

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002



1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activity of the Company is investment holding while the principal activities of its subsidiaries are marketing, installation and maintenance of lifts and escalators, air-conditioning systems, electrical and mechanical systems, power equipment and industrial equipment and environmental engineering; supply and installation of building materials and equipment; sales, servicing and leasing of motor vehicles; sales of computer and office equipment; trading of general merchandise; provision of telecommunication, IT and network solutions, technical and maintenance services; building management, hotel and travel agency services; property investment and trading; insurance business and securities trading.

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 ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

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

(a) Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date" ("SSAP 9 (Revised)"), dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity. In adopting SSAP 9 (Revised), dividends receivable from subsidiaries, associates and jointly controlled entities are not recognised as receivables at the balance sheet date for the dividends proposed or declared after the balance sheet date by these companies. This change in accounting policy has been applied retrospectively.

(b) Leases

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

(c) Goodwill

In adopting SSAP 30 "Business Combinations", the Group elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary, associate or jointly controlled entity and the date of adoption of SSAP 30 have been recognised retrospectively. Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as further impairment losses are identified. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income statement based on an analysis of the circumstances from which the balance resulted.

(d) Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

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FOR THE YEAR ENDED 31ST MARCH, 2002

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

The effect of the adoption of the new and revised accounting policies described above on the shareholders' equity is summarised below:

	Retained profits HK\$'000	Dividend reserve HK\$'000	Capital reserve HK\$'000
THE GROUP			
Balance at 1st April, 2000			
As originally stated	962,323	–	286,198
Derecognition of liability for final dividend for 2000	–	58,283	–
Recognition of impairment of goodwill held in reserves	(674)	–	674
As restated	<u>961,649</u>	<u>58,283</u>	<u>286,872</u>

In adopting SSAP 9 (Revised), final dividend for 2001 amounting to HK\$43,082,000 was not recognised as a liability at the balance sheet date and the reserves of the Group as at 31st March, 2001 have been increased by that amount.

The Group's dividends receivable from associates as at 31st March, 2000 and 31st March, 2001 have been decreased by HK\$1,710,000 and HK\$3,361,000 respectively and the Group's share of net assets in associates as at 31st March, 2000 and 31st March, 2001 have been increased by the same respective amounts.

	Retained profits HK\$'000	Dividend reserve HK\$'000
THE COMPANY		
Balance at 1st April, 2000		
As originally stated	539,301	–
Derecognition of liability for final dividend for 2000	–	58,283
Derecognition of income for dividend proposed by subsidiaries	(11,515)	–
As restated	<u>527,786</u>	<u>58,283</u>
Balance at 1st April, 2001		
As originally stated	708,638	–
Derecognition of liability for final dividend for 2001	–	43,082
Derecognition of income for dividend proposed by subsidiaries	(7,043)	–
As restated	<u>701,595</u>	<u>43,082</u>

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year and also incorporate the Group's interests in associates and jointly controlled entities on the basis set out in (e) and (f) below.

The results of subsidiaries, associates or 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

**3. PRINCIPAL ACCOUNTING POLICIES** (continued)**(b) Goodwill/negative goodwill**

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

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

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted.

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

(c) Intangible assets

Intangible assets are measured initially at cost and amortised on a straight-line basis over their estimated useful lives as follows:

Cold storage, public bonded warehouse	
and rice storage licences	10 years
Software licences	5 years

(d) Investments in subsidiaries

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

(e) Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of the 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 paid less any discount on acquisition in so far as it has not already been written off, amortised or released to the income statement, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

3. PRINCIPAL ACCOUNTING POLICIES (continued)**(f) 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 over which none of the participating parties has unilateral control.

Jointly controlled assets

Where a group company undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of jointly controlled assets, together with its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

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 jointly controlled entities plus the premium paid less any discount on acquisition in so far as it has not already been written off, amortised or released to the income statement, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any identified impairment loss. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(g) 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, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

(h) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Investments in securities (continued)

Investments other than held-to-maturity debt securities are classified as investment securities and 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 that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in income statement for the period.

(i) 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 value and are revalued annually by independent professional valuers. Any revaluation increase or decrease 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 revaluation decrease, in which case the excess of the revaluation decrease over the balance of the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

(j) Property, plant and equipment

(i) Hotel properties

Hotel properties and their internal fixed plant are stated at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Any increase arising on revaluation of such properties is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided on a straight-line basis on hotel properties over the remaining terms of the relevant land lease.

(ii) Other properties

Cold storage warehouses and other properties held for own use are stated at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Any increase arising on revaluation of such properties is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

3. PRINCIPAL ACCOUNTING POLICIES (continued)**(j) Property, plant and equipment (continued)****(ii) Other properties (continued)**

No depreciation is provided on freehold land. Depreciation is provided on leasehold land over the remaining term of the respective leases. Depreciation is provided on the cost of the buildings on a straight-line basis over their estimated useful lives of 20 to 50 years or the remaining terms of the respective leases, whichever is the shorter.

(iii) Plant and equipment

Plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of the plant and equipment over their estimated useful lives after taking into account their estimated residual value, on the reducing balance basis, at the following rates per annum:

	Initial charge upon purchase	Annual charge
Computer equipment	20%	40%
Others	20%	20%

Assets held for leasing are depreciated over the term of the leases.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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.

(k) Properties for sale and under development

Properties held for sale are stated at the lower of cost and net realisable value. Properties under development are stated at cost less any identified impairment loss where appropriate.

Cost comprises the cost of acquisition of properties, construction costs, other direct costs and borrowing costs capitalised. Net realisable value is estimated by management based on prevailing market conditions or where a binding sales agreement is executed, by reference to the agreed selling prices.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Installation contracts

When the outcome of a contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the value of work carried out during the year. When the outcome of a contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as "amounts due from customers for contract work" (as an asset) or "amounts due to customers for contract work" (as a liability), where applicable. Amounts received before the related work is performed are included in the balance sheet as a liability. Amounts billed for work performed on a contract but not yet paid by the customers are included in the balance sheet under "debtors, deposits and prepayments".

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FOR THE YEAR ENDED 31ST MARCH, 2002



3. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Unearned insurance premiums

Unearned insurance premiums represent the estimated portion of the premiums written which relate to periods of insurance subsequent to the balance sheet date. Unearned premiums are computed on the net premiums written during the year, after deduction of net commissions and discounts given to customers, apportioned on a straight-line basis over the period insured.

(o) Insurance claims

Claims paid and outstanding comprise claims paid, claims reported but not yet paid as at the balance sheet date and an estimate of claims incurred but not reported which is calculated with reference to foreseeable events, past experiences and trends.

(p) Revenue recognition

When the outcome of an installation contract can be estimated reliably, revenue is recognised using the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Income from properties developed for sale, where there are no pre-sales prior to completion of development, is recognised on the execution of a binding sales agreement or when the relevant occupation permit is issued by the relevant government authorities, whichever is the later.

Income from properties pre-sold prior to completion of development is recognised according to the stage of completion and is calculated by reference to the development costs incurred to date as a proportion to the estimated total development costs.

Income from property trading is recognised on the execution of a binding sales agreement.

Income from sale of goods is recognised when goods are delivered and title to the goods has passed to the customer.

Income from rendering of services is recognised at the time when services are rendered. Receipts in advance of provision of services are accounted for as deferred income.

Insurance agency commission is recognised on the effective commencement or renewal dates of the related policies.

Insurance premium is recognised as income when an insurance policy is accepted and the relevant debit note is issued by the Company.

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

Income from sale of securities is recognised on a trade date basis when the sales agreement becomes unconditional.

Rental income and other earnings under operating leases are recognised on a straight-line basis over the terms of the respective leases.

(q) Operating leases

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessors are accounted for as operating leases. Payments on assets leased by the Group and income on property, plant and equipment of the Group leased to third parties are dealt with in the income statement on a straight-line basis over the terms of the relevant lease.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) **Finance leases**

Leases are classified as finance leases when 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 values 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 obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

(s) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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.

(t) **Foreign currencies**

The accounting records of the Group, other than those subsidiaries not operating in Hong Kong, are maintained in Hong Kong dollar. Transactions denominated in foreign currencies during the year are translated into Hong Kong dollar at the rates of exchange ruling on the dates of transactions or on the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated into Hong Kong dollar at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries, associates and jointly controlled entities are translated at the rates ruling at the balance sheet date. All exchange differences arising on consolidation are dealt with in the exchange fluctuation reserve.

(u) **Retirement benefits scheme**

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

(v) **Taxation**

The charge for taxation is based on the results for the year as adjusted 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 using 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.

4. TURNOVER

An analysis of the Group's turnover by business segment are as follows:

	2002 HK\$'000	2001 HK\$'000
Marketing, installation and maintenance of lifts and escalators, electrical, mechanical, and environmental engineering	1,311,517	1,741,008
Aluminium works and building materials	329,000	271,633
Sale, servicing and leasing of motor vehicles	310,854	332,360
Property investment and trading	118,376	59,851
Sales of and installation of telecommunication, computer and office equipment, provision of IT and network solutions, technical and maintenance services	735,482	943,265
Trading of general merchandises	121,356	121,081
Insurance business	301,641	125,206
Hotel operation	52,847	46,127
Others	57,805	134,126
	<u>3,338,878</u>	<u>3,774,657</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segment

For management purposes, the Group is currently organised into eight operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these business is presented below.

TURNOVER AND RESULTS

Year ended 31st March, 2002

	Lifts, escalators, electrical, mechanical and environmental engineering	Aluminium works and building materials	Motor vehicles	Property investment and trading	Sales and servicing of IT equipment and business machines	Insurance Trading	Hotel business operation	Others	Group total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
TURNOVER										
Total sales	1,313,998	333,366	310,854	163,365	739,395	123,075	315,161	52,847	83,347	3,435,408
Inter-segment sales	(2,481)	(4,366)	-	(44,989)	(3,913)	(1,719)	(13,520)	-	(25,542)	(96,530)
External sales	<u>1,311,517</u>	<u>329,000</u>	<u>310,854</u>	<u>118,376</u>	<u>735,482</u>	<u>121,356</u>	<u>301,641</u>	<u>52,847</u>	<u>57,805</u>	<u>3,338,878</u>
Inter-segment sales are charged at prices determined by management with reference to market prices.										
RESULTS										
Segment results	<u>107,713</u>	<u>14,863</u>	<u>3,151</u>	<u>43,732</u>	<u>(23,463)</u>	<u>(4,109)</u>	<u>18,368</u>	<u>(8,568)</u>	<u>23,165</u>	174,852
Unallocated corporate expenses										(3,727)
Interest income										23,682
Dividend income										<u>894</u>
Profit from operations										195,701
Finance costs										(57,893)
Share of results of associates	(620)	-	-	10,000	5,135	-	-	-	2,105	16,620
Share of results of jointly controlled entities	1,391	-	-	203	-	-	-	-	(17,561)	<u>(15,967)</u>
Profit before taxation										138,461
Taxation										<u>(22,816)</u>
Profit before minority interests										115,645
Minority interests										<u>(4,183)</u>
Profit for the year										<u><u>111,462</u></u>

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Business Segment** (continued)**BALANCE SHEET**

As at 31st March, 2002

	Lifts, escalators, electrical, mechanical and environmental engineering	Aluminium works and building materials	Motor vehicles	Property investment and trading	Sales and servicing of IT equipment and business machines	Trading	Insurance business	Hotel operation	Others	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS										
Segment assets	718,420	410,593	53,086	2,236,204	344,717	89,288	479,499	207,623	462,692	5,002,122
Interests in associates	-	-	-	40,181	18,646	-	-	-	38,107	96,934
Interests in jointly controlled entities	(2,801)	-	-	7,442	-	-	-	-	35,169	39,810
Unallocated corporate assets										<u>30,702</u>
Consolidated total assets										<u>5,169,568</u>
LIABILITIES										
Segment liabilities	254,580	333,722	6,722	221,250	85,812	24,275	322,204	13,139	41,066	1,302,770
Unallocated corporate liabilities										<u>1,304,260</u>
Consolidated total liabilities										<u>2,607,030</u>

OTHER INFORMATION

Year ended 31st March, 2002

	Lifts, escalators, electrical, mechanical and environmental engineering	Aluminium works and building materials	Motor vehicles	Property investment and trading	Sales and servicing of IT equipment and business machines	Trading	Insurance business	Hotel operation	Others	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	5,965	1,001	1,018	13,910	9,981	199	309	37,386	249,701	319,470
Depreciation and amortisation	10,074	1,905	808	19,235	7,309	460	817	14,810	3,987	59,405
Deficit (surplus) on property revaluation recognised in income statement	(322)	-	-	(5,450)	309	-	-	-	-	(5,463)
Loss (profit) on disposal of property, plant and equipment	279	107	75	(640)	4,855	-	-	19	179	4,874

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business Segment (continued)

TURNOVER AND RESULTS

Year ended 31st March, 2001

	Lifts, escalators, electrical, mechanical and environmental engineering	Aluminium works and building materials	Motor vehicles	Property investment and trading	Sales and servicing of IT equipment and business machines	Trading	Insurance business	Hotel operation	Others	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER										
Total sales	1,741,008	271,633	332,360	116,134	947,782	121,242	138,299	46,127	157,478	3,872,063
Inter-segment sales	–	–	–	(56,283)	(4,517)	(161)	(13,093)	–	(23,352)	(97,406)
External sales	<u>1,741,008</u>	<u>271,633</u>	<u>332,360</u>	<u>59,851</u>	<u>943,265</u>	<u>121,081</u>	<u>125,206</u>	<u>46,127</u>	<u>134,126</u>	<u>3,774,657</u>

Inter-segment sales are charged at prices determined by management with reference to market prices.

RESULTS

Segment results	<u>182,005</u>	<u>84,625</u>	<u>1,680</u>	<u>46,256</u>	<u>15,102</u>	<u>(3,742)</u>	<u>(8,100)</u>	<u>(685)</u>	<u>(33,422)</u>	283,719
Unallocated corporate expenses										(4,661)
Interest income										41,383
Dividend income										811
Profit from operations										321,252
Finance costs										(83,795)
Share of results of associates	–	–	–	22	5,109	–	–	–	(14,883)	(9,752)
Share of results of jointly controlled entities	796	–	–	5,177	–	–	–	–	1	5,974
Profit before taxation										233,679
Taxation										(49,460)
Profit before minority interests										184,219
Minority interests										(12,460)
Profit for the year										<u>171,759</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business Segment (continued)

BALANCE SHEET

As at 31st March, 2001

	Lifts, escalators, electrical, mechanical and environmental engineering	Aluminium works and building materials	Motor vehicles	Property investment and trading	Sales and servicing of IT equipment and business machines	Trading	Insurance business	Hotel operation	Others	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS										
Segment assets	689,726	382,061	67,706	2,446,659	476,730	83,676	222,535	180,277	176,293	4,725,663
Interests in associates	–	–	–	30,801	16,837	–	–	–	38,226	85,864
Interests in jointly controlled entities	(3,979)	–	–	6,860	–	–	–	–	–	2,881
Unallocated corporate assets										33,197
Consolidated total assets										<u>4,847,605</u>
LIABILITIES										
Segment liabilities	264,667	307,537	6,866	338,484	98,547	18,994	123,843	7,207	123,924	1,290,069
Unallocated corporate liabilities										<u>1,050,862</u>
Consolidated total liabilities										<u>2,340,931</u>

OTHER INFORMATION

Year ended 31st March, 2001

	Lifts, escalators, electrical, mechanical and environmental engineering	Aluminium works and building materials	Motor vehicles	Property investment and trading	Sales and servicing of IT equipment and business machines	Trading	Insurance business	Hotel operation	Others	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	11,322	2,928	456	110,302	13,386	67	176	31,506	503	170,646
Depreciation and amortisation	11,006	2,004	856	15,313	10,996	415	880	13,499	418	55,387
Deficit on property revaluation recognised in income statement	189	–	–	634	632	55	–	–	–	1,510
Loss on disposal of property, plant and equipment	555	70	15	2	3,398	2	2	235	12	4,291

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical Segments

The Group's operations in marketing, installation and maintenance of lifts and escalators, air-conditioning systems, electrical and mechanical systems, power equipment and industrial equipment and environmental engineering are located in Hong Kong, Singapore and other regions in the People's Republic of China (the "PRC"). Supply and installation of building materials and equipment are carried out in Hong Kong and the PRC. Sales, servicing and leasing of motor vehicles are carried out in Canada. Provision of telecommunication, IT and network solution, sales and servicing of computer and office equipment are mainly carried out in Hong Kong, the PRC and Thailand. Trading of general merchandises are carried out in Hong Kong and USA. Property investment and trading activities are mainly carried out in Hong Kong and the PRC. Insurance business is conducted in Hong Kong. Hotel operations are carried out in the PRC and Canada.

	Turnover by geographical market		Contribution to profit (loss) from operations	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,289,551	2,563,990	143,529	212,250
The PRC	369,615	372,501	748	55,312
Canada	325,349	349,136	8,921	6,968
Singapore	135,259	164,118	33,908	32,852
U.S.A.	86,995	90,681	4,951	4,132
Thailand	111,519	141,433	9,598	9,227
Others	20,590	92,798	(5,954)	511
	3,338,878	3,774,657	195,701	321,252

The following is an analysis of the carrying amounts of segment assets and additions to investment properties, property, plant and equipment and intangible assets analysed by the geographical area in which the assets are located:

	Carrying amounts of segment assets		Additions to investment properties, other properties, plant and equipment and intangible assets	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	3,415,847	3,046,135	265,605	122,840
The PRC	1,033,367	1,101,590	47,877	38,467
Canada	196,893	195,678	1,018	456
Singapore	330,091	320,959	470	1,470
U.S.A.	62,243	71,113	189	52
Thailand	66,995	73,493	1,873	877
Others	64,132	38,637	2,438	6,484
	5,169,568	4,847,605	319,470	170,646

6. OTHER REVENUE

	2002	2001
	HK\$'000	HK\$'000
Included in other revenue are:		
Interest from bank and other deposits	19,766	36,072
Interest earned on debt securities	3,916	5,311
Dividend income from listed securities	894	811
Impairment loss on interests in associates written back	—	3,000
Management fee income	2,184	7,114
Exchange gain	532	—
Surplus on revaluation of other properties	5,463	—

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

7. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	2002 HK\$'000	2001 HK\$'000
Deficit on revaluation of other properties	–	1,510
Allowance for bad and doubtful debts	20,377	3,039
Loss on disposal of property, plant and equipment	4,874	4,291
Exchange loss	–	23,441
	<u> </u>	<u> </u>

8. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	2002 HK\$'000	2001 HK\$'000
Depreciation on property, plant and equipment		
Own assets	57,489	55,344
Assets held under finance leases	2	43
	<u>57,491</u>	<u>55,387</u>
Less: Amount capitalised to contract work	(51)	(71)
	57,440	55,316
Amortisation of goodwill (included in other operating expenses)	1,830	–
Amortisation of intangible assets (included in other operating expenses)	84	–
Auditors' remuneration	4,680	4,876
Staff costs including directors' emoluments (note a)	556,280	554,786
Less: Amount capitalised to contract work	(26,110)	(18,694)
	530,170	536,092
Operating lease payments in respect of leasing of		
Premises	32,792	31,805
Others	695	687
	33,487	32,492
Net realised and unrealised holding loss on investments in securities	–	30,165
	<u> </u>	<u> </u>
and crediting:		
Gross rental income from properties of HK\$76,698,000 (2001: HK\$58,781,000) less outgoings (note b)	61,348	46,139
Gross earnings from leasing of equipment of HK\$866,723 (2001: HK\$434,000) less outgoings	715	253
Net realised and unrealised holding gain on investments in securities	12,217	–
	<u> </u>	<u> </u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

8. PROFIT FROM OPERATIONS (continued)

Notes:

- (a) Staff costs included an amount of HK\$3,545,000 (2001: HK\$4,826,000) in respect of redundancy payments made to staff and an amount of HK\$21,894,000 (2001: HK\$17,165,000) in respect of retirement benefits scheme contributions, net of forfeited contributions.
- (b) Included in rental income is an amount of HK\$2,147,000 (2001: HK\$2,303,000) less outgoings of HK\$813,000 (2001: HK\$943,000) received from jointly controlled assets.

9. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within 5 years	59,681	85,270
Interest on other borrowings	981	2,636
Finance lease charges	1	11
	<u>60,663</u>	<u>87,917</u>
Less: Amount capitalised to contract work	(2,770)	(4,122)
	<u>57,893</u>	<u>83,795</u>

Borrowing costs capitalised are based on actual interest cost incurred during the construction or acquisition of qualifying assets. The average interest rate during the year was 4% (2001: 8%).

10. TAXATION

	2002 HK\$'000	2001 HK\$'000
The charge (credit) comprises:		
Company and subsidiaries		
Current year profits tax		
Hong Kong (note a)	21,050	35,527
Overseas (note b)	12,673	13,088
Prior year's profits tax (note c)		
Hong Kong	(12,000)	-
Deferred taxation		
Hong Kong	-	(180)
	<u>21,723</u>	<u>48,435</u>
Share of taxation of associates	881	805
Share of taxation of jointly controlled entities	212	220
	<u>22,816</u>	<u>49,460</u>

Notes:

- (a) Provision for Hong Kong profits tax is calculated at the rate of 16% (2001: 16%) on the estimated assessable profits less available tax relief for losses brought forward of each individual company.
- (b) Provision for overseas taxation is calculated based on the rates applicable to the relevant local legislation on the estimated assessable profits.
- (c) Prior year's profits tax represents reversal of provision made on the capital gain on disposal of a subsidiary.

Details of the potential deferred tax (credit) charge not provided for in the year are set out in note 37.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

11. DIVIDENDS

	2002 HK\$'000	2001 HK\$'000
Interim dividend paid HK\$0.020 per share on 1,275,112,025 shares (2001: HK\$0.025 per share on 1,202,859,743 shares)	25,502	30,071
Final dividend proposed HK\$0.015 per share on 1,275,112,025 shares (2001: HK\$0.035 per share on 1,230,904,366 shares)	19,127	43,082
Final dividend for prior year on additional shares issued before the closing of the register of members for the dividend	—	61
	<u>44,629</u>	<u>73,214</u>

The amount of final dividend payable for the year ended 31st March, 2002 has been computed on the assumption that no grantees of share options will subscribe for shares prior to the record date for payment of dividend. Dividends payable would increase by HK\$512,000 if all grantees of share options exercised their rights to subscribe for shares before the closing of register of members for the current year's final dividend.

Shareholders have an option to receive new shares of the Company in lieu of cash for the interim dividend for the year ended 31st March, 2001 and final dividend for both years.

12. EARNINGS PER SHARE

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

	2002 HK\$'000	2001 HK\$'000
Earnings for the purposes of basic earnings per share	111,462	171,759
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	—	(68)
Earnings for the purposes of diluted earnings per share	<u>111,462</u>	<u>171,691</u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,248,951	1,182,860
Effect of dilutive potential ordinary shares:		
Share options (<i>note</i>)	<u>5,439</u>	<u>11,093</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,254,390</u>	<u>1,193,953</u>

Note: The calculation of diluted earnings per share does not assume the exercise of certain outstanding share options as their exercise prices were higher than the average market prices per share during the year ended 31st March, 2001 and 2002.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

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13. INVESTMENT PROPERTIES

	Hong Kong under medium-term leases HK\$'000	PRC under medium-term leases HK\$'000	Overseas on freehold land HK\$'000	Total HK\$'000
THE GROUP				
AT VALUATION				
At 1st April, 2001	186,083	9,600	182,221	377,904
Transfers	28,500	–	–	28,500
Deficit on revaluation	(15,500)	(460)	(20,352)	(36,312)
Exchange adjustments	–	–	(3,627)	(3,627)
	<u>186,083</u>	<u>9,140</u>	<u>182,221</u>	<u>377,444</u>
At 31st March, 2002	<u>199,083</u>	<u>9,140</u>	<u>158,242</u>	<u>366,465</u>

Notes:

- (a) Investment properties in Hong Kong with carrying value of HK\$21,333,000 (2001: HK\$23,333,000) represent the Group's share of interest in jointly controlled assets.
- (b) Properties were revalued on an open market value based on existing use basis on 31st March, 2002 by independent professional valuers. Properties in Hong Kong and PRC were revalued by Knight Frank and DTZ Debenham Tie Leung Limited. Overseas properties were revalued by CB Richard Ellis (Pte) Ltd and DTZ Debenham Tie Leung Limited.
- (c) Charges were created on the investment properties with a total carrying value of HK\$185,472,000 (2001: HK\$170,972,000) to secure bank loans and other facilities extended to the Group as disclosed in note 28.
- (d) Gross rental income derived from investment properties for the year amounted to HK\$20,426,000 (2001: HK\$19,154,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

14. PROPERTY, PLANT AND EQUIPMENT

	Properties for own use HK\$'000	Hotel properties HK\$'000	Cold storage warehouse HK\$'000	Machinery, tools transmitters and tele- communication equipment HK\$'000	Furniture, fixtures, other equipment, yacht, and motor vehicle held for own use HK\$'000	held for leasing HK\$'000	Total HK\$'000
THE GROUP							
AT COST OR VALUATION							
At 1st April, 2001	736,325	107,722	–	78,986	163,000	1,106	1,087,139
Additions	–	28,098	239,039	7,698	37,961	1,774	314,570
Disposals	(1,220)	–	–	(16,425)	(6,630)	(440)	(24,715)
Transfers	(28,500)	29,833	–	–	84	(84)	1,333
Surplus (deficit) on revaluation	(32,008)	(227)	30,961	–	–	–	(1,274)
Exchange adjustments	(669)	(855)	–	(240)	(217)	15	(1,966)
At 31st March, 2002	<u>673,928</u>	<u>164,571</u>	<u>270,000</u>	<u>70,019</u>	<u>194,198</u>	<u>2,371</u>	<u>1,375,087</u>
ACCUMULATED DEPRECIATION							
At 1st April, 2001	–	–	–	38,440	95,401	290	134,131
Charge for the year	14,563	6,163	877	9,306	26,268	314	57,491
Eliminated upon disposals	–	–	–	(8,707)	(2,577)	(221)	(11,505)
Transfers	–	–	–	–	(21)	21	–
Eliminated upon revaluation	(14,563)	(6,163)	(877)	–	–	–	(21,603)
Exchange adjustments	–	–	–	5	(63)	2	(56)
At 31st March, 2002	<u>–</u>	<u>–</u>	<u>–</u>	<u>39,044</u>	<u>119,008</u>	<u>406</u>	<u>158,458</u>
NET BOOK VALUES							
At 31st March, 2002	<u>673,928</u>	<u>164,571</u>	<u>270,000</u>	<u>30,975</u>	<u>75,190</u>	<u>1,965</u>	<u>1,216,629</u>
At 31st March, 2001	<u>736,325</u>	<u>107,722</u>	<u>–</u>	<u>40,546</u>	<u>67,599</u>	<u>816</u>	<u>953,008</u>
An analysis of the cost and valuation of the Group's property, plant and equipment is as follows:							
At cost	–	–	–	70,019	194,198	2,371	266,588
At 2002 professional valuation	670,841	153,683	270,000	–	–	–	1,094,524
At 2002 directors' valuation	3,087	10,888	–	–	–	–	13,975
	<u>673,928</u>	<u>164,571</u>	<u>270,000</u>	<u>70,019</u>	<u>194,198</u>	<u>2,371</u>	<u>1,375,087</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

- (a) The net book value of properties comprises:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
In Hong Kong under:		
Long lease	185,110	185,800
Medium-term lease	646,910	436,380
In PRC under:		
Long lease	69,967	12,112
Medium-term lease	54,518	55,554
Short lease	540	590
Overseas:		
On free-hold land	130,863	131,848
Long lease	15,864	16,621
Medium-term lease	4,727	5,142
	<u>1,108,499</u>	<u>844,047</u>

- (b) Properties were revalued on 31st March, 2002 on an open market value existing use basis. Certain properties in the PRC were revalued by the directors. Properties other than the above-mentioned were revalued by independent professional valuers, Knight Frank, DTZ Debenham Tie Leung Limited, CKS Property Consultants Pte Ltd, CIBI Information, Inc. and Insignia Brooke (Thailand) Limited.
- (c) Had the properties been carried at cost less accumulated depreciation, the carrying value as at 31st March, 2002 would have been HK\$1,105,733,000 (2001: HK\$827,355,000).
- (d) Charges were created on the properties with a total carrying value of HK\$740,709,000 (2001: HK\$547,054,000) to secure bank loans and other facilities extended to the Group as disclosed in notes 28 and 38.
- (e) The net book value of machinery, tools and equipment held under finance leases amounted to HK\$13,000 (2001: HK\$160,000).

15. PROPERTIES UNDER DEVELOPMENT

THE GROUP	PRC hotel property under medium- term lease HK\$'000	Overseas properties on freehold land HK\$'000	Total HK\$'000
AT COST			
At 1st April, 2001	29,833	5,719	35,552
Exchange adjustments	–	(84)	(84)
Transfers	(29,833)	–	(29,833)
At 31st March, 2002	<u>–</u>	<u>5,635</u>	<u>5,635</u>

16. NEGATIVE GOODWILL

The negative goodwill arose from acquisition of additional interest in a subsidiary.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

17. INTANGIBLE ASSETS

THE GROUP	Cold storage, public bonded warehouse and rice storage licences HK\$'000	Software licences HK\$'000	Total HK\$'000
COST			
At 1st April, 2001	–	–	–
Additions	3,000	1,900	4,900
At 31st March, 2002	3,000	1,900	4,900
AMORTISATION			
At 1st April, 2001	–	–	–
Charge for the year	37	47	84
At 31st March, 2002	37	47	84
NET BOOK VALUES			
At 31st March, 2002	2,963	1,853	4,816
At 31st March, 2001	–	–	–

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Cost less impairment loss recognised in respect of		
Shares listed in		
Hong Kong	171,463	171,225
Singapore	77,014	77,014
Unlisted shares	1,025,589	985,165
Amounts due from subsidiaries less allowance	264,021	249,522
	1,538,087	1,482,926
Market value of listed shares		
Hong Kong	102,194	112,921
Singapore	150,944	86,600

Particulars regarding the principal subsidiaries as at 31st March, 2002 are set out on pages 72 to 76.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the subsidiaries as set out are those which principally affected the results or assets of the Group.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

19. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets				
Associate listed in Hong Kong	24,764	25,157	–	–
Unlisted associates	69,714	51,900	–	–
Negative goodwill on acquisition	(309)	–	–	–
Cost less impairment loss				
Associate listed in Hong Kong	–	–	18,108	17,874
Amounts due from associates	2,765	8,807	–	–
	<u>96,934</u>	<u>85,864</u>	<u>18,108</u>	<u>17,874</u>
Market value of listed associate	<u>16,983</u>	<u>16,561</u>	<u>13,803</u>	<u>13,381</u>

The negative goodwill arose from acquisition of additional interests in an associate listed in Hong Kong.

Particulars regarding the principal associates as at 31st March, 2002 are set out on page 77.

The Directors are of the opinion that a complete list of the particulars of all associates would be of excessive length and therefore the associates as set out are those which principally affected the results or net assets of the Group.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets	27,930	2,881	–	–
Goodwill on acquisition less amortisation (<i>note b</i>)	11,880	–	–	–
Cost less impairment loss	–	–	54,563	–
	<u>39,810</u>	<u>2,881</u>	<u>54,563</u>	<u>–</u>

Notes:

- (a) Particulars regarding the principal jointly controlled entities as at 31st March, 2002 are set out on page 78.

The Directors are of the opinion that a complete list of the particulars of all jointly controlled entities would be of excessive length and therefore the jointly controlled entities as set out are those which principally affected the results or net assets of the Group.

- (b) Goodwill on acquisition

	THE GROUP HK\$'000
COST	
At 1st April, 2001	–
Arising on acquisitions of jointly controlled entities during the year	13,710
At 31st March, 2002	<u>13,710</u>
AMORTISATION	
At 1st April, 2001	–
Charge for the year	1,830
At 31st March, 2002	<u>1,830</u>
NET BOOK VALUE	
At 31st March, 2002	<u>11,880</u>
At 31st March, 2001	<u>–</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

21. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Held to maturity securities:				
Debt securities, unlisted	72,322	–	–	–
Other investments:				
Equity securities				
Listed				
Hong Kong	8,574	11,413	4,134	5,750
Overseas	20,663	–	–	–
Unlisted	400	–	–	–
Debt securities				
Listed, overseas	28,860	38,728	16,936	–
Unlisted	85,717	4,448	–	–
Other unlisted unit trusts	90,535	–	–	–
	<u>307,071</u>	<u>54,589</u>	<u>21,070</u>	<u>5,750</u>
Market values of listed securities:				
Equity securities				
Hong Kong	8,574	11,413	4,134	5,750
Overseas	20,663	–	–	–
Debt securities				
Overseas	28,860	38,728	16,936	–
	<u>58,097</u>	<u>50,141</u>	<u>21,070</u>	<u>5,750</u>
Carrying value analysed for reporting purposes are:				
Non-current	77,001	5,780	4,134	5,750
Current	230,070	48,809	16,936	–
	<u>307,071</u>	<u>54,589</u>	<u>21,070</u>	<u>5,750</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

22. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	10,171	34,235
Inventories held for resale	151,848	199,938
Consumable stores	26,423	10,359
	<u>188,442</u>	<u>244,532</u>

The cost of inventories recognised as an expense during the year was HK\$977,600,000 (2001: HK\$1,159,336,000).

At 31st March, 2002, inventories held for resale include an amount of HK\$85,643,000 (2001: HK\$86,114,000) carried at net realisable value.

23. PROPERTIES FOR SALE

The cost of properties sold during the year amounted to HK\$38,928,000 (2001: HK\$3,135,000).

At 31st March, 2002, properties for sale include an amount of HK\$460,961,000 (2001: HK\$413,900,000) carried at net realisable value.

At 31st March, 2002, properties for sale include the Group's share of interest in jointly controlled assets with an aggregate book value of HK\$17,151,000 (2001: HK\$17,151,000).

24. DEBTORS, DEPOSITS AND PREPAYMENTS

At 31st March, 2002, included in debtors, deposits and prepayments are the Group's share of debtors in relation to jointly controlled assets of HK\$518,000 (2001: HK\$790,000).

At 31st March, 2002, included in debtors, deposits and prepayments are trade debtors of HK\$711,915,000 (2001: HK\$706,231,000). The aged analysis of trade debtors is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0 – 60 days	611,329	578,204
61 – 90 days	38,764	34,553
Over 90 days	61,822	93,474
	<u>711,915</u>	<u>706,231</u>

The Group has established different credit policies for customers in each of its core businesses. The average credit period granted for trade debtors was 60 days.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

25. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred	3,911,554	4,209,048
Recognised profits less losses recognised	281,676	408,560
	<u>4,193,230</u>	<u>4,617,608</u>
Less: Progress billings	(4,149,270)	(4,538,608)
	<u>43,960</u>	<u>79,000</u>
Represented by:		
Amounts due from customers included in current assets	86,982	84,688
Amounts due to customers included in current liabilities	(43,022)	(5,688)
	<u>43,960</u>	<u>79,000</u>

At 31st March, 2002, retention monies held by customers for contract work amounted to HK\$77,389,000 (2001: HK\$119,571,000). Advances received from customers for contract work amounted to HK\$23,947,000 (2001: HK\$8,840,000).

26. CREDITORS, DEPOSITS AND ACCRUALS

At 31st March, 2002, included in creditors, deposits and accruals are the Group's share of liabilities incurred in relation to jointly controlled assets of HK\$623,000 (2001: HK\$653,000).

At 31st March, 2002, included in creditors, deposits and accruals are trade creditors of HK\$174,732,000 (2001: HK\$364,194,000). The aged analysis of the trade creditors is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 – 60 days	135,170	338,211
61 – 90 days	6,291	8,931
Over 90 days	33,271	17,052
	<u>174,732</u>	<u>364,194</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	5	46	3	45
In the second to fifth years inclusive	12	–	8	–
	17	46	11	45
Less: future finance charges	(6)	(1)	–	–
	11	45	11	45
Less: amount due within one year shown under current liabilities			(3)	(45)
Amount due for settlement after 12 months			8	–

The Group leased certain of its equipment under finance leases. The average lease term is 4 years. For the year ended 31 March, 2002, the average effective borrowing rate was 11.8%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

28. BANK LOANS AND OVERDRAFTS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The maturity of the bank loans and overdrafts is as follows:				
Repayable within one year	526,465	365,357	100,570	–
Repayable within a period of:				
more than 1 year but not exceeding 2 years	94,608	174,520	–	100,000
more than 2 years but not exceeding 5 years	253,417	181,670	–	–
more than 5 years	393,511	249,774	–	–
	1,268,001	971,321	100,570	100,000
Less: amount due within one year shown under current liabilities	(526,465)	(365,357)	(100,570)	–
	741,536	605,964	–	100,000
Secured	879,557	635,328	–	–
Unsecured	388,444	335,993	100,570	100,000
	1,268,001	971,321	100,570	100,000

Bank loans and overdrafts of HK\$879,557,000 (2001: HK\$635,328,000) are secured by charges on certain properties and other assets of the Group with an aggregate carrying value of HK\$1,855,339,000 (2001: HK\$1,323,689,000). The bank loans carry interest at commercial rates and are repayable by monthly instalments, the last of which falls due in the year 2012.

Notes to the Financial Statements

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29. OTHER SECURED LOANS

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The maturity of the loans is as follows:				
Repayable within one year	–	3,382	–	–
Repayable within a period of:				
more than 1 year but not exceeding 2 years	–	3,508	–	–
more than 2 years but not exceeding 5 years	–	11,296	–	–
over 5 years	–	4,036	–	–
		22,222		
Less: amount due within one year shown under current liabilities	–	(3,382)	–	–
	–	18,840	–	–

Other loans, which were secured by fixed charges on certain properties of the Group with an aggregate carrying value of HK\$12,613,000 and carried interest at commercial rates, were fully repaid during the year ended 31st March, 2002.

30. SHARE CAPITAL

	Number of ordinary shares of HK\$0.25 each	Nominal value HK\$'000
Authorised:		
At 31st March, 2001 and 2002	1,700,000,000	425,000
Issued and fully paid:		
At 1st April, 2000	1,165,654,152	291,413
Issue of shares in lieu of cash dividends	64,038,214	16,010
Issue of shares under share option scheme	1,212,000	303
At 31st March, 2001	1,230,904,366	307,726
Issue of shares in lieu of cash dividends	44,207,659	11,052
At 31st March, 2002	1,275,112,025	318,778

Notes:

(a) Authorised and issued share capital

There were no changes in the authorised share capital during the two years ended 31st March, 2002.

During the year ended 31st March, 2002, 44,207,659 (2001: 35,993,591 and 28,044,623) shares were issued in lieu of cash dividends payable to the shareholders at a price of HK\$0.5016 (2001: HK\$0.5700 and HK\$0.5377 respectively) per share, giving a total consideration of approximately HK\$22,175,000 (2001: HK\$35,596,000). During the year ended 31st March, 2001, 512,000 and 700,000 shares were issued on exercise of options under share option scheme at a price of HK\$0.6464 and HK\$0.5376 per share respectively, giving a total consideration of approximately HK\$707,000. No options were exercised under share option scheme of the Company during the year ended 31st March, 2002.

(b) Share option scheme of the Company

At 31st March, 2002, the following options to subscribe for shares of the Company were outstanding under the share option scheme of the Company:

Exercise price per share	: HK\$0.4880
Exercise period	: 30/06/2000 – 29/06/2003
Number of options	: 34,150,000

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

31. RESERVES

THE GROUP

	Share premium	Capital reserve	Capital redemption reserve	Property revaluation reserve Investment properties	Property revaluation reserve Other properties	Exchange fluctuation reserve	Dividend reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2000									
– as originally stated	350,227	286,198	7,526	66,132	90,559	(12,065)	–	962,323	1,750,900
– prior period adjustments	–	674	–	–	–	–	58,283	(674)	58,283
– as restated	350,227	286,872	7,526	66,132	90,559	(12,065)	58,283	961,649	1,809,183
Final dividend for 2000 paid	–	–	–	–	–	–	(58,283)	–	(58,283)
Dilution of interests in subsidiaries and associates	–	(999)	–	–	3	(2)	–	338	(660)
Issue of new shares	19,990	–	–	–	–	–	–	–	19,990
Share issue expenses	(21)	–	–	–	–	–	–	–	(21)
Transfer (note a)	–	–	–	–	444	(444)	–	–	–
Surplus (deficit) on revaluation of properties	–	–	–	(19,422)	7,598	–	–	–	(11,824)
Profit for the year	–	–	–	–	–	–	–	171,759	171,759
Dividends	–	–	–	–	–	–	43,082	(73,214)	(30,132)
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	(9,160)	–	–	(9,160)
Goodwill on acquisition of additional interests in subsidiaries and associates	–	(17,315)	–	–	–	–	–	–	(17,315)
At 31st March, 2001	370,196	268,558	7,526	46,710	98,604	(21,671)	43,082	1,060,532	1,873,537
Final dividend for 2001 paid	–	–	–	–	–	–	(43,082)	–	(43,082)
Issue of new shares	11,123	–	–	–	–	–	–	–	11,123
Share issue expenses	(34)	–	–	–	–	–	–	–	(34)
Released on disposal of properties	–	–	–	(741)	(158)	–	–	158	(741)
(Deficit) surplus on revaluation of properties	–	–	–	(30,300)	14,813	–	–	–	(15,487)
Released to income statement on liquidation of subsidiaries	–	735	–	–	–	–	–	–	735
Profit for the year	–	–	–	–	–	–	–	111,462	111,462
Dividends	–	–	–	–	–	–	19,127	(44,629)	(25,502)
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	(3,134)	–	–	(3,134)
At 31st March, 2002	381,285	269,293	7,526	15,669	113,259	(24,805)	19,127	1,127,523	1,908,877

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

31. RESERVES (continued)

Notes:

- (a) Exchange difference on translation included in property revaluation reserve disclosed in the previous years' financial statements is re-analysed and reclassified to exchange fluctuation reserve.
- (b) Retained profits of the Group include losses of approximately HK\$33,856,000 (2001: HK\$42,796,000) and HK\$31,952,000 (2001: HK\$15,773,000) sustained by associates and jointly controlled entities respectively.
- (c) Capital reserve includes HK\$84,975,000 (2001: HK\$85,767,000) in respect of goodwill and HK\$26,459,000 (2001: HK\$26,459,000) in respect of negative goodwill. Goodwill of HK\$792,000 (2001: HK\$ Nil) was released to income statement in the year upon dissolution of a subsidiary and goodwill of HK\$17,315,000 arising from acquisition of additional interests in subsidiaries and associates during the year ended 31st March, 2001 was charged against the capital reserve.

THE COMPANY

	Share Premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1st April, 2000						
– as originally stated	350,227	95,325	7,526	–	539,301	992,379
– prior period adjustment	–	–	–	58,283	(11,515)	46,768
– as restated	350,227	95,325	7,526	58,283	527,786	1,039,147
Final dividend for 2000 paid	–	–	–	(58,283)	–	(58,283)
Issue of new shares	19,990	–	–	–	–	19,990
Share issue expenses	(21)	–	–	–	–	(21)
Unclaimed dividends written back	–	59	–	–	–	59
Profit for the year	–	–	–	–	247,023	247,023
Dividends	–	–	–	43,082	(73,214)	(30,132)
Balance at 31st March, 2001	370,196	95,384	7,526	43,082	701,595	1,217,783
Final dividend for 2001 paid	–	–	–	(43,082)	–	(43,082)
Issue of new shares	11,123	–	–	–	–	11,123
Share issue expenses	(34)	–	–	–	–	(34)
Unclaimed dividends written back	–	33	–	–	–	33
Profit for the year	–	–	–	–	129,946	129,946
Dividends	–	–	–	19,127	(44,629)	(25,502)
Balance at 31st March, 2002	<u>381,285</u>	<u>95,417</u>	<u>7,526</u>	<u>19,127</u>	<u>786,912</u>	<u>1,290,267</u>

Contributed surplus represents the difference arising between the value of net assets acquired and the nominal amount of the Company's shares issued upon the reorganisation in 1989 less dividends paid out of the contributed surplus subsequently. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders.

At 31st March, 2002, the Company's reserves available for distribution to shareholders amounted to HK\$882,329,000 (2001: HK\$796,979,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

32. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	138,461	233,679
Share of results of associates	(16,620)	9,752
Share of results of jointly controlled entities	15,967	(5,974)
Interest income	(23,682)	(41,383)
Interest expenses	57,892	83,784
Dividend income from investments in securities	(894)	(811)
Finance lease charges	1	11
Depreciation	57,440	55,316
Amortisation of goodwill	1,830	–
Amortisation of intangible assets	84	–
Loss on liquidation of subsidiaries	735	–
Net loss on disposal of property, plant and equipment	4,874	4,291
(Surplus) deficit on revaluation of other properties	(5,463)	1,510
Gain on disposal of an associate	–	(13)
Impairment loss on interests in associates written back	–	(3,000)
Impairment loss on interests in jointly controlled entities written back	(378)	(1,175)
(Increase) decrease in investments in securities	(252,482)	76,317
Decrease in properties for sale	104,150	16,577
Decrease in inventories	56,876	7,860
Decrease in amounts due from customers for contract work	523	66,550
Decrease in debtors, deposits and prepayments	30,109	78,903
Increase (decrease) in amounts due to customers for contract work	37,410	(68,151)
Decrease in other short-term unlisted investments	–	38,364
Decrease in bills payable	(56,838)	(7,701)
(Decrease) increase in creditors, deposits and accruals	(116,805)	4,921
Increase in unearned insurance premiums	90,773	75,409
Increase in outstanding insurance claims	83,026	18,941
Decrease in construction costs payable	(46,197)	(73,114)
Decrease in deferred service income	(11,461)	(2,575)
Exchange difference	1,668	18,871
	<hr/>	<hr/>
Net cash inflow from operating activities	150,999	587,159
	<hr/>	<hr/>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

33. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank and other loans <i>HK\$'000</i>	Share capital and premium <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1st April, 2000	688,365	641,640	161	364,382
Net cash inflow (outflow) from financing	67,209	686	(116)	(24,316)
Issue of shares in lieu of cash dividends	–	35,596	–	–
Share of profits and reserves by minority shareholders of subsidiaries	–	–	–	4,572
Dividends paid to minority shareholders of subsidiaries	–	–	–	(19,227)
Effect of changes in foreign exchange rates	(7,663)	–	–	–
	<u>688,365</u>	<u>641,640</u>	<u>161</u>	<u>364,382</u>
At 31st March, 2001	747,911	677,922	45	325,411
Net cash inflow (outflow) from financing	465,205	(34)	(48)	24,700
Share of profits and reserves by minority shareholders of subsidiaries	–	–	–	(1,788)
Issue of shares in lieu of cash dividends	–	22,175	–	–
Acquisition of additional interests in subsidiaries from minority shareholders	–	–	–	(299)
Inception of new finance lease	–	–	14	–
Dividends paid to minority shareholders of subsidiaries	–	–	–	(11,985)
Effect of changes in foreign exchange rates	(673)	–	–	(1,156)
	<u>747,911</u>	<u>677,922</u>	<u>45</u>	<u>325,411</u>
At 31st March, 2002	<u>1,212,443</u>	<u>700,063</u>	<u>11</u>	<u>334,883</u>

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March, 2002, 44,207,659 (2001: 64,038,214) shares were issued in lieu of cash dividends payable to the shareholders at a total consideration of approximately HK\$22,175,000 (2001: HK\$35,596,000).

35. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash and bank balances	683,684	705,242
Bank loans and overdrafts	(55,558)	(245,632)
	<u>628,126</u>	<u>459,610</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

**36. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT**

Particulars of the emoluments paid to the Directors of the Company are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	450	450
Salaries, allowances and benefits in kind	19,557	19,051
Contributions to retirement scheme	667	453
	<u>20,674</u>	<u>19,954</u>

Apart from the Directors' fees of HK\$450,000 (2001: HK\$450,000), no other emoluments were paid or are payable to the Independent Non-executive Directors.

Emoluments of the Directors fall within the following bands:

Bands	Number of Directors	
	2002	2001
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	3	3
HK\$1,500,001 – HK\$2,000,000	1	2
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$8,500,001 – HK\$9,000,000	1	–
HK\$9,000,001 – HK\$9,500,000	–	1

The five highest paid individuals include four (2001: four) directors and the total emoluments paid to the five highest paid individuals for both years are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	17,202	16,826
Contributions to retirement scheme	560	308
	<u>17,762</u>	<u>17,134</u>

The emoluments of the five highest paid individuals fall within the following bands:

Bands	Number of individuals	
	2002	2001
HK\$1,500,001 – HK\$2,000,000	2	3
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$8,500,001 – HK\$9,000,000	1	–
HK\$9,000,001 – HK\$9,500,000	–	1

Notes to the Financial Statements

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37. DEFERRED TAXATION

At the balance sheet date, the major components of potential deferred tax assets not accounted for in the financial statements of the Group are as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing difference because of:		
Excess of depreciation over tax allowances	509	2,623
Unutilised tax losses	134,196	116,894
Other timing differences	1,329	293
	<u>136,034</u>	<u>119,810</u>

The amount of the unrecognised tax (credit) charge for the year is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing difference because of		
Excess of tax allowances over depreciation	2,114	2,944
Tax losses arising	(17,302)	(19,743)
Other timing differences	(1,036)	1,514
	<u>(16,224)</u>	<u>(15,285)</u>

Deferred tax asset of the Group has not been recognised in the financial statements as it is not certain that the tax asset will be utilised in the foreseeable future.

Deferred tax has not been accounted for on the surplus or deficit arising on the revaluation of properties in Hong Kong, Singapore and Thailand as profits or losses arising on the disposal of these properties would not be subject to taxation.

Deficit arising on revaluation of the Group's properties in the PRC would not be available to offset other taxable profit and accordingly, these revaluations do not constitute a timing difference for deferred tax purposes.

The potential deferred tax assets attributable to unutilised tax losses of foreign subsidiaries at the balance sheet date will expire in the following years:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
2003	515	2,361
2004	620	216
2005	—	512
2006	—	219
2007	—	319
2008	686	1,020
2009	1,665	1,665
2010	422	422
2012	24	24
2018	214	214

The Company had no significant unprovided deferred tax for the year and at the balance sheet date.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

38. BANKING FACILITIES AND CHARGE ON ASSETS

Other than those disclosed in Note 28, other banking facilities totalling HK\$24,591,000 (2001: HK\$26,700,000) are secured by charges on certain properties of the Group with a carrying value of HK\$6,383,000 (2001: HK\$6,103,000) and certain interest in a subsidiary with a carrying value of HK\$35,939,000 (2001: HK\$37,605,000). In addition, fixed deposits of HK\$63,028,000 (2001: HK\$63,000,000) were pledged as a security for guarantees issued by bankers for the Group's performance for maintenance and remedial work for certain Private Sector Participation Scheme projects completed by the Group.

39. CONTINGENT LIABILITIES

At the balance sheet date, the Company and the Group had the following contingent liabilities:

- (a) The Company had contingent liabilities in respect of counter-indemnities given to bankers and insurance institutions amounting to approximately HK\$309,700,000 (2001: HK\$309,700,000) in respect of guarantees issued by them on the Group's performance for maintenance and remedial work for Private Sector Participation Scheme projects completed by the Group.

- (b) The Group and the Company had issued guarantees in respect of:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Banking facilities:				
Subsidiaries	–	–	1,140,874	889,302
Associate	7,000	–	7,000	–
Jointly controlled entity	12,200	–	12,200	–
Performance bonds:				
Subsidiaries	–	–	412,670	423,636
	<u>19,200</u>	<u>–</u>	<u>1,572,744</u>	<u>1,312,938</u>

- (c) The Company had contingent liabilities of HK\$2,157,000 (2001: Nil) in respect of guarantees given to a jointly controlled entity for hire-purchase of equipment.
- (d) The Group had contingent liabilities of HK\$4,747,000 (2001: HK\$5,368,000) in respect of guarantees given to an associate for mortgage finance provided to the purchasers of the properties previously held by another associate.
- (e) The Group had contingent liabilities for long service payments to employees who have completed the required number of years of service under the Employment Ordinance to be eligible for long service payments on termination of their employment under certain circumstances amounting to approximately HK\$34,000,000 (2001: HK\$37,000,000).

40. OPERATING LEASE

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	20,878	24,548	15,040	20,213
In the second to fifth years inclusive	5,063	14,398	–	15,160
	<u>25,941</u>	<u>38,946</u>	<u>15,040</u>	<u>35,373</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for an average term of two years.

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40. OPERATING LEASE (continued)**The Group as lessor**

At the balance sheet date, investment properties and completed properties for sale with carrying values of HK\$331 million (2001: HK\$360 million) and HK\$514 million (2001: HK\$ 519 million) respectively were rented out under operating leases. These properties were leased out for periods ranging from one year to six years. The future minimum lease payments receivable by the Group under non-cancellable operating leases for each of the following periods is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	43,407	52,901
In the second to fifth years inclusive	22,288	26,543
	65,695	79,444

41. RELATED PARTY TRANSACTIONS

The Company's associate, Chevalier Construction Holdings Limited ("CCHL") and its respective subsidiaries, associates and jointly controlled entities are regarded as related parties for the purpose of SSAP 20 issued by the Hong Kong Society of Accountants. Details of the material transactions with these companies are as follows:

- (a) On 1st April, 2001, the Company entered into an agreement with CCHL, under which the Company shall provide accounting, treasury, electronic data processing, company secretarial and personnel management services to CCHL group for a term of one year ended on 31st March, 2002 at a management fee calculated at the rate of 0.3% of the aggregate annual turnover of the operating subsidiaries of CCHL. Management fee received from CCHL group under this agreement for the year ended 31st March, 2002 amounted to HK\$1,584,000 (2001: HK\$3,679,000).
- (b) During the year, the Group received rental determined with reference to market rates amounting to HK\$2,242,000 (2001: HK\$2,835,000) from CCHL group for the use of the Group's premises. The rental receivable as at the balance sheet date amounted to HK\$170,000 (2001: HK\$349,000).
- (c) An agreement was made between the Company and CCHL whereby CCHL group may source supply of lifts and escalators, air conditioning systems, electrical and mechanical systems, building materials and equipment and related services to various subsidiaries of the Company from time to time at consideration determined with reference to market rates. The value of work done and supplies made to CCHL group during the year and the amount receivable as at the balance sheet date amounted to HK\$44,292,000 (2001: HK\$4,158,000) and HK\$1,067,000 (2001: HK\$8,725,000) respectively.

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FOR THE YEAR ENDED 31ST MARCH, 2002

41. RELATED PARTY TRANSACTIONS (continued)

- (d) In August 2000, the Group acquired from CCHL its entire interest in Preussag Pipe Rehabilitation Hong Kong Limited together with a debt due to CCHL at a total consideration of HK\$21,248,000 as agreed by both parties. The transaction was completed in October 2000.

Apart from the above, the Group made advances to its associates and jointly controlled entities during the year. The advances with these companies are unsecured and without fixed terms of repayment. The outstanding balances at 31st March, 2002 are disclosed in the consolidated balance sheet and note 19.

All balances are unsecured and interest free except for an amount outstanding at 31st March, 2001 of HK\$5,000,000 which bore interest at commercial rates, such amount was repaid during the year.

42. POST BALANCE SHEET EVENTS

On 6th March, 2002, the Group made a proposal of unconditional cash offer through one of its wholly-owned subsidiaries to acquire all the remaining issued ordinary shares of Chevalier Singapore Holdings Limited ("CSHL") not already held by the Group at a price of S\$0.45 ("the Offer"). However, the Group was not entitled to exercise its rights of compulsory acquisition as it held less than 90% of the issued share capital of CSHL on the closing date of the Offer.

On the closing date of the Offer, the Group's interest in CSHL was increased from 71.11% to 88.53% through purchase in open market and acceptance of the Offer, including 4,375,000 shares from a director, Dr. Chow Yei Ching at a total consideration of HK\$8,348,000.