

Notes to the Financial Statements

For the year ended 31st March, 2001

44. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees given to financial institutions in respect of banking and other facilities granted to:				
Subsidiaries	–	–	165,260	2,516,054
Jointly controlled entities	1,749,952	85,936	1,749,952	85,936
Guarantees given to an associate in respect of loan granted to a subsidiary	–	–	50,000	–
Outstanding performance bonds in respect of construction contracts	<u>693,170</u>	<u>357,959</u>	<u>692,170</u>	<u>357,959</u>

The extent of such facilities utilised by the subsidiaries and jointly controlled entities at 31st March, 2001 amounted to HK\$91,857,000 and HK\$973,284,000 (2000: HK\$882,159,000 and HK\$85,936,000) respectively.

At 31st March, 2001, the Company has also given guarantees to indemnify all liabilities for certain construction contracts undertaken by its subsidiaries.

45. POST BALANCE SHEET EVENT

On 14th May, 2001, Elite United Group Limited ("Elite United"), a wholly-owned subsidiary of the Company, conditionally agreed to sell the entire issued share capital of Ngo Kee Construction Company Limited ("Ngo Kee") to a wholly-owned subsidiary of New World Services Limited ("Purchaser") for a total consideration of HK\$43 million payable in cash as to HK\$8 million on completion and as to HK\$35 million on 1st July, 2003. The Company is required to repay, on or before 31st May, 2003, in full to Ngo Kee the outstanding debts of the sum of not more than HK\$130 million due from the Company to Ngo Kee as at completion, of which the principal amount of HK\$15 million shall be interest free and the balance bearing interest at prime rate per annum.

The Purchaser is entitled at any time before 31st May, 2003 under the Put Option to require Elite United to purchase the entire issued share capital of Ngo Kee at the price equal to the aggregate of the part of the consideration then paid by the Purchaser and notional interest thereon at prime rate per annum.

Completion of the agreement is conditional on (i) the approval of the Company's shareholders other than the Purchaser and its associates; (ii) approvals, consents and waivers from relevant government authorities, bank creditors and debt security holder of the Group; and (iii) a working capital facility being arranged by the Purchaser and being available to Ngo Kee up to HK\$50 million in aggregate. Completion is expected to occur on the later of 1st August, 2001 or five business days after satisfaction or waiver (to the extent applicable) of the conditions precedent or such later date as Elite United and the Purchaser may agree.

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46. RETIREMENT BENEFIT SCHEMES

- (a) With effective from 1st December, 2000, the Group operates two MPF Schemes for all eligible employees in Hong Kong. These MPF Schemes are registered with the Mandatory Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance").

The assets of the MPF Schemes are held separately from those of the Group under the control of independent trustees approved by the MPFA.

In addition to the mandatory contributions specified under the MPF Schemes Ordinance, the Group provides additional contributions for certain qualifying employees as specified in the rules of the Group's MPF Schemes. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The amounts charged to the consolidated income statement represents contributions payable to the retirement benefit schemes by the Group at the rates specified in the rules of the MPF Schemes reduced by the aforesaid amount of forfeited benefits outstanding at the commencement of the financial year.

- (b) Prior to the introduction of the MPF Schemes, the Group had operated retirement schemes under the ORSO Schemes. These ORSO Schemes were discontinued and the benefits for the employees were transferred to the MPF Schemes. The assets held under the ORSO Schemes were held separately from those of the Group and were transferred directly to the MPF Schemes.

One of the retirement benefit schemes had operated as a defined benefit scheme, but was altered in August 2000 to a defined contribution scheme with the consent of the members of this scheme.

- (c) As at 31st March, 2001, the total amount of forfeited benefits available to reduce the contributions payable in future years by the Group amounted to HK\$515,000 (2000: HK\$293,000).

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47. RELATED PARTIES TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Notes	Associates		Jointly controlled entities		Related company	
		2001	2000	2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Management fee income	1	-	98	-	6,754	-	-
Payment for repairing charges	2	-	-	-	-	-	2,821
Purchase of materials and supplies	2	-	-	-	-	-	1,356
Receipt of diesel and water supply income	2	-	-	-	-	-	818
Receipt of plant hire income	2	-	-	-	-	-	298
Receipt of machinery repairing charges	2	-	-	-	-	-	295
Revenue from construction works	2	-	2,103	195,122	-	-	-
Revenue from sales of goods	2	-	-	48,376	850	-	-
Proceeds for purchase of property, plant and equipment	2	-	-	-	945	-	-
		<u>5,361</u>	<u>77,968</u>	<u>91,242</u>	<u>7,625</u>	<u>-</u>	<u>-</u>
Amount due from related parties		5,361	77,968	91,242	7,625	-	-
Amount due to related parties		42,243	52,862	86,278	64,026	-	-

The related company is a company of which certain directors of the Company had beneficial interests.

Note:

- (1) The management fee represented the agreed fees shared from respective joint ventures at a cost plus mark-up basis.
- (2) The transactions were carried out at cost plus a percentage profit mark-up.

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48. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital *	Proportion of nominal value of issued capital/ attributable interest held by		Principal activities
			the Company*/ subsidiaries %	the Group %	
Elite United Group Limited	Hong Kong	HK\$2	100	100	Investment holding
Groove Trading Limited	Hong Kong	HK\$2	100	100	Investment holding
Leader Civil Engineering Corporation Limited	Hong Kong	HK\$25,200,000 Ordinary shares HK\$24,000,000 Non-voting deferred shares (note a)	100	100	Civil engineering
Leader Marine Contractors Limited	Hong Kong	HK\$200,000	100	100	Marine engineering and provision of transportation services
Ngo Kee Construction Company Limited	Hong Kong	HK\$27,000,000	100	100	Building construction works
Sundart Timber Products Company Limited	Hong Kong	HK\$46,510,000	65	65	Investment holding and supply of timber products
Wai Hing Quarries (China) Limited	Hong Kong	HK\$2 Ordinary shares HK\$1,200,000 Non-voting deferred shares (note a)	100	100	Production of construction materials

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48. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital *	Proportion of nominal value of issued capital/ attributable interest held by		Principal activities
			the Company*/ subsidiaries %	the Group %	
Wai Kee China Investments Company Limited	Hong Kong	HK\$2 Ordinary shares	100	100	Investment holding
		HK\$2 Non-voting deferred shares (note a)	100	100	
Wai Kee China Investments (BVI) Company Limited	British Virgin Islands	HK\$30,000,000 Ordinary shares	100	100	Investment holding
Wai Kee Quarry Asia Limited	Hong Kong	HK\$2	100	100	Investment holding
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	HK\$2 Ordinary shares	100	100	Civil engineering
		HK\$14,800,000 Non-voting deferred shares	100	100	
		HK\$5,200,000 Non-voting deferred shares (note a)	-	-	
Wai Kee (Zens) Holding Limited	British Virgin Islands	US\$50,000	100*	100	Investment holding
Wai Luen Stone Products Limited	Hong Kong	HK\$2,200,000 Ordinary shares	100	100	Production of construction materials
		HK\$800,000 Non-voting deferred shares (note a)	-	-	

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48. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital *	Proportion of nominal value of issued capital/ attributable interest held by		Principal activities
			the Company*/ subsidiaries %	the Group %	
Zen Pacific Civil Contractors Limited	Hong Kong	HK\$1,000 Ordinary shares	100	100	Civil engineering
		HK\$39,499,800 Non-voting deferred shares (note a)	100	100	
Zen Pacific Construction Limited	British Virgin Islands/ Hong Kong	US\$1,000	100	100	Investment holding
Zen Pacific-Shui On Joint Venture C304	Hong Kong	Unincorporated (note b)	90	90	Civil engineering
Zhuhai Guishan Seawall Construction Company	PRC	HK\$21,000,000 *	80	80	Seawall construction and production of construction materials
ZWP Investments Limited	Hong Kong	HK\$2	100	100	Investment holding

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48. PRINCIPAL SUBSIDIARIES (Cont'd)

Except for Wai Kee (Zens) Holding Limited, all subsidiaries are indirectly held by the Company.

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

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

Notes:

- a. These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of respective companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.
- b. No capital has been contributed by the partners of the joint venture.