

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 1. CORPORATE INFORMATION

The registered office of the Company is located at Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

The principal place of business of the Company is located at Unit 1504-1507, 15/F, Kwun Tong Harbour Plaza, No. 182 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was principally involved in the undertaking of superstructure construction, foundation piling, substructure works, slope improvement, special construction projects and interior decoration works in Hong Kong, Special Administrative Region ("Hong Kong, SAR").

## 2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- 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 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 pages 26 to 27 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.

## 2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change are included in the accounting policy for "Foreign currencies" in note 3 to the financial statements.

SSAP 15 prescribes the 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 into 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. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 to the financial statements.

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 as at the balance sheet dates. In addition, disclosures are now required in respect of the Company's share option schemes, as detailed in note 26 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 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 remeasurement of certain fixed assets and short term investments, as explained in the respective accounting policies below.

#### **Basis of consolidation**

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. 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 have been 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.

#### **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.

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

#### Joint venture companies (continued)

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;
- (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;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence 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. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. 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.

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

#### Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting, less any impairment losses.

#### Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represent 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 not exceeding 20 years. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves 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 eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 April 2001 is treated in accordance with the accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, 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 consolidated reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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

#### **Goodwill (continued)**

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, 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.

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.

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

#### Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation 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.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset 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 a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Medium term leasehold land and buildings	Over the lease terms
Plant and machinery	10%
Furniture and equipment	20%
Motor vehicles	20%

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.

#### 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.

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

#### **Investment properties (continued)**

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 are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. 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.

#### **Short term investments**

Short term investments are investments in investment funds held for trading purposes and are stated at their fair values at the balance sheet date. The gains or losses arising from changes in the fair value of the investment funds are credited or charged to the profit and loss account in the period in which they arise.



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

#### Construction contracts

Construction contracts are accounted for in the balance sheet as contract costs incurred plus recognised profits, less recognised losses and progress billings. 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 sub-contracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue is recognised based on the stage of completion of the construction work performed which is established by reference to the value of work certified to date by independent architects in comparison to the total contract value.

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 28(a) to the financial statements.

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

#### Cash and cash equivalents (continued)

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, 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 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.

#### 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) the value of construction work performed is recognised based on the stage of completion of the construction work performed which is established by reference to the value of work certified to date by independent architects in comparison to the total contract value, as further explained in the accounting policy for "Construction contracts" above;
- (b) management service income, when such service is rendered;
- (c) rental income, on a time proportion basis over the lease terms; and
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

#### Employee benefits

##### *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.

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

#### Employee benefits (continued)

##### *Employment Ordinance long service payments (continued)*

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 all its 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 in accordance with the rules of the MPF Scheme.

##### *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.

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

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

#### **Foreign currencies**

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.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously reported cash flows of the prior year.

#### 4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are organised 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) Superstructure construction works segment;
- (b) Foundation piling, substructure works and slope improvement works segment;
- (c) Special construction projects including civil engineering work, and electrical and mechanical works segment;
- (d) Interior decoration works segment; and
- (e) Corporate and others segment, which comprises the Group's investment holding, trading of construction machines and provision of insurance brokerage services.

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.

#### 4. SEGMENT INFORMATION (continued)

##### (a) Business segments

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

	Superstructure construction works		Foundation piling, and slope improvement works		Special construction projects		Interior decoration works		Corporate and others		Eliminations		Consolidated		
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	
Segment revenue:															
Sales to external customers	196,038	94,028	125,099	281,466	47,450	67,876	10,181	13,928	1,099	2,133	-	-	379,867	459,431	
Intersegment sales	-	-	1,292	-	21,731	13,235	4,421	3,380	-	-	(27,444)	(16,615)	-	-	
Other revenue	11,442	191	7,044	4,212	584	860	57	-	72	1,408	-	-	19,199	6,671	
Intersegment revenue	-	-	80	1,107	-	-	-	-	-	-	(80)	(1,107)	-	-	
Total	207,480	94,219	133,515	286,785	69,765	81,971	14,659	17,308	1,171	3,541	(27,524)	(17,722)	399,066	466,102	
Segment results	13,727	(28,080)	8,181	8,726	905	(5,768)	(1,144)	(143)	(559)	(3,190)	435	(551)	21,545	(29,006)	
Interest income and other unallocated revenue and gains														996	5,289
Unallocated expenses														(20,182)	(14,546)
Profit/(loss) from operating activities														2,359	(38,263)
Finance costs														(96)	(488)
Share of profits and losses of:															
Jointly-controlled entities	1,721	4,607	343	-	183	(225)	-	-	491	(35)	-	-	2,738	4,347	
Associates	-	-	-	-	-	-	-	-	(4)	(4)	-	-	(4)	(4)	
Profit/(loss) before tax														4,997	(34,408)
Tax														316	668
Profit/(loss) before minority interests														5,313	(33,740)
Minority interests														(1,134)	4,398
Net profit/(loss) from ordinary activities attributable to shareholders														4,179	(29,342)

## 4. SEGMENT INFORMATION (continued)

## (a) Business segments (continued)

	Superstructure construction works		Foundation piling, substructure works and slope improvement works		Special construction projects		Interior decoration works		Corporate and others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	77,364	39,593	53,093	79,118	14,983	37,447	5,577	7,640	25,380	28,539	(608)	(493)	175,789	191,844
Interests in associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interests in jointly-controlled entities	(581)	(2,101)	343	-	8,655	8,462	-	-	10,544	(296)	-	-	19,161	6,065
Unallocated assets													45,847	73,935
Total assets													240,797	271,844
Segment liabilities	44,659	37,966	24,188	65,041	11,909	12,018	1,700	2,838	27,549	26,603	871	565	110,876	145,031
Unallocated liabilities													9,701	13,300
Total liabilities													120,577	158,331
Minority interests													2,602	1,537
Other segment information:														
Depreciation	718	535	3,487	4,027	3,100	5,096	12	12	566	923	-	-	7,883	10,593
Other non-cash expenses, net	102	8,007	(5,800)	1,585	51	995	280	280	(721)	2,999	-	-	(6,088)	13,866
Unallocated other non-cash expenses, net													(1,325)	-
Capital expenditure	204	435	-	6,349	-	161	-	-	823	1,240	-	-	1,027	8,185

## (b) Geographical segments

Over 90% of the Group's revenue, results and assets are derived from customers and operations based in the Hong Kong, SAR and accordingly, no further analysis of the Group's geographical segments is presented.

## 5. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the aggregate of the gross value of work earned from superstructure construction, foundation piling, substructure works, slope improvement works, special construction projects and interior decoration works. All significant intra-group transactions within the Group have been eliminated on consolidation.

An analysis of the Group's turnover, other revenue and gains is as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Turnover:		
Undertaking of construction contract works	<b>379,867</b>	459,431
Other revenue:		
Interest income	<b>311</b>	2,030
Service fee income	<b>3,995</b>	2,103
Rental income from investment properties	<b>113</b>	31
Rental income from machinery held for operating lease purposes	<b>1,149</b>	1,902
Other	<b>649</b>	2,634
	<b>6,217</b>	8,700
Gains:		
Gain on disposal of subsidiaries	-	3,260
Gain on dilution of interest in a subsidiary	<b>78</b>	-
Write off of long outstanding payables	<b>13,900</b>	-
	<b>13,978</b>	3,260
Total other revenue and gains	<b>20,195</b>	11,960



## 6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Cost of services provided	<b>366,659</b>	458,961
Depreciation	<b>7,883</b>	10,593
Less: Amounts capitalised in construction contracts	<b>(3,917)</b>	(9,395)
	<b>3,966</b>	1,198
Minimum lease payments under operating leases:		
Land and buildings	<b>1,436</b>	2,186
Plant and machinery	<b>5,835</b>	21,618
Less: Amounts capitalised in construction contracts	<b>(5,732)</b>	(21,478)
	<b>103</b>	140
Auditors' remuneration	<b>530</b>	680
Staff costs (excluding directors' remuneration – note 8)		
Wages and salaries	<b>44,886</b>	55,755
Pension scheme contributions	<b>1,868</b>	1,622
Less: Amounts capitalised in construction contracts	<b>(29,091)</b>	(39,414)
	<b>17,663</b>	17,963

## 6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (continued)

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

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Loss/(gain) on disposal of fixed assets*	<b>(3)</b>	1,041
Loss on disposal of an investment property*	–	460
Unrealised holding loss/(gain) on short term investments*	<b>(1,325)</b>	1,034
Write off of an amount due from a jointly-controlled entity*	<b>282</b>	–
Write off of an amount due from a related company*	<b>54</b>	–
Provision for an amount due from an associate*	<b>878</b>	375
Provision/(reversal of provision) for an amount due from a related company*	<b>(3,044)</b>	3,044
Provision for non-recoverable amounts due from contract customers*	<b>4,412</b>	5,605
Reversal of provision for non-recoverable amounts due from contract customers*	<b>(11,618)</b>	(590)
	<b>(7,206)</b>	5,015
Provision for prepayments, deposits, other debtors and other assets*	<b>2,056</b>	–
Deficit arising from revaluation of investment property and leasehold land and buildings (note 12)*	<b>451</b>	1,243
Deficit arising from revaluation of plant and machinery and motor vehicles (note 12)*	<b>474</b>	1,654
Surplus arising from revaluation of motor vehicles (note 12)*	<b>(30)</b>	–
	<b>444</b>	1,654

\* These items are included in "Other operating expenses, net" on the face of the consolidated profit and loss account.

## 7. FINANCE COSTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank loans and overdrafts		
wholly repayable within five years	96	488
Finance leases	27	188
Total interest	123	676
Less: Interest capitalised	(27)	(188)
	96	488

## 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	-	600
Non-executive director	-	300
Independent non-executive directors	561	660
Other emoluments to executive directors:		
Salaries, allowances and benefits in kind	5,544	5,603
Pension scheme contributions	60	60
	6,165	7,223

## 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

The amount of directors' remuneration which is directly attributable to construction activities and is capitalised in construction contracts amounted to HK\$797,000 (2002: HK\$3,624,000).

The directors' remuneration shown above does not include the estimated monetary value of the Group's owned premises provided rent-free to a director. The estimated rental value of such accommodation was HK\$110,000 for the year ended 31 March 2003 (2002: HK\$142,000).

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

	<b>Number of directors 2003</b>	Number of directors 2002
Nil – HK\$1,000,000	<b>9</b>	9
HK\$1,000,001 – HK\$1,500,000	<b>2</b>	2
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	1
	<b>12</b>	12

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

## 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

The five highest paid individuals during the year included four (2002: four) directors, details of whose remuneration are set out above. The remuneration paid to the remaining (2002: one) non-director, highest paid individual for the year are as follows:

	<b>Group</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Basic salaries and other allowances	<b>1,444</b>	1,463
Pension scheme contributions	<b>12</b>	12
	<b>1,456</b>	1,475

The remuneration of the non-director, highest paid individual fell within the HK\$1,000,001 – HK\$1,500,000 band.

## 9. TAX

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Group:		
Overprovision in prior year	<b>(1)</b>	(979)
Deferred tax credit – note 24	<b>(315)</b>	(441)
	<b>(316)</b>	(1,420)
Share of tax attributable to jointly-controlled entities	–	752
Tax credit for the year	<b>(316)</b>	(668)

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits attributable to its operations in Hong Kong during the year (2002: Nil).

No provision for profits tax has been made for the Group's jointly-controlled entities (2002: HK\$752,000) and associates (2002: Nil) because they did not generate any assessable profits arising in the respective jurisdictions in which they operated during the year.

## 9. TAX (continued)

The Hong Kong profits tax of the jointly-controlled entities for the year ended 31 March 2002 was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during that year.

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

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company is HK\$1,358,000 (2002: HK\$29,313,000).

## 11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of HK\$4,179,000 (2002: net loss of HK\$29,342,000) and the weighted average of 287,500,000 (2002: 287,500,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the two years ended 31 March 2003 have not been presented because the Company had no potential ordinary shares outstanding which had a dilutive effect on the basic earnings/(loss) per share for these years.

## 12. FIXED ASSETS

**Group**

	<b>Investment property</b>	<b>Medium term leasehold land and buildings</b>	<b>Plant and machinery</b>	<b>Furniture and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:						
At beginning of year	1,500	2,200	28,768	7,350	1,607	41,425
Additions	–	–	–	823	204	1,027
Disposals	–	–	(949)	–	–	(949)
Revaluation	(80)	(420)	(5,507)	–	(471)	(6,478)
At 31 March 2003	1,420	1,780	22,312	8,173	1,340	35,025
Accumulated depreciation and impairment:						
At beginning of year	–	–	–	5,510	–	5,510
Provided during the year	–	49	6,139	828	867	7,883
Revaluation	–	(49)	(6,139)	–	(867)	(7,055)
At 31 March 2003	–	–	–	6,338	–	6,338
Net book value:						
At 31 March 2003	1,420	1,780	22,312	1,835	1,340	28,687
At 31 March 2002	1,500	2,200	28,768	1,840	1,607	35,915
Analysis of cost or valuation:						
At cost	–	–	–	8,173	–	8,173
At valuation	1,420	1,780	22,312	–	1,340	26,852
At 31 March 2003	1,420	1,780	22,312	8,173	1,340	35,025
At cost	–	–	–	7,350	–	7,350
At valuation	1,500	2,200	28,768	–	1,607	34,075
At 31 March 2002	1,500	2,200	28,768	7,350	1,607	41,425

## 12. FIXED ASSETS (continued)

**Company**

	<b>Furniture and equipment</b>
	HK\$'000
<hr/>	
Cost:	
At beginning of year	1,280
Additions	654
<hr/>	
At 31 March 2003	1,934
<hr/>	
Accumulated depreciation and impairment:	
At beginning of year	316
Provided during the year	387
<hr/>	
At 31 March 2003	703
<hr/>	
Net book value:	
At 31 March 2003	1,231
<hr/>	
At 31 March 2002	964
<hr/>	

The investment property is situated in Hong Kong, SAR and is held under medium term leases. At 31 March 2003, the investment property was carried at valuation performed by LCH (Asia-Pacific) Surveyors Limited ("LCH"), independent professionally qualified valuers, on the open market, existing use basis at HK\$1,420,000, and a deficit of HK\$80,000 arising therefrom has been charged to the profit and loss account (note 6). The investment property is leased to third parties under operating leases, further summary details of which are included in note 29 to the financial statements. Further particulars of the Group's investment properties are included in page 90 of this annual report.



## 12. FIXED ASSETS (continued)

The medium term leasehold land and buildings are situated in Hong Kong, SAR. At 31 March 2003, the leasehold land and buildings were carried at valuation performed by LCH, on the open market, vacant possession basis at HK\$1,780,000, and a deficit of HK\$371,000 arising therefrom has been charged to the profit and loss account (note 6).

At 31 March 2003, the plant and machinery and motor vehicles were carried at valuation performed by LCH, on the fair market value, continued use basis at HK\$22,312,000 and HK\$1,340,000, respectively. A deficit of HK\$474,000, a surplus of HK\$30,000, a deficit of HK\$1,071,000 and a surplus of HK\$2,543,000 arising from these revaluations have been charged to the profit and loss account (note 6), credited to the profit and loss account (note 6), debited to the asset revaluation reserve and credited to the asset revaluation reserve, respectively. The directors believe that the carrying value of furniture and equipment of HK\$1,835,000 approximates its fair value as at 31 March 2003 and, in view of the immateriality of the individual amount involved, a professional valuation has not been carried out on these assets.

Had the Group's fixed assets been stated at cost less accumulated depreciation, the carrying amounts of leasehold land and buildings, plant and machinery, and motor vehicles as at 31 March 2003 would have been restated at HK\$5,413,000, HK\$19,475,000 and HK\$798,000, respectively.

The net book value of assets held under finance leases included in the total amount of plant and machinery at 31 March 2003 amounted to HK\$1,800,000 (2002: HK\$2,354,000).

Certain of the Group's fixed assets with an aggregate carrying value of HK\$3,200,000 (2002: HK\$3,700,000) have been pledged as security in respect of banking facilities granted to the Group as at 31 March 2003. Further details regarding the pledge of fixed assets are set out in note 22 to the financial statements.

## 13. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	<b>2003</b>	<b>Group</b>
	<b>HK\$'000</b>	2002 HK\$'000
Share of net assets	<b>19,542</b>	8,462
Share of net deficiency in assets (note 30(ii))	<b>(381)</b>	(2,397)
	<b>19,161</b>	6,065

The amounts due from jointly-controlled entities are classified as current assets under other receivables (note 17).

The Group's share of net profits of jointly-controlled entities for the year amounted to HK\$2,738,000 (2002: HK\$3,595,000).

The Group's share of retained profits of jointly-controlled entities at the balance sheet date amounted to HK\$5,203,000 (2002: HK\$2,465,000).

### 13. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the jointly-controlled entities are as follows:

<b>Name</b>	<b>Business structure</b>	<b>Place of incorporation and operations</b>	<b>Voting power controlled by the Group</b>	<b>Percentage of equity interest and profit sharing attributable to the Group</b>	<b>Principal activities</b>
AWG-JV Limited	Corporate	Hong Kong	50.0	50.0	Foundation piling works
Costain-China Harbour Joint Venture*	Unincorporated	Hong Kong	33 <sup>1</sup> / <sub>3</sub>	40.0	Foundation piling works
CCL Joint Venture	Unincorporated	Hong Kong	33 <sup>1</sup> / <sub>3</sub>	33.0	Superstructure construction
China Harbour-Transfield Joint Venture*	Unincorporated	Hong Kong	25.0	15.3	Drainage improvement
W. Hing-Kentech Joint Venture	Unincorporated	Hong Kong	60.0	70.0	Superstructure construction
MLL-CWF Joint Venture*	Unincorporated	Hong Kong	50.0	40.0	Foundation piling works

## 13. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Name	Business structure	Place of incorporation and operations	Voting power controlled by the Group	Percentage of equity interest and profit sharing attributable to the Group	Principal activities
Vivendi Water (Zhuhai) Wastewater Treatment Company Limited*	Corporate	People's Republic of China (the "PRC")	25.0	24.0	Wastewater treatment
Vivendi Water (Zhuhai) Wastewater Treatment Operations Company Limited*	Corporate	PRC	25.0	23.4	Wastewater treatment

\* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

## 14. INTERESTS IN ASSOCIATES

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	-	-

The amounts due from associates are classified as current assets under other receivables (note 17).

#### 14. INTERESTS IN ASSOCIATES (continued)

The Group's share of net losses of associates for the year amounted to HK\$4,000 (2002: HK\$4,000).

The Group's share of accumulated losses of associates at the balance sheet date was HK\$13,000 (2002: HK\$9,000).

Particulars of the associates are as follows:

<b>Name</b>	<b>Business structure</b>	<b>Place of incorporation and operations</b>	<b>Percentage of equity interest attributable to the Group</b>	<b>Principal activities</b>
Centriline Asia Limited**	Corporate	Hong Kong	50.0	Dormant
CLJV Limited*	Corporate	Hong Kong	50.0	Property investment
Design Landscapes International (HK) Company Limited (formerly Hong Kong Landscaping (International) Limited)*	Corporate	Hong Kong	25.0	Provision of landscaping services
Design Landscapes International (Group) Company Limited*	Corporate	Hong Kong	50.0	Provision of landscaping services

\* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

# Centriline Asia Limited commenced members' voluntary liquidation during the year.

## 15. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	<b>53,662</b>	53,662
Due from subsidiaries	<b>180,731</b>	183,306
	<b>234,393</b>	236,968
Provisions for impairment and amounts due from subsidiaries	<b>(125,094)</b>	(125,094)
	<b>109,299</b>	111,874
Due from subsidiaries classified as current assets	<b>(11,704)</b>	(29,540)
	<b>97,595</b>	82,334

The amounts due from subsidiaries are unsecured and interest-free. Except for an amount of HK\$86,027,000 (2002: HK\$93,766,000), of which the Company has undertaken not to demand repayment on or before 31 March 2004, the remaining balances have no fixed terms of repayment.

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company	Principal activities
<u>Directly held</u>				
Wing Hing Group (BVI) Limited	British Virgin Islands	Ordinary HK\$320,000	100	Investment holding
CWS International Trading Limited	British Virgin Islands	Ordinary US\$10	100	Dormant

## 15. INTERESTS IN SUBSIDIARIES (continued)

<b>Name</b>	<b>Place of incorporation and operations</b>	<b>Nominal value of issued share capital</b>	<b>Percentage of equity attributable to the Company</b>	<b>Principal activities</b>
<u>Indirectly held</u>				
W. Hing Construction Company Limited	Hong Kong	Ordinary HK\$102,300,100 Deferred* HK\$2,380,000	100	Superstructure construction
CWF Piling & Civil Engineering Company Limited	Hong Kong	Ordinary HK\$48,500,000 Deferred* HK\$1,500,000	100	Foundation piling works
Anpoint Engineering Limited	Hong Kong	Ordinary HK\$10,000,000	100	Electrical and mechanical construction
Asian Creator Engineering Limited	Hong Kong	Ordinary HK\$10	100	Specialised building works
Sunny Engineering Limited	Hong Kong	Ordinary HK\$1,000	100	Machine leasing
Goodcome Investment Limited	Hong Kong	Ordinary HK\$100	55	Property development and construction
W H China (Holdings) Limited (formerly CWS Insurance Agent Limited)	Hong Kong	Ordinary HK\$2	100	Insurance brokerage services

## 15. INTERESTS IN SUBSIDIARIES (continued)

<b>Name</b>	<b>Place of incorporation and operations</b>	<b>Nominal value of issued share capital</b>	<b>Percentage of equity attributable to the Company</b>	<b>Principal activities</b>
Indirectly held (continued)				
W H Interior Design and Contracting Company Limited	Hong Kong	Ordinary HK\$2	100	Interior decoration
W H Projects Management Limited	Hong Kong	Ordinary HK\$2	100	Provision of consultation services
Allied (International) Process Engineering Limited	Hong Kong	Ordinary HK\$1,000,000	80	Process engineering
Maxtop Engineering Limited	Hong Kong	Ordinary HK\$10	70	Interior decoration
Federal Contractors Limited	Hong Kong	Ordinary HK\$10	60	Foundation piling works
TCJV Construction Company Limited	Hong Kong	Ordinary HK\$10	90	Foundation piling works
SprayTec Engineering Limited	Hong Kong	Ordinary HK\$2	100	Trading of construction machines
CSP (HK) Limited	Hong Kong	Ordinary HK\$10	60	Investment holding



## 15. INTERESTS IN SUBSIDIARIES (continued)

<b>Name</b>	<b>Place of incorporation and operations</b>	<b>Nominal value of issued share capital</b>	<b>Percentage of equity attributable to the Company</b>	<b>Principal activities</b>
Indirectly held (continued)				
TCL Piling Specialist Limited ("TCL")**	Hong Kong	Ordinary HK\$1,920,002	61	Foundation piling works
CHEC-CWF Joint Venture	Hong Kong	–	51	Foundation piling works

\* The deferred shares carry no rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the company. In the winding-up of a company, holders of the deferred shares are entitled to receive amounts paid-up or credited as paid-up on shares after the holders of the ordinary shares of the company have received a total return of HK\$1,000,000,000 per share.

As at 31 March 2003, all these deferred shares were owned by Wing Hing Group (BVI) Limited.

\*\* An option exists for the minority shareholders of TCL to acquire from the Group an interest of 1% to 8% shareholding in TCL currently held by the Group at a consideration equivalent to the Group's original cost paid for the acquisition of the underlying shares.

The subsidiaries disposed of in the prior year did not have any significant contribution to the Group's turnover and results.

## 16. ACCOUNTS RECEIVABLE

Included in accounts receivable are the amounts due from contract customers which represent the excess of contract costs incurred to date by the Group plus recognised profits less recognised losses over progress billings raised by the Group for respective contracts at the balance sheet date:

	<b>2003</b>	<b>Group</b>
	<b>HK\$'000</b>	2002 HK\$'000
Contract costs incurred plus recognised profits		
less recognised losses to date	<b>1,003,191</b>	617,893
Less: Progress billings	<b>978,810</b>	599,300
Amounts due from contract customers	<b>24,381</b>	18,593

Retentions amounting to HK\$23,489,000 (2002: HK\$16,302,000) held by contract customers that are recoverable within 12 months from the balance sheet date are included in accounts receivable. Retentions held by contract customers that are recoverable after 12 months from the balance sheet date amounting to HK\$8,407,000 (2002: HK\$23,332,000), are classified as contract retention receivables under non-current assets.

The Group's credit terms for its contracting business are negotiated with contract customers. Accounts receivable of a non-retention nature are generally due within 30 days of certification by independent architects as to the value of the contract works performed and claimed by the Group in its interim applications for progress payment.

Retentions are due on the expiration of contract maintenance/defects liability period, which is determined in accordance with relevant contract terms and generally stipulated as 181 days to 365 days from the date of practical completion of the contract works.

## 16. ACCOUNTS RECEIVABLE (continued)

An aged analysis of the Group's other accounts receivable, inclusive of contract retention receivables classified as non-current assets, as at the balance sheet date and net of provisions is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Current to 90 days	<b>70,996</b>	95,535
91 days to 180 days	<b>3,519</b>	6,153
181 days to 365 days	<b>8,554</b>	5,974
Over 365 days	<b>14,951</b>	305
	<b>98,020</b>	107,967

## 17. OTHER RECEIVABLES

	Group	
	2003 HK\$'000	2002 HK\$'000
Prepayments, deposits, other debtors and other assets	<b>7,008</b>	9,960
Due from related companies – note 33	<b>4,745</b>	4,745
Due from jointly-controlled entities	<b>3,081</b>	4,296
Due from associates	<b>9,077</b>	7,444
Due from minority shareholders	<b>40</b>	674
Tax recoverable	<b>–</b>	330
	<b>23,951</b>	27,449

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

## 17. OTHER RECEIVABLES (continued)

Particulars of the amounts due from related companies, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

	<b>31 March 2003</b>	<b>Maximum outstanding amount during the year</b>	<b>1 April 2002</b>
	HK\$'000	HK\$'000	HK\$'000
Entrepot Limited <sup>#</sup>	–	3,044	3,044
Total Success Worldwide Limited*	4,945	6,296	6,296
Far East Express Holdings Limited*	550	699	699
	5,495		10,039
Provision <sup>#</sup>	–		(3,044)
	5,495		6,995
Portion classified as current assets	(4,745)		(4,745)
Non-current portion	750		2,250

\* The balances represent claim liabilities recoverable from related companies beneficially and wholly-owned by certain directors of the Company (note 30(v)). All of these balances are unsecured and interest-free. Out of the total balance, an aggregate amount of HK\$750,000 (2002: HK\$2,250,000) is recoverable after 12 months from the balance sheet date and is classified as a non-current asset at the balance sheet date, while the remaining balances of HK\$1,500,000 and HK\$3,245,000 are repayable by two equal instalments in June and December 2003, respectively, and are repayable on demand.

<sup>#</sup> A full provision in respect of the amount due from Entrepot Limited of HK\$3,044,000 aged over two years was made as at 31 March 2002.

## 18. SHORT TERM INVESTMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Unlisted investment funds in Hong Kong, at fair value	15,895	14,570

The short term investments have been pledged as security in respect of banking facilities granted to the Group as at 31 March 2003. Further details regarding the above pledge are set out in note 22 to the financial statements.

## 19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cash and bank balances	4,590	5,037	1,139	63
Time deposits	25,362	53,998	-	-
	29,952	59,035	1,139	63
Less: Pledged time deposits:				
Pledged for short term bank loans	(10,000)	(10,000)	-	-
Pledged for trust receipt loan and other banking guarantee facilities	(12,324)	(11,784)	-	-
Cash and cash equivalents	7,628	37,251	1,139	63

## 20. ACCOUNTS PAYABLE

Included in accounts payable are the amounts due to contract customers which represent the excess of progress billings raised by the Group for respective contracts over the contract costs incurred to date by the Group plus recognised profits less recognised losses at the balance sheet date:

	<b>Group</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Contract costs incurred plus recognised profits		
less recognised losses to date	<b>531,851</b>	705,412
Less: Progress billings	<b>558,444</b>	741,446
Amounts due to contract customers	<b>26,593</b>	36,034

An aged analysis of the Group's other accounts payable as at the balance sheet date is as follows:

	<b>Group</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Current to 90 days	<b>31,282</b>	54,317
91 days to 180 days	<b>2,994</b>	1,446
181 days to 365 days	<b>4,535</b>	2,598
Over 365 days	<b>12,373</b>	23,317
	<b>51,184</b>	81,678

## 21. OTHER PAYABLES AND ACCRUALS

	Group	
	2003 HK\$'000	2002 HK\$'000
Accrued liabilities and other payables	7,961	5,291
Due to jointly-controlled entities	12,959	3,490
Due to minority shareholders	11,429	16,288
	<b>32,349</b>	25,069

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

## 22. INTEREST-BEARING BANK BORROWINGS, SECURED

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank overdrafts	-	4,803
Trust receipt loans	349	-
Bank loans repayable within one year	8,000	6,000
Portion classified as current liabilities	<b>8,349</b>	10,803

As at 31 March 2003, the Group's banking facilities were secured by the following:

- (i) legal charges over the Group's leasehold land and buildings and an investment property, which are all situated in Hong Kong, with carrying values of HK\$1,780,000 (2002: HK\$2,200,000) and HK\$1,420,000 (2002: HK\$1,500,000), respectively (note 12);
- (ii) legal charges over the Group's short term investments (note 18);
- (iii) pledged deposits of HK\$22,324,000 (2002: HK\$21,784,000) of the Group (note 19);

## 22. INTEREST-BEARING BANK BORROWINGS, SECURED (continued)

- (iv) corporate guarantees to the extent of HK\$224 million (2002: HK\$212 million) in aggregate executed by the Company in respect of banking facilities granted to certain subsidiaries of the Company (note 30(i)); and
- (v) cross guarantees amongst certain subsidiaries of the Company.

## 23. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its foundation piling business. These leases are classified as finance leases and have a remaining lease term of one year.

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

<b>Group</b>	<b>Minimum lease payments 2003 HK\$'000</b>	Minimum lease payments 2002 HK\$'000	<b>Present value of minimum lease payments 2003 HK\$'000</b>	Present value of minimum lease payments 2002 HK\$'000
Amounts payable:				
Within one year	<b>385</b>	964	<b>375</b>	879
In the second to fifth years, inclusive	<b>-</b>	392	<b>-</b>	382
Total minimum finance lease payments	<b>385</b>	1,356	<b>375</b>	1,261
Future finance charges	<b>(10)</b>	(95)		
Total net finance lease payables	<b>375</b>	1,261		
Portion classified as current liabilities	<b>(375)</b>	(879)		
Non-current portion	<b>-</b>	382		



## 24. DEFERRED TAX

Deferred tax is provided under the liability method at the rate of 17.5% (2002: 16%) on timing differences between taxable profits and profits reported in the financial statements.

Movements in the Group's provision for deferred tax liabilities are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
At beginning of year	639	1,370
Credit for the year – note 9	(315)	(441)
Disposal of subsidiaries	–	(290)
At 31 March	324	639

The principal components of the Group's provision for deferred tax and the net deferred tax asset position not recognised in the financial statements are as follows:

	Provided		Not provided	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Accelerated depreciation allowances	396	742	3,043	3,114
Tax losses carried forward	(72)	(103)	(21,839)	(18,335)
	324	639	(18,796)	(15,221)

The revaluations of the Group's fixed assets and investment property do not constitute timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

## 25. SHARE CAPITAL

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid:		
287,500,000 ordinary shares of HK\$0.10 each	<b>28,750</b>	28,750

### Share options

Details of the Company's share option scheme are included in note 26 to the financial statements.

The Company had no outstanding share options granted under its share option schemes during each of the two years ended 31 March 2003.

## 26. SHARE OPTION SCHEMES

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.

During the year, the Company's previous share option scheme, which was adopted on 22 November 1995, (the "Old Scheme") was terminated and replaced by a new share option scheme which was adopted by the shareholders at the annual general meeting of the Company held on 28 August 2002 (the "New Scheme").

A summary of the Old Scheme and the New Scheme is set out below:

### (a) Old Scheme

The Company operated the Old Scheme for the purpose of providing incentives and rewards to eligible employees including the executive directors of the Company or any of its subsidiaries and other full-time employees of the Group. The Old Scheme became effective on 22 November 1995 and was intended to remain in force for 10 years from that date. No share options were granted under the Old Scheme during the year or remained outstanding at the date of termination of the Old Scheme.

## 26. SHARE OPTION SCHEMES (continued)

### (b) New Scheme

The New Scheme has been adopted for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity"). Eligible participants of the New Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any technical, financial and legal professional advisers engaged by the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The New Scheme became effective on 29 August 2002 and unless otherwise terminated or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 28 August 2002. Share options which lapse in accordance with the terms of the New Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. The Company may seek approval of the shareholders in a general meeting for refreshing the 10% limit under the New Scheme, save that the total number of shares which may be issued upon exercise of all share options to be granted under the New Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the New Scheme or any other share option schemes of the Company (including share options outstanding, cancelled, lapsed or exercised in accordance with the terms of the New Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as refreshed. The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

## 26. SHARE OPTION SCHEMES (continued)

### (b) New Scheme (continued)

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, under the New Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval by independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million, are subject to prior shareholders' approval in a general meeting.

The offer of a grant of share options shall be accepted within 28 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, save that such period shall not be more than 10 years from the date of the offer of the share options, subject to the provisions for early termination set out in the New Scheme. There is no minimum period for which an option must be held before the exercise of the subscription right attaching thereto, except as otherwise imposed by the board of directors.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

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

No share options were granted under the New Scheme during the year ended 31 March 2003 and up to the date of this report.

## 27. 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 pages 26 to 27 of the financial statements.

The contributed surplus of the Group arose as a result of the Group reorganisation completed on 2 October 1995 and represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

The investment property revaluation reserve of HK\$4,649,000 and an amount of HK\$3,107,000 included in the asset revaluation reserve, attributable to leasehold land and buildings, have been frozen and are not available for absorbing any deficit arising from revaluation of the underlying properties which gave rise to these reserves. Such freezing of reserves arose during the year ended 31 March 1998, when the directors of the Company changed the intended use of certain of the Group's investment properties and transferred these properties at their then carrying values to leasehold land and buildings. A transfer to investment properties was also made in respect of certain of the Group's leasehold land and buildings.

As detailed in note 3 to the financial statements, the Group adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to the Group's accounting period beginning 1 April 2001, to remain eliminated against consolidated reserves. The amount of goodwill arising from the acquisition of subsidiaries prior to the Group's accounting period beginning 1 April 2001, which remains eliminated in consolidated reserves as at 31 March 2003 was HK\$72,000.

## 27. RESERVES (continued)

## (b) Company

	<b>Share premium account</b>	<b>Contributed surplus</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	166,405	51,562	(105,428)	112,539
Net loss for the year	–	–	(29,313)	(29,313)
At 31 March 2002 and 1 April 2002	166,405	51,562	(134,741)	83,226
Net loss for the year	–	–	(1,358)	(1,358)
At 31 March 2003	166,405	51,562	(136,099)	81,868

The contributed surplus of the Company arose as a result of the Group reorganisation scheme referred to in note 27(a) and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor. In accordance with the laws of Bermuda, the contributed surplus is distributable in certain circumstances.

## 28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Prior year adjustments

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 and interest paid are now included in cash flows from operating activities, and interest received is now included in cash flows from investing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

Also, 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 amount of cash equivalents in the consolidated cash flow statement at 31 March 2002 has been adjusted to remove trust receipt loans amounting to HK\$3,182,000, previously included at that date. The current 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.

## 28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

## (b) Disposal of subsidiaries

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Net assets disposed of:		
Fixed assets	-	26,996
Accounts receivable	-	5,456
Prepayments and deposits	-	565
Cash and bank balances	-	406
Accounts payable	-	(7,255)
Accrued liabilities and other payables	-	(11,858)
Bank loans	-	(15,639)
Deferred tax	-	(290)
Minority interests	-	(641)
	-	(2,260)
Gain on disposal of subsidiaries	-	3,260
	-	1,000
Satisfied by:		
Cash	-	1,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Cash consideration	-	1,000
Cash and bank balances disposed of	-	(406)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	-	594

The results of the subsidiaries disposed of during the year ended 31 March 2002 had no significant impact on the Group's consolidated turnover or profit after tax for that year.



## 28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (c) Non-cash transactions

During the year ended 31 March 2002, the repayment of amounts due from other debtors in the amount of HK\$5,903,000 was settled by the transfer of fixed assets in the same amount to the Group.

## 29. COMMITMENTS

### (i) Operating lease commitments

#### (a) As lessor

The Group leases its investment property (note 12) under operating lease arrangements, with leases negotiated for terms of two years. The terms of the leases also require the tenants to pay security deposits.

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

	<b>Group</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Within one year	<b>90</b>	120
In the second to fifth years, inclusive	<b>-</b>	90
	<b>90</b>	210

#### (b) As lessee

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

## 29. COMMITMENTS (continued)

### (i) Operating lease commitments (continued)

#### (b) As lessee (continued)

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

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	<b>1,503</b>	1,559	<b>877</b>	812
In the second to fifth years, inclusive	<b>735</b>	1,204	<b>242</b>	968
	<b>2,238</b>	2,763	<b>1,119</b>	1,780

### (ii) Capital commitments contracted for

	Group	
	2003 HK\$'000	2002 HK\$'000
Capital contribution to jointly-controlled entities	<b>23,951</b>	–
Acquisition of fixed assets	–	156
	<b>23,951</b>	156

### 30. CONTINGENT LIABILITIES

- (i) At the balance sheet date, the Company and the Group had the following contingent liabilities:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees in respect of performance bonds in favour of contract customers	<b>25,454</b>	16,669	-	-
Corporate guarantees for liabilities of subsidiaries in respect of:				
Finance lease obligations	-	-	<b>375</b>	1,261
Interest-bearing bank borrowings	-	-	<b>8,000</b>	9,208
Banking facilities	-	-	<b>26</b>	1,168
	<b>25,454</b>	16,669	<b>8,401</b>	11,637

In addition to the above, as at the balance sheet date, the Company had executed a guarantee in favour of a contract customer in respect of the performance of a subsidiary's obligation under a contract with a contract sum of HK\$8,327,000 (2002: HK\$7,550,000).

At the balance sheet date, the Group's jointly-controlled entities had contingent liabilities in respect of performance bond guarantees amounting to HK\$92,920,000 (2002: HK\$92,920,000) to which the Group, together with other joint venture partners, are jointly and severally liable.

At the balance sheet date, the Group had executed a guarantee in respect of repayment of a mortgage loan granted to an associate to the extent of HK\$6,136,000 (2002: HK\$6,613,000).

### 30. CONTINGENT LIABILITIES (continued)

- (ii) As at 31 March 2003, certain subsidiaries of the Company had provided undertakings of financial support to certain of the Group's jointly-controlled entities in proportion to their equity interests in these entities, in order that these entities could meet their obligations and liabilities as and when they fall due. The Group's share of the net deficiency in assets of these joint venture entities as at the balance sheet date in the amount of HK\$381,000 (2002: HK\$2,397,000) has already been accounted for (note 13) in presenting these financial statements.
  
- (iii) The Group was involved during the two years ended 31 March 2002 in the undertaking of two construction contracts for the Hong Kong Housing Authority (the "HA"). In attending to these contract works, the Group received requests for clarifications from the HA regarding the technical compliance of the piling work sections of these contract works. Additional piling specification review, testing and other compliance procedures were carried out to substantiate the satisfactory adherence to the technical specifications required for these contract works and for any extension works required for the purpose of providing assurance to the HA. Provisions have been made in the financial statements for the three years ended 31 March 2003 for all additional costs incurred, as well as those necessarily required to be incurred, in attending to these and other additional works reasonably anticipated by the directors to be necessary for the satisfaction of the HA.

As a result of the execution of these additional contract works, which were not anticipated at the stage of contract inception, the contract period was prolonged with a corresponding overrun of the contract costs incurred. In accordance with the contractual agreement, the HA is entitled to claim against the Group for liquidated damages for the delay in completion of contract works. The maximum potential amount of liquidated damages involved was assessed by the directors based on the contractual provisions of approximately HK\$17 million, in aggregate, as at 31 March 2003. Having regard to the circumstances surrounding the prolonged contract works as described above, the directors are however of the opinion that the Group has meritorious defences against claims for the liquidated damages. In a letter dated 12 December 2000 issued by the HA, the HA confirmed that its building committee had considered the situation and approved the waiver of liquidated damages on an ex-gratia basis if the delay is due to unanticipated complex ground conditions and/or initiatives on supervision enhancement and design approval of piling works implemented after contract formation. Accordingly, although the Group's grounds of claiming waiver of these possible liquidated damages has yet to be reviewed and approved by the HA, the directors are of the opinion that the likelihood of such damages falling to the Group is not probable and a provision therefor has not been made in presenting the financial statements for the three years ended 31 March 2003.

### 30. CONTINGENT LIABILITIES (continued)

In July 2001, the piling sections involved in these HA contract works were completed and, to date, the Group has not received any complaint or indications from the HA regarding sub-standard piling works. The Group is presently in the process of filing formal claims to the HA requesting compensation of the extra contract costs incurred, which have already been fully charged to the profit and loss account during each of the two years ended 31 March 2002, as a result of the contract prolongation. However, as the negotiations with the HA have not yet reached an advanced stage, in view of the uncertainties involved, no accrual for the potential compensation revenue has been made in these financial statements.

- (iv) The Group was previously engaged in early 2000 in the undertaking of a piling work contract, which was terminated by the contract customer during 2001 prior to the completion of contract works as a result of the allegation of non-conforming piles. In the previous year, the contract customer demanded from the Group the retrenchment of HK\$5 million of the contract fees received by the Group, as compensation for early termination of the contract works. During the current year, the contract customer was in the process of undergoing a court compulsory winding-up and the provisional liquidator of the contract customer requested payment of HK\$8 million from the Group. Having considered legal counsel's advice, the directors are of the opinion that the claim is unlikely to succeed. Accordingly, no provision has been made in these financial statements.
- (v) The Group was held liable for two related claims for the alleged breach of contractual duties, brought against the Group by a contract customer and a nominated sub-contractor in respect of renovation works undertaken by the Group in 1992. The total claims payable in respect of the claims amounted to HK\$9.2 million. Certain directors of the Company, through companies beneficially and wholly-owned by them, have covenanted with the Group to jointly and severally indemnify and keep the Group indemnified in full against the damages payable. A provision therefor, as well as the corresponding reimbursement recoverable of an equal amount, have been recognised in these financial statements. The outstanding claims payable in respect of the claims amounted to HK\$5.5 million as at 31 March 2003.

### 30. CONTINGENT LIABILITIES (continued)

- (vi) The Group has 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 HK\$3.1 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 the situation will result in a material future outflow of resources from the Group.
- (vii) The Group was previously engaged in early 2000 in the undertaking of a piling work contract. In 2001, the Group made a claim against the main contractor of HK\$7 million for variation orders in addition to the original contract sum. During the current year, the main contractor submitted a counterclaim of HK\$44 million for additional costs incurred due to wrongful repudiation of the subcontract. Having considered the legal counsel's advice, the directors are of the opinion that the Group has a good chance of defending the counterclaim. Accordingly, the directors consider that a provision for the counterclaim is not necessary.

### 31. PLEDGE OF ASSETS

Details of the Group's bank borrowings which are secured by assets of the Group, are included in note 22 to the financial statements.

### 32. PENDING LITIGATION

- (i) The Group is involved in disputes with the other shareholder of an associate and its related parties (the "Dispute Parties"), under which the Group is alleged, amongst other things, to have mis-appropriated certain construction machinery and to have defaulted on the repayment of related machinery lease rentals in the amount of approximately HK\$5 million in aggregate. The directors consider that proper payment has been made regarding the machinery and, having regard to advice from the legal counsel, are also of the opinion that the Group has a meritorious defence against these additional claims. Accordingly, a provision therefor has not been made in these financial statements.

### 32. PENDING LITIGATION (continued)

The Group has initiated legal actions against the Dispute Parties in respect of machinery lease rentals in the aggregate amount of approximately HK\$6 million incurred on a machinery lease agreement which was incepted by the Dispute Parties on behalf of the associate but was not properly authorised by the board of directors of the associate and a claim for the recovery of £195,000 advanced by the Group to the Dispute Parties.

- (ii) A number of claims have been brought against the Group in respect of compensation for alleged personal injuries sustained by construction workers during the execution of contract works. The directors believe that any liabilities of the Group in respect of such claims will be covered either by the Group's insurance policies, or that the Group has a meritorious defence against such claims. Accordingly, the directors do not believe that these claims will have any material adverse impact on the Group and, therefore no provisions have been made in respect thereof.
- (iii) A claim for approximately HK\$1.6 million was brought against a subsidiary of the Company by a sub-contractor in 2002 alleging that the Group is liable for the settlement of sub-contracting charges to the sub-contractor. Having considered the legal counsel's advice, the directors believe that the Group has meritorious defences for the claim. Accordingly, the directors consider that a provision for the claim is not necessary.

### 33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had transactions with certain related parties during the year as summarised below.

	Notes	Group	
		2003 HK\$'000	2002 HK\$'000
Insurance premiums paid to a related company	(i)	154	639
Insurance brokerage commission received from a related company	(i)	(42)	(81)
Service fee income from jointly-controlled entities	(ii)	(3,676)	(2,103)
Service fee income from an associate	(ii)	(179)	–
Service fee paid to an associate	(iii)	48	–
Sales of materials to an associate	(iv)	(42)	–
Contract sum received and receivable from jointly-controlled entities	(v)	(2,114)	–
Contract sum received and receivable from a minority shareholder of a subsidiary	(vi)	–	(41,032)
Sub-contracting fees paid to minority shareholders of subsidiaries	(vii)	–	7,332
Service fee paid to minority shareholders of subsidiaries	(viii)	–	3,529



### 33. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (i) Insurance premiums and insurance brokerage commission were paid to/received from certain subsidiaries of China Insurance H.K. (Holdings) Company Limited ("China Insurance"), which owns 15.65% of the issued capital of the Company through its 99.9% owned subsidiary, Glado Development Limited. As confirmed by the directors of the Company, the insurance premium expense and insurance brokerage commission income were calculated by reference to open market rates.
- (ii) The service fee income was charged in relation to the provision of management services and consultancy services in respect of the undertaking of construction works. The service charge was made on a cost recovery basis.
- (iii) The service fee was paid in respect of consultancy services rendered for construction contracts, on a cost recovery basis.
- (iv) The sale of materials were made according to prices and conditions similar to those offered to other non-related customers.
- (v) The contract sum was received for construction contracts sub-contracted to the Group. The directors consider that these contract fees were charged according to terms similar to those offered to non-related contract customers of the Group.
- (vi) Last year's contract sum was received in respect of renovation works rendered to external walls of two town hall complexes, of which the minority shareholder is the main contractor. The directors consider that these contract fees were charged according to terms similar to those offered to non-related contract customers of the Group.
- (vii) Last year's sub-contracting fees were charged for sub-contracting work in respect of construction contracts rendered to the Group. The directors consider that the sub-contracting fees were charged according to conditions similar to those paid to other non-related sub-contractors.
- (viii) Last year's service fee was paid in relation to the provision of technical staff and site workers for the undertaking of construction works of the Group, and was charged on a cost recovery basis by the minority shareholders.

In addition to the above, the Group made advances to related companies of the Company during the year, the summary terms of which are set out in note 17 to the financial statements.

### 33. RELATED PARTY TRANSACTIONS (continued)

Details of the Group's balances with its associates as at the balance sheet date are included in note 17 to the financial statements, and details of the Group's balances with its jointly-controlled entities are included in notes 17 and 21 to the financial statements.

The Group was held and adjudicated to be liable for certain litigation claims, summary details of which are set out in note 30(v) to the financial statements. In connection with these claim liabilities, certain directors of the Company, through companies beneficially wholly-owned by them, have covenanted with the Group to jointly and severally indemnify and keep the Group indemnified in full against the damages payable, including any expenses or liabilities which the Group may sustain in connection with the claims.

The Group has also provided undertakings of financial support to certain of the Group's jointly-controlled entities, in proportion to the Group's equity interests in these entities, in order to enable those entities to meet their liabilities and obligations as and when they fall due (note 30(ii)).

### 34. 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 to conform with the current year's presentation.

### 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 July 2003.