

1. CORPORATE INFORMATION

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

During the year, the Group was principally involved in the undertaking of superstructure construction, foundation piling, substructure works, slope improvement and interior decoration works in Hong Kong, SAR.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for the remeasurement of fixed assets, as further explained below.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired during the year are consolidated from their effective dates of acquisition. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- (a) value of construction work performed is recognised based on the stage of completion of the construction work performed which is established by reference to the value of work certified to date in comparison to total contract value. Further details on contract revenue are explained on the accounting policy for "Construction contracts" below;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Revenue recognition** (continued)

- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (c) rental income, on a time proportion basis over the lease terms.

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Interests in subsidiaries are stated at cost less any provisions for diminutions in values, other than those considered temporary in nature, deemed necessary by the directors.

Jointly-controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and where none of the participating parties has unilateral control over the economic activity. Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates

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

The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in an associate are stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting, less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

Goodwill

Goodwill arising on consolidation of subsidiaries or associates represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (continued)

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the asset revaluation reserve. If the reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. A subsequent revaluation increase is recognised as income to the extent that it reverses a revaluation deficit of the same asset previously charged to the profit and loss account. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

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

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Investment properties** (continued)

Upon the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Construction contracts

Construction contracts are accounted for in the balance sheet as contract costs incurred plus recognised profits, less recognised losses and progress billings. Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, direct labour costs, subcontracting charges, other direct expenses and an appropriate proportion of construction overheads. Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as amounts due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as amounts due to contract customers.

Capitalisation of borrowing costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Leased assets**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and is recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent that it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals of corporate entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Pension scheme**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are recognised as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme in accordance with the rules of the Scheme.

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

3. TURNOVER AND REVENUE

Turnover represents the aggregate of the gross value of work earned from superstructure construction, foundation piling, substructure works, slope improvement works, interior decoration and special construction projects ("Construction Contracts").

	2001 HK\$'000	2000 HK\$'000
Turnover:		
Undertaking of construction contract works	574,285	604,061
Other revenue:		
Interest income	7,086	8,444
Service fee income	2,155	3,033
Gain on disposal of short term investments	682	–
Rental income from investment properties	245	503
Rental income from machinery held for operating lease purpose	3,188	–
Others	2,744	6,895
	<u>16,100</u>	<u>18,875</u>
Total revenue	<u><u>590,385</u></u>	<u><u>622,936</u></u>

3. TURNOVER AND REVENUE (Continued)

An analysis of the Group's turnover by principal activity and geographical area pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

	2001 HK\$'000	2000 HK\$'000
(i) By principal activity:		
Superstructure construction works	102,768	109,398
Foundation piling, substructure works and slope improvement works	374,465	446,727
Special construction projects including civil engineering work and electrical and mechanical works	80,658	24,402
Interior decoration works	15,474	20,747
Others	920	2,787
	<u>574,285</u>	<u>604,061</u>
(ii) By geographical area:		
People's Republic of China – Hong Kong	<u>574,285</u>	<u>604,061</u>

4. RELATED PARTY TRANSACTIONS

The Group had transactions with certain related parties during the year as summarised below.

	Notes	Group	
		2001 HK\$'000	2000 HK\$'000
Insurance premiums paid to a related company	(i)	543	713
Insurance brokerage commission received from a related company	(i)	(101)	(297)
Service fee income from a jointly-controlled entity	(ii)	(2,155)	(3,033)
Subcontracting fee paid to minority shareholders of subsidiaries	(iii)	5,979	18,891
Machinery rental paid and payable to minority shareholders of subsidiaries	(iii)	292	4,414
Service fee paid to minority shareholders of subsidiaries	(iv)	10,018	–
Contract sum received and receivable from a minority shareholder of a subsidiary	(v)	(17,213)	–
Contract sum received and receivable from a related company		–	(701)

4. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (i) Insurance premiums and insurance brokerage commission were paid to/received from certain subsidiaries of China Insurance H.K. (Holdings) Company Limited ("China Insurance"), which owns 15.65% of the issued capital of the Company through its 99.9% owned subsidiary, Glado Development Limited. As confirmed by the directors of the Company, insurance premium expense and insurance brokerage commission income were calculated by reference to open market rates.
- (ii) The service fee income was charged in relation to the provision of management services in respect of the undertaking of construction works. The service charge for the current year was made on a cost recovery basis while the 2000 balance was calculated as 2% of the corresponding contract sum derived from the underlying contract.
- (iii) The subcontracting fee and machinery rental were charged for subcontracting work in respect of construction contracts rendered to the Group. The directors consider that the subcontracting fees and machinery rental were made according to conditions similar to those paid to other non-related subcontractors and suppliers.
- (iv) The service fee was paid in relation to the provision of site workers for the undertaking of construction works of the Group, and was charged on a cost recovery basis by the minority shareholder.
- (v) The contract sum was received in respect of renovation works rendered to external walls of two town hall complexes, of which the minority shareholder is the main contractor. The directors consider that these contract fees were made according to terms similar to those offered to non-related contract customers of the Group.

In addition to the above, the Group made advances to related companies of the Company during the year, the terms of which are set out in note 16 to the financial statements.

The Group was held and adjudicated to be liable to certain litigation claims, the details of which are set out in note 26(v) to the financial statements. In connection with these claim liabilities, certain directors of the Company, through companies beneficially wholly-owned by them, have covenanted with the Group to jointly and severally indemnify and keep the Group indemnified in full against the damages payable, including any expenses or liabilities which the Group may sustain in connection with the claims.

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

5. LOSS FROM OPERATING ACTIVITIES

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Auditors' remuneration	950	950
Staff cost		
Staff wages and salaries (excluding directors' remuneration)	61,656	49,379
Pension contributions (excluding directors' remuneration)	667	-
Less: Amounts capitalised on construction contracts	(49,458)	(40,460)
	<u>12,865</u>	<u>8,919</u>
Depreciation:		
Owned fixed assets	11,797	7,343
Less: Amounts capitalised on construction contracts	(7,023)	(5,887)
	<u>4,774</u>	<u>1,456</u>
Leased fixed assets	669	1,706
Less: Amounts capitalised on construction contracts	(669)	(1,706)
	<u>-</u>	<u>-</u>

5. LOSS FROM OPERATING ACTIVITIES (Continued)

	Group	
	2001 HK\$'000	2000 HK\$'000
Operating lease rentals:		
Land and buildings	2,721	2,184
Plant and machinery	23,999	26,960
Less: Amounts capitalised on construction contracts	(23,752)	(26,747)
	<u>247</u>	<u>213</u>
Loss on disposal of fixed assets	577	113
Provision of advance to an associate	11,431	–
Provision for non-recoverable amounts due from contract employers	19,432	6,286
Reversal of provision for non-recoverable amounts due from contract employers	(786)	–
Deficit arising from revaluation of leasehold land and buildings (note 11)	728	1,521
Deficit arising from revaluation of plant and machinery and motor vehicles (note 11)	594	37
Rental income, net of outgoings of HK\$38,000 (2000 : HK\$24,000) from investment properties	(245)	(503)
Rental income, gross and net, from machinery held for operating lease purpose	(3,188)	–
Interest income	(7,086)	(8,444)
Gain on disposal of investments	(682)	–
	<u><u> </u></u>	<u><u> </u></u>

5. LOSS FROM OPERATING ACTIVITIES (Continued)

An analysis of the Group's loss from operating activities by principal activity and geographical area pursuant to the requirements of the Listing Rules is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
(i) By principal activity:		
Superstructure construction works	(17,944)	(6,250)
Foundation piling, substructure works and slope improvement works	(35,461)	15,751
Special construction projects including civil engineering work and electrical and mechanical works	(17,771)	(8,964)
Interior decoration works	2,667	(2,288)
Others	(3,423)	(6,493)
	<u>(71,932)</u>	<u>(8,244)</u>
(ii) By geographical area:		
People's Republic of China – Hong Kong	<u>(71,932)</u>	<u>(8,244)</u>

6. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	254	301
Interest on finance leases	160	281
Total finance costs	414	582
Interest capitalised	(160)	(281)
	<u>254</u>	<u>301</u>

7. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS

Details of the aggregate directors' remuneration are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	300	900
Non-executive directors	810	820
Other emoluments to executive directors:		
Salaries, allowances and benefits in kind	7,102	5,966
Pension scheme contributions	20	-
	<u>8,232</u>	<u>7,686</u>

7. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS

(Continued)

The amount of directors' remuneration which is directly attributable to construction activities and capitalised in construction contracts amounted to HK\$3,909,000 (2000: HK\$3,849,000).

The directors' remuneration shown above does not include the estimated monetary value of the Group's owned premises provided rent-free to a director. The estimated rental value of such accommodation was HK\$150,000 for the year ended 31 March 2001 (2000: HK\$155,000).

The number of directors whose remuneration fell within the bands set out below is as follows:

	2001 Number of directors	2000 Number of directors
HK\$Nil – HK\$1,000,000	9	9
HK\$1,000,001 – HK\$1,500,000	3	2
HK\$1,500,001 – HK\$2,000,000	1	1
	<u>13</u>	<u>12</u>

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

7. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS

(Continued)

The five highest paid individuals during the year included four (2000: Three) directors, details of whose remuneration are set out above. The remuneration paid to the remaining non-director, highest paid individual (2000: Two) for the year were analysed and fell within the bands set out below:

	Group	
	2001 HK\$'000	2000 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	1,653	2,532
Pension scheme contributions	4	–
	<u>1,657</u>	<u>2,532</u>

	2001	2000
	Number of employees	Number of employees
HK\$1,000,001 – HK\$1,500,000	–	2
HK\$1,500,001 – HK\$2,000,000	1	–
	<u>1</u>	<u>2</u>

8. TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
Current year provision – Hong Kong	121	720
Deferred tax charge/(credit) – note 21	(2,166)	525
	<u>(2,045)</u>	<u>1,245</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year.

No provision for profits tax has been made for the Group's jointly-controlled entities and an associate because they did not generate any assessable profits during the year.

9. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from operating activities attributable to shareholders dealt with in the financial statements of the Company is HK\$68,054,000 (2000: HK\$7,941,000).

10. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$71,640,000 (2000: HK\$10,651,000) and the weighted average of 287,500,000 shares (2000: Weighted average of 287,500,000 shares) in issue during the year.

The diluted loss per share has not been presented because the Company had no potential ordinary shares outstanding during the year which would have given rise to a dilutive effect on the Group's results for the year.

11. FIXED ASSETS

Group

	Investment properties HK\$'000	Medium term leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Valuation:						
At beginning of year	4,600	3,400	37,220	6,226	2,572	54,018
Additions	-	-	32,257	269	317	32,843
Disposals	-	-	(2,039)	(503)	(190)	(2,732)
Surplus/(deficit) on revaluation	-	(800)	(6,872)	-	(402)	(8,074)
At 31 March 2001	<u>4,600</u>	<u>2,600</u>	<u>60,566</u>	<u>5,992</u>	<u>2,297</u>	<u>76,055</u>
Accumulated depreciation:						
At beginning of year	-	-	-	4,013	-	4,013
Provided during the year	-	72	10,760	761	873	12,466
Disposals	-	-	-	(365)	-	(365)
Written back upon revaluation	-	(72)	(10,760)	-	(873)	(11,705)
At 31 March 2001	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,409</u>	<u>-</u>	<u>4,409</u>
Net book value:						
At 31 March 2001	<u><u>4,600</u></u>	<u><u>2,600</u></u>	<u><u>60,566</u></u>	<u><u>1,583</u></u>	<u><u>2,297</u></u>	<u><u>71,646</u></u>
At 31 March 2000	<u><u>4,600</u></u>	<u><u>3,400</u></u>	<u><u>37,220</u></u>	<u><u>2,213</u></u>	<u><u>2,572</u></u>	<u><u>50,005</u></u>

11. FIXED ASSETS (Continued)

The investment properties are situated in Hong Kong and are held under medium term leases. At 31 March 2001, the investment properties were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market existing use basis at HK\$4,600,000. There were no net surplus or deficit arising from the revaluation.

The medium term leasehold land and buildings are situated in Hong Kong. At 31 March 2001, the leasehold land and buildings were revalued by Vigers Hong Kong Limited, independent professional valuers, on an open market, vacant possession basis at HK\$2,600,000, and a deficit of HK\$728,000 arising therefrom has been charged to the profit and loss account (note 5).

At 31 March 2001, the plant and machinery and motor vehicles were revalued by Vigers Hong Kong Limited, independent professional valuers, on the fair market value on a continued use basis at HK\$60,566,000 and HK\$2,297,000, respectively. A deficit of HK\$594,000 and a surplus of HK\$4,953,000 arising from these revaluations have been charged to the profit and loss account (note 5) and credited to the asset revaluation reserve (note 23), respectively. The directors believe that the carrying value of furniture and equipment of HK\$1,583,000 approximates its fair value as at 31 March 2001 and, in view of the immateriality of the amount involved, a professional revaluation has not been carried out on these assets.

Had the Group's fixed assets been stated at cost less accumulated depreciation, the carrying amounts of land and buildings, plant and machinery, furniture and equipment, and motor vehicles as at 31 March 2001 would have been restated at HK\$5,651,000, HK\$53,339,000, HK\$1,583,000 and HK\$1,303,000, respectively.

The net book value of assets held under finance leases included in the total amount of fixed assets at 31 March 2001 amounted to HK\$2,900,000 (2000: HK\$6,990,000). The depreciation charge for the year in respect of all such assets held under finance leases amounted to HK\$669,000 (2000: HK\$1,706,000).

11. FIXED ASSETS (Continued)

Certain of the Group's plant and machinery in their aggregate carrying value of HK\$26,985,000 (2000: Nil) are held for the purpose of operating lease rental income. The depreciation charge for the year in respect of all such assets amounted to HK\$2,675,000 (2000: Nil).

Certain of the Group's fixed assets in their aggregate carrying value of HK\$32,325,000 (2000: Nil) have been pledged as security in respect of banking facilities granted to the Group as at 31 March 2001. Further details regarding these pledge of assets are set out in note 19 to the financial statements.

12. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	4,384	1
Share of net deficiency in assets	(1,914)	(222)
	<u>2,470</u>	<u>(221)</u>

12. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Voting power controlled by the Group	Percentage of equity interest and profit sharing attributable to the Group	Principal activities
AWG-JV	Partnership	Hong Kong	50%	50%	Superstructure construction
AWG-JV Limited	Corporate	Hong Kong	50%	50%	Foundation and piling works
Costain-China Harbour Joint Venture	Unincorporated	Hong Kong	33-1/3%	40%	Foundation and piling works
CCL Joint Venture	Unincorporated	Hong Kong	33-1/3%	33%	Superstructure construction
China Harbour- Transfield Joint Venture	Unincorporated	Hong Kong	25%	15.3%	Drainage improvement

13. INTEREST IN AN ASSOCIATE

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	-	-

Particulars of the associate are as follows:

Name	Business Structure	Place of incorporation and operations	Percentage of equity interest attributable to the Group	Principal activities
Centriline Asia Limited	Corporate	Hong Kong	50%	Tunnel lining works

14. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	53,662	53,662
Due from subsidiaries	183,844	185,054
	237,506	238,716
Provisions for diminutions in values	(96,417)	(29,128)
	141,089	209,588
Due from subsidiaries classified as current assets	(70,078)	(71,288)
	<u>71,011</u>	<u>138,300</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK\$113,766,000, of which the Company has undertaken not to demand repayment on or before 31 March 2002, and hence it is classified as a non-current asset.

14. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Wing Hing Group (BVI) Limited	British Virgin Islands	Ordinary US\$41,025.65	100%	Investment holding
CWS International Trading Limited	British Virgin Islands	Ordinary US\$10	100%	Provision of trade financing services
Indirectly held				
W. Hing Construction Company Limited	Hong Kong	Ordinary HK\$100 Deferred* HK\$2,380,000	100%	Super- structure construction
CWF Piling & Civil Engineering Company Limited	Hong Kong	Ordinary HK\$48,500,000 Deferred* HK\$1,500,000	100%	Foundation and piling works
Anpoint Engineering Limited	Hong Kong	Ordinary HK\$1,000	100%	Electrical and mechanical construction

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Asian Creator Engineering Limited	Hong Kong	Ordinary HK\$10	100%	Specialised building works
GTI International Limited	Hong Kong	Ordinary HK\$2	100%	Slope improvement works
Sunny Engineering Limited	Hong Kong	Ordinary HK\$1,000	100%	Machine leasing
Goodcome Investment Limited	Hong Kong	Ordinary HK\$100	55%	Property development and construction
CWS Insurance Agent Limited	Hong Kong	Ordinary HK\$2	100%	Insurance brokerage services
W H Interior Design and Contracting Company Limited	Hong Kong	Ordinary HK\$2	100%	Interior decoration

14. INTERESTS IN SUBSIDIARIES (Continued)

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

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
TCL Piling Specialist Limited ("TCL")**	Hong Kong	Ordinary HK\$2,000,000	59%	Foundation and piling works
CHEC-CWF Joint Venture	Hong Kong	–	51%	Foundation and piling works
Tower Mark Hong Kong Limited	Hong Kong	HK\$100	55%	Machine leasing

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

As at 31 March 2001, all these deferred shares were owned by Wing Hing Group (BVI) Limited.

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

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

15. ACCOUNTS RECEIVABLE

Included in accounts receivable are the following amounts related to construction contracts:

	Group	
	2001 HK\$'000	2000 HK\$'000
Contract costs incurred plus recognised profits, less recognised losses	488,138	539,807
Less: Progress billings	(476,068)	(513,493)
	<u>12,070</u>	<u>26,314</u>

Retentions held by customers for contract works, that are recoverable within twelve months from the balance sheet date, are included in accounts receivable and amounted to HK\$22,789,000 (2000: HK\$6,906,000). Retentions held by customers that are recoverable after twelve months from the balance sheet date, in the amount of HK\$30,922,000 (2000: HK\$52,562,000), are classified as contract retention receivables under non-current assets.

The age of the Group's other accounts receivable, inclusive of contract retention receivables classified as non-current assets, as at the balance sheet date is analysed as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current to 90 days	114,472	160,063
91 days to 180 days	8,075	1,791
181 days to 365 days	20,227	10,757
Over 365 days	6,614	9,724
	<u>149,388</u>	<u>182,335</u>

15. ACCOUNTS RECEIVABLE (Continued)

The Group's credit terms for its contracting business are negotiated with and entered into under normal commercial terms with contract employers. Accounts receivable of a non-retention nature are generally due within 30 days of certification by contract employer's architect as to the value of contract works performed and claimed by the Group in its interim applications for progress payment.

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

16. OTHER RECEIVABLES

	Group	
	2001 HK\$'000	2000 HK\$'000
Prepayments, deposits, other debtors and other assets	9,879	11,375
Due from related companies – note 4	4,579	3,970
Due from jointly-controlled entities	3,224	10,080
Due from an associate	120	236
Due from minority shareholders	3,496	2,918
Tax recoverable	6,877	6,244
	<u>28,175</u>	<u>34,823</u>

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

16. OTHER RECEIVABLES (Continued)

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

	31 March 2001 HK\$'000	Maximum outstanding during the year HK\$'000	1 April 2000 HK\$'000
Entrepot Limited [#]	3,079	3,220	3,220
Total Success Worldwide Limited [*]	4,725	5,400	5,400
Far East Express Holdings Limited [*]	525	600	600
	<u>8,329</u>		9,220
Portion classified as current assets	<u>(4,579)</u>		<u>(3,970)</u>
Long term portion	<u>3,750</u>		<u>5,250</u>

[#] The amount due from Entrepot Limited is unsecured, interest-free and has no fixed terms of repayment.

^{*} Balances represent claim liabilities recoverable from related companies beneficially and wholly owned by certain directors of the Company (note 26(v)). All of these balances are unsecured and interest-free. Out of the total balance, an aggregate amount of HK\$3,750,000 is recoverable after twelve months from the balance sheet date and is classified as non-current assets at the balance sheet date, while the remaining balance of HK\$1,500,000 is repayable by two equal instalments in June and December 2001.

17. ACCOUNTS PAYABLE

Included in accounts payable are the following amounts related to construction contracts:

	Group	
	2001 HK\$'000	2000 HK\$'000
Contract costs incurred plus recognised profits, less recognised losses	818,349	744,305
Less: Progress billings	(852,943)	(798,592)
	<u>(34,594)</u>	<u>(54,287)</u>

The age of the Group's other accounts payable as at the balance sheet date is analysed as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current to 90 days	70,908	81,724
91 days to 180 days	10,839	5,194
181 days to 365 days	5,227	2,579
Over 365 days	28,186	28,263
	<u>115,160</u>	<u>117,760</u>

18. OTHER PAYABLES AND ACCRUALS

	Group	
	2001 HK\$'000	2000 HK\$'000
Accrued liabilities and other payables	6,457	10,873
Due to minority shareholders	25,871	33,720
	<u>32,328</u>	<u>44,593</u>

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

19. INTEREST-BEARING BANK BORROWINGS, SECURED

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank overdrafts	12,594	6,960
Trust receipt loans	3,182	2,682
Bank loans repayable:		
Within one year	5,921	–
In the second year	5,968	–
In the third to fifth years, inclusive	5,084	–
	<u>16,973</u>	<u>–</u>
	32,749	9,642
Portion classified as current liabilities	<u>(21,697)</u>	<u>(9,642)</u>
Long term portion	<u>11,052</u>	<u>–</u>

19. INTEREST-BEARING BANK BORROWINGS, SECURED (Continued)

As at 31 March 2001, the Group's banking facilities were secured by the following:

- (i) pledged deposit of HK\$6,054,000 (2000: HK\$35,134,000) of the Group;
- (ii) legal charges on the Group's leasehold land and buildings and investment properties, all situated in Hong Kong, in the carrying values of HK\$2,600,000 and HK\$4,600,000, respectively;
- (iii) legal charges on certain of the Group's plant and machinery and motor vehicles, in the carrying values of HK\$24,971,000 and HK\$154,000, respectively;
- (iv) corporate guarantees to the extent of HK\$247 million (2000: HK\$290 million) in aggregate executed by the Company in respect of banking facilities utilised by certain subsidiaries of the Company;
- (v) cross guarantees amongst certain subsidiaries of the Company;
- (vi) joint and several guarantees to the extent of HK\$7,219,000 in aggregate executed by a director of the Company and a director of a subsidiary of the Company; and
- (vii) corporate guarantee to the extent of HK\$7,219,000 executed by a minority shareholder of a subsidiary of the Company.

20. FINANCE LEASE PAYABLES

There were commitments under finance leases at the balance sheet date as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Amounts payable:		
Within one year	1,061	1,244
Between two to five years	1,423	—
Total minimum finance lease payments	2,484	1,244
Future finance charges	(283)	(20)
Total net finance lease payables	2,201	1,224
Portion classified as current liabilities	(880)	(1,224)
Long term portion	1,321	—

21. DEFERRED TAX

Movements in the provision for deferred tax liability are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	3,536	3,011
Charge/(credit) for the year – note 8	(2,166)	525
At 31 March	<u>1,370</u>	<u>3,536</u>

The principal components of deferred tax assets/(liabilities) of the Group provided for and not provided for at the balance sheet date are as follows:

	Provided		Not provided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accelerated depreciation allowances	4,261	3,547	2,580	1,167
Tax losses carried forward	(2,891)	(11)	(18,169)	(4,706)
	<u>1,370</u>	<u>3,536</u>	<u>(15,589)</u>	<u>(3,539)</u>

The revaluation of the Group's fixed assets and investment properties does not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.

22. SHARE CAPITAL

	2001 HK\$'000	2000 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
287,500,000 ordinary shares of HK\$0.10 each	<u>28,750</u>	<u>28,750</u>

Share options

On 22 November 1995, the Company adopted a share option scheme (the "Scheme") under which the board of directors may, on or before 21 November 2005, at its discretion invite any full-time employees, including the directors, of the Company or any of its subsidiaries to take up options to subscribe for shares of the Company. The subscription price is the higher of 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed in nominal amount 10% of the shares of the Company from time to time which have been duly allotted and issued.

The Company had no outstanding share options granted under the Scheme during the two years presented.

23. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
Group						
At 1 April 1999	166,405	1,781	12,415	4,649	6,159	191,409
Surplus on revaluation	-	-	2,782	-	-	2,782
Net loss for the year	-	-	-	-	(10,651)	(10,651)
Release of asset revaluation reserve upon disposal of fixed assets	-	-	(363)	-	363	-
Elimination of goodwill arising on acquisition of a subsidiary	-	-	-	-	(72)	(72)
Dividends	-	-	-	-	(2,875)	(2,875)
At 31 March 2000 and 1 April 2000	166,405	1,781	14,834	4,649	(7,076)	180,593
Surplus on revaluation	-	-	4,953	-	-	4,953
Surplus on revaluation shared by minority interests	-	-	(1,367)	-	-	(1,367)
Net loss for the year	-	-	-	-	(71,640)	(71,640)
Release of asset revaluation reserve upon disposal of fixed assets	-	-	(150)	-	150	-
At 31 March 2001	166,405	1,781	18,270	4,649	(78,566)	112,539
Reserves retained by:						
Company and subsidiaries	166,405	1,781	18,270	4,649	(77,431)	113,674
Jointly-controlled entities	-	-	-	-	(1,130)	(1,130)
An associate	-	-	-	-	(5)	(5)
	166,405	1,781	18,270	4,649	(78,566)	112,539
Company						
At 1 April 1999	166,405	51,562	-	-	(26,558)	191,409
Net loss for the year	-	-	-	-	(7,941)	(7,941)
Dividends	-	-	-	-	(2,875)	(2,875)
At 31 March 2000 and 1 April 2000	166,405	51,562	-	-	(37,374)	180,593
Net loss for the year	-	-	-	-	(68,054)	(68,054)
At 31 March 2001	166,405	51,562	-	-	(105,428)	112,539

23. RESERVES (Continued)

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

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

The investment property revaluation reserve of HK\$4,649,000 and an amount of HK\$4,444,000 included in the asset revaluation reserve, attributable to leasehold land and buildings, have been frozen and are not available for absorbing any deficit arising from revaluation of the underlying properties which gave rise to these reserves. Such freezing of reserves arose during the year ended 31 March 1998 when the directors of the Company changed the intended use of certain of the Group's investment properties and transferred these properties at their then carrying values to leasehold land and buildings. A reverse transfer to investment properties was also made in respect of certain of the Group's leasehold land and buildings.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Loss from operating activities	(71,932)	(8,244)
Interest income	(7,086)	(8,444)
Depreciation charges	4,774	1,456
Provision for non-recoverable amounts due from contract employers	19,432	6,286
Reversal of provision for non-recoverable amounts due from contract employers	(786)	–
Provision for advance to an associate	11,431	–
Gain on disposal of investments	(682)	–
Loss on disposal of fixed assets	577	113
Deficit arising from revaluation of leasehold land and buildings	728	1,521
Deficit arising from revaluation of plant and machinery and motor vehicles	594	37
Increase in amount due from jointly-controlled entities	(848)	–
Decrease/(increase) in accounts receivable	36,397	(12,810)
Decrease/(increase) in amount due from related companies	891	(3,033)
Decrease/(increase) in amount due from minority shareholders	(578)	69
Decrease/(increase) in prepayments, deposits, other debtors and other assets	1,496	(1,688)
Decrease in accounts and bills payable	(22,293)	(1,801)
Increase/(decrease) in accrued liabilities and other payables	(5,916)	11,905
Increase/(decrease) in amounts due to minority shareholders	(7,849)	24,657
Net cash inflow/(oufflow) from operating activities	<u>(41,650)</u>	<u>10,024</u>

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Bank loans HK\$'000	Obligations under finance leases HK\$'000	Balance with jointly- controlled entities HK\$'000	Minority interests HK\$'000
At 1 April 1999	-	5,114	1,948	4,239
Appropriation of profit of a joint venture accounted for as a subsidiary undertaking	-	-	-	(4,704)
Arising from acquisition of a subsidiary	-	-	-	1,371
Net cash inflow/(outflow) from financing activities	-	(3,890)	(1,948)	820
Share of profit for the year	-	-	-	6,864
Dividend paid	-	-	-	(4,000)
At 31 March 2000 and 1 April 2000	-	1,224	-	4,590
Net cash inflow/(outflow) from financing activities	16,973	(1,685)	-	-
Inception of finance leases	-	2,662	-	-
Share of profit for the year	-	-	-	590
Share of surplus on asset revaluation for the year	-	-	-	1,367
At 31 March 2001	16,973	2,201	-	6,547

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	-	237
Accounts receivable	-	38,648
Prepayments and deposits	-	113
Cash and bank balances	-	38,696
Accounts payable	-	(47,340)
Bank overdrafts	-	(14,385)
Due to the Group	-	(7,438)
Due to a minority joint venturer	-	(5,733)
Minority interest	-	(1,371)
	-	1,427
Goodwill on acquisition	-	72
	-	1,499
Satisfied by:		
Reclassification of an interest in a jointly-controlled entity	-	1,399
Consideration discharged through amount due to a minority shareholder	-	100
	-	1,499

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2001 HK\$'000	2000 HK\$'000
Cash and bank balances acquired	-	38,696
Bank overdrafts acquired	-	(14,385)
	-	24,311

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Disposal of subsidiaries

During the year, the Group disposed of certain subsidiaries, mainly engaged previously in the business of property development and construction. As these subsidiaries were dormant with all their assets written off in prior years, there was no overall financial effect arising from the disposal.

For the same foregoing reasons, the subsidiaries disposed of during the year had no material contribution to the Group's cash flows arising from operating activities, returns on investments and servicing of finance, tax, investing activities and financing activities.

(e) Non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK\$2,662,000 (2000: Nil).

25. COMMITMENTS

At the balance sheet date, the Group and the Company had the following commitments under non-cancellable operating leases to make payments within the following year in respect of land and buildings expiring:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	1,343	309	939	–
In the second to fifth years, inclusive	721	1,818	–	1,610
	<u>2,064</u>	<u>2,127</u>	<u>939</u>	<u>1,610</u>

The Group and the Company had no significant capital commitments at the balance sheet date.

26. CONTINGENCIES

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

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees in respect of performance bonds in favour of contract employers	31,909	66,974	–	7,220
Corporate guarantees on liabilities of subsidiaries in respect of:				
Obligations under finance leases	–	–	2,201	469
Bank borrowings	–	–	22,389	9,512
	<u>31,909</u>	<u>66,974</u>	<u>24,590</u>	<u>17,201</u>

In addition to the above, as at 31 March 2000, the Group's shared in the jointly-controlled entities' own contingent liabilities amounted to HK\$2,593,000.

- (ii) As at 31 March 2001, certain subsidiaries of the Company have provided undertakings of financial support to certain of the Group's jointly-controlled entities in proportion to their equity interests in these entities, in order that these entities could meet their obligations and liabilities as and when they fall due. The Group's share of net deficiency in assets in these joint venture entities as at the balance sheet date has already been accounted for (note 12) in presenting these financial statements.

26. CONTINGENCIES (Continued)

- (iii) The Group was involved during the year in the undertaking of two construction contracts for the Hong Kong Housing Authority ("HA"). In attending to these contract works, the Group has received requests for clarifications from the HA regarding the technical compliance of the piling work sections of these contract works. Additional piling specification review, testing and other compliance procedures were carried out to substantiate the satisfactory adherence to technical specification required for these contract works and for any extension works required for the purpose of providing assurance to the HA. Provisions have been made in these financial statements for all additional costs incurred, as well as those necessarily required to be incurred, in attending to these and other additional works reasonably anticipated by the directors to be necessary for the satisfaction of the HA.

As a result of the execution of these additional contract works not anticipated at the stage of contract inception, the contract period was prolonged with a corresponding overrun of the contract cost incurred. In accordance with contractual agreement, HA is entitled to claim against the Group for liquidated damages for the delay in completion of contract works. The maximum amount of liquidated damages involved was assessed by the directors based on contractual provisions as approximately HK\$29 million in aggregate. The directors having regard to the circumstances surrounding the prolonged contract works as described above, are however of the opinion that the Group has meritorious defence against the liquidated damages. In a letter of 12 December 2000 issued by HA, HA confirmed that its building committee has considered the situation and approved the waiver of liquidated damages on an *ex gratia* basis if the delay is due to unanticipated complex ground conditions and/or initiatives on supervision enhancement and design approval on piling works implemented after contract formation. Accordingly, although the Group's grounds of claiming waiver of these possible liquidated damages has yet to be reviewed and approved by HA, the directors are of the opinion that the falling due of these damages to the Group is not probable and a provision therefor has not been made in presenting these financial statements.

26. CONTINGENCIES (Continued)

At the date of these financial statements, the piling sections involved in these HA contract works have been completed and the Group has not received any complaint from the HA regarding sub-standard piling works. The Group is presently in the process of filing formal claims to HA requesting compensation of the extra contract cost incurred, which had already been fully charged to the current year's profit and loss account, as a result of contract prolongation. However, as the negotiation with HA has not yet reached an advanced stage, in view of the uncertainties involved, no accrual for the potential compensation revenue has been made in the financial statements. Nevertheless, the directors believe that such compensation revenue could provide an extra buffer to offset any liquidated damages imposed by HA as discussed above.

- (iv) The Group was previously engaged since early year 2000 in the undertaking of a piling works contract, which during 2001 was terminated by the contract employer prior to completion of contract works as a result of the allegation of non-conforming piles. As at the date of approval of these financial statements, the Group was demanded by the contract employer for the retrenchment of HK\$5 million of the contract fees received by the Group as compensation for early termination of contract works. In this connection, a major portion of the underlying contract works, including portions alleged by the contract employer to be non-conforming to specifications, were subcontracted to a primary sub-contractor and the Group intends to initiate the necessary action to claim back the amounts involved from the sub-contractor concerned. The payment of sub-contracting fees of an equivalent amount of HK\$5 million, payable by the Group to this primary sub-contractor, has also been withheld by the Group as recovery of these potential claims as circumstances may require, notwithstanding that an accrual therefor has been made in the financial statements. The directors having regard to the present status of negotiations are of the opinion that the Group has a meritorious defence against the claim and in any event, the amount of claim that may fall due to the Group would be offset from the above sub-contracting fees withheld. Accordingly, a further provision therefor has not been made in these financial statements.

26. CONTINGENCIES (Continued)

- (v) The Group was held liable to two related claims for the alleged breach of contractual duties, brought against the Group from a contract employer and a nominated sub-contractor in respect of renovation works undertaken by the Group in 1992. The directors are of the opinion that the total claims payable will not exceed HK\$9 million. Certain directors of the Company, through companies beneficially and wholly owned by them, have covenanted with the Group to jointly and severally indemnify and keep the Group indemnified in full against the damages payable. In respect of the portion of the claims compensation already agreed at this stage, a provision thereof, as well as the corresponding reimbursement recoverable of the same amount, have been recognised in these financial statements.

27. PENDING LITIGATION

- (i) The Group was involved in disputes with certain other shareholders of an associate and its related parties, under which the Group was alleged, amongst other things, of mis-appropriation of certain construction machineries and default in repayment of related machinery lease rentals in the amount of approximately HK\$5 million in aggregate. The directors consider that proper payment has already been made regarding the procurement of use of the machineries and, having regard to advice from legal counsel, are of the opinion that the Group has a meritorious defence against these additional claims. Accordingly, a provision therefor has not been made in these financial statements.
- (ii) A number of claims have been brought against the Group in respect of compensation for alleged personal injuries sustained by construction workers during the execution of contract works. The directors believe that any liabilities of the Group in respect of such claims will be covered either by the Group's insurance policies, or the Group has a meritorious defence against such claims. Accordingly, the directors do not believe that these claims will have any material adverse impact on the Group and, therefore no provisions have been made in respect thereof.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 26 July 2001.