NOTES TO FINANCIAL STATEMENTS

31 March 2003

1. CORPORATE INFORMATION

The Group is engaged in a wide range of construction, renovation, civil engineering 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 Ltd., a company incorporated in the British Virgin Islands.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs became effective and were adopted by the Group during the year:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 34 : "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs, which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented on page 29 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised to exclude short-term bank loans that are financing in nature.

NOTES TO FINANCIAL STATEMENTS
31 March 2003

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. However, additional disclosures are now required in respect of the Company's share option scheme, as detailed in note 29 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

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 periodic remeasurement of investment properties, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March each year. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

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

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly over the joint venture company; or

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly over the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

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 impairment losses.

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 non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

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

Goodwill *(continued)*

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, goodwill arising on acquisitions was accounted for directly in reserves, in the consolidated goodwill reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain in reserves. Goodwill on acquisitions subsequent to 1 April 2001 is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously accounted for directly in consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining in the consolidated goodwill reserve, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

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.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO FINANCIAL STATEMENTS
31 March 2003

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

Impairment of assets *(continued)*
A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation
Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses.

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% – 24%
Furniture, fixtures and office equipment	20% – 24%
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.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

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

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.

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 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. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS
31 March 2003

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

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.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Prior to the adoption of the revised SSAP 15 during the year, as explained in note 2 to the financial statements, cash equivalents in the consolidated cash flow statement also included advances from banks repayable within three months from the date of the advance, in addition to bank overdrafts. This change in definition has resulted in a prior year adjustment relating to trust receipt loans, further details of which are included in note 31 to the financial statements.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

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

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) work orders from contracts for alterations, additions, maintenance and repair, based on the value of individual work orders certified by relevant employers;

(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) dividend income, when the shareholders' right to receive payments has been established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currency transactions

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

NOTES TO FINANCIAL STATEMENTS
31 March 2003

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

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. 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 MPF Scheme. The assets of the MPF 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 into the MPF 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 employer's contributions.

NOTES TO FINANCIAL STATEMENTS

31 March 2003

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

Employee benefits *(continued)*

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the building construction segment engages in construction contract work as a main contractor or subcontractor, primarily in respect of building construction;

(b) the civil engineering works segment engages in roadworks, drainage and sewerage works, water supply works, utilities engineering works and landslip preventive and remedial works to slopes and retaining walls; and

(c) the renovation, repairs and maintenance segment engages in repairs, maintenance, renovation and fitting out of public housing and Government and other institutional buildings.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

During the two years ended 31 March 2002 and 2003, the Group's businesses were principally engaged in Hong Kong and the directors consider that the Group operates within a single geographical segment. Accordingly, no geographical segment information is presented.

NOTES TO FINANCIAL STATEMENTS
31 March 2003

4. SEGMENT INFORMATION *(continued)*

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group	Building construction		Civil engineering works		Renovation, repairs and maintenance		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Contract revenue from external customers	**399,502**	150,221	**104,544**	99,691	**157,179**	117,505	**661,225**	367,417
Segment results	**17,158**	4,337	**5,624**	5,869	**11,668**	4,182	**34,450**	14,388
Interest and unallocated revenue							**2,668**	1,336
Unallocated expenses							**(23,268)**	(23,860)
Profit/(loss) from operating activities							**13,850**	(8,136)
Finance costs							**(1,688)**	(426)
Share of profits and losses of jointly-controlled entities							**7**	(33)
Profit/(loss) before tax							**12,169**	(8,595)
Tax							**(1,537)**	(468)
Profit/(loss) before minority interests							**10,632**	(9,063)
Minority interests							**–**	(115)
Net profit/(loss) from ordinary activities attributable to shareholders							**10,632**	(9,178)

NOTES TO FINANCIAL STATEMENTS

31 March 2003

4. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

Group	Building construction		Civil engineering works		Renovation, repairs and maintenance		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**220,776**	73,990	**28,028**	17,456	**37,466**	20,632	**286,270**	112,078
Interests in jointly-controlled entities							**(236)**	18
Unallocated assets							**86,767**	73,299
Total assets							**372,801**	185,395
Segment liabilities	**180,215**	54,635	**17,228**	8,633	**6,951**	8,906	**204,394**	72,174
Unallocated liabilities							**46,852**	2,298
Total liabilities							**251,246**	74,472
Other unallocated segment information:								
Depreciation and amortisation							**2,427**	2,106
Deficit on revaluation of investment properties							**2,340**	1,900
Capital expenditure							**2,420**	2,823

NOTES TO FINANCIAL STATEMENTS
31 March 2003

5. TURNOVER AND OTHER REVENUE

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

An analysis of turnover and other revenue is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Turnover – contract revenue	**661,225**	367,417
Other revenue		
Interest income	**1,504**	713
Exchange gains, net	**728**	308
Sundry income	**436**	315
	2,668	1,336

6. CHANGE IN ACCOUNTING ESTIMATE

During the year, a threshold of 10% (previously 25%) to the stage of completion was applied by the Group in determining the initial recognition of attributable profit. In the opinion of the directors, based on the Group's experience in making reliable estimates of construction costs, the revised threshold for the initial recognition of attributable profit more fairly reflects the operating results of the Group. The change in the accounting estimate has increased gross profit by approximately HK$4.8 million for the current year.

NOTES TO FINANCIAL STATEMENTS
31 March 2003

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

		Group	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Auditors' remuneration		**630**	680
Depreciation	*15*	**1,566**	1,316
Deficit on revaluation of investment properties	*15*	**2,340**	1,900
Goodwill amortisation*	*16*	**861**	790
Exchange gains, net		**(728)**	(308)
Staff costs			
(exclusive of directors' remuneration – note 9):			
Salaries and wages		**51,122**	33,931
Pension scheme contributions		**1,791**	1,118
Less: Forfeited contributions		**–**	(68)
Net pension contributions		**1,791**	1,050
		52,913	34,981
Minimum lease payments under operating leases:			
Land and buildings		**578**	657
Equipment		**2,431**	1,051
Interest income		**(1,504)**	(713)

* The amortisation of goodwill for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

NOTES TO FINANCIAL STATEMENTS
31 March 2003

8. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and trust receipt loans	1,684	414
Interest on finance leases	4	12
	1,688	426

9. DIRECTORS' REMUNERATION

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

	Group	
	2003	2002
	HK$'000	*HK$'000*
Fees:		
Independent non-executive directors	300	300
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	4,054	3,682
Performance related bonuses	–	3,000
Pension scheme contributions	36	36
	4,090	6,718
	4,390	7,018

NOTES TO FINANCIAL STATEMENTS
31 March 2003

9. DIRECTORS' REMUNERATION *(continued)*

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**2**	–
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**–**	3

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

During the year, no share option of the Company was granted to the directors in respect of their services to the Group.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2002: three) directors, details of whose remuneration are set out in note 9 above. The details of the remuneration of the remaining two (2002: two) non-director, highest paid employees are as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,943**	1,738
Pension scheme contributions	**30**	30
	1,973	1,768

NOTES TO FINANCIAL STATEMENTS
31 March 2003

10. FIVE HIGHEST PAID EMPLOYEES *(continued)*

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2003	2002
Nil – HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**1**	–

11. TAX

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2003	2002
	HK$'000	*HK$'000*
Hong Kong:		
Provision for the year	**1,534**	22
Prior year underprovision	**3**	446
Tax charge for the year	**1,537**	468

The Group did not have any significant unprovided deferred tax in respect of the year (2002: Nil).

12. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company is approximately HK$10,698,000 (2002: HK$5,226,000).

NOTES TO FINANCIAL STATEMENTS

31 March 2003

13. DIVIDEND

	2003	2002
	HK$'000	*HK$'000*
Proposed final – HK0.5 cent (2002: Nil) per ordinary share	**4,224**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS/(LOSS) PER SHARE

Pursuant to an ordinary resolution passed on 5 August 2002, every share in the issued and unissued shares of the Company of HK$0.1 each was subdivided into four shares of HK$0.025 each (the "Share Subdivision"). Accordingly, the calculation of earnings per share amounts below has taken into account of the effect of the Share Subdivision.

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of approximately HK$10,632,000 (2002: net loss of approximately HK$9,178,000), and the weighted average of approximately 844,800,000 (2002: approximately 839,120,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 March 2003 and 2002 have not been calculated as the Company had no dilutive potential ordinary shares during these years.

NOTES TO FINANCIAL STATEMENTS
31 March 2003

15. FIXED ASSETS

Group	Investment properties HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:						
At 1 April 2002	14,600	971	2,798	2,784	2,166	23,319
Additions	–	–	508	1,535	377	2,420
Disposals	–	–	(121)	–	–	(121)
Deficit on revaluation *(Note 7)*	(2,340)	–	–	–	–	(2,340)
At 31 March 2003	12,260	971	3,185	4,319	2,543	23,278
Accumulated depreciation:						
At 1 April 2002	–	304	2,406	1,984	1,314	6,008
Provided during the year	–	169	261	620	516	1,566
Disposals	–	–	(121)	–	–	(121)
At 31 March 2003	–	473	2,546	2,604	1,830	7,453
Net book value:						
At 31 March 2003	12,260	498	639	1,715	713	15,825
At 31 March 2002	14,600	667	392	800	852	17,311
Analysis of cost or valuation:						
At cost	–	971	3,185	4,319	2,543	11,018
At 31 March 2003 valuation	12,260	–	–	–	–	12,260
	12,260	971	3,185	4,319	2,543	23,278

The net book value of the fixed assets of the Group held under finance leases was included in the total amount of motor vehicles at 31 March 2003, was HK$Nil (2002: HK$31,800).

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 2003 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$12,260,000 (2002: HK$14,600,000) on an open market, existing use basis.

At 31 March 2003, the investment properties of the Group with an aggregate carrying value of HK$12,000,000 (2002: HK$2,300,000) were pledged to secure general banking facilities granted to the Group (note 25).

NOTES TO FINANCIAL STATEMENTS
31 March 2003

16. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet arising from the acquisition of subsidiaries after 1 April 2001 is as follows:

Group

	HK$'000
Cost:	
At 1 April 2002 and 31 March 2003	17,230
Accumulated amortisation:	
At 1 April 2002	(790)
Amortisation provided during the year *(Note 7)*	(861)
At 31 March 2003	(1,651)
Net book value:	
At 31 March 2003	15,579
At 31 March 2002	16,440

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisitions which occurred prior to the financial year commencing on 1 April 2001, to remain in the consolidated goodwill reserve.

The amount of goodwill remaining in the consolidated goodwill reserve, arising from the acquisition of subsidiaries prior to the financial year commencing on 1 April 2001, was approximately HK$5,035,000 as at 1 April 2002 and 31 March 2003. The amount of goodwill is stated at its cost.

NOTES TO FINANCIAL STATEMENTS
31 March 2003

17. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**64,147**	64,148
Due from subsidiaries	**77,852**	70,062
Due to subsidiaries	**(28,238)**	(23,363)
	113,761	110,847

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Profit Chain Investments Limited	British Virgin Islands/ Hong Kong	US$70,000 Ordinary	100	–	Investment holding
Able Engineering Company Limited	Hong Kong	HK$3,899,000 Ordinary HK$11,211,000 Non-voting deferred *(Note a)*	–	100	Building construction, maintenance and civil engineering works
Gold Vantage Limited	Hong Kong	HK$100 Ordinary	–	100	Property holding

NOTES TO FINANCIAL STATEMENTS

31 March 2003

17. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Excel Engineering Company Limited	Hong Kong	HK$6,900,000 Ordinary	–	100	Building construction, maintenance and civil engineering works
Gadelly Construction Company Limited	Hong Kong	HK$3,700,000 Ordinary	–	100	Construction and plant hiring
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

Note:

(a) The deferred shares 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 for 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.

NOTES TO FINANCIAL STATEMENTS
31 March 2003

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Share of net assets	**3,264**	3,257
Due from a jointly-controlled entity	**–**	261
Due to a jointly-controlled entity	**(3,500)**	(3,500)
	(236)	18

The amount due from/(to) a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of 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.

Disposed of during the year

NOTES TO FINANCIAL STATEMENTS
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19. CONSTRUCTION, RENOVATION AND OTHER CONTRACTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Gross amount due from contract customers	**78,508**	24,226
Gross amount due to contract customers	**(27,346)**	(2,727)
	51,162	21,499
Contract costs incurred plus recognised profits less recognised losses to date	**770,369**	293,885
Less: Progress billings	**(719,207)**	(272,386)
	51,162	21,499

As at 31 March 2003, retentions receivable included in accounts receivable amounted to approximately HK$15,897,000 (2002: HK$15,966,000).

20. ACCOUNTS RECEIVABLE

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

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

	Group	
	2003	2002
	HK$'000	*HK$'000*
1 – 3 months	**134,631**	52,032
4 – 6 months	**5,774**	4,001
Over 6 months	**11,211**	15,538
	151,616	71,571

As at 31 March 2003, accounts receivable of approximately HK$13 million (2002: nil) and HK$50 million (2002: nil) were pledged and assigned respectively to banks to secure bank loans granted to the Group.

NOTES TO FINANCIAL STATEMENTS
31 March 2003

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	16,275	12,168	–	–
Deposits and other debtors	45,436	5,922	6	–
	61,711	18,090	6	–

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	9,670	10,746	61	1
Time deposits	40,128	25,885	7,613	–
	49,798	36,631	7,674	1
Less: Pledged time deposits:				
Pledged for short term bank loans	(7,613)	(5,001)	(7,613)	–
Pledged for bank overdraft facilities	(14,607)	(13,914)	–	–
	27,578	17,716	61	1

The time deposits pledged to banks were to secure general banking facilities granted to the Group (note 25).

NOTES TO FINANCIAL STATEMENTS

31 March 2003

23. ACCOUNTS PAYABLE/TRADE PAYABLES TO RELATED PARTIES

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

	Group	
	2003	2002
	HK$'000	*HK$'000*
1 – 3 months	**158,921**	46,677
4 – 6 months	**7,396**	4,330
Over 6 months	**10,756**	18,440
	177,073	69,447

As at 31 March 2003, retentions payable included in accounts payable under current liabilities amounted to approximately HK$20,362,000 (2002: HK$12,162,000).

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

24. OTHER PAYABLES AND ACCRUALS

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, an accrual has been made at the balance sheet date for the expected future cost of paid annual leave earned during the year by employees, which remains untaken by the employees at the balance sheet date and is permitted to be carried forward and utilised in the following year.

This change in accounting policy has resulted in approximately HK$1 million being included in the balance of the Group's accruals in respect of the paid leave carried forward as at 31 March 2003. No prior year adjustment has been made because the impact is not material.

NOTES TO FINANCIAL STATEMENTS
31 March 2003

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
		2003	2002
	Note	***HK$'000***	*HK$'000*
Bank overdrafts, secured		**5,636**	838
Trust receipt loans, secured		**3,639**	–
Bank loans, secured		**34,851**	–
Current portion of finance lease payables	*26*	**–**	65
		44,126	903

The banking facilities granted to the Group by certain banks as at 31 March 2003 were secured by:

(a) charges over the Group's time deposits of approximately HK$22,220,000 (2002: HK$18,915,000);

(b) the investment properties of the Group with an aggregate carrying value at the balance sheet date of approximately HK$12,000,000 (2002: HK$2,300,000); and

(c) assignment of accounts receivable related to certain construction contracts of the Group.

In addition, the Company had provided corporate guarantees against certain of the Group's banking facilities up to an extent of HK$150 million (2002: HK$29.8 million) as at 31 March 2003.

NOTES TO FINANCIAL STATEMENTS

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26. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicles for its construction business. These leases were classified as finance leases and had remaining lease terms of one year as at 31 March 2002.

At 31 March 2003, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 2003 *HK$'000*	Minimum lease payments 2002 *HK$'000*	Present value of minimum lease payments 2003 *HK$'000*	Present value of minimum lease payments 2002 *HK$'000*
Amounts payable within one year	–	81	–	65
Total minimum finance lease payments	–	81	–	65
Future finance charges	–	(16)		
Total net finance lease payables	–	65		
Portion classified as current liabilities – *note 25*	–	(65)		
Long term portion	–	–		

NOTES TO FINANCIAL STATEMENTS
31 March 2003

27. DEFERRED TAX

	Group	
	2003	2002
	HK$'000	*HK$'000*
Balance at beginning and end of year	**120**	120

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

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, deferred tax has not been provided thereof.

The Company had no significant potential deferred tax assets or liabilities at the balance sheet date.

28. SHARE CAPITAL

Shares

	2003	2002
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 (2002: 1,000,000,000) ordinary shares of HK$0.025 (2002: HK$0.10) each	**100,000**	100,000
Issued and fully paid:		
844,800,000 (2002: 211,200,000) ordinary shares of HK$0.025 (2002: HK$0.10) each	**21,120**	21,120

Pursuant to an ordinary resolution passed on 5 August 2002, the shareholders of the Company approved the subdivision of every share of HK$0.10 each in the issued and unissued share capital of the Company into four shares of HK$0.025 each with effect from 6 August 2002.

NOTES TO FINANCIAL STATEMENTS

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29. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option schemes are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

On 5 August 2002, the Company adopted the 2002 Share Option Scheme in compliance with Chapter 17 of the Listing Rules which replaced 2000 Share Option Scheme in force previously.

The purpose of the 2002 Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2002 Share Option Scheme include full-time employees and executives, including executive and non-executive directors, of the Group. The 2002 Share Option Scheme became effective on 5 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which share options currently permitted to be granted under the 2002 Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the total number of shares of the Company in issue as at the date when the 2002 Share Option Scheme was approved by the shareholders of the Company in a general meeting. The maximum number of shares issuable under share options to each eligible participant in the 2002 Share Option Scheme within any 12 month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12 month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within seven days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and ends on a date which is not later than ten years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but should not be less than the higher of (i) the closing price of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") daily quotation sheet on the date of grant of the share options; (ii) the average closing price of the shares of the Company as quoted on the Stock Exchange for the five trading days immediately preceding the date of the offer; or (iii) the nominal value of the shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No option was granted, exercised, cancelled or lapsed under either the 2000 Share Option Scheme or the 2002 Share Option Scheme during the year, nor was there any option outstanding as at 31 March 2003.

NOTES TO FINANCIAL STATEMENTS
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30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 29 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Group's shares, over the nominal value of the Company's shares issued in exchange therefor.

The amount of goodwill arising on the acquisition of subsidiaries remains to be eliminated against the consolidated goodwill reserve as explained in note 16 to the financial statements.

(b) Company

	Share premium account	Contributed surplus	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2002	6,842	63,948	(11,328)	59,462
Arising on acquisition of minority interests in subsidiaries	28,800	–	–	28,800
Share issue expenses	(519)	–	–	(519)
Issue of bonus shares	(3,520)	–	–	(3,520)
Net profit for the year	–	–	5,226	5,226
At 31 March 2002 and beginning of year	31,603	63,948	(6,102)	89,449
Net profit for the year	–	–	10,698	10,698
Proposed final 2003 dividend	–	–	(4,224)	(4,224)
At 31 March 2003	31,603	63,948	372	95,923

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, 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

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31. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Adoption of SSAP 15

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid and interest received are now included in cash flows from operating activities. The presentation of the year ended 31 March 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

The definition of "cash equivalents" under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading "Cash and cash equivalents" in note 3 to the financial statements. This has resulted in trust receipt loans no longer qualifying as cash equivalents. The year's movement in trust receipt loans is now included in cash flows from financing activities and the comparative cash flow statement has been changed accordingly.

32. CONTINGENT LIABILITIES

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

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade debtors factored with recourse	**12,836**	–	**–**	–
Guarantees in respect of performance bonds in favour of contract customers	**2,000**	5,263	**–**	–
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**150,000**	29,800
	14,836	5,263	**150,000**	29,800

As at 31 March 2003, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to an extent of approximately HK$44,126,000 (2002: HK$838,000).

32. CONTINGENT LIABILITIES *(continued)*

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

(i) On 26 September 2002 and 27 March 2003, two District Court actions were brought by two employees against the Group and other respondents in respect of claims for employees' compensation under the Employee's Compensation Ordinance for personal injury sustained by the employees in accidents which occurred in the course of their employment.

No settlement has yet been reached for the above actions up to the date of approval of the financial statements and no judgement has been made against the Group in respect of the claims. However, the directors are of the opinion that the claims will be covered by insurance and will not have any material adverse impact on the Group.

(ii) On 3 January 2003 and subsequent to the balance sheet date on 22 May 2003, a High Court action and a District Court action were brought by a sub-contractor against the Group for claims of subcontracting fees of approximately HK$2.6 million and HK$202,000, respectively.

As at the date of approval of these financial statements, the directors consider that, given the nature of the claims, it is not possible to estimate the eventual outcome of the claims with reasonable certainty at this stage. After consulting with the Group's lawyer, the directors are in the opinion that the Group has valid defences, and therefore, any resulting liability would not materially affect the financial position of the Group.

(c) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK$1.3 million as at 31 March 2003, as further explained under the heading "Employee benefits" in note 3 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that there will be a material future outflow of resources from the Group.

Save as disclosed above, as at 31 March 2003, the Company and the Group had no other material contingent liabilities.

NOTES TO FINANCIAL STATEMENTS

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33. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**726**	327
In the second to fifth years, inclusive	**–**	13
	726	340

34. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

		Group	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Subcontracting fees paid to close family members of Mr. Ngai Chun Hung	*(i)*	**9,545**	3,239
Rental expenses for the leasing of land and buildings paid to a related company of which the shareholders are the minority shareholders of Excel	*(ii)*	**–**	27
Rental expenses for the leasing of land and buildings paid to a related company in which a director of subsidiaries is a controlling shareholder	*(ii)*	**–**	154

NOTES TO FINANCIAL STATEMENTS
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34. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

(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 costs.

(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.

35. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated and reclassified to conform with the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 July 2003.