

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investment in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2003, except for the adoption of SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred taxation. In previous years, partial provision was made for deferred taxation using the income statement liability method, i.e. a liability was recognised in respect of all timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred taxation is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxation profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the opening accumulated losses at 1st April, 2003 have been increased by HK\$21,307,000 (1st April, 2002: HK\$18,191,000). The profit for the six months ended 30th September, 2003 has been decreased by HK\$9,130,000 (the loss for the six months ended 30th September, 2002 has been increased by HK\$2,167,000).

簡明財務報表附註

截至二零零三年九月三十日止六個月

1. 編製基準

簡明財務報表乃根據香港聯合交易所有限公司證券上市規則(「上市規則」)附錄十六有關披露之規定及香港會計師公會頒佈之會計實務準則(「會計實務準則」)第25號「中期財務報告」之規定而編製。

2. 主要會計政策

簡明財務報表乃根據歷史成本法編製，惟已就若干物業及證券投資之重估作出修訂。

除採納會計實務準則第12號(經修訂)「所得稅」外，所採納之會計政策乃與編製本集團截至二零零三年三月三十一日止年度之全年財務報表所採納者相符。落實會計實務準則第12號(經修訂)之主要影響乃涉及遞延稅項。於過往年度，本集團以收入報表負債法就遞延稅項作出部份撥備，即就所產生一切時差確認負債，惟該等時差預期不會於可見將來撥回者除外。會計實務準則第12號(經修訂)規定採用資產負債表負債法，據此須就財務報表之資產及負債之賬面值與用作計算應課稅溢利之相應稅基間之所有臨時差額確認遞延稅項，而僅有少數情況可屬例外。由於會計實務準則第12號(經修訂)並無任何具體過渡規定，故該項新會計政策已作出追溯應用。因此，二零零二年之比較數字已重新呈列。由於該項會計政策變動，於二零零三年四月一日之期初累積虧損已增加21,307,000港元(二零零二年四月一日：18,191,000港元)。截至二零零三年九月三十日止六個月之溢利已減少9,130,000港元(截至二零零二年九月三十日止六個月虧損已增加2,167,000港元)。

4. PROFIT FROM OPERATIONS

4. 經營業務所得溢利

		Six months ended 30th September,	
		2003 HK\$'000	2002 HK\$'000
		截至九月三十日止六個月 二零零三年 二零零二年 千港元 千港元	
Profit from operations has been arrived at after charging:	經營業務所得溢利已扣除：		
Depreciation and amortisation of property, plant and equipment	物業、機械及設備之折舊及攤銷	32,229	947
Less: Amount capitalised in respect of contracts in progress	減：撥作在建合約工程資本之數額	(956)	-
		<u>31,273</u>	<u>947</u>
and after crediting:	並已計及：		
Gain on disposal of property, plant and equipment	出售物業、機械及設備之收益	2,805	-
Gain on disposal of listed investments	出售上市投資之收益	23,088	617
Amortisation of negative goodwill (included in other operating income)	負商譽攤銷 (列入其他經營收入)	27,584	-
		<u>27,584</u>	<u>-</u>

5. INVESTMENT EXPENSES – NET

5. 投資開支 – 淨額

		Six months ended 30th September,	
		2003 HK\$'000	2002 HK\$'000
		截至九月三十日止六個月 二零零三年 二零零二年 千港元 千港元	
(Loss) gain on disposal of investment properties	出售投資物業之 (虧損) 收益	(526)	1
Impairment loss on investment securities	投資證券折損	(3,597)	(16,813)
		<u>(4,123)</u>	<u>(16,812)</u>

6. TAXATION

6. 稅項

		Six months ended 30th September,	
		2003 HK\$'000	2002 HK\$'000
		截至九月三十日止六個月 二零零三年 二零零二年 千港元 千港元	
The charge comprises:	稅項支出包括：		
Hong Kong Profits Tax	香港利得稅		
Overprovision in previous periods	過往期間超額撥備	(11)	-
Overseas taxation	海外稅項	3,322	-
Share of tax on results of associates	攤佔聯營公司業績之稅項	41,511	12,533
		<u>44,822</u>	<u>12,533</u>
Deferred taxation	遞延稅項	11,869	-
		<u>56,691</u>	<u>12,533</u>

Hong Kong Profits Tax is calculated at the rate of 17.5% (2002: 16%) of the estimated assessable profits derived from Hong Kong for the period.

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

Deferred taxation has been provided for on temporary differences arising during the period.

香港利得稅乃根據本期間源自香港之估計應課稅溢利按稅率17.5%(二零零二年: 16%)計算。

海外稅項根據有關司法權區之現行稅率計算。

遞延稅項已就本期間內產生之臨時差異作出撥備。

7. EARNINGS (LOSS) PER SHARE

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

7. 每股盈利(虧損)

每股基本及攤薄盈利(虧損)乃按以下資料計算：

		Six months ended 30th September,	
		2003	2002
		HK\$'000	HK\$'000
		(As restated)	
		截至九月三十日止六個月	
		二零零三年	二零零二年
		千港元	千港元
		(經重列)	
Profit (loss) for the period	期內溢利(虧損)	47,641	(101,373)
Dividend for preference shares	優先股股息	(9,245)	(9,245)
Profit (loss) for the purposes of basic earnings (loss) per share	計算每股基本盈利(虧損)之溢利(虧損)	38,396	(110,618)
Effect of dilutive potential ordinary shares:	潛在攤薄普通股之效應：		
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	攤佔附屬公司業績須按其攤薄後每股盈利作出之調整	(3,426)	-
Adjustment to the share of results of associates based on dilution of their earnings per share	攤佔聯營公司業績須按其攤薄後每股盈利作出之調整	-	(1,325)
Interest on convertible notes	可換股票據之利息	9,839	-
Unamortised deferred expenditure on issuance of convertible notes	發行可換股票據之未攤銷遞延支出	(769)	-
Profit (loss) for the purposes of diluted earnings (loss) per share	計算每股攤薄盈利(虧損)之溢利(虧損)	44,040	(111,943)
		Number of shares	Number of shares
		股份數目	股份數目
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	計算每股基本盈利(虧損)之普通股加權平均數	630,960,774	630,960,774
Effect of dilutive potential ordinary shares: Convertible notes	潛在攤薄普通股之效應：可換股票據	1,308,333,333	-
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	計算每股攤薄盈利(虧損)之普通股加權平均數	1,939,294,107	630,960,774

8. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$5,311,000 (2002: HK\$1,908,000) on property, plant and equipment to expand and upgrade its operating capacity. The Group also disposed of investment properties and property, plant and equipment with an aggregate carrying value of approximately HK\$21,804,000 (2002: HK\$1,125,000) and HK\$9,992,000 (2002: HK\$575,000) respectively.

Certain investment properties at 30th September, 2003 were revalued by the directors by reference to the valuations made by an independent professional valuer.

8. 投資物業及物業、機械及設備

於本期間內，本集團動用約5,311,000港元(二零零二年：1,908,000港元)購入物業、機械及設備，以擴大及提升其經營能力。本集團亦分別出售賬面總值約21,804,000港元(二零零二年：1,125,000港元)及約9,992,000港元(二零零二年：575,000港元)之投資物業及物業、機械及設備。

若干投資物業於二零零三年九月三十日之價值已經由董事參考由獨立專業估值師作出之估值後作出重估。

9. INTERESTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

During the six months ended 30th September, 2003, the Group's equity interest through Paul Y. - ITC in China Strategic Holdings Limited, which is listed in Hong Kong, increased from 14.55% to 31.20%. Accordingly, the investment has been reclassified from investments in securities to interests in associates during the period.

Downer EDI Limited ("Downer"), one of the principal associates of Paul Y. - ITC, became an associate of the Group upon consolidation of Paul Y. - ITC since December 2002. Downer is listed in Australia and New Zealand and its financial year end date is 30th June. 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 results of Downer for the current period is calculated based on the results of Downer for the six months from 1st January, 2003 to 30th June, 2003.

Paul Y. - ITC has not accounted for its share of losses of an associate amounting to approximately HK\$123,711,000 (31st March, 2003: HK\$123,711,000) as those losses, which arise on a contract, are recoverable in full under guarantees provided by an ex-shareholder of the associate. Paul Y. - ITC instigated a court action against the ex-shareholder to recover the losses together with interest and other expenses incurred. The directors of Paul Y. - ITC, having taken legal advice, believe that the suit is valid and the losses can be fully recovered from the ex-shareholder.

10. CONVERTIBLE NOTES RECEIVABLE

During the period, the convertible notes were converted at the specified price into shares of a company whose shares are listed in Hong Kong.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade debtors:

		30th September, 2003 HK\$'000 二零零三年 九月三十日 千港元	31st March, 2003 HK\$'000 二零零三年 三月三十一日 千港元
Trade debtors	應收貿易賬款		
0 - 30 days	0 - 30日	447,637	400,424
31 - 60 days	31 - 60日	12,930	5,724
61 - 90 days	61 - 90日	206	5,224
Over 90 days	超過90日	72,601	70,739
		533,374	482,111
Other debtors, deposits and prepayments	其他應收賬款、 訂金及預付款項	658,700	597,240
		1,192,074	1,079,351

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

9. 聯營公司及共同控制機構權益

截至二零零三年九月三十日止六個月，本集團透過保華德祥於中策集團有限公司(於香港上市之公司)之股份權益由14.55%增加至31.20%。因此，該項投資已於本期間內由證券投資重新分類為聯營公司權益。

保華德祥之主要聯營公司之一Downer EDI Limited(「Downer」)自二零零二年十二月綜合保華德祥之賬目起成為本集團之聯營公司。Downer於澳洲及紐西蘭上市，而其財政年度年結日為六月三十日。本集團於採用權益會計法入賬時，僅能取用Downer之已刊發之二零零三年一月一日至二零零三年六月三十日六個月之財務資料。

保華德祥並無計入其所攤佔聯營公司之虧損約123,711,000港元(二零零三年三月三十一日：123,711,000港元)，乃由於因合約產生之該等虧損可根據該聯營公司之前股東提供之擔保而全數收回。保華德祥已向該名前股東提出法律訴訟，以收回所產生之虧損及利息及其他開支。保華德祥之董事在聽取法律意見後，相信提出該訴訟乃可以成立，並可自該名前股東全數收回有關虧損。

10. 應收可換票據

於本期間內，可換股票據已按指定價格轉換成一間香港上市公司之股份。

11. 應收賬款、訂金及預付款項

應收貿易賬款之賬齡分析如下：

本集團合約承包業務之信貸期乃與其貿易客戶按正常商業條款磋商及訂立。物業租賃業務之應收賬款須按月預付，而本集團就其他應收貿易賬款授出之信貸期一般由30日至90日不等。

12. CREDITORS AND ACCRUED EXPENSES

The following is an aged analysis of trade creditors:

		30th September, 2003 HK\$'000 二零零三年 九月三十日 千港元	31st March, 2003 HK\$'000 二零零三年 三月三十一日 千港元
Trade creditors	應付貿易賬款		
0 – 30 days	0 – 30日	302,921	273,309
31 – 60 days	31 – 60日	35,701	24,780
61 – 90 days	61 – 90日	3,855	9,342
Over 90 days	超過90日	<u>26,321</u>	<u>19,556</u>
		368,798	326,987
Other creditors and accrued expenses	其他應付賬款及應計開支	<u>488,660</u>	<u>470,368</u>
		<u>857,458</u>	<u>797,355</u>

12. 應付賬款及應計開支

應付貿易賬款之賬齡分析如下：

13. CONTINGENT LIABILITIES

		30th September, 2003 HK\$'000 二零零三年 九月三十日 千港元	31st March, 2003 HK\$'000 二零零三年 三月三十一日 千港元
Outstanding performance bonds in respect of construction contracts	仍然有效之建築合約 履約擔保書	769,183	740,529
Guarantees given to banks and financial institutions in respect of general banking facilities granted to an associate	為一間聯營公司借取一般 銀行信貸而向銀行 及財務機構 作出之擔保	-	2,419
Financial support given to an investee company	向一間所投資公司提供之 財政支援	<u>1,200</u>	<u>4,355</u>
		<u>770,383</u>	<u>747,303</u>

13. 或然負債

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

除上述者外及於正常業務過程中，本集團收到有關於建築業務中損毀及受傷之索償通知。本集團並未就此等索償撥出準備，因此等索償可由保險賠償或他方賠償。

14. COMMITMENTS

		30th September, 2003 HK\$'000 二零零三年 九月三十日 千港元	31st March, 2003 HK\$'000 二零零三年 三月三十一日 千港元
Capital expenditure contracted for but not provided in the financial statements in respect of:	已訂約但未於 財務報表撥備 之資本支出：		
- subscription of new shares of an associate	- 認購一間聯營公司 新股份	-	20,000
- acquisition of an associate	- 收購一間聯營公司	<u>24,429</u>	<u>36,660</u>
		<u>24,429</u>	<u>56,660</u>

14. 承擔

15. TRANSACTIONS WITH RELATED PARTIES

During the period, the Group had transactions with the following related parties, details of which are as follows:

15. 與有關連人士之交易

期內，本集團與以下有關連人士進行之交易詳情如下：

		Six months ended 30th September,	
		2003 HK\$'000	2003 HK\$'000
		截至九月三十日止六個月	
		二零零三年 千港元	二零零二年 千港元
Associates and jointly controlled entities:			
Sales of building materials by the Group (note a)	聯營公司及共同控制機構：本集團銷售建築材料(附註a)	-	499
Purchase of concrete products by the Group (note a)	本集團購買混凝土產品(附註a)	70	-
Dividend income	股息收入	44,883	-
Rentals and related building management fee charged by the Group (notes b & c)	本集團收取租金及相關物業管理費(附註b及c)	3,068	-
Service fees charged by the Group (note c)	本集團收取服務費(附註c)	601	373
Subcontracting fees charged to the Group (note d)	本集團支付分承包費(附註d)	52,385	-
Construction works charged by the Group (note d)	本集團收取建築工程款項(附註d)	449	-
Interest income received (note e)	已收利息(附註e)	10,308	4,252
Consulting and handling fees charged by the Group (note c)	本集團收取顧問及手續費(附註c)	72	-
Directors or companies controlled by directors:			
Interest payable on convertible notes issued by the Group (note f)	董事或董事控制之公司：本集團發行之可換股票據之應付利息(附註f)	6,267	6,424
Interest paid by the Group (note f)	本集團支付利息(附註f)	1,651	-
Related companies:			
Rentals and related building management fee charged by the Group (notes b & c)	關連公司：本集團收取租金及相關物業管理費(附註b及c)	3,716	-
Interest income received (note e)	已收利息收入(附註e)	8,448	1,433
Subcontracting fees charged by the Group (note d)	本集團收取分承包費(附註d)	1,611	-
Purchase of medicine and health products by the Group (note a)	本集團購買醫藥保健品(附註a)	455	85
Service fees charged to the Group (note c)	本集團支付服務費(附註c)	59	129

Notes:

- (a) The transactions were carried out by reference to the prevailing market price for comparable transactions or were carried out in accordance with the negotiated parties.
- (b) Rentals were charged at the pre-agreed fixed monthly amounts.
- (c) Building management fee, service fee, consulting and handling fees were charged at the pre-agreed rates.
- (d) 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.
- (e) Interest was charged at commercial rates.
- (f) Interest was charged at the best lending rate of Hong Kong Dollar quoted by The Hongkong and Shanghai Banking Corporation Limited.

Related companies are companies in which the Group has either indirect beneficial interests or has common directors.

附註：

- (a) 該等交易乃參照同類交易當時之市價或根據磋商各方協定之價格進行。
- (b) 租金按預定之固定每月租金徵收。
- (c) 物業管理費用、服務費、顧問及手續費按預定費用徵收。
- (d) 建築工程及分承包費乃根據市價或(倘無市價可供參考)雙方決定及同意之條款收取。
- (e) 利息乃按商業息率收取。
- (f) 利息乃按香港上海匯豐銀行有限公司所報之港元最優惠利率收取。

關連公司乃本集團擁有間接實益權益或有共同董事之公司。

16. POST BALANCE SHEET EVENT

- (a) Subsequent to the balance sheet date, Paul Y. - ITC group disposed of an aggregate of approximately 29 million Downer ordinary shares (adjusted from 115 million ordinary shares in Downer as a result of consolidation of 4 ordinary shares in Downer into 1 Downer ordinary share in November 2003) to independent third parties for a total consideration of approximately A\$104 million (equivalent to approximately HK\$588 million). As a result of the disposal, Paul Y. - ITC group's shareholding in Downer decreased to 21.3%.
- (b) On 6th November, 2003, Star East Holdings Limited ("Star East") entered into a subscription agreement with one of its substantial shareholder for the subscription of 1,575,000,000 shares of Star East at a price of HK\$0.04 per share. Upon the completion of the subscription agreement on 19th December, 2003, the Group's interests in Star East has been decreased from 26.1% to 19.2%.

16. 結算日後事項

- (a) 結算日後，保華德祥集團向獨立第三者出售合共約29,000,000股Downer普通股(已按115,000,000股Downer之普通股於二零零三年十一月進行四股合一之股份合併而作出調整)，以取得總代價約104,000,000澳元(相等於約588,000,000港元)。因出售事項關係，保華德祥集團持有之Downer股權減至21.3%。
- (b) 於二零零三年十一月六日，東方魅力集團有限公司(「東方魅力」)已與其一位主要股東訂立認購協議，按每股0.04港元認購東方魅力之1,575,000,000股股份。當認購協議於二零零三年十二月十九日完成後，本集團於東方魅力之權益已由26.1%減少至19.2%。