

1. GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 21 June 2000 under the Companies Act 1981 of Bermuda (as amended).

On 17 August 2000, pursuant to a reorganisation to rationalise the structure of the Group in preparation for the listing of the shares of the Company on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued share capital of Profit Chain Investments Limited, the then holding company of the subsidiaries included in the Group reorganisation, and thereby became the holding company of the Group. The shares of the Company have been listed on the Stock Exchange since 8 September 2000.

Further details of the Group reorganisation are set out in note 27 to the financial statements and in the Company's listing prospectus dated 29 August 2000, and details of principal subsidiaries acquired pursuant to the Group reorganisation are set out in note 15 to the financial statements.

2. CORPORATE INFORMATION

The Group is engaged in a wide range of construction, renovation and other contract works in the public and private sectors in Hong Kong.

In the opinion of the directors, the ultimate holding company is Winhale Limited, a company incorporated in the British Virgin Islands.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Basis of preparation***

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties, as further explained below.

Basis of consolidation and presentation

The consolidated financial statements have been prepared using the merger basis of accounting. On this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group reorganisation for both financial years presented, rather than from the date of their acquisition through the Group reorganisation on 17 August 2000. Accordingly, the consolidated results of the Group for the years ended 31 March 2000 and 2001 include the results of the Company and its subsidiaries with effect from 1 April 1999 or since their respective dates of incorporation, where this is a shorter period, except for two subsidiaries which were acquired by the Group on 22 May 2000. The results of these two subsidiaries are included in the consolidated profit and loss account from the effective date of acquisition.

The comparative consolidated balance sheet as at 31 March 2000 has been prepared on the assumption that the above Group reorganisation had been completed at that date.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Subsidiaries

A subsidiary is a company other than a jointly-controlled entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as long term investments and are stated at cost less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

Goodwill

Goodwill arising on the consolidation of subsidiaries and on the acquisition of jointly-controlled entities represents the excess consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

On disposal of subsidiaries or jointly-controlled entities, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Machinery and equipment	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	30%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made against cost to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions of recoverable amounts are charged to the profit and loss account.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental receipts or payments under operating leases are credited or charged to the profit and loss account on the straight-line basis over the lease terms.

Construction, renovation and other contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of certified value of work performed to the contract sum for each contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent that it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currency transactions

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed to the Scheme.

The Group also operated a Mandatory Provident Fund Exempted ORSO retirement benefits scheme for those employees who were eligible to participate in the scheme. This scheme operated in a way similar to the Mandatory Provident Fund retirement benefits scheme, except that when an employee left the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) construction, renovation and other contracts, based on the percentage of completion basis as further explained in the accounting policy for "Construction, renovation and other contracts" above;
- (b) consultancy and handling fee income, when services are rendered;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (e) dividends, when the shareholders' right to receive payments is established.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

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4. TURNOVER AND REVENUE

Turnover represents the appropriate proportion of contract revenue from construction, renovation and other contracts.

An analysis of turnover and revenue is as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract revenue – turnover	346,540	204,346
Other revenue:		
Consultancy and handling fee income	7,000	2,500
Interest income	2,636	2,557
Rental income	460	–
Sundry income	420	367
Gain on disposal of listed investments	116	–
Gain on disposal of fixed assets	65	3
Dividend income from listed investments	92	–
	<u>10,789</u>	<u>5,427</u>
Total revenue for the year	<u><u>357,329</u></u>	<u><u>209,773</u></u>

5. WRITE BACK OF PRIOR YEARS OVER-ESTIMATED COSTS

The write back of prior years over-estimated costs represents the release of provisions for additional contract costs previously expected to have been required for difficulties encountered in certain contracts. These contracts were subsequently completed without the additional costs as previously anticipated. Accordingly, upon the completion of such contracts, the additional contract costs previously accrued were written back.

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	685	400
Depreciation:		
Owned fixed assets	784	591
Leased fixed assets	162	332
Deficit on revaluation of investment properties	1,341	–
Provision for impairment in recoverable amounts of investment properties	–	821
Exchange losses, net	948	–
Staff costs (exclusive of directors' remuneration – <i>note 8</i>):		
Salaries and wages	29,723	22,464
Pension contributions	515	–
Less: Forfeited contributions	–	–
Net pension contributions*	<u>515</u>	<u>–</u>
	<u>30,238</u>	<u>22,464</u>
Operating lease rentals on:		
Land and buildings	997	408
Equipment	476	25
Interest income	(2,636)	(2,557)
Gain on disposal of listed investments	(116)	–
Dividend income from listed investments	(92)	–
Gain on disposal of fixed assets	<u>(65)</u>	<u>(3)</u>

* At 31 March 2001, there were no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2000: Nil).

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7. FINANCE COSTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank overdrafts and trust receipt loans	338	1
Interest on finance leases	47	97
	<u>385</u>	<u>98</u>

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Fees:		
Independent non-executive directors	<u>175</u>	<u>–</u>
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	3,160	2,340
Pension scheme contributions	<u>12</u>	<u>–</u>
	<u>3,172</u>	<u>2,340</u>
	<u>3,347</u>	<u>2,340</u>

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	3	–
HK\$1,000,001 – HK\$1,500,000	<u>2</u>	<u>2</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three (2000: two) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining two (2000: three) non-director, highest paid employees are as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,770	2,058
Pension scheme contributions	4	–
	<u>1,774</u>	<u>2,058</u>

The remuneration of the non-director, highest paid employees fell within the following band:

	Number of employees	
	2001	2000
Nil – HK\$1,000,000	<u>2</u>	<u>3</u>

During the year, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong:		
Provision for the year	6,670	6,500
Prior year overprovision	–	(598)
Tax charge for the year	<u>6,670</u>	<u>5,902</u>

The Group did not have any significant unprovided deferred tax in respect of the year (2000: Nil).

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11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the period from 21 June 2000 (date of incorporation of the Company) to 31 March 2001 is approximately HK\$11,552,000.

12. DIVIDENDS

	<i>Notes</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Final dividend paid by a subsidiary of the Company to its then shareholders	23	–	10,000
Special dividend paid by a subsidiary of the Company to its then shareholders on 8 August 2000		10,000	–
Proposed final dividend – HK6.5 cents (2000: Nil) per ordinary share	23	<u>11,440</u>	<u>–</u>
		<u>21,440</u>	<u>10,000</u>

The 2000 final dividend of HK\$10,000,000 and the 2001 special dividend of HK\$10,000,000 were paid by a subsidiary to its then shareholders prior to the Group reorganisation as set out in note 1 to the financial statements. The rates of dividends and the number of shares ranking for these dividends are not presented as the director consider that such information is not meaningful for the purpose of these financial statements.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from operating activities attributable to shareholders for the year of approximately HK\$33,115,000 (2000: HK\$35,901,000) and the weighted average of 147,013,699 (2000: 130,000,000) ordinary shares in issue during the year.

The comparative number of ordinary shares used to calculate the 2000 basic earnings per share represents the pro forma issued share capital of the Company comprising 1,000,000 ordinary shares issued nil paid on incorporation of the Company, 1,000,000 ordinary shares issued for the acquisition of the issued share capital of Profit Chain Investments Limited and the capitalisation issue of 128,000,000 ordinary shares, as set out in note 27 to the financial statements.

Diluted earnings per share for the years ended 31 March 2001 and 2000 have not been calculated as no diluting events existed during these years.

14. FIXED ASSETS

Group	Investment properties <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:						
At 1 April 2000	17,800	141	2,731	2,207	1,746	24,625
Acquisition of subsidiaries	41	–	1,834	449	–	2,324
Additions	–	–	14	204	–	218
Disposals	–	–	–	–	(703)	(703)
Deficit on revaluation (<i>Note 6</i>)	(1,341)	–	–	–	–	(1,341)
	<u>16,500</u>	<u>141</u>	<u>4,579</u>	<u>2,860</u>	<u>1,043</u>	<u>25,123</u>
At 31 March 2001						
Accumulated depreciation:						
At 1 April 2000	–	107	2,452	1,432	1,196	5,187
Acquisition of subsidiaries	–	–	1,561	428	–	1,989
Provided during the year	–	28	278	359	281	946
Disposals	–	–	–	–	(703)	(703)
	<u>–</u>	<u>135</u>	<u>4,291</u>	<u>2,219</u>	<u>774</u>	<u>7,419</u>
At 31 March 2001						
Net book value:						
At 31 March 2001	<u>16,500</u>	<u>6</u>	<u>288</u>	<u>641</u>	<u>269</u>	<u>17,704</u>
At 31 March 2000	<u>17,800</u>	<u>34</u>	<u>279</u>	<u>775</u>	<u>550</u>	<u>19,438</u>
Analysis of cost or valuation:						
At cost	–	141	4,579	2,860	1,043	8,623
At 31 March 2001 valuation	16,500	–	–	–	–	16,500
	<u>16,500</u>	<u>141</u>	<u>4,579</u>	<u>2,860</u>	<u>1,043</u>	<u>25,123</u>

The net book value of the fixed assets of the Group held under finance leases included in the total amount of motor vehicles at 31 March 2001 amounted to approximately HK\$127,000 (2000: HK\$290,000).

The Group's investment properties are situated in Hong Kong and are held under medium term leases. The investment properties were revalued on 31 March 2001 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK\$16,500,000 on an open market, existing use basis.

At 31 March 2001, an investment property of the Group with a carrying value of HK\$2,700,000 was pledged to secure general banking facilities granted to the Group (*note 24*).

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15. INTERESTS IN SUBSIDIARIES

	2001 HK\$'000
Unlisted shares, at cost	64,148
Due from subsidiaries	34,486
Due to a subsidiary	(11,672)
	<u>86,962</u>

The amounts due from/(to) the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries as at 31 March 2001 are as follows:

Name	Place of incorporation/ registration and operations	Issued and paid up capital	Percentage of equity attributable to the Company (Note 1)	Principal activities
Profit Chain Investments Limited ("Profit Chain")	British Virgin Islands	US\$70,000 Ordinary	100%	Investment holding
Able Engineering Company Limited	Hong Kong	HK\$20 Ordinary HK\$11,211,000 Non-voting deferred (Note 2)	100%	Building construction and civil engineering works
Gold Vantage Limited	Hong Kong	HK\$100 Ordinary	100%	Property holding
Excel Engineering Company Limited ("Excel")*	Hong Kong	HK\$6,900,000 Ordinary	51.45%	Building construction, maintenance and civil engineering works
Gadelly Construction Company Limited ("Gadelly")*	Hong Kong	HK\$2,000,000 Ordinary	51.45%	Construction and plant hiring

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Issued and paid up capital	Percentage of equity attributable to the Company <i>(Note 1)</i>	Principal activities
Able Contractors Limited	Hong Kong	HK\$10,000 Ordinary	100%	Building construction
Able Maintenance Company Limited	Hong Kong	HK\$10,000 Ordinary	100%	Building construction and maintenance works

* acquired during the year

Note 1: Except for Profit Chain, which is held directly by the Company, all the above subsidiaries are held indirectly by the Company through Profit Chain, a wholly-owned subsidiary of the Company.

Note 2: The deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up.

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

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets/(liabilities)	3,280	(228)
Due from jointly-controlled entities	361	221
	<u>3,641</u>	<u>(7)</u>

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

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16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
AWG-JV Limited	Corporate	Hong Kong	50%	50%	50%	Building construction
AWG-JV	Unincorporated	Hong Kong	50%	50%	50%	Building construction

All the above investments in jointly-controlled entities are indirectly held by the Company.

17. CONSTRUCTION, RENOVATION AND OTHER CONTRACTS

	Note	2001 HK\$'000	Group 2000 HK\$'000
Gross amount due from contract customers		22,692	7,656
Gross amount due to contract customers included in other payables and accruals	23	<u>(126)</u>	<u>(1,467)</u>
		<u>22,566</u>	<u>6,189</u>
Contract costs incurred plus recognised profits less recognised losses to date		387,735	71,620
Less: Progress billings		<u>(365,169)</u>	<u>(65,431)</u>
		<u>22,566</u>	<u>6,189</u>

As at 31 March 2001, retentions held by customers for contract works, included in accounts receivable, amounted to approximately HK\$11.8 million (2000: HK\$8.8 million).

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18. ACCOUNTS RECEIVABLE

The payment terms of contract works were stipulated in the relevant construction contracts.

The aged analysis of accounts receivable as at the balance sheet date is as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 – 3 months	43,880	31,331
4 – 6 months	12,820	1,771
Over 6 months	13,121	8,926
	<u>69,821</u>	<u>42,028</u>
	<u>69,821</u>	<u>42,028</u>

19. OTHER RECEIVABLES

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	1,868	1,190
Deposits and other debtors	15,606	4,668
	<u>17,474</u>	<u>5,858</u>
	<u>17,474</u>	<u>5,858</u>

20. DUE FROM A DIRECTOR

The amount due from a director, disclosed pursuant to Section 161B of the Companies Ordinance, is as follows:

Group	At 31 March	Maximum amount outstanding during the year	At 1 April
	2001	during the year	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Ngai Chun Hung	–	21,586	5,334
	<u>–</u>	<u>21,586</u>	<u>5,334</u>
	<u>–</u>	<u>21,586</u>	<u>5,334</u>

The balance was unsecured, interest-free and was fully repaid prior to the listing of the Company's shares on the Stock Exchange.

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21. CASH AND CASH EQUIVALENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Cash and bank balances	5,087	697
Time deposits	45,110	38,457
	<u>50,197</u>	<u>39,154</u>
Less: Pledged time deposits	(15,947)	(7,035)
	<u>34,250</u>	<u>32,119</u>

The time deposits were pledged to banks to secure general banking facilities granted to the Group (*note 24*).

22. ACCOUNTS PAYABLE/TRADE PAYABLES TO RELATED PARTIES

The aged analysis of accounts payable as at the balance sheet date is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
1 – 3 months	40,354	17,689
4 – 6 months	3,899	425
Over 6 months	16,226	15,600
	<u>60,479</u>	<u>33,714</u>

As at 31 March 2001, retentions payable included in accounts payable under current liabilities amounted to approximately HK\$12.1 million (2000: HK\$3.2 million).

Trade payables to related parties are unsecured, interest-free and have no fixed terms of repayment.

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23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amount due to				
contract customers – <i>note 17</i>	126	1,467	–	–
Accruals	920	8,270	–	–
Proposed final dividend – <i>note 12</i>	<u>11,440</u>	<u>10,000</u>	<u>11,440</u>	<u>–</u>
	<u><u>12,486</u></u>	<u><u>19,737</u></u>	<u><u>11,440</u></u>	<u><u>–</u></u>

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<i>Note</i>	Group	
		2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts, secured		–	2,814
Trust receipt loans, secured		2,107	–
Current portion of finance lease payables	25	<u>87</u>	<u>239</u>
		<u><u>2,194</u></u>	<u><u>3,053</u></u>

The banking facilities granted to the Group by certain banks as at 31 March 2001 were secured by:

- (a) charges over the Group's time deposits of approximately HK\$15.9 million;
- (b) an investment property of the Group with a carrying value at the balance sheet date of HK\$2.7 million; and
- (c) corporate guarantees granted by the Company in favour of certain banks, to the extent of approximately HK\$21.8 million.

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25. FINANCE LEASE PAYABLES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Amounts payable:		
Within one year	108	314
In the second year	81	108
In the third to fifth years, inclusive	—	81
	<u> </u>	<u> </u>
Total minimum finance lease payments	189	503
Future finance charges	(38)	(113)
	<u> </u>	<u> </u>
Total net finance lease payables	151	390
Portion classified as current liabilities – <i>note 24</i>	(87)	(239)
	<u> </u>	<u> </u>
Long term portion	<u> 64</u>	<u> 151</u>

As at 31 March 2001, the obligation under a finance lease amounting to approximately HK\$151,000 was guaranteed by a director of the Company, Mr. Yau Kwok Fai.

26. DEFERRED TAX

	Group	
	2001	2000
	HK\$'000	HK\$'000
Balance at beginning and end of year	<u> 120</u>	<u> 120</u>

The principal component of the Group's deferred tax liabilities provided for at the balance sheet date is in respect of accelerated depreciation allowances.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

There were no significant potential deferred tax liabilities for which provision has not been made.

27. SHARE CAPITAL

Shares

	Company 2001 HK\$'000
Authorised:	
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>
Issued and fully paid:	
160,000,000 ordinary shares of HK\$0.10 each	<u>16,000</u>

During the period from 21 June 2000 (date of incorporation of the Company) to 31 March 2001, the following changes in the Company's authorised and issued share capital were recorded:

- (a) On 21 June 2000, the Company was incorporated with an authorised share capital of HK\$100,000 divided into 1,000,000 ordinary shares of HK\$0.10 each, all of which were allotted and issued nil paid on 11 July 2000.
- (b) On 17 August 2000, pursuant to an ordinary resolution passed at a special general meeting of the Company, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of 999,000,000 additional ordinary shares of HK\$0.10 each, ranking *pari passu* in all respects with the existing ordinary shares of the Company.
- (c) On 17 August 2000, pursuant to the Group reorganisation described in note 1 to the financial statements, the Company allotted and issued 1,000,000 ordinary shares of HK\$0.10 each, credited as fully paid, and also credited as fully paid the 1,000,000 nil paid ordinary shares of HK\$0.10 each as set out in (a) above, as consideration for the acquisition of the entire issued share capital of Profit Chain. The excess of the fair value of the shares of Profit Chain determined on the basis of the consolidated net assets of Profit Chain at that date, over the aggregate of the nominal value of the Company's shares issued in exchange therefor, amounting to approximately HK\$64,048,000, was credited to the Company's contributed surplus account as set out in note 28. On the same day, contributed surplus of HK\$100,000 was applied to pay up nil paid shares issued on 11 July 2000.
- (d) On 8 September 2000, conditional on the share premium account being credited as a result of the issue of new ordinary shares to the public as mentioned in (e) below, a total of 128,000,000 ordinary shares of HK\$0.10 each were allotted as fully paid at par to the shareholders whose names appeared on the register of members of the Company on 29 August 2000, in proportion to their respective shareholdings by way of capitalisation of the sum of HK\$12,800,000 standing to the credit of the share premium account of the Company.

NOTES TO FINANCIAL STATEMENTS

31 March 2001

27. SHARE CAPITAL (Continued)

- (e) On 8 September 2000, 30,000,000 ordinary shares of HK\$0.10 each were issued to the public at HK\$1.00 each for a total cash consideration of HK\$30,000,000 before the related issue expenses.

A summary of the above movements in the issued share capital of the Company is as follows:

	Number of ordinary shares issued '000	Carrying amount HK\$'000
Ordinary shares issued nil paid on incorporation and subsequently credited as fully paid as part of the consideration for the acquisition of the entire issued share capital of Profit Chain	1,000	100
Ordinary shares issued as the remaining consideration for the acquisition of the entire issued share capital of Profit Chain	1,000	100
Capitalisation issue of ordinary shares credited as fully paid conditional on the share premium account of the Company being credited as a result of the new issue	<u>128,000</u>	<u>–</u>
Pro forma share capital at 31 March 2000	130,000	200
New issue on public offer	30,000	3,000
Capitalisation of share premium account for 128,000,000 ordinary shares credited as fully paid	<u>–</u>	<u>12,800</u>
Share capital at 31 March 2001	<u><u>160,000</u></u>	<u><u>16,000</u></u>

Subsequent to the balance sheet date, pursuant to the ordinary resolution passed at a special general meeting of the Company on 23 April 2001, 16,000,000 new ordinary shares were allotted and issued to the then minority shareholders of each of Excel and Gadelly as the consideration to acquire the remaining 48.55% equity interests in each of Excel and Gadelly. Details of the aforesaid acquisition are set out in note 33 to the financial statements.

27. SHARE CAPITAL *(Continued)**Share options*

On 17 August 2000, the Company approved a share option scheme (the "Scheme") under which the directors of the Company may, at their discretion, invite full-time employees or executives of the Group, including executive directors of the Group, to take up options to subscribe for shares in the Company at any time during the ten years from the date of approval. The subscription price will be a price determined by the board of directors at its absolute discretion and in any event will not be less than the greater of (i) 80% of the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (ii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company from time to time. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 8 September 2000. The maximum number of shares in respect of which options may be granted to any one employee may not exceed 25% of the maximum aggregate number of shares in respect of which options may be granted under the Scheme.

No share options were granted or exercised during the year.

NOTES TO FINANCIAL STATEMENTS

31 March 2001

28. RESERVES

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group					
At 1 April 1999	–	11,421	–	23,416	34,837
Net profit for the year	–	–	–	35,901	35,901
Dividend	–	–	–	(10,000)	(10,000)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(10,000)</u>	<u>(10,000)</u>
At 31 March 2000 and 1 April 2000	–	11,421	–	49,317	60,738
Issue of shares to the public	27,000	–	–	–	27,000
Share issue expenses	(7,358)	–	–	–	(7,358)
Capitalisation issue of shares	(12,800)	–	–	–	(12,800)
Goodwill arising on acquisition of subsidiaries	–	–	(5,035)	–	(5,035)
Net profit for the year	–	–	–	33,115	33,115
Dividends	–	–	–	(21,440)	(21,440)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(21,440)</u>	<u>(21,440)</u>
At 31 March 2001	<u>6,842</u>	<u>11,421</u>	<u>(5,035)</u>	<u>60,992</u>	<u>74,220</u>
Reserves retained by:					
Company and subsidiaries	6,842	11,421	(5,035)	61,312	74,540
Jointly-controlled entities	–	–	–	(320)	(320)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(320)</u>	<u>(320)</u>
At 31 March 2001	<u>6,842</u>	<u>11,421</u>	<u>(5,035)</u>	<u>60,992</u>	<u>74,220</u>
Company and subsidiaries	–	11,421	–	49,545	60,966
Jointly-controlled entities	–	–	–	(228)	(228)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(228)</u>	<u>(228)</u>
At 31 March 2000	<u>–</u>	<u>11,421</u>	<u>–</u>	<u>49,317</u>	<u>60,738</u>

28. RESERVES (Continued)

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company				
Arising on acquisition of subsidiaries	–	64,048	–	64,048
Applied in payment of 1,000,000 shares allotted nil paid on incorporation	–	(100)	–	(100)
Issue of shares to the public	27,000	–	–	27,000
Share issue expenses	(7,358)	–	–	(7,358)
Capitalisation issue of shares	(12,800)	–	–	(12,800)
Net profit for the period	–	–	11,552	11,552
Dividends	–	–	(11,440)	(11,440)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 March 2001	<u>6,842</u>	<u>63,948</u>	<u>112</u>	<u>70,902</u>

The contributed surplus of the Group represents the difference between the nominal value of the shares and share premium account of the subsidiaries acquired pursuant to the Group reorganisation as set out in note 1 to the financial statements, over the nominal value of the share capital of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the excess of fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

NOTES TO FINANCIAL STATEMENTS

31 March 2001

29. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit from operating activities	43,530	42,097
Depreciation	946	923
Provision for impairment in recoverable amounts of investment properties	–	821
Deficit on revaluation of investment properties	1,341	–
Gain on disposal of fixed assets	(65)	(3)
Gain on disposal of listed investments	(116)	–
Dividend income from listed investments	(92)	–
Interest income	(2,636)	(2,557)
Increase in amounts due from jointly-controlled entities	(140)	(33)
Decrease in amount due from a director	5,334	1,873
Decrease in amount due from a related company	–	100
Increase in accounts receivable	(14,998)	(7,448)
Increase in other receivables	(10,965)	(3,309)
Increase in gross amount due from contract customers	(13,136)	(4,190)
Increase/(decrease) in accounts payable	13,419	(5,548)
Decrease in gross amount due to contract customers	(1,341)	(14,231)
Decrease in accruals	(7,350)	(1,313)
Decrease in loan from a director	–	(4,000)
Increase/(decrease) in trade payables to related parties	131	(234)
	<u>13,862</u>	<u>2,948</u>
Net cash inflow from operating activities	<u><u>13,862</u></u>	<u><u>2,948</u></u>

29. NOTES TO THE CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital (including share premium) <i>HK\$'000</i>	Finance lease obligations <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 April 1999	200	382	–
Cash outflow from financing activities, net	–	(287)	–
Inception of finance lease contracts	–	295	–
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2000 and beginning of year	200	390	–
Cash inflow/(outflow) from financing activities, net	22,642	(239)	–
Dividend paid to minority shareholders	–	–	(1,340)
Subsidiaries acquired during the year	–	–	11,127
Share of profits after tax of subsidiaries	–	–	3,268
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2001	<u>22,842</u>	<u>151</u>	<u>13,055</u>

(c) Acquisition of subsidiaries

	2001 <i>HK\$'000</i>
Net assets acquired:	
Fixed assets	335
Listed investments	2,836
Gross amount due from contract customers	1,900
Accounts receivable	12,795
Other receivables	651
Pledged time deposits	4,024
Cash and cash equivalents	13,882
Accounts payable	(13,346)
Tax payable	(158)
Minority interests	(11,127)
	<hr/>
	11,792
Goodwill on acquisition	<hr/> 5,035
	<hr/>
	16,827
	<hr/>
Satisfied by cash consideration	<hr/> 16,827
	<hr/>

NOTES TO FINANCIAL STATEMENTS

31 March 2001

29. NOTES TO THE CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of subsidiaries *(Continued)*

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

	2001 <i>HK\$'000</i>
Cash consideration paid	(16,827)
Cash and cash equivalents acquired	13,882
	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<hr/> <hr/> (2,945)

The subsidiaries acquired during the year contributed approximately HK\$120 million to turnover and approximately HK\$6.5 million to the consolidated profit after tax and before minority interests for the year ended 31 March 2001.

The subsidiaries acquired during the year utilised approximately HK\$1,366,000 in respect of the Group's net operating cash flows, paid approximately HK\$1,807,000 in respect of the net returns on investments and servicing of finance, paid approximately HK\$484,000 in respect of tax and contributed approximately HK\$3,628,000 to investing activities.

(d) Major non-cash transaction

The reorganisation of the Group in preparation for the public listing of the Company's shares involved the acquisition of certain subsidiaries by the issuance of new ordinary shares in the Company, further details of which are set out in notes 1 and 27 to the financial statements.

30. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees in respect of performance bonds in favour of contract customers	3,470	–	–	–
Guarantees given to banks in connection with facilities granted to a subsidiary	–	–	21,800	–
	<u>3,470</u>	<u>–</u>	<u>21,800</u>	<u>–</u>

As at 31 March 2001, the guarantees given to banks in connection with facilities granted to a subsidiary by the Company were utilised to the extent of approximately HK\$2,107,000.

(b) At the balance sheet date, the Group had the following outstanding litigations:

- (i) On 24 August 1999, a District Court action was commenced by the family of a deceased employee against Excel and two other respondents in respect of a claim for employee's compensation under the Employee's Compensation Ordinance for a fatal injury sustained by the deceased employee in a car accident which occurred in the course of his employment;
- (ii) On 24 January 2000, a District Court action was commenced by an employee against Able Engineering Company Limited ("Able") and another respondent in respect of a claim for employee's compensation under the Employee's Compensation Ordinance for personal injury sustained by the employee in an accident which occurred in the course of his employment; and
- (iii) On 17 February 2001, the same employee referred to in (ii) above commenced a High Court action against Able and three other defendants in respect of a claim for damages under the common law for the personal injury that he sustained in the same accident.

No settlements have yet been reached for the above cases up to the date of this report and no judgements have been entered against Excel and Able in respect of the claims. However, the directors are of the opinion that the claims are covered by insurance and will not have any material adverse impact on the Group.

Save as disclosed above, as at 31 March 2001, the Company and the Group had no other material contingent liabilities.

NOTES TO FINANCIAL STATEMENTS

31 March 2001

31. COMMITMENTS

At 31 March 2001, the Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Land and buildings expiring:		
Within one year	30	–
In the second to fifth years, inclusive	384	521
	<u>414</u>	<u>521</u>

Save as disclosed above, at the balance sheet date, the Company and the Group had no other significant commitments.

32. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

		Group	
	Notes	2001	2000
		HK\$'000	HK\$'000
Subcontracting construction fees paid to close family members of Mr. Ngai Chun Hung	(i)	1,779	2,429
Subcontracting construction fees paid to a related company of which the directors are close family members of Mr. Ngai Chun Hung	(i)	–	30
Rental expenses for leasing of land and buildings paid to a related company of which the shareholders are the minority interests of Excel	(ii)	302	–
Consultancy fee paid to a director of a subsidiary	(ii)	–	120
Rental expenses for leasing of land and buildings and machineries paid to a related company of which the directors are close family members of Mr. Ngai Chun Hung	(ii)	–	114

(i) The terms for the subcontracting construction fees were determined in accordance with relevant agreements entered into between the Group and the relevant related parties, with reference to the Group's estimated cost.

(ii) These transactions were conducted on mutually agreed terms.

The directors of the Company consider that the above transactions were carried out in the ordinary course of business.

33. POST BALANCE SHEET EVENT

On 9 March 2001, the Group entered into a conditional Sale and Purchase Agreement (“S&P Agreement”) to acquire the remaining 48.55% equity interests in each of Excel and Gadelly from the minority shareholders (the “Vendors”) of each of Excel and Gadelly (the “Acquisition”). The consideration was satisfied by the allotment and issue of 16,000,000 new ordinary shares of HK\$0.10 each to the Vendors. The S&P Agreement did not specify the issue price of the aforesaid shares. For the purpose of recording the cost of investment in the books and records of the Group, the amount of the consideration for the Acquisition of HK\$28,480,000 was determined by the Company according to the share closing price of HK\$1.78 on 9 March 2001.

The Acquisition constituted a discloseable and connected transaction under the Listing Rules. Details of the Acquisition are disclosed in the circular of the Company dated 3 April 2001. Pursuant to the resolution passed on a special general meeting by the shareholders of the Company on 23 April 2001, the Acquisition was approved and 16,000,000 new ordinary shares of HK\$0.10 each were allotted and issued on 27 April 2001, the date of completion of the Acquisition. Accordingly, Excel and Gadelly became the wholly-owned subsidiaries of the Group thereafter.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 14 June 2001.