the offers, amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable in respect of the relevant acceptance, is payable by a person accepting the offers and will be deducted from the cash amount due to such person under the offers.

The making of the offers to any Paul Y. - ITC shareholders or Paul Y. - ITC warrant holders not residing in Hong Kong may be affected by the laws of the relevant jurisdictions. Such overseas Paul Y. - ITC shareholders and Paul Y. - ITC warrant holders should inform themselves of, and observe, any applicable legal requirements. It is the responsibility of any person residing outside Hong Kong wishing to accept the offers to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with any other necessary formalities.

The offers are made in accordance with the Takeovers Code.

The English text of the composite document, the white form of acceptance relating to the share offer and of the pink form of acceptance relating to the warrant offer shall prevail over the Chinese text in the event of any inconsistencies between the two versions.

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

FINANCIAL SUMMARY

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

	Year ended 31st March,		
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(As restated)</i>	2000 <i>HK\$'000</i> <i>(As restated)</i>
RESULTS			
Turnover	<u>5,343,810</u>	<u>10,803,255</u>	<u>11,111,678</u>
Profit (loss) before taxation	125,243	(313,144)	238,152
Taxation	<u>(47,935)</u>	<u>(49,953)</u>	<u>(96,303)</u>
Profit (loss) before minority interests	77,308	(363,097)	141,849
Minority interests	<u>(6,605)</u>	<u>(91,343)</u>	<u>(56,603)</u>
Net profit (loss) for the year	<u>70,703</u>	<u>(454,440)</u>	<u>85,246</u>
Dividends	<u>20,171</u>	<u>19,653</u>	<u>19,532</u>
Dividends per share	<u>HK\$0.02</u>	<u>HK\$0.02</u>	<u>HK\$0.02</u>
Earnings (loss) per share			
Basic	<u>HK\$0.071</u>	<u>HK\$(0.463)</u>	<u>HK\$0.098</u>
Diluted	<u>HK\$0.068</u>	<u>HK\$(0.471)</u>	<u>HK\$0.080</u>
		At 31st March,	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(As restated)</i>	2000 <i>HK\$'000</i> <i>(As restated)</i>
ASSETS AND LIABILITIES			
Total assets	6,192,999	6,176,878	10,886,959
Total liabilities	(3,182,305)	(3,326,814)	(6,911,448)
Minority interests	<u>(15,664)</u>	<u>(15,162)</u>	<u>(638,095)</u>
Shareholders' funds	<u>2,995,030</u>	<u>2,834,902</u>	<u>3,337,416</u>

FINANCIAL STATEMENTS

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

Consolidated Income Statement

For the year ended 31st March, 2002

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

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

Consolidated Balance Sheet

At 31st March, 2002

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

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

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

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

Balance Sheet

At 31st March, 2002

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31st March, 2002

1. General

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

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

2. Adoption of Statements of Standard Accounting Practice

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

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

Dividends proposed or declared after the balance sheet date

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

Leases

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

Segment reporting

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

Goodwill

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

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

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

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

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

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

3. Significant Accounting Policies

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

Basis of consolidation

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

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

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

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length. Investment properties are stated at their open market values based on independent professional valuations at the balance sheet date. No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewable period, is twenty years or less.

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

Property, plant and equipment

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

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

No amortisation is provided for freehold land. The cost of leasehold land is amortised over the remaining period of the relevant leases using the straight line method.

The cost of buildings is depreciated over the remaining period of the relevant leases or fifty years, whichever is shorter, using the straight line method.

Depreciation is provided to write off the cost of other assets over their estimated useful lives, using the straight line method, at rates ranging from 10% to 33 $\frac{1}{3}$ % per annum.

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

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

Properties held for resale and properties under development held for resale

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

Investments in subsidiaries

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

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium on acquisition in so far as it has not already been written off or amortised or released to income, less any identified impairment loss.

Interests in jointly controlled entities

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

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

Impairment

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

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

Investment in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities or other investments.

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

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

Other long term investments

Other long term investments are stated at cost, less any identified impairment loss.

Construction contracts

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

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

Convertible bonds

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

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

Assets held under finance leases

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

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

Turnover

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

Revenue recognition

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

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

Revenue from hotel operations is recognised when services are rendered.

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

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

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

Capitalisation of borrowing costs

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

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

Retirement benefit schemes

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

Taxation

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

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Foreign currencies

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

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

4. Business and Geographical Segments

Business segments

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

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

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

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

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

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

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

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Hotel and catering	Property leasing	Sale of property	Eliminations	Consolidated
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
TURNOVER										
External sales	4,301,679	1,675,977	755,127	50,754	3,904,039	5,033	47,572	63,074	-	10,803,255
Inter-segment sales	134,884	2,663	182,209	108,375	-	-	24,765	-	(452,896)	-
	<u>4,436,563</u>	<u>1,678,640</u>	<u>937,336</u>	<u>159,129</u>	<u>3,904,039</u>	<u>5,033</u>	<u>72,337</u>	<u>63,074</u>	<u>(452,896)</u>	<u>10,803,255</u>
Share of associates and jointly controlled entities	54,918	127,190	-	1,964	94,373	-	-	-	-	278,445
Total	<u>4,491,481</u>	<u>1,805,830</u>	<u>937,336</u>	<u>161,093</u>	<u>3,998,412</u>	<u>5,033</u>	<u>72,337</u>	<u>63,074</u>	<u>(452,896)</u>	<u>11,081,700</u>
RESULT										
Segment result	<u>216,491</u>	<u>(232,276)</u>	<u>363</u>	<u>(15,592)</u>	<u>178,467</u>	<u>(14,197)</u>	<u>23,153</u>	<u>34,767</u>		191,176
Finance costs										(211,650)
Net investment expenses										(18,742)
Loss on disposal and dilution of interests in subsidiaries										(289,190)
Share of results of associates	1,586	7,518	-	(887)	6,752	-	-	-	-	14,969
Share of results of a jointly controlled entity	-	293	-	-	-	-	-	-	-	293
Loss before taxation										(313,144)
Taxation										(49,953)
Loss before minority interests										(363,097)
Minority interests										(91,343)
Loss for the year										<u>(454,440)</u>

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

	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Construction materials HK\$'000	Engineering and infrastructure services HK\$'000	Hotel and catering HK\$'000	Property leasing HK\$'000	Sale of property HK\$'000	Others HK\$'000	Consolidated HK\$'000
BALANCE SHEET										
ASSETS										
Segment assets	1,313,816	730,677	386,604	196,786	-	625,069	662,468	239,743	-	4,155,163
Interests in associates	42,442	(1,469)	-	2,746	635,846	-	-	-	23,340	702,905
Interest in a jointly controlled entity	-	276	-	-	-	-	-	-	-	276
Unallocated corporate assets										1,318,534
Total assets										<u>6,176,878</u>
LIABILITIES										
Segment liabilities	1,112,939	677,835	112,471	43,932	-	78,903	15,674	42,613	-	2,084,367
Unallocated corporate liabilities										1,242,447
Total liabilities										<u>3,326,814</u>
OTHER INFORMATION										
Capital additions	6,298	4,529	15,210	6,525	327,512	58,731	1,772	50,429	10,379	481,385
Amortisation of goodwill	2,305	-	-	-	27,041	-	-	-	-	29,346
Deficit arising on revaluation of investment properties	-	-	-	-	-	-	13,000	-	-	13,000
Depreciation and amortisation of property, plant and equipment	22,476	5,744	18,922	5,172	278,912	2,157	8,678	-	5,514	347,575

Geographical Segments

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

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

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

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

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

5. Profit from Operations

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	2,305	29,346
Auditors' remuneration	2,138	6,503
Depreciation and amortisation of property, plant and equipment (<i>note (a) below</i>)	78,932	347,575
Loss on disposal of property, plant and equipment	8,768	2,269
Minimum lease payments under operating leases in respect of:		
Premises	5,788	24,140
Plant and machinery	9,206	84,321
Staff costs (<i>note (b) below</i>)	137,284	1,146,456
and after crediting:		
Rental income under operating leases in respect of:		
Premises, net of outgoings of HK\$13,437,000 (2001: HK\$12,871,000)	23,925	21,470
Plant and machinery	<u>1,454</u>	<u>941</u>

Notes:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
(a) Depreciation and amortisation of property, plant and equipment:		
Owned assets	76,321	320,327
Assets held under finance leases	<u>6,710</u>	<u>31,777</u>
	83,031	352,104
Less: Amount capitalised in respect of contracts in progress	<u>(4,099)</u>	<u>(4,529)</u>
	<u>78,932</u>	<u>347,575</u>
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
(b) Staff costs:		
Directors' remuneration:		
Fees	90	100
Other emoluments	<u>20,587</u>	<u>28,501</u>
	20,677	28,601
Other staff costs:		
Salaries and allowances	473,714	1,569,152
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$6,203,000 (2001: HK\$3,238,000)	<u>9,947</u>	<u>43,377</u>
	504,338	1,641,130
Less: Amount capitalised in respect of contracts in progress	<u>(367,054)</u>	<u>(494,674)</u>
	<u>137,284</u>	<u>1,146,456</u>

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6. Finance Costs

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

7. Investment Income (Expenses) – Net

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

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

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

9. Directors' and Employees' Emoluments

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

(a) Directors' emoluments

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

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

The emoluments of the directors were within the following bands:

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

(b) Employees' emoluments

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

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

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

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

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

Details of deferred taxation are set out in note 31.

11. Dividends

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

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

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

12. Earnings (Loss) per Share

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

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

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

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

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

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

13. Investment Properties

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

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

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

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

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14. Property, Plant and Equipment

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

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

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

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

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

15. Goodwill

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

The amortisation period adopted for goodwill is 20 years.

16. Interests in Subsidiaries

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

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

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

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

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

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

17. Interests in Associates

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

Notes:

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

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

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

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

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

The amortisation period adopted for goodwill is 20 years.

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

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

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

18. Interests in Jointly Controlled Entities

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

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

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

19. Investments in Securities

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

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

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

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

20. Other Long Term Investments

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

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

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

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

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

22. Debtors, Deposits and Prepayments

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

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$640,904,000 (2001: HK\$721,077,000) and their aged analysis is as follows:

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

23. Amount due from (to) Related Companies

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

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

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

25. Unsecured Loans Receivable

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

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

26. Creditors and Accrued Expenses

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

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

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27. Obligation under Finance Leases

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

28. Bank Borrowings

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings comprise:				
Mortgage loans	816,328	264,335	–	–
Bank loans	391,725	124,562	10,000	–
Trust receipt loans	7,037	1,490	5,743	–
Bank overdrafts	80,759	2,224	1,995	–
	<u>1,295,849</u>	<u>392,611</u>	<u>17,738</u>	<u>–</u>

Analysed as:

Secured	1,168,053	388,897	–	–
Unsecured	127,796	3,714	17,738	–
	<u>1,295,849</u>	<u>392,611</u>	<u>17,738</u>	<u>–</u>

The bank borrowings are repayable as follows:

Within one year or on demand	468,267	54,341	17,738	–
More than one year, but not exceeding two years	104,101	324,895	–	–
More than two years, but not exceeding five years	459,521	11,197	–	–
More than five years	263,960	2,178	–	–
	<u>1,295,849</u>	<u>392,611</u>	<u>17,738</u>	<u>–</u>
Less: Amount due within one year or on demand shown under current liabilities	<u>(468,267)</u>	<u>(54,341)</u>	<u>(17,738)</u>	<u>–</u>
Amount due after one year	<u>827,582</u>	<u>338,270</u>	<u>–</u>	<u>–</u>

29. Other Loan

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

30. Convertible Note

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

31. Deferred Taxation

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

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

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

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

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

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

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

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

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

32. Share Capital

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

Pursuant to the scrip dividend schemes which were announced by the Company on 14th July, 2001 and 17th December, 2001, the Company issued 32,113,356 and 12,143,176 new shares of HK\$0.10 each in the Company to shareholders who elected to receive scrip dividends in respect of the final dividend for the year ended 31st March, 2001 and the interim dividend for the year ended 31st March, 2002, respectively. The scrip shares did not rank for the final dividend for the year ended 31st March, 2001 and the interim dividend for the year ended 31st March, 2002, respectively.

33. Warrants

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

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

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34. Share Options

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

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

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

No share options were granted or exercised during the year.

35. Reserves

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

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

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

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

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

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

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

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

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

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

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

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

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

37. Acquisition of Subsidiaries

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

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash consideration	–	(138,479)
Bank balances and cash acquired	–	10,845
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>–</u>	<u>(127,634)</u>

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

38. Disposal and Dilution of Interests in Subsidiaries

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

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash consideration received	–	47,378
Short term bank deposits, bank balances and cash disposed of	–	(103,385)
	<u>–</u>	<u>(56,007)</u>
Net outflow of cash and cash equivalents in connection with the disposal and dilution of interests in subsidiaries	<u>–</u>	<u>(56,007)</u>

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

39. Analysis of Changes in Financing during the Year

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

40. Major Non-cash Transactions

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

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

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

41. Retirement Benefit Schemes

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

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

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

With effective from 1st December, 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

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

42. Contingent Liabilities

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

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

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

43. Operating Lease Arrangements

(a) The Group as a lessee:

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

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

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

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(b) The Group as a lessor:

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

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

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

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

44. Commitments

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

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

45. Pledge of Assets

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

46. Related Party Transactions and Balances

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

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

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

The above transactions were carried out on the following bases:

- (a) Construction works and subcontracting fees were charged at market price or, where no market price was available, at terms determined and agreed by both parties.
- (b) Purchase of equipment, concrete products and building materials were carried out in accordance with the negotiated prices.
- (c) Interest was charged by reference to the principal outstanding and at the interest rate determined and agreed by both parties.
- (d) Building management fee, service fee, project management fee and loan commitment fee were charged at the pre-agreed rates.
- (e) Rentals were charged at the pre-agreed fixed monthly amounts.

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

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

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

(a) Particulars of the Company's principal subsidiaries as at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company */ subsidiaries %	attributable to the Group %	Principal activities
Calisan Developments Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding
Corless Limited	British Virgin Islands	US\$2 ordinary shares	100	100	Investment holding
Cycle Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property investment and holding
		HK\$2 non-voting deferred shares <i>(note (i) below)</i>	–	–	
DH Holdings Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding
Full Winners Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property sale and holding
Gunnell Properties Limited	British Virgin Islands	US\$1 ordinary share	100	100	Property investment and holding
Hamker Concrete Products Limited	Hong Kong	HK\$5,000,000 ordinary shares	70	70	Manufacturing and trading of concrete products
Hanfull Enterprises Limited	British Virgin Islands	US\$1 ordinary share	100	100	Securities investment
Hey Wealth Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
Nation Cheer Investment Limited	Hong Kong	HK\$1,200,000 ordinary shares	100	100	Securities investment and trading
Paul Y. – CREC Engineering Co., Limited	Hong Kong	HK\$10 ordinary shares	70	70	Civil engineering
Paul Y. – CREC Joint Venture	Hong Kong	– <i>(note (ii) below)</i>	70	70	Civil engineering
Paul Y. – ITC (E & M) Contractors Limited	Hong Kong	HK\$20,000,000 ordinary shares	99.9998	99.9998	Provision of electrical, mechanical and building services

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

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

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

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company */ subsidiaries %	attributable to the Group %	Principal activities
Paul Y. Properties Group Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Paul Y. Tunnel Engineering Co. Limited	Hong Kong	HK\$2 ordinary shares	100	100	Civil engineering
Rosedale Hotel Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	Hotel management
Rosedale Park Limited	Hong Kong	HK\$2 ordinary shares	100	100	Hotel operation
Tai Shan Paul Y. Construction Co., Ltd.	PRC	US\$5,005,340 registered capital	100	100	Civil engineering and building construction
Trend Cheer Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding
Unicon Concrete Products (HK) Limited	Hong Kong	HK\$12,000,002 ordinary shares	100	100	Manufacturing and trading of concrete products
Unistress Concrete Products (H.K.) Limited	Hong Kong	HK\$200 ordinary shares	100	100	Manufacturing and trading of concrete products
		HK\$1,000,000 non-voting deferred shares (note (iii) below)	100	100	
Unistress Group Limited	British Virgin Islands	US\$1 ordinary share	100	100	Investment holding

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

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

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

Notes:

- (i) The holders of the non-voting deferred shares are not entitled to vote, are not entitled to any dividends unless the net profits of the company available for dividend exceed HK\$100,000,000,000,000 in which case they should be entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year and are, on winding up, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the company.
- (ii) No capital has been contributed by the joint venture partners of the joint venture.
- (iii) The holders of the non-voting deferred shares are not entitled to vote, are not entitled to any dividends for any financial year and are, on winding up or otherwise, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the company.
- (iv) The holders of the non-voting preferred shares are not entitled to vote, are not entitled to any dividends unless the net profits of the company available for dividend exceed HK\$100,000,000,000 in which case they should be entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year and are, on winding up, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK\$10,000,000,000 has been distributed to the holders of the ordinary shares of the company.
- (b) Particulars of the Company's principal associates as at 31st March, 2002 are as follows:

Name of associate	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/registered capital attributable to the Group %	Principal activities
Bongear Elevator (HK) Limited	Hong Kong	HK\$57,500,000 ordinary shares	45.0	Elevators and escalators installation and maintenance
Downer EDI Limited ("Downer")	Australia	A\$478,496,924 ordinary shares	36.9	Investment holding
Hang Pak Engineering Limited	Hong Kong	HK\$100,000 ordinary shares	50.0	Elevators and escalators maintenance
Icfox International Limited	Cayman Islands	US\$11 ordinary shares	27.3	E-construction business
Paul Y. – CREC Construction Co., Limited	Hong Kong	HK\$100 ordinary shares	50.0	Civil engineering
Paul Y. – SELI Joint Venture	Hong Kong	– (note below)	50.0	Civil engineering
Ting Kau Contractors Joint Venture ("TKCJV")	Hong Kong	– (note below)	18.2	Civil engineering
Zhujiang Kwan On Concrete Products Co., Ltd.	PRC	RMB6,320,000 registered capital	50.0	Manufacturing and trading of concrete products

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

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

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

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

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

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

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

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

Schedule of Property Interests

At 31st March, 2002

1. INVESTMENT PROPERTIES

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

2. HOTEL PROPERTIES

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

STATEMENT OF INDEBTEDNESS

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

At the close of business on 30th September, 2002, Paul Y. - ITC group had outstanding bank overdrafts and trust receipt loans of approximately HK\$86 million and HK\$5 million respectively. In addition, Paul Y. - ITC group had outstanding bank loans of approximately HK\$1,034 million of which approximately HK\$977 million were secured by certain properties, plant and machinery and debtors of Paul Y. - ITC group.

In addition, as at 30th September, 2002, Paul Y. - ITC group had contingent liabilities in respect of outstanding performance bonds on construction contracts and guarantees given to banks and financial institutions on general banking facilities granted to associates and a jointly controlled entity of approximately HK\$889 million and HK\$91 million respectively.

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

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

The directors have confirmed that there has been no material change in the indebtedness of Paul Y. - ITC group since 30th September, 2002.

MATERIAL CHANGE

The directors of Paul Y. - ITC are not aware of any material change in the financial and trading position or prospects of the Paul Y. - ITC group since 31st March, 2002, the date to which the latest audited consolidated financial statements of the company were made up.



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

RHL Appraisal Ltd.
永利行評值顧問有限公司

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

6th December, 2002

The Directors
Paul Y. - ITC Construction Holdings Limited
31st Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

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

1. INSTRUCTION

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

2. BASIS OF VALUATION

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

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

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

3. VALUATION METHODOLOGY

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

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

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

4. ASSUMPTION

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

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

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

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

5. TITLE INVESTIGATION

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

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

6. LIMITING CONDITIONS

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

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

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

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

No allowance has been made in our valuations for any charges, mortgages, outstanding land premium or amounts owing on any property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values. With reference to the information provided by the Paul Y. - ITC Group, we are of the opinion that there would be no tax liability which would arise from capital gain if the properties were to be sold at respective valuation figures stated therein.

7. REMARKS

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

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

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

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

Tse Wai Leung
BSc MRICS AHKIS RPS(GP)
Director

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

SUMMARY OF VALUATION

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

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

VALUATION CERTIFICATE

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

Notes:

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

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

Notes:

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

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

Notes:

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

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September, 2002															
4. Lot Nos. 9, 10A and 12 in Demarcation District No. 95, Ho Sheung Heung, Sheung Shui, New Territories, Hong Kong	<p>The property comprises a roughly level ground of irregular shape having an area of approximately 142,002 square feet (13,192 square metres) over which some temporary structures were built.</p> <p>The registered lot areas and land uses of the subject property are set out as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Lot No.</th> <th style="text-align: left;">Area</th> <th style="text-align: left;">Land Use</th> </tr> </thead> <tbody> <tr> <td>9</td> <td>114,563 sq. ft</td> <td>Padi</td> </tr> <tr> <td>10A</td> <td>18,247 sq. ft</td> <td>Padi</td> </tr> <tr> <td>12</td> <td style="border-top: 1px solid black;">9,192 sq. ft</td> <td>Padi</td> </tr> <tr> <td>Total:</td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">142,002 sq. ft</td> <td></td> </tr> </tbody> </table> <p>The lease terms of the subject property are expiring on 30th June 2047 by virtue of Section 6 of the New Territories Lease (Extension) Ordinance.</p> <p>The current annual ground rent of the subject lot is equal to 3% of its rateable value for the time being.</p>	Lot No.	Area	Land Use	9	114,563 sq. ft	Padi	10A	18,247 sq. ft	Padi	12	9,192 sq. ft	Padi	Total:	142,002 sq. ft		The property is owner-occupied and is being used as a concrete casting yard with ancillary offices.	HK\$28,000,000
Lot No.	Area	Land Use																
9	114,563 sq. ft	Padi																
10A	18,247 sq. ft	Padi																
12	9,192 sq. ft	Padi																
Total:	142,002 sq. ft																	

Notes:

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

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

Notes:

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

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

Notes:

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

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

Notes:

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

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

Notes:

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

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

Notes:

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

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

Notes:

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

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

Notes:

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

RESPONSIBILITY STATEMENTS

The composite document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Paul Y. - ITC group. The information contained in the composite document, insofar as it relates to the Paul Y. - ITC group, has been supplied by the Paul Y. - ITC directors. The Paul Y. - ITC directors jointly and severally accept full responsibility for the accuracy of such information contained in the composite document insofar as it relates to the Paul Y. - ITC group, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the opinions in the composite document relating to the Paul Y. - ITC group herein have been arrived at after due and careful consideration and there are no other facts not contained herein, the omission of which would make any statement contained in the composite document relating to the Paul Y. - ITC group misleading.

The information contained in the composite document other than the information relating to the Paul Y. - ITC group has been supplied by the directors of ITC Corporation. The directors of ITC Corporation jointly and severally accept full responsibility for the accuracy of such information contained in the composite document, other than the information relating to the Paul Y. - ITC group, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the opinions in the composite document other than that relating to the Paul Y. - ITC group herein have been arrived at after due and careful consideration and there are no other facts not contained herein, the omission of which would make any statement contained in the composite document other than that relating to the Paul Y. - ITC group misleading.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS**(a) Share capital**

As at the latest practicable date, the authorised and issued share capital of Paul Y. - ITC were as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>3,000,000,000</u> ordinary shares of HK\$0.10 each	<u>300,000,000.00</u>
<i>Issued and fully paid:</i>	<i>HK\$</i>
<u>1,049,102,309</u> ordinary shares of HK\$0.10 each	<u>104,910,230.90</u>

All Paul Y. - ITC shares in issue rank pari passu in all respects including all rights as to dividends, voting rights and capital.

The Paul Y. - ITC shares are listed and traded on the main board of the Stock Exchange. No part of the issued share capital of Paul Y. - ITC is listed on or dealt in, nor is any listing of or permission to deal in the Paul Y. - ITC shares being or proposed to be sought, on any other stock exchange.

Paul Y. - ITC had issued 1,049,102,309 Paul Y. - ITC shares since 31st October, 2002 and up to and including the latest practicable date.

(b) Warrants

As at the latest practicable date, 204,920,349 Paul Y. - ITC warrants remained outstanding, details of which are set out below:

Issue date	Number of Paul Y. - ITC shares upon subscription	Aggregate subscription amount <i>HK\$'000</i>
1st March, 2002	204,920,349	81,968

(c) Share options

As at the latest practicable date, options to subscribe for 16,100,000 Paul Y. - ITC shares remained outstanding, details of which are set out below:

Date of grant	Exercise price per share <i>HK\$</i>	Number of share options of Paul Y. - ITC	Option exercisable period
17th December, 1999	0.5552	<u>16,100,000</u>	17th June, 2000 to 16th June, 2003

Save as disclosed above, Paul Y. - ITC has no other outstanding convertible securities, warrants, options or derivatives in issue as at the latest practicable date.

MARKET PRICES

The table below shows the closing prices of the Paul Y. - ITC shares and Paul Y. - ITC warrants on the Stock Exchange on the last day on which trading took place in each of the six calendar months immediately preceding the date of the joint announcement, 22nd October, 2002, being the last trading day on which the Paul Y. - ITC shares and Paul Y. - ITC warrants were traded before the joint announcement, and the latest practicable date:

	HK\$ per Paul Y. - ITC share	HK\$ per Paul Y. - ITC warrant
30th April, 2002	0.280	0.040
31st May, 2002	0.275	0.045
28th June, 2002	0.250	0.040
31st July, 2002	0.222	0.030
30th August, 2002	0.215	0.015
26th September, 2002	0.193	0.010
22nd October, 2002	0.210	0.010
latest practicable date	0.275	0.010

The highest and lowest closing prices of Paul Y. - ITC shares recorded on the Stock Exchange between 25th April, 2002, being the date six months prior to the joint announcement, and the latest practicable date were HK\$0.305 on 7th May, 2002, and HK\$0.183 on 7th October, 2002 respectively.

The highest and lowest closing prices of Paul Y. - ITC warrants recorded on the Stock Exchange between 25th April, 2002, being the date six months prior to the joint announcement, and the latest practicable date were HK\$0.060 on 8th May, 2002, and HK\$0.010 on 3rd December, 2002 respectively.

DISCLOSURE OF INTERESTS**Interests in Paul Y. - ITC***Interests of Paul Y. - ITC directors*

As at the latest practicable date, save as disclosed below, none of the Paul Y. - ITC directors or the chief executive of Paul Y. - ITC have any interest in the equity or debt securities of Paul Y. - ITC or any associated corporations (within the meaning of the SDI Ordinance) or which have been notified to Paul Y. - ITC and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which are required to be notified to Paul Y. - ITC and the Stock Exchange pursuant to the Model Code.

Name of Paul Y. - ITC director	Number of Paul Y. - ITC shares held			Number of Paul Y. - ITC warrants held	Number of Paul Y. - ITC shares to be issued upon exercise of the share options of Paul Y. - ITC
	Personal interest	Family interest	Corporate interest		
Dr. Charles Chan	-	-	446,842,878 (Note)	86,465,812 (Note)	-
Lau Ko Yuen, Tom	-	-	-	-	5,000,000
Chan Fut Yan	-	-	-	-	5,000,000
Chau Mei Wah, Rosanna	-	-	-	-	6,100,000
Cheung Hon Kit	400	-	-	80	-

Note: Dr. Charles Chan was deemed to be interested in 446,842,878 Paul Y. - ITC shares and 86,465,812 Paul Y. - ITC warrants by virtue of his shareholding in Chinaview International Limited (“Chinaview”). Galaxyway Investments Limited (“Galaxyway”), a wholly owned subsidiary of Chinaview, owned more than one-third of the issued ordinary share capital of ITC Corporation which in turn owned the entire issued share capital of ITC Investment Holdings Limited (“ITC Investment”). Hollyfield, a wholly owned subsidiary of ITC Investment, owned these Paul Y. - ITC shares and Paul Y. - ITC warrants.

Mr. Cheung Hon Kit who holds 400 Paul Y. - ITC shares and 80 Paul Y. - ITC warrants has not formed any definite intention to accept or reject the offers.

Interests of the offeror and ITC Corporation

As at the latest practicable date, according to the register of substantial shareholders kept by Paul Y. - ITC under Section 16(1) of the SDI Ordinance and so far as the Paul Y. - ITC directors are aware, the Paul Y. - ITC shareholders who were directly or indirectly interested or taken or deemed to be directly or indirectly interested in 10% or more of the voting power at any general meeting of Paul Y. - ITC were as follows:

Name of Paul Y. - ITC shareholder	Number of Paul Y. - ITC shares held		Percentage of issued share capital of Paul Y. - ITC %	Number of Paul Y. - ITC warrants held	Number of Paul Y. - ITC shares to be issued upon exercise of the share options of Paul Y. - ITC
	Direct interest	Deemed interest			
Dr. Charles Chan	-	446,842,878	42.6	-	-
Chinaview	-	446,842,878	42.6	-	-
Galaxyway	-	446,842,878	42.6	-	-
ITC Corporation	-	446,842,878	42.6	-	-
ITC Investment	-	446,842,878	42.6	-	-
Hollyfield	446,842,878	-	42.6	86,465,812	-

Notes: Hollyfield, a wholly owned subsidiary of ITC Investment, which was, in turn, a wholly owned subsidiary of ITC Corporation, owned 446,842,878 Paul Y. - ITC shares and 86,465,812 Paul Y. - ITC warrants. Galaxyway, a wholly owned subsidiary of Chinaview, owned more than one-third of the issued ordinary share capital of ITC Corporation. Dr. Charles Chan owned the entire issued share capital of Chinaview. ITC Investment, ITC Corporation, Galaxyway, Chinaview and Dr. Charles Chan were all deemed to be interested in 446,842,878 Paul Y. - ITC shares and 86,465,812 Paul Y. - ITC warrants.

Save as disclosed above, the Paul Y. - ITC directors are not aware of any other Paul Y. - ITC shareholders who, directly or indirectly, held or were beneficially interested in Paul Y. - ITC shares representing 10% or more of the issued share capital of Paul Y. - ITC as at the latest practicable date.

As at the latest practicable date, save as disclosed herein:

- (a) neither ITC Corporation and, or, the offeror, nor any person acting in concert with any of them for the purpose of the Takeovers Code, owned or controlled; and
- (b) none of the directors of ITC Corporation and, or, the offeror (including their respective spouses, children under the age of 18, related trusts and companies controlled by any of them) was beneficially interested,

directly or indirectly, any shares, convertible securities, warrants, options or derivatives of Paul Y. - ITC and no such person has dealt for value in shares, convertible securities, warrants, options or derivatives of Paul Y. - ITC during the period beginning six months prior to the date of the joint announcement and ending with the latest practicable date.

No arrangement has been entered into by ITC Corporation, the offeror or any persons acting in concert with any of them for the transfer by any of them to any other person of any Paul Y. - ITC shares or warrants acquired pursuant to the offers.

As at the latest practicable date, so far as directors of ITC Corporation are aware, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code was entered into by any person with the offeror or any person acting in concert with it with respect to the relevant securities (as defined in the Takeovers Code) of Paul Y. - ITC.

As at the latest practicable date, so far as Paul Y - ITC directors are aware, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code was entered into by any person with Paul Y. - ITC or with any person who is an associate of Paul Y. - ITC by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code with respect to the relevant securities (as defined in the Takeovers Code) of Paul Y. - ITC.

As at the latest practicable date, none of the subsidiaries of Paul Y. - ITC, the pension fund of Paul Y. - ITC or of a subsidiary of Paul Y. - ITC had any beneficial interest in any shares, convertible securities, warrants, options or derivatives of Paul Y. - ITC.

As at the latest practicable date, none of Anglo Chinese, Platinum and RHL or their respective holding companies or subsidiaries or companies under the same control as any one of them had any beneficial interest in any shares, convertible securities, warrants, options or derivatives of Paul Y. - ITC.

As at the latest practicable date, there was no holdings in the shares, convertible securities, warrants, options or derivative of Paul Y. - ITC which are managed on a discretionary basis by fund managers connected with Paul Y. - ITC.

Save as disclosed herein, none of the Paul Y. - ITC directors was interested in the shares, convertible securities, warrants, options or derivatives of Paul Y. - ITC as at the latest practicable date.

Interests in the offeror

- Save as disclosed herein, neither Paul Y. - ITC nor any of the Paul Y. - ITC directors had any interest in the shares, convertible securities, warrants, options or derivatives of the offeror as at the latest practicable date.
- None of the subsidiaries of Paul Y. - ITC, nor any pension fund of the Paul Y. - ITC group, had any interest in the shares, convertible securities, warrants, options or derivatives of the offeror as at the latest practicable date.

Interests in ITC Corporation

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

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

- Save as disclosed herein, neither Paul Y. - ITC nor any of the Paul Y. - ITC directors had any interest in the shares, convertible securities, warrants, options or derivatives of ITC Corporation as at the latest practicable date.
- None of the subsidiaries of Paul Y. - ITC, nor any pension funds of the Paul Y. - ITC group, had any interest in the shares, convertible securities, warrants, options or derivatives of ITC Corporation as at the latest practicable date.

DEALINGS IN THE SECURITIES OF PAUL Y. - ITC

Hollyfield has been allotted 5,263,426 Paul Y. - ITC shares on 31st October, 2002 at HK\$0.1862 per Paul Y. - ITC share pursuant to a circular of Paul Y. - ITC dated 7th October, 2002 relating to scrip dividend scheme with cash option in relation to the final dividend for the year ended 31st March, 2002.

DEALINGS IN THE SECURITIES OF THE OFFEROR AND ITC CORPORATION

Neither Paul Y. - ITC nor any of the Paul Y. - ITC directors dealt for value in shares, convertible securities, warrants, options or derivatives of the offeror or ITC Corporation during the period commencing 25th April, 2002, being the date six months prior to the date of the joint announcement and ending on the latest practicable date.

CONSENTS AND QUALIFICATIONS

The following are the qualifications of the experts who have given opinions or advice which are contained in the composite document.

Name	Qualifications
Anglo Chinese	an investment adviser and a securities dealer registered under the Securities Ordinance
Platinum	an investment adviser and a securities dealer registered under the Securities Ordinance
RHL	professional property valuer

The above mentioned persons have given and have not withdrawn their respective written consents to the issue of the composite document with the inclusion herein of their letters of advice or valuation reports and the references to their names, in the form and context in which they respectively appear.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Paul Y. - ITC group within two years immediately before the date of the joint announcement and are or may be material:

- Underwriting agreement dated 8th March, 2002 between Calisan Developments Limited (“Calisan”), Well Orient Limited (“Well Orient”) and China Strategic Holdings Limited (“China Strategic”) in relation to the rights issue of not less than 921,957,884 new shares of HK\$0.10 each in the capital of China Strategic with bonus issue of warrants;
- Underwriting agreement dated 14th March, 2002 between Calisan and China Strategic in relation to the rights issue of not less than 921,957,884 new shares of HK\$0.10 each in the capital of China Strategic with bonus issue of warrants;

- Deed of termination dated 14th March, 2002 between Calisan, Well Orient and China Strategic in relation to the termination of the underwriting agreement dated 8th March, 2002;
- Subscription agreement dated 6th June, 2002 between Calisan, Well Orient and China Strategic in relation to the subscription of 46,000,000 shares by each of Calisan and Well Orient in cash at a price of HK\$0.20 each;
- Placing agreement dated 6th June, 2002 between Calisan, Well Orient and Tai Fook Securities Company Limited in relation to the placing by each of Calisan and Well Orient of 46,000,000 shares in the capital of China Strategic to independent places in cash at a price of HK\$0.20 each;
- Underwriting agreement dated 15th July, 2002 between China Strategic, BNP Paribas Peregrine Securities Limited, Kingston Securities Limited, Well Orient and Calisan in relation to the rights issue of not less than 276,489,471 new shares and not more than 276,677,846 new shares of China Strategic with bonus issue of warrants;
- Sale and purchase agreement dated 22nd July, 2002 between Paul Y. - ITC as the vendor and China Land Group Limited (“China Land”) as the purchaser in relation to the sale and purchase of the entire issued share capital of and shareholder’s loan to Rosedale Hotel Group Limited for a cash consideration of HK\$250 million;
- Letter agreement dated 31st October, 2002 between Paul Y. - ITC and China Land regarding the amendment of sale and purchase agreement dated 22nd July, 2002;
- Letter agreement dated 15th November, 2002 between Paul Y. - ITC and China Land regarding the amendment of sale and purchase agreements dated 22nd July, 2002; and
- Letter agreement dated 30th November, 2002 between Paul Y. - ITC and China Land regarding the amendment of sale and purchase agreement dated 22nd July, 2002.

SERVICE CONTRACTS

No Paul Y. - ITC director has any service contract with Paul Y. - ITC group or any of its associated companies which is not determinable within one year contract except for compensation other than statutory compensation and no contracts have been entered into or amended within six months before the date of the joint announcement between Paul Y. - ITC group or any of its associated companies or any of the Paul Y. - ITC directors.

LITIGATION

No member of the Paul Y. - ITC group is at present engaged in any litigation or claim of material importance to the Paul Y. - ITC group and no litigation or claim of material importance to the Paul Y. - ITC group is known to the Paul Y. - ITC directors to be pending or threatened by or against any member of the Paul Y. - ITC group.

GENERAL

- The respective addresses and the names of the directors and the controlling shareholders of the offeror and the persons acting in concert with any of them as at the latest practicable date are set out below:

Offeror

The registered office of the offeror is at Offshore Chambers, P.O. Box 217, Apia, Samoa. The directors of the offeror are Mr. Lau Ko Yuen, Tom, Ms. Chau Mei Wah, Rosanna and Mr. Chan Fut Yan and the controlling shareholder of the offeror is ITC Corporation.

ITC Corporation

ITC Corporation, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange. Under the SDI Ordinance, Dr. Charles Chan, Chinaview and Galaxyway were the only substantial shareholders of ITC Corporation and all of them were interested in the same approximately 34.8% of the issued ordinary share capital of ITC Corporation as at the latest practicable date.

The registered office of ITC Corporation is at Clarendon House, Church Street, Hamilton HM 11, Bermuda. The directors of ITC Corporation are Dr. Charles Chan, Mr. Lau Ko Yuen, Tom, Ms. Chau Mei Wah, Rosanna, Mr. Cheung Kwok Wah, Ken, Mr. Chan Kwok Hung, Mr. Chan Fut Yan, Mr. Wong Kun To, Mr. Cheung Hon Kit, Mr. Dominic Lai and Mr. Winston Calptor Chuck.

- The respective addresses and the names of parties deemed to be acting in concert with ITC Corporation under the Takeovers Code:

Mr. Cheung Hon Kit, a director of ITC Corporation, of 26B Shouson Hill Road, Hong Kong.

Mr. Chu Kam Yiu, Steven, a director of a subsidiary of ITC Corporation, of Flat B, 15/F., 15-21 Burrows Street, Wanchai, Hong Kong.

Ms. Magdalene Mok, wife of Mr. Mok Yat Fan, Edmond who is a director of a subsidiary of ITC Corporation, of Flat C, 9/F., Block 1, Chi Fu Fa Yuen, Pokfulam, Hong Kong.

- The respective addresses and the names of the financial advisers to the offeror and the independent Paul Y. - ITC director are set out below:

Financial adviser to the offeror

Anglo Chinese Corporate Finance, Limited and its address is 40th Floor, Two Exchange Square, 8 Connaught Road Central, Hong Kong.

Financial adviser to the independent Paul Y. - ITC director

Platinum Securities Company Limited and its address is 22nd Floor, Standard Chartered Bank Building, 4 Des Voeux Road Central, Hong Kong.

- None of the Paul Y. - ITC directors and the directors of the subsidiaries of Paul Y. - ITC will be or has been given any benefit as compensation for loss of office or otherwise in connection with the offers.
- As at the latest practicable date, no persons who owned or controlled shareholdings of Paul Y. - ITC have prior to the posting of the composite document irrevocably committed themselves to accept or reject the offers.
- Save as below mentioned, there is no agreement or arrangement between the offeror and any of the Paul Y. - ITC directors or any other person which is conditional on the outcome of the offers or otherwise connected with the offers.
- Save as below mentioned, there is no agreement or arrangement between any Paul Y. - ITC director and any other person which is conditional on the outcome of the offers or otherwise connected with the offers.
- Save for the material contracts below mentioned in which Dr. Charles Chan has personal interest, there is no material contract entered into by ITC Corporation in which any of the Paul Y. - ITC directors and, or, the directors of the subsidiaries of Paul Y. - ITC has a material personal interest.
 - a redemption and subscription agreement dated 16th September, 2002 between Galaxyway and ITC Corporation in relation to the redemption of (i) note issued by ITC Corporation to Galaxyway in 1999 in the aggregate principal amount of HK\$50,000,000 and (ii) convertible note issued by ITC Corporation to Galaxyway in 2000 in the aggregate principal amount of HK\$200,000,000 and the subscription of new convertible notes by Galaxyway in the principal amount of up to HK\$250,000,000 at face value, together with a supplemental agreement dated 4th October, 2002 between Galaxyway and ITC Corporation relating to the completion arrangements of the issue of the new convertible notes; and
 - a loan agreement dated 28th October, 2002 between Dr. Charles Chan and ITC Corporation whereby Dr. Charles Chan has granted a HK\$180 million loan facility to ITC Corporation on an unsecured basis.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of Iu, Lai & Li at 20th Floor, Gloucester Tower, The Landmark, Central, Hong Kong from 6th December, 2002 while the offers remain open for acceptance:

- the memorandum of association and bye-laws of Paul Y. - ITC and ITC Corporation;
- the annual reports of Paul Y. - ITC for the two financial years ended 31st March, 2002;
- the interim report of Paul Y. - ITC for the six month period ended 30th September, 2001;
- the letter from Anglo Chinese containing the details of the offers, the text of which is set out on pages 12 to 17;
- the letter addressed to the independent Paul Y. - ITC director from Platinum, the text of which is set out on pages 19 to 40;
- the letter addressed to the independent Paul Y. - ITC shareholders and the independent Paul Y. - ITC warrant holders, from the independent Paul Y. - ITC director, the text of which is set out on page 18;
- the letters of consent referred to in the section headed “Consent and qualifications” of this appendix;
- the irrevocable undertaking made by the holders of the outstanding share options of Paul Y. - ITC not to accept an offer for their options;
- the property valuation report and certificate by RHL, the text of which is set out in appendix III to the composite document; and
- the material contracts referred to in the section headed “Material contracts” of this appendix.