

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

1. GENERAL

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

The principal activity of the Company is investment holding while the activities of its principal subsidiaries are set out in appendix I.

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of consolidation

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

The results of subsidiaries, associates or jointly controlled entities acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

(b) Goodwill/negative goodwill

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

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

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life of 4 to 5 years. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill arising on acquisitions presented as deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to consolidated income statement in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets of 4 to 5 years. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

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

(c) Investments in subsidiaries

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



Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

2. PRINCIPAL ACCOUNTING POLICIES – continued

(d) Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of the associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the goodwill less negative goodwill in so far as it has not already been written off, amortised or released to the income statement, less any identified impairment loss.

(e) Joint ventures

Jointly controlled assets

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

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

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus the goodwill less negative goodwill in so far as it has not already been written off, amortised or released to the income statement, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

(f) Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

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

(g) Other listed investments

Other unlisted investments include options for trading purpose and investment in partnership.

Options for trading purpose are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, such options are measured at fair value, changes in fair value of such options are recognised in the income statement.

Investment in partnership is stated at cost less provision for loss where appropriate.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

2. PRINCIPAL ACCOUNTING POLICIES – continued

(h) Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value and are revalued annually by independent professional valuers. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance of the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

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

(i) Property, plant and equipment

(i) Hotel properties

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

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

(ii) Other properties

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

2. PRINCIPAL ACCOUNTING POLICIES – continued

(i) Property, plant and equipment – continued

(iii) Plant and equipment

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

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

	Basis	Initial charge upon purchase	Annual charge
Pipe rehabilitation equipment	straight line	–	16.67%
Computer equipment	reducing balance	20%	40%
Others	reducing balance	10% - 20%	10% - 20%

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

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(j) Intangible assets

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

Cold store and public bonded warehouse and rice storage licences	10 years
Computer software licences	5 years
Patents and licenses rights	5 - 16 years
Research and development expenditure	10 years

(k) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

其士

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

2. PRINCIPAL ACCOUNTING POLICIES – continued

(l) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

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

(m) Properties for sale and for development

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

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

(n) Inventories

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

(o) Construction and installation contracts

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

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

其士

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

2. PRINCIPAL ACCOUNTING POLICIES – continued

(p) Unearned insurance premiums

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

(q) Insurance claims

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

(r) Revenue recognition

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

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

Income from sale of goods is recognised when goods are delivered and title to the goods has passed to the customers. Revenue is arrived at after deduction of any sales returns and discount.

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

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

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

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

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

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

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

(s) Operating leases

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

2. PRINCIPAL ACCOUNTING POLICIES – continued

(t) Finance leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligations. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(v) Foreign currencies

The accounting records of the Group, other than those subsidiaries not operating in Hong Kong, are maintained in Hong Kong dollars. Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of transactions or on the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas subsidiaries, associates and jointly controlled entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange fluctuation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

(w) Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

(x) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

2. PRINCIPAL ACCOUNTING POLICIES – continued

(x) Taxation – continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Potential impact arising from the recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRS”) (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005 and any business combinations for which the agreement date is on or after 1st January 2005 under HKFRS 3 “Business Combinations”. The Group has not early adopted the new HKFRSs applicable to financial statements for the year ending 31st March 2006 in the financial statements for current year or entered into any business combination for which the agreement date is on or after 1st January 2005. Therefore the HKFRS 3 does not have any impact on the Group for the year ended 31st March 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

3. TURNOVER

Turnover represents the net amount received and receivable for revenue arising from construction and installation contracts, hotel operations, warehouse operations, renting and sale of properties, sales of goods, provision of services, insurance business and investment income as follows:

	2005 HK\$'000	2004 HK\$'000
Turnover represents revenue from:		
Construction and installation contracts	1,679,476	914,079
Hotel operations	54,800	59,139
Warehouse operations	90,216	66,948
Leasing of properties and equipment	66,903	66,120
Sale of properties	287,916	140,863
Sale of computer, business machines and others	991,008	1,008,650
Provision of maintenance and property management	604,457	660,135
Insurance agency income and premium	69,577	155,087
Trading of securities	446,129	127,920
Total turnover	<u>4,290,482</u>	<u>3,198,941</u>

An analysis of the Group's turnover by business and geographical segments is set out in note 34.

4. OTHER OPERATING INCOME

	2005 HK\$'000	2004 HK\$'000
Included in other operating income are:		
Interest from bank and other deposits	22,861	19,300
Interest earned on debt securities	18,754	19,697
Interest from advance to associates	222	820
Dividend income from listed securities	3,238	1,203
Management fee income	244	1,066
Gain on trading of forward exchange contracts	18,239	458
Exchange gain	21,958	25,093
Release of negative goodwill	2,900	473
Surplus on revaluation of investment properties	21,264	–
Surplus on revaluation of properties for own use	–	431
Compensation received for breach of contract	7,780	–
Bad debts recovered	4,523	–
	<u>4,523</u>	<u>–</u>

5. OTHER OPERATING EXPENSES

	2005 HK\$'000	2004 HK\$'000
Included in other operating expenses are:		
Deficit on revaluation of investment properties	–	9,257
Deficit on revaluation of properties for own use	7,493	–
Allowance for bad and doubtful debts	–	18,496
Amortisation of goodwill	15,651	3,573
Amortisation of intangible assets	2,881	1,311
Impairment loss on property, plant and equipment	4,665	–
Impairment loss on intangible assets	1,055	–
	<u>1,055</u>	<u>–</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

6. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on bank loans and overdrafts	25,894	42,571
Interest on other loans not wholly repayable within 5 years	882	327
Finance lease charges	306	225
	<u>27,082</u>	<u>43,123</u>
Less: Amount capitalised to contract work	(26)	(91)
	<u><u>27,056</u></u>	<u><u>43,032</u></u>

Borrowing costs capitalised are based on interest cost incurred during the construction or for the acquisition of qualifying assets. The average interest rate during the year was 3% (2004: 0.7%).

7. GAIN ON DISCONTINUED OPERATIONS

Last year's credit represents over-accrual of operating lease charges and related outgoings of HK\$645,000, staff redundancy cost of HK\$408,000 and loss in value of inventories of HK\$37,000 made in prior years on termination of the Group's operations in trading of general merchandise and retailing of telecommunication equipment and provision of telecommunication agency services.

The results of the operations in prior year up to the date of cessation in May 2003, and the carrying amounts of the assets and liabilities of the discontinued business included in last year's consolidated financial statements, are as follows:

	HK\$'000
Turnover	994
Other operating income	3,180
Operating costs	<u>(1,394)</u>
Profit from operations	2,780
Less: minority interests	<u>(1,369)</u>
Gain attributable to the Group	<u><u>1,411</u></u>
Total assets	2,519
Total liabilities	<u>(3,845)</u>
	(1,326)
Less: minority interests	<u>653</u>
Net liabilities attributable to the Group	<u><u>(673)</u></u>

The discontinued business contributed HK\$3,301,000 to the Group's prior year's operating cash flows, contributed HK\$159,000 in respect of prior year's investing activities and used up HK\$3,675,000 in respect of prior year's financing activities.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

8. PROFIT BEFORE TAXATION

	2005 HK\$'000	2004 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation on property, plant and equipment		
Own assets	73,699	53,229
Assets held under finance leases	2,306	1,477
	76,005	54,706
Less: Amount capitalised to contract work	(4,273)	(3,903)
	71,732	50,803
Auditors' remuneration	6,662	4,400
Staff costs (<i>note a</i>)	634,350	518,845
Less: Amount capitalised to contract work	(69,063)	(35,260)
	565,287	483,585
Operating lease payments in respect of leasing of		
Premises	16,521	22,051
Others	5,520	2,251
	22,041	24,302
Net loss on disposal of property, plant and equipment	4,210	4,516
Net realised and unrealised holding loss on investments in securities	2,814	–
and crediting:		
Gross rental income from properties of HK\$63,050,000 (2004 : HK\$62,069,000) less outgoings (<i>note b</i>)	43,300	48,546
Gross earnings from leasing of equipment of HK\$4,795,000 (2004 : HK\$4,051,000) less outgoings	4,358	3,425
Net realised and unrealised holding gain on investments in securities	–	25,402

Notes:

- (a) Details of directors' emoluments included in staff costs are disclosed in note 36.

Included in staff costs are an amount of HK\$1,254,000 (2004: HK\$6,110,000) in respect of redundancy payments made to staff and an amount of HK\$27,856,000 (2004: HK\$22,436,000) in respect of contributions to retirement benefit schemes, net of forfeited contributions.

- (b) Included in rental income is an amount of HK\$2,028,000 (2004: HK\$1,668,000) less outgoings of HK\$1,132,000 (2004: HK\$1,229,000) from jointly controlled assets.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

9. TAXATION

	2005 HK\$'000	2004 HK\$'000
The charge (credit) comprises:		
Company and subsidiaries		
Current year profits tax		
Hong Kong	26,601	35,889
Overseas	20,932	12,237
	<hr/>	<hr/>
	47,533	48,126
Deferred taxation (<i>note 30</i>)	26,033	(9,130)
	<hr/>	<hr/>
	73,566	38,996
Share of taxation of associates	(527)	(65)
Share of taxation of jointly controlled entities	13	1
	<hr/>	<hr/>
	73,052	38,932
	<hr/> <hr/>	<hr/> <hr/>

Provision for Hong Kong profits tax is calculated at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits less available tax relief for losses brought forward of each individual company.

Provision for Mainland China income tax and overseas taxation is calculated based on the rates applicable to the relevant local legislation on the estimated assessable profits.

其士

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

9. TAXATION – continued

The charge for the year can be reconciled from the profit before taxation per the income statement as follows:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	<u>377,040</u>	<u>255,855</u>
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	65,982	44,775
Tax effect of non-deductible expenses	12,526	11,376
Tax effect of non-taxable income	(15,697)	(26,695)
Tax effect of current year's tax losses not recognised	11,127	27,806
Tax effect of utilisation of taxes losses and other deductible temporary difference not previously recognised	(19,533)	(23,136)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(5,576)	410
Income tax on concessionary rate	53	(88)
Effect of opening deferred tax balances resulting from changes in tax rate during the year	–	1,042
Effect of share of taxation of associates and jointly controlled entities	(525)	2,321
Effect of different tax rates on land appreciation tax	23,883	–
Others	812	1,121
	<u>73,052</u>	<u>38,932</u>
Tax charge for the year		

Note:

The domestic income tax rate in the jurisdiction where the operation of the Group is substantially based is used. In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's properties has been charged/credited directly to equity as disclosed in note 30.

10. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Interim dividend of HK\$0.2 (2004: HK\$0.1) per share paid	55,716	27,571
Proposed final dividend of HK\$0.25 (2004: HK\$0.2) per share	69,646	55,716
Additional dividend paid for prior year on shares allotted on exercise of options to subscribe for shares by the option holders	–	683
	<u>125,362</u>	<u>83,970</u>

A final dividend of HK\$0.25 (2004: HK\$0.2) per share has been proposed by the Directors and is subject to the approval by the shareholders in general meeting.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

11. EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit for the year of HK\$281,738,000 (2004: HK\$186,000,000) and on 278,582,000 (2004: weighted average of 270,640,000) ordinary shares in issue during the year.

12. INVESTMENT PROPERTIES

	Hong Kong under medium-term leases HK\$'000	Mainland China under long-term leases HK\$'000	Mainland China under medium-term leases HK\$'000	Overseas on freehold land HK\$'000	Total HK\$'000
THE GROUP					
AT VALUATION					
At 1st April, 2004	220,727	1,890	10,600	147,006	380,223
Exchange adjustments	–	–	–	2,058	2,058
Net surplus (deficit) on revaluation	56,580	–	113	(12,510)	44,183
At 31st March, 2005	<u>277,307</u>	<u>1,890</u>	<u>10,713</u>	<u>136,554</u>	<u>426,464</u>

Notes:

- Investment properties in Hong Kong with carrying value of HK\$18,667,000 (2004: HK\$18,667,000) represent the Group's share of interest in jointly controlled assets.
- Properties were revalued on an open market value existing use basis on 31st March, 2005 by independent professional valuers. Properties in Hong Kong and Mainland China were revalued by Knight Frank Hong Kong Limited and DTZ Debenham Tie Leung Limited. Overseas properties were revalued by CB Richard Ellis (Pte) Ltd and DTZ Debenham Tie Leung Limited.
- Charges were created on the investment properties with a total carrying value of HK\$214,530,000 (2004: HK\$212,356,000).
- Gross rental income derived from investment properties for the year amounted to HK\$17,293,000 (2004: HK\$14,995,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

13. PROPERTY, PLANT AND EQUIPMENT

	Cold storage warehouse HK\$'000	Hotel properties HK\$'000	Other properties for own use HK\$'000	Plant, machinery and equipment HK\$'000	Furniture, fixtures, other equipment, and motor vehicle for own use HK\$'000	for leasing HK\$'000	Total HK\$'000
THE GROUP							
AT COST OR VALUATION							
At 1st April, 2004	290,000	149,298	653,259	117,102	184,572	9,629	1,403,860
Exchange realignment	–	5,445	2,453	3,834	1,564	163	13,459
Acquisition of subsidiaries	–	–	48,476	68,807	7,500	–	124,783
Additions	–	7,878	–	18,913	22,486	5,071	54,348
Disposals	–	(116)	(2,494)	(8,983)	(19,219)	(1,283)	(32,095)
Surplus (deficit) on revaluation	70,000	(1,596)	138,109	–	–	–	206,513
At 31st March, 2005	<u>360,000</u>	<u>160,909</u>	<u>839,803</u>	<u>199,673</u>	<u>196,903</u>	<u>13,580</u>	<u>1,770,868</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1st April, 2004	–	–	–	57,221	130,239	2,458	189,918
Exchange realignment	–	97	(176)	1,879	844	59	2,703
Charge for the year	7,364	9,829	13,822	22,449	20,201	2,340	76,005
Eliminated upon disposals	–	(86)	(14)	(6,270)	(15,335)	(327)	(22,032)
Eliminated upon revaluation	(7,364)	(9,840)	(13,632)	–	–	–	(30,836)
Impairment loss	–	–	–	4,665	–	–	4,665
At 31st March, 2005	<u>–</u>	<u>–</u>	<u>–</u>	<u>79,944</u>	<u>135,949</u>	<u>4,530</u>	<u>220,423</u>
NET BOOK VALUES							
At 31st March, 2005	<u>360,000</u>	<u>160,909</u>	<u>839,803</u>	<u>119,729</u>	<u>60,954</u>	<u>9,050</u>	<u>1,550,445</u>
At 31st March, 2004	<u>290,000</u>	<u>149,298</u>	<u>653,259</u>	<u>59,881</u>	<u>54,333</u>	<u>7,171</u>	<u>1,213,942</u>
An analysis of the cost and valuation of the Group's property, plant and equipment is as follows:							
At cost	–	–	–	199,673	196,903	13,580	410,156
At 2005 professional valuation	360,000	150,910	837,452	–	–	–	1,348,362
At 2005 directors' valuation	–	9,999	2,351	–	–	–	12,350
	<u>360,000</u>	<u>160,909</u>	<u>839,803</u>	<u>199,673</u>	<u>196,903</u>	<u>13,580</u>	<u>1,770,868</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

13. PROPERTY, PLANT AND EQUIPMENT – continued

Notes:

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
In Hong Kong:		
Long lease	298,600	232,600
Medium-term lease	730,370	587,820
In Mainland China:		
Long lease	38,785	52,446
Medium-term lease	45,046	45,875
Overseas:		
On freehold land	226,798	152,619
Long lease	15,901	16,549
Medium-term lease	4,575	4,211
Short-term lease	637	437
	<u>1,360,712</u>	<u>1,092,557</u>

- (b) Properties were revalued on 31st March, 2005 on an open market value existing use basis. Certain properties in the Mainland China were revalued by the directors and the other properties were revalued by independent professional valuers, Knight Frank Hong Kong Limited, DTZ Debenham Tie Leung Limited, CIBI Information, Inc., CB Richard Ellis (Pte) Limited and Prof. Dipl.-ing Hanns-Christian Thiele.
- (c) Had the properties been carried at cost less accumulated depreciation, the carrying value as at 31st March, 2005 would have been HK\$975,071,000 (2004: HK\$936,662,000).
- (d) Charges were created on the properties with a total carrying value of HK\$809,733,100 (2004: HK\$701,464,000).
- (e) The net book value of machinery, tools and equipment held under finance leases amounted to HK\$12,341,000 (2004: HK\$5,479,000).

14. PROPERTIES FOR DEVELOPMENT

Overseas properties on freehold land

At cost less impairment loss

At 1st April, 2004

Exchange adjustments

At 31st March, 2005

THE GROUP
HK\$'000

8,208

693

8,901

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

15. GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
At 1st April, 2004	26,859
Acquisition of additional interest in subsidiaries	85,429
Transfer from associates on change of status to subsidiary	7,150
	<hr/>
At 31st March, 2005	119,438
	<hr/>
ACCUMULATED AMORTISATION	
At 1st April, 2004	20,553
Charge for the year	15,309
	<hr/>
At 31st March, 2005	35,862
	<hr/>
NET BOOK VALUES	
At 31st March, 2005	83,576
	<hr/> <hr/>
At 31st March, 2004	6,306
	<hr/> <hr/>

16. NEGATIVE GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
At 1st April, 2004	13,137
Transfer from an associate on change of status to subsidiary	2,178
Acquisition of additional interest in a subsidiary	48
	<hr/>
At 31st March, 2005	15,363
	<hr/>
ACCUMULATED AMORTISATION	
At 1st April, 2004	219
Released to income statement	2,900
	<hr/>
As 31st March, 2005	3,119
	<hr/>
NET BOOK VALUES	
As at 31st March, 2005	12,244
	<hr/> <hr/>
As at 31st March, 2004	12,918
	<hr/> <hr/>

其士

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

17. INTANGIBLE ASSETS

	Cold storage and public bonded warehouse and rice storage licences HK\$'000	Software licences HK\$'000	Research and development expenditure HK\$'000	Patents and licenses right HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1st April, 2004	3,000	1,900	4,077	1,829	10,806
Exchange realignment	–	–	561	194	755
Acquisition of subsidiaries	–	–	–	35,881	35,881
Additions	–	–	3,596	2,339	5,935
At 31st March, 2005	3,000	1,900	8,234	40,243	53,377
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1st April, 2004	637	807	425	224	2,093
Exchange realignment	–	–	316	190	506
Charge for the year	300	380	1,063	1,138	2,881
Impairment loss	–	–	–	1,055	1,055
At 31st March, 2005	937	1,187	1,804	2,607	6,535
NET BOOK VALUES					
At 31st March, 2005	2,063	713	6,430	37,636	46,842
At 31st March, 2004	2,363	1,093	3,652	1,605	8,713

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Cost less impairment loss		
Shares listed in Hong Kong	171,990	171,990
Unlisted shares	1,191,379	989,273
Amounts due from subsidiaries less allowance for doubtful debts	184,443	250,109
	1,547,812	1,411,372
Market value of shares listed in Hong Kong	90,434	88,229

Particulars regarding the principal subsidiaries at 31st March, 2005 are set out in Appendix I. A complete list of all subsidiaries would be of excessive length and therefore the subsidiaries as set out are those which principally affected the results or assets of the Group.

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment and are not expected to be repaid within twelve months from the balance sheet date.

None of the subsidiaries had any loan capital outstanding at the end of the year.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

19. INTERESTS IN ASSOCIATES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Share of net assets		
Associate listed overseas	–	10,691
Unlisted associates	9,072	7,311
Negative goodwill on acquisition of an associate (<i>note b</i>)	–	(2,178)
Goodwill on acquisition of associates (<i>note c</i>)	–	7,492
Unlisted convertible notes (<i>note d</i>)	–	5,125
Amounts due from associates (<i>note e</i>)	14,700	14,829
	<u>23,772</u>	<u>43,270</u>
Market value of overseas listed associate	<u>–</u>	<u>37,667</u>

Notes:

- (a) Particulars regarding the principal associates at 31st March, 2005 are set out in Appendix II. A complete list of the particulars of all associates would be of excessive length and therefore the associates as set out are those which principally affect the results or net assets of the Group.
- (b) Negative goodwill on acquisition of an associate

	THE GROUP HK\$'000
COST	
At 1st April, 2004	2,432
Transfer to negative goodwill on change of status to subsidiary	<u>(2,432)</u>
At 31st March, 2005	<u>–</u>
ACCUMULATED AMORTISATION	
At 1st April, 2004	254
Transfer to negative goodwill on change of status to subsidiary	<u>(254)</u>
At 31st March, 2005	<u>–</u>
NET BOOK VALUES	
At 31st March, 2005	<u>–</u>
At 31st March, 2004	<u>2,178</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

19. INTERESTS IN ASSOCIATES - continued

- (c) Goodwill on acquisition of associates

	THE GROUP HK\$'000
COST	
At 1st April, 2004	9,159
Transfer to goodwill on change of status to subsidiaries	(9,159)
	<hr/>
At 31st March, 2005	—
	<hr/>
ACCUMULATED AMORTISATION	
At 1st April, 2004	1,667
Amortisation for the year	342
Transfer to goodwill on change of status to subsidiaries	(2,009)
	<hr/>
At 31st March, 2005	—
	<hr/>
NET BOOK VALUES	
At 31st March, 2005	—
	<hr/> <hr/>
At 31st March, 2004	7,492
	<hr/> <hr/>

- (d) Convertible notes due from a listed associate, which became a subsidiary during the year, are unsecured, bear interest at 7.43% per annum and are due on 14th August, 2005.
- (e) At 31st March, 2005 amounts due from associates of HK\$14,700,000 (2004: HK\$14,156,000) bear interest at HIBOR plus 1.5% per annum. The remaining amounts due from associates at 31st March, 2004 were interest free. All the amounts are unsecured and not expected to be repaid within twelve months after the balance sheet date.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Share of net assets (liabilities)	59,491	(12,698)
Amounts due from jointly controlled entities (note b)	5,412	34,441
	<hr/>	<hr/>
	64,903	21,743
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Particulars regarding the principal jointly controlled entities at 31st March, 2005 are set out in Appendix III. A complete list of the particulars of all jointly controlled entities would be of excessive length and therefore the jointly controlled entities as set out are those which principally affect the results or net assets of the Group.
- (b) The amounts due from jointly controlled entities are interest-free, unsecured and not expected to be repaid within twelve months after the balance sheet date.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

21. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
<i>Held to maturity securities:</i>				
Debt securities				
Listed overseas (note)	–	4,563	–	–
<i>Investment securities:</i>				
Unlisted equity securities	4,440	5,000	–	–
<i>Other investments:</i>				
Equity securities				
Listed shares				
Hong Kong (at market value)	181,510	69,558	94,753	6,872
Overseas (at market value)	99,014	64,979	66,262	–
Unlisted				
Shares	2,691	2,976	2,691	–
Hedged funds	87,760	31,162	64,592	–
Currency fund	7,934	–	7,934	–
Mutual funds	60,609	60,363	24,849	–
Money market funds	12,049	18,479	12,048	–
Debt securities				
Listed bonds overseas	227,555	175,573	167,304	125,056
Unlisted bonds	389,492	230,959	210,737	39,146
Equity linked notes	56,419	–	41,262	–
	<u>1,129,473</u>	<u>663,612</u>	<u>692,432</u>	<u>171,074</u>
Carrying value analysed for reporting purposes are:				
Non-current	13,744	12,026	4,328	6,872
Current	<u>1,115,729</u>	<u>651,586</u>	<u>688,104</u>	<u>164,202</u>
	<u>1,129,473</u>	<u>663,612</u>	<u>692,432</u>	<u>171,074</u>

Note:

Market values of debt securities listed overseas at 31st March, 2004, amounted to HK\$10,551,000.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

22. INVENTORIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Raw materials	46,512	25,154
Inventories held for resale	158,571	166,144
Consumable stores	44,882	30,955
	<u>249,965</u>	<u>222,253</u>

The cost of inventories recognised as an expense during the year was HK\$1,118,529,000 (2004: HK\$868,623,000).

Inventories held for resale include an amount of HK\$44,713,000 (2004: HK\$28,673,000) carried at net realisable value.

23. PROPERTIES FOR SALE

Properties for sale include the Group's share of interest in jointly controlled assets with an aggregate book value of HK\$20,182,000 (2004: HK\$23,321,000).

Properties for sale of HK\$315,638,000 (2004: HK\$390,059,000) are carried at net realisable value.

The cost of properties sold during the year amounted to HK\$178,989,000 (2004: HK\$101,668,000).

24. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are the Group's share of receivable of HK\$300,000 (2004: HK\$190,000) in relation to jointly controlled assets.

Included in debtors, deposits and prepayments are trade debtors of HK\$453,215,000 (2004: HK\$670,862,000). The Group has established different credit policies for customers in each of its core businesses. The average credit period granted to trade debtors was 60 days. The aged analysis of trade debtors is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
0 – 60 days	333,932	605,265
61 – 90 days	34,210	30,269
Over 90 days	85,073	35,328
	<u>453,215</u>	<u>670,862</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred	4,324,097	3,788,832
Recognised profits less recognised losses	(41,359)	(2,820)
	<u>4,282,738</u>	<u>3,786,012</u>
Less: Progress billings	(4,045,334)	(3,632,706)
	<u><u>237,404</u></u>	<u><u>153,306</u></u>
Represented by:		
Amounts due from customers included in current assets	344,674	318,600
Amounts due to customers included in current liabilities	(107,270)	(165,294)
	<u><u>237,404</u></u>	<u><u>153,306</u></u>

At 31st March, 2005, retention monies held by customers for contract work amounted to HK\$110,543,000 (2004: HK\$101,189,000). Advances received from customers for contract work amounted to HK\$7,419,000 (2004: HK\$3,588,000).

26. CREDITORS, DEPOSITS AND ACCRUALS

Included in creditors, deposits and accruals are the Group's share of liabilities of HK\$198,000 (2004: HK\$256,000) in relation to jointly controlled assets, which comprise investment properties, properties for sale and the related receivable totalling HK\$36,118,000 (2004: HK\$42,178,000) disclosed in notes 12, 23 and 24, respectively.

Included in creditors, deposits and accruals are trade creditors of HK\$348,191,000 (2004: HK\$283,779,000). The aged analysis of the trade creditors is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
0 – 60 days	226,605	176,528
61 – 90 days	10,012	8,418
Over 90 days	111,574	98,833
	<u><u>348,191</u></u>	<u><u>283,779</u></u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	3,682	2,334	3,543	2,082
In the second to fifth years inclusive	1,967	1,426	1,869	1,275
	<u>5,649</u>	<u>3,760</u>	<u>5,412</u>	<u>3,357</u>
Less: future finance charges	(237)	(403)	–	–
	<u>5,412</u>	<u>3,357</u>	<u>5,412</u>	<u>3,357</u>
Less: amount due within one year shown under current liabilities			(3,543)	(2,082)
Amount due for settlement after twelve months			<u>1,869</u>	<u>1,275</u>

The Group leases certain of its equipments under finance leases. The average lease term is 4 years (2004: 4 years). For the year ended 31 March, 2005, the average effective borrowing rate was 5.3% (2004: 6.2%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

其士

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

28. BANK LOANS

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
The bank loans are repayable as follows:				
Within one year	1,266,437	544,539	657,200	135,000
More than 1 year but not exceeding 2 years	94,780	303,645	–	110,000
More than 2 years but not exceeding 5 years	278,430	353,893	150,000	–
More than 5 years	38,900	44,611	–	–
	<u>1,678,547</u>	<u>1,246,688</u>	<u>807,200</u>	<u>245,000</u>
Less: amount due within one year shown under current liabilities	<u>(1,266,437)</u>	<u>(544,539)</u>	<u>(657,200)</u>	<u>(135,000)</u>
	<u>412,110</u>	<u>702,149</u>	<u>150,000</u>	<u>110,000</u>
Secured	632,309	631,688	109,200	–
Unsecured	<u>1,046,238</u>	<u>615,000</u>	<u>698,000</u>	<u>245,000</u>
	<u>1,678,547</u>	<u>1,246,688</u>	<u>807,200</u>	<u>245,000</u>

29. OTHER LOANS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
The other loans are repayable as follows:		
Within one year	250	169
More than 1 year but not exceeding 2 years	298	–
More than 2 years but not exceeding 5 years	899	1,064
More than 5 years	<u>908</u>	<u>1,130</u>
	<u>2,355</u>	<u>2,363</u>
Less: amount due within one year shown under current liabilities	<u>(250)</u>	<u>(169)</u>
	<u>2,105</u>	<u>2,194</u>

The loans are unsecured, bear interest at market rate and repayable by 9 annual instalments, the last of which falls due in 2013.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

30. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting years:

THE GROUP

	Accelerated tax depreciation HK\$'000	Investment properties and properties for own use HK\$'000	Properties for sale HK\$'000	Allowance for doubtful debts HK\$'000	Tax losses HK\$'000	Land appreciation HK\$'000	Total HK\$'000
At 1st April, 2003	(6)	60,623	3,137	(1,833)	(3,948)	–	57,973
Exchange differences	–	872	–	–	–	–	872
Charge (credit) to income statement for the year	1,167	5,808	(1,023)	(688)	(15,436)	–	(10,172)
Charge to equity for the year	–	15,708	–	–	–	–	15,708
Acquisition of subsidiary	37	–	–	–	–	–	37
Effect on change in tax rate							
– charge (credit) to income statement	(86)	917	294	287	(370)	–	1,042
– charge to equity	–	3,351	–	–	–	–	3,351
At 31st March, 2004	1,112	87,279	2,408	(2,234)	(19,754)	–	68,811
Exchange differences	387	1,459	–	(1,209)	(55)	–	582
Charge (credit) to income statement for the year	1,274	1,898	(4,015)	323	(2,397)	28,950	26,033
Charge to equity for the year	–	44,458	–	–	–	–	44,458
At 31st March, 2005	<u>2,773</u>	<u>135,094</u>	<u>(1,607)</u>	<u>(3,120)</u>	<u>(22,206)</u>	<u>28,950</u>	<u>139,884</u>

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2005 HK\$'000	2004 HK\$'000
Deferred tax liabilities	152,381	74,854
Deferred tax assets	(12,497)	(6,043)
	<u>139,884</u>	<u>68,811</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

30. DEFERRED TAXATION - continued

At the balance sheet date, the Group had unused tax losses of HK\$1,434 million (2004: HK\$1,456 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$127 million (2004: HK\$109 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$1,307 million (2004: HK\$1,347 million) due to the unpredictability of future profit streams. Included in tax losses are losses of HK\$51 million (2004: HK\$65 million) of subsidiaries in Mainland China that will gradually expire until 2009; tax losses of HK\$4 million (2004: HK\$4 million) of other overseas subsidiaries that will expire from 2005 to 2018. Other losses may be carried forward indefinitely.

At the balance sheet date, the Group had unrecognised deductible temporary differences of HK\$38 million (2004: HK\$35 million). A deferred tax asset has not been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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

31. SHARE CAPITAL

	2005 HK\$'000	2004 HK\$'000
Authorised:		
540,000,000 ordinary shares of HK\$1.25 each	<u>675,000</u>	<u>675,000</u>
Issued and fully paid:		
278,582,090 ordinary shares of HK\$1.25 each	<u>348,228</u>	<u>348,228</u>

There was no change in share capital during the year. During the last financial year, every five issued and unissued ordinary shares of HK\$0.25 each were consolidated into one ordinary share of HK\$1.25 each and 9,905,717 shares and 6,830,000 shares were issued in lieu of cash dividends payable to the shareholders and on exercise of share options, respectively.

Details of the share option schemes of the Company and its subsidiaries are set out in note 41.

其士

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

32. RESERVES

THE GROUP

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve		Exchange fluctuation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
				Investment properties HK\$'000	Properties for own use HK\$'000				
At 1st April, 2003	387,677	269,293	7,526	-	38,144	(10,158)	26,185	1,153,813	1,872,480
Exchange difference on translation of financial statements of overseas subsidiaries, associates and jointly controlled entities	-	-	-	-	-	12,957	-	-	12,957
Final dividend for 2003 paid	-	-	-	-	-	-	(26,185)	(683)	(26,868)
Issue of new shares	30,512	-	-	-	-	-	-	-	30,512
Share issue expenses	(329)	-	-	-	-	-	-	-	(329)
Surplus on revaluation of properties	-	-	-	-	88,482	-	-	-	88,482
Deferred tax liabilities arising from revaluation of properties	-	-	-	-	(12,415)	-	-	-	(12,415)
Released on liquidation of subsidiaries	-	41	-	-	-	-	-	-	41
Share of associate's reserve	-	-	-	-	2,332	-	-	-	2,332
Profit for the year	-	-	-	-	-	-	-	186,000	186,000
Dividends	-	-	-	-	-	-	55,716	(83,287)	(27,571)
At 31st March, 2004	417,860	269,334	7,526	-	116,543	2,799	55,716	1,255,843	2,125,621
Exchange difference on translation of financial statements of overseas subsidiaries, associates and jointly controlled entities	-	-	-	-	-	7,756	-	-	7,756
Final dividend for 2004 paid	-	-	-	-	-	-	(55,716)	-	(55,716)
Surplus on revaluation of properties	-	-	-	22,919	198,589	-	-	-	221,508
Deferred tax liabilities arising from revaluation of properties	-	-	-	(94)	(36,577)	-	-	-	(36,671)
Release on liquidation of a subsidiary	-	29	-	-	-	-	-	-	29
Share of associate's reserve	-	-	-	-	4,955	-	-	-	4,955
Profit for the year	-	-	-	-	-	-	-	281,738	281,738
Dividends	-	-	-	-	-	-	69,646	(125,362)	(55,716)
At 31st March, 2005	417,860	269,363	7,526	22,825	283,510	10,555	69,646	1,412,219	2,493,504

Notes:

- (a) Retained profits of the Group include losses of HK\$12,779,000 (2004: HK\$14,993,000) and HK\$20,980,000 (2004: HK\$21,393,000) sustained by associates and jointly controlled entities, respectively.
- (b) Capital reserve includes HK\$84,905,000 (2004: HK\$84,934,000) in respect of goodwill and HK\$26,459,000 (2004: HK\$26,459,000) in respect of negative goodwill.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

32. RESERVES – continued

THE COMPANY

	Share premium HK\$'000	Contributed surplus HK\$'000 (Note a)	Capital redemption reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2003	387,677	95,413	7,526	26,185	954,190	1,470,991
Final dividend for 2003 paid	–	–	–	(26,185)	(683)	(26,868)
Issue of new shares	30,512	–	–	–	–	30,512
Share issue expenses	(329)	–	–	–	–	(329)
Profit for the year	–	–	–	–	130,709	130,709
Dividends	–	–	–	55,716	(83,287)	(27,571)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2004	417,860	95,413	7,526	55,716	1,000,929	1,577,444
Final dividend for 2004 paid	–	–	–	(55,716)	–	(55,716)
Profit for the year	–	–	–	–	66,778	66,778
Dividends	–	–	–	69,646	(125,362)	(55,716)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2005	<u>417,860</u>	<u>95,413</u>	<u>7,526</u>	<u>69,646</u>	<u>942,345</u>	<u>1,532,790</u>

Notes:

- (a) Contributed surplus represents the difference arising between the value of net assets acquired and the nominal amount of the Company's shares issued upon the reorganisation in 1989 less dividends paid out of the contributed surplus subsequently. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders.
- (b) At 31st March, 2005, the Company's reserves available for distribution to shareholders amounted to HK\$1,107,404,000 (2004: HK\$1,152,058,000).

33. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired Preussag Pipe Rehabilitation Emirates LLC, Hung Mau Construction Limited and 51% interest in PPR Pipe Engineering & Technology (Shanghai) Limited at considerations of HK\$2,130,000, HK\$21,607,000 and HK\$614,000, respectively. The Group also acquired an additional 43% and 50% interest in the associates, Rib Loc Group Limited ("Rib Loc") and KMG Holdings Limited ("KMG") at consideration of HK\$48,886,000 and HK\$129,000, respectively. Since then, Rib Loc and KMG became the Group's subsidiaries. The net assets of these subsidiaries acquired are stated below. The comparative amounts represent the Group's acquisition of additional 64.1% and 11.82% interest in Chevalier Construction Holdings Limited and NordiTube Technologies AB ("NordiTube"), respectively.

其
士

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

33. ACQUISITION OF SUBSIDIARIES – continued

	2005 HK\$'000	2004 HK\$'000
Property, plant and equipment	124,783	22,712
Intangible assets	35,881	4,919
Investments in securities	–	33,169
Interest in an associate	–	5,186
Interests in jointly controlled entities	–	8,695
Amount due from a jointly controlled entity	–	3,000
Inventories	31,529	10,636
Amounts due from customers for contract work	12,188	136,407
Debtors, deposits and prepayments	94,704	178,571
Tax prepaid	–	4,747
Cash and bank balances	39,258	173,764
Creditors, deposits and accruals	(173,080)	(435,775)
Amounts due to customers for contract work	(71,236)	(31,368)
Deferred taxation	–	(37)
Bank loans	(26,923)	–
Obligations under finance leases	(2,902)	–
Other loan	–	(2,363)
Minority interests	(12,483)	(7,458)
	51,719	104,805
Less: Interest already held by the Group		
Interests in associates	(15,479)	(33,210)
Amount due from an associate	(3,378)	(9,916)
	32,862	61,679
Net assets acquired	32,862	61,679
Goodwill on acquisition	42,730	–
Negative goodwill on acquisition	(2,226)	(14,256)
	73,366	47,423
Satisfied by:		
Cash	73,366	41,961
Capitalisation of loans to an associate	–	5,462
	73,366	47,423
Net cash inflow in respect of acquisition of a subsidiary:		
Cash and bank balances acquired	39,258	173,764
Less: Cash consideration paid	(73,366)	(41,961)
	(34,108)	131,803

The subsidiaries acquired during the year contributed HK\$181,687,000 (2004: HK\$95,894,000) to the Group's turnover and HK\$1,677,000 (2004: HK\$3,649,148) to the Group's profit from operations.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

34. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five divisions. These divisions are the basis on which the Group reports its primary segment information. The Group's retailing of telecommunication equipment and the related agency service were terminated during the prior year.

Segment information about these businesses is presented below.

Turnover and results

Year ended 31st March, 2005

	Continuing					Consolidated HK\$'000
	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property and hotel HK\$'000	Computer and information technology HK\$'000	Others HK\$'000	
TURNOVER						
Turnover	2,287,011	530,692	578,519	574,861	387,015	4,358,098
Inter-segment sales	(301)	(14,986)	(43,278)	(5,678)	(3,373)	(67,616)
External sales	<u>2,286,710</u>	<u>515,706</u>	<u>535,241</u>	<u>569,183</u>	<u>383,642</u>	<u>4,290,482</u>

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

RESULTS

Segment results	<u>160,389</u>	<u>56,181</u>	<u>171,887</u>	<u>3,311</u>	<u>10,086</u>	401,854
Unallocated corporate expenses						(7,367)
Interest income						9,544
Profit from operations						404,031
Finance costs						(27,056)
Share of results of associates	2,309	-	-	(826)	(1,906)	(423)
Share of results of jointly controlled entities	(128)	-	616	-	-	488
Profits before taxation						377,040
Taxation						(73,052)
Profit before minority interests						303,988
Minority Interests						(22,250)
Profit for the year						<u>281,738</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

34. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Balance sheet

As at 31st March, 2005

	Continuing					Consolidated HK\$'000
	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property and hotel HK\$'000	Computer and information technology HK\$'000	Others HK\$'000	
ASSETS						
Segment assets	1,747,763	1,818,242	2,826,388	221,628	158,256	6,772,277
Interests in associates	5,838	-	358	-	17,576	23,772
Interests in jointly controlled entities	14,045	-	50,858	-	-	64,903
Unallocated corporate assets						12,497
Consolidated total assets						<u>6,873,449</u>
LIABILITIES						
Segment liabilities	1,122,553	408,930	206,135	79,056	14,491	1,831,165
Unallocated corporate liabilities						1,852,323
Consolidated total liabilities						<u>3,683,488</u>

Other information

Year ended 31st March, 2005

	Continuing					Consolidated HK\$'000
	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property and hotel HK\$'000	Computer and information technology HK\$'000	Others HK\$'000	
Capital additions	270,827	11	33,303	6,064	1,095	311,300
Depreciation and amortisation	40,787	122	39,044	4,681	2,730	87,364
Loss on disposal of property, plant and equipment	1,884	-	1,512	450	364	4,210
Impairment loss on property, plant and equipment and intangible assets	5,720	-	-	-	-	5,720
Holding gain (loss) on investment in securities	133	5,324	-	(8,271)	-	(2,814)

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

34. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Turnover and results

Year ended 31st March, 2004

	Continuing					Discontinued	Consolidated HK\$'000
	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property and hotel HK\$'000	Computer and information technology HK\$'000	Others HK\$'000	Telecom- munication service and general merchandise trading HK\$'000	
TURNOVER							
Turnover	1,636,785	308,230	384,715	546,107	399,673	1,818	3,277,328
Inter-segment sales	(918)	(25,223)	(44,805)	(4,593)	(2,024)	(824)	(78,387)
External sales	<u>1,635,867</u>	<u>283,007</u>	<u>339,910</u>	<u>541,514</u>	<u>397,649</u>	<u>994</u>	<u>3,198,941</u>

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

RESULTS

Segment results	<u>143,918</u>	<u>102,576</u>	<u>44,296</u>	<u>4,345</u>	<u>3,116</u>	<u>2,780</u>	301,031
Unallocated corporate expenses							(3,108)
Interest income							<u>13,581</u>
Profit from operations							311,504
Finance costs							(43,032)
Share of results of associates	(4,767)	-	-	(77)	(6,322)	-	(11,166)
Share of results of jointly controlled entities	60	-	(2,527)	-	-	-	(2,467)
Gain on discontinued operations	-	-	-	-	-	1,016	<u>1,016</u>
Profits before taxation							255,855
Taxation							<u>(38,932)</u>
Profit before minority interests							216,923
Minority Interests							<u>(30,923)</u>
Profit for the year							<u><u>186,000</u></u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

34. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued**Business segments – continued**

Balance sheet
As at 31st March, 2004

	Continuing					Discontinued	Consolidated HK\$'000
	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property and hotel HK\$'000	Computer and information technology HK\$'000	Others HK\$'000	Telecom- munication service and general merchandise trading HK\$'000	
ASSETS							
Segment assets	1,595,924	1,156,401	2,452,874	288,699	167,876	2,519	5,664,293
Interests in associates	25,175	–	–	2,239	15,856	–	43,270
Interests in jointly controlled entities	8,835	–	12,908	–	–	–	21,743
Unallocated corporate assets							26,637
Consolidated total assets							<u>5,755,943</u>
LIABILITIES							
Segment liabilities	894,592	496,884	118,660	82,145	16,963	3,845	1,613,089
Unallocated corporate liabilities							1,346,226
Consolidated total liabilities							<u>2,959,315</u>

Other information
Year ended 31st March, 2004

	Continuing					Consolidated HK\$'000
	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property and hotel HK\$'000	Computer and information technology HK\$'000	Others HK\$'000	
Capital additions	29,803	10	3,849	6,195	1,857	41,714
Depreciation and amortisation	16,482	165	31,329	4,803	2,435	55,214
Loss (profit) on disposal of property, plant and equipment	329	–	4,192	–	(5)	4,516
Holding gain (loss) on investment in securities	1,847	17,219	–	6,596	(260)	25,402
Allowances for bad and doubtful debts	13,299	(8)	609	4,214	382	18,496

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

34. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Geographical Segments

The Group's operations in construction and engineering are located in Hong Kong, Mainland China, Singapore and Europe. Property investment and trading activities and hotel operations are mainly carried out in Hong Kong, Mainland China and Canada. Sales and servicing of IT equipment and business machines are mainly carried out in Hong Kong, Mainland China and Thailand. Motor vehicles trading and other trading are carried out in Canada and USA, respectively. Insurance and investment business is conducted in Hong Kong. The discontinued operations, retailing of general merchandise and telecommunication equipment and agency services was carried out in Hong Kong. The following is an analysis of the Group's turnover by geographical market:

	Turnover by geographical market			
	2005		2004	
	HK\$'000	%	HK\$'000	%
Hong Kong	2,889,778	67	2,145,982	67
Mainland China	396,759	9	256,748	8
Singapore	182,230	4	180,491	5
Thailand	69,028	2	124,176	4
Europe	230,040	6	52,615	2
Canada	293,647	7	308,644	10
U.S.A.	102,085	2	102,602	3
Australia	110,122	3	–	–
Others	16,793	–	27,683	1
	4,290,482	100	3,198,941	100

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

	Carrying amounts of segment assets				Additions to other properties, plant and equipment and intangible assets			
	2005		2004		2005		2004	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	3,986,135	59	3,983,015	70	85,753	27	8,690	21
Mainland China	918,862	13	764,894	14	5,446	2	2,041	5
Singapore	286,753	4	310,436	5	1,135	1	5,109	12
Thailand	53,142	1	65,042	1	–	–	3,004	7
Europe	556,545	8	66,838	1	116,605	37	20,463	49
Canada	378,345	6	398,907	7	7,668	2	1,719	4
U.S.A.	359,223	5	82,223	1	43	1	135	1
Australia	178,820	3	–	–	92,221	29	–	–
Others	54,452	1	13,532	1	2,429	1	553	1
	6,772,277	100	5,684,887	100	311,300	100	41,714	100

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

35. MAJOR NON-CASH TRANSACTIONS

During the year, additions to plant and equipment during the year amounting to HK\$2,134,000 (2004: nil) were financed by new finance leases.

During the year ended 31st March, 2004,

- (a) 9,905,717 shares were issued in lieu of cash dividends payable to the shareholders at a total consideration of approximately HK\$34,767,000.
- (b) The Group acquired an additional 11.82% interest in NordiTube satisfied partly by the conversion of loans due from NordiTube of HK\$5,462,000 as disclosed in note 33.

36. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

	2005 HK\$'000	2004 HK\$'000
Fees	375	375
Salaries, allowances and benefits in kind	20,458	16,495
Contributions to retirement schemes	778	540
	<u>21,611</u>	<u>17,410</u>

Apart from the Directors' fees of HK\$375,000 (2004: HK\$375,000), no other emoluments were paid or are payable to the Independent Non-executive Directors.

No compensation for loss of office were paid or are payable to any of the Directors.

The emoluments of the Directors fall within the following bands:

Bands	Number of directors	
	2005	2004
Nil – HK\$1,000,000	3	6
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	3	2
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$8,000,001 – HK\$8,500,000	1	1
	<u>10</u>	<u>11</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

36. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT - continued

The five highest paid individuals include three (2004: four) Directors and the total emoluments paid to the five highest paid individuals for both years are as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries, allowances and benefits in kind	18,357	16,331
Performance-based bonus	4,933	–
Contributions to retirement scheme	514	542
	<u>23,804</u>	<u>16,873</u>

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

Bands	Number of individuals	
	2005	2004
HK\$1,500,001 – HK\$2,000,000	–	3
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$6,500,001 – HK\$7,000,000	1	–
HK\$8,000,001 – HK\$8,500,000	1	1
	<u>5</u>	<u>5</u>

37. CHARGE ON ASSETS

Bank loans of HK\$632,309,000 (2004: HK\$631,688,000) and other unutilised banking facilities are secured by charges on certain properties, certain plant and equipment, other investments, inventories and other assets of the Group with an aggregate carrying value of HK\$1,682,027,000 (2004: HK\$1,746,423,000). In addition, fixed deposits of HK\$89,386,000 were also pledged at 31st March, 2004 as a security for guarantees issued by banks for the Group's performance for maintenance and remedial work for certain Private Sector Participation Scheme projects completed by the Group and as a security for a performance bond issued by a bank in favour of a customer.

其士

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

38. CONTINGENT LIABILITIES

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

- (a) The Group and the Company had contingent liabilities in respect of guarantees issued for:

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Banking facilities granted to:				
Subsidiaries	–	–	764,945	878,106
Associates	94,830	67,563	94,830	67,563
Mortgage finance provided to the purchasers of properties by an associate	1,125	1,821	–	–
Performance of subsidiaries under certain contracts	–	–	235,951	405,435
Leasing of the Group's equipment	–	–	81	1,753
	<u>95,955</u>	<u>69,384</u>	<u>1,095,807</u>	<u>1,352,857</u>

- (b) The Company had contingent liabilities in respect of counter-indemnities given to banks and insurance institutions amounting to approximately HK\$124,200,000 (2004: HK\$257,200,000) in respect of guarantees issued by them on the Group's performance for maintenance and remedial work for Private Sector Participation Scheme projects completed by the Group.

39. CAPITAL COMMITMENT

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of investment in partnership	<u>14,369</u>	<u>19,667</u>

40. OPERATING LEASES

The Group as lessee

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

	2005 HK\$'000	2004 HK\$'000
Within one year	8,920	5,906
In the second to fifth year inclusive	18,733	3,629
Over five years	13,266	–
	<u>40,919</u>	<u>9,535</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

40. OPERATING LEASES – continued

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

The Group as lessor

At the balance sheet date, investment properties and completed properties for sale with a carrying value of approximately HK\$316 million (2004: HK\$348 million) and HK\$390 million (2004: HK\$389 million) respectively were rented out under operating leases. All of the properties were leased out for periods ranging from one year to five years. The future minimum lease payments receivable by the Group under non-cancellable operating leases for each of the following periods are as follows:

	2005 HK\$'000	2004 HK\$'000
Within one year	29,006	35,845
In the second to fifth year inclusive	22,213	11,352
	<u>51,219</u>	<u>47,197</u>

41. SHARE OPTION SCHEMES

(a) Share option scheme of the Company

At 1st April, 2003, the Company had outstanding options granted under the old share option scheme of the Company which was expired in 2001. As a result of the consolidation of the Company's shares in June 2003, the outstanding options entitled holders to subscribe for 6,830,000 new shares of the Company at an adjusted price of HK\$2.44 per share and were disposed during the year ended 31st March, 2004.

The Company's existing share option scheme (the "Scheme") was adopted by the shareholders pursuant to a resolution passed on 20th September, 2002 for the primary purpose of providing the participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Scheme will expire on 19th September, 2012.

The total number of shares in respect of which options may be granted under the Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by Independent Non-executive Directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK\$5,000,000 in the 12-month period up to the date of grant must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days from the date of grant, upon payment of HK\$1 per grant. An option may be exercised in accordance with the terms of the Scheme at any time during the effective period of the Scheme to be notified by the Board of Directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the Directors of the Company, and will not be less than the highest of the closing price of the Company's share on the date of grant, the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant, and the nominal value.

No options have been granted under the Scheme.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

41. SHARE OPTION SCHEMES – continued

(b) Share option scheme of Chevalier iTech Holdings Limited (“CiTL”)

The existing share option scheme of a subsidiary of the Company, CiTL (“CiTL Scheme”) was adopted on 20th September, 2002 and its terms are similar to the Company’s Scheme. No options have been granted under the CiTL Scheme.

The financial impact of share options granted is not recorded in the Company’s or the Group’s balance sheet until such time as the options are exercised. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the share, 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 lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

42. RETIREMENT BENEFITS

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the “ORSO Scheme”) and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs at a maximum of HK\$1,000 to the Scheme. The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7.5% of the employee’s basic salary, depending on the length of service with the Group.

Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and customs.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was HK\$1,231,000 (2004: HK\$ 2,348,000). At 31st March, 2005, the total amount of forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in future years, was HK\$131,000 (2004: HK\$59,000). At 31st March, 2005, contributions of HK\$2,130,000 (2004: HK\$2,192,000) due in respect of the reporting period had not been paid over to the ORSO Scheme.

43. OTHER COMMITMENTS

At 31st March, 2005,

- (a) The Group has outstanding forward foreign exchange contracts with the total notional amount of approximately HK\$642,418,000 (2004: HK\$898,022,000), most of which are between United States dollar and Hong Kong dollar and with various maturity dates up to January 2006.
- (b) The Group has outstanding interest rate swaps with the total nominal values of approximately HK\$634,000,000 (2004: HK\$650,000,000) and with various maturity dates up to August 2014.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

44. RELATED PARTY TRANSACTIONS

Details of the material transactions entered during the year with the Company's associates and jointly controlled entities which are regarded as related parties for the purpose of Statement of Standard Accounting Practice 20 "Related Party Disclosures" are as follows:

- (i) A 10-year license had been granted by an associate's which became a subsidiary during the year ended 31st March, 2005 to the Group for the rights of using the pipe rehabilitation technology. Royalty paid for the use of the technology during the year amounted to HK\$226,000 (2004: HK\$2,083,000). The Group purchased materials and equipment of HK\$635,000 (2004: HK\$24,066,000) at agreed terms from this associate. The amount payable at 31st March, 2004 amounted to HK\$1,498,000.
- (ii) The Group made advances to its associates and jointly controlled entities during the year. The advances to these companies are unsecured and the outstanding balances at 31st March, 2005 are disclosed in the consolidated balance sheet and notes 19 and 20. Included in the advances are unsecured loans of HK\$14,700,000 (2004: HK\$14,156,000) to an associate which bear interest at HIBOR plus 1.5% per annum. Interest income during the year on these loans amounted to HK\$222,000 (2004: HK\$649,000). In prior year, the Group received interest of HK\$171,000 in respect of loans to associates which became subsidiaries during the year ended 31st March, 2004.

45. POST BALANCE SHEET EVENTS

Subsequent to 31st March, 2005, the Group acquired the entire issued share capital of Pacific Coffee (Holdings) Limited for a consideration of HK\$205,000,000 of which HK\$60,000,000 was financed by bank borrowings. It is impracticable to disclose the amounts of assets, liabilities and contingent liabilities of Pacific Coffee (Holdings) Limited at the acquisition date because management of the Group is in the process of determining such amounts.

Pacific Coffee (Holdings) Limited is engaged in the business of trading and retailing of coffee products and operation of coffee shops.

其士