1. CORPORATE INFORMATION AND CORPORATE AFFILIATION

During the year, the Group was involved in the following principal activities:

- the development and provision of healthcare transaction processing, healthcare service solutions and claims handling services, and distribution of medical equipment (collectively the "healthcare transaction operations and related businesses");

- the provision of telemarketing services; and

- the provision of ground engineering and building construction services, including the hiring of plant and machinery, which activities were discontinued subsequent to the balance sheet date. (See note 5 to the financial statements for further details.)

In the opinion of the directors, the ultimate holding company is Quality HealthCare Asia Limited ("QHA"), a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The amounts due from/to the ultimate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

2. BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINTIES

The consolidated financial statements have been prepared in accordance with the policies as set out in note 3 to the financial statements, which are based on accounting principles generally accepted in Hong Kong.

The Group consolidated financial statements report a net loss from ordinary activities attributable to shareholders of HK$118,137,000 for the year ended 31 March 2001, consolidated net current liabilities of HK$108,325,000 and a net asset position of HK$33,355,000 as at 31 March 2001. The Group's operating activities also generated negative cash flows of HK$6,929,000 during the year. In preparing these financial statements, the directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group.

Subsequent to the balance sheet date, on 8 May 2001, and as further detailed in note 5 to the financial statements, the Group disposed of its ground engineering and building construction businesses for a cash consideration of HK$88 million (the "Disposal"). (Further details of the Disposal are also set out in a circular of the Company dated 17 April 2001.)

The Disposal was part of the Group's strategic plan to concentrate its resources in the Group's core activities and to place the Group in a better financial position for long term growth and development. As further detailed in note 34(c) to the financial statements, the liquidity position of the Group has been substantially improved as a result of and other measures undertaken subsequent to the Disposal. On completion of the Disposal, the Group disposed of all its bank loans, except for a mortgage loan amounting to HK$475,000, and HK$10,300,000 of its capital commitments as at 31 March 2001.

2. BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINTIES (con't)

Following the completion of the Disposal, the Group discontinued its capital intensive ground engineering and building construction operations, but will continue to engage in its three main business lines (collectively the "Current Operations"). It continues to operate in four regions, namely, Hong Kong, Taiwan, Singapore and Australia. The three remaining core business lines include the following:

- Healthcare transaction processing, healthcare service solutions and claims management.
- Telemarketing and intelligent marketing of accident and health insurance.
- Informatics and marketing support for drug commercialisation.

Given the Current Operations have only been in existence since 1 July 2000, it has taken the Group a substantial part of the current year to develop the operations, applications, platforms and services associated therewith and to market and roll-out its operations in different regions and to gain critical mass. The Group has been fully operational in Hong Kong, Taiwan and Australia since early 2001 and has started earning revenue from all its major operations. As the investments and capital commitments associated with the Current Operations have already been made/satisfied, any future funding received by the Group can be used to provide additional working capital for its existing operations and/or to reinforce growth opportunities available.

Active cost-saving and value-adding measures to streamline the Current Operations and to focus on improving the financial resources of the Group will reduce operating expenses substantially in the coming year and enable the Group to revitalise itself to capture any growth opportunities in the near future.

The financial statements have been prepared on the assumption that the Group will continue to operate as a going concern, notwithstanding its liquidity concerns as at 31 March 2001 and for the foreseeable future to finance its existing/future operations and financing requirements. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year, after taking into consideration several arrangements made during the year and subsequent to the balance sheet date, including a HK$75 million revolving loan facility from its ultimate holding company (the "Facility") (see note 25), the Disposal (see note 34(c)) and certain future financing measures available including, inter alia, the following:

(i) The Group has negotiated with a financial institution to provide additional credit facilities to the Group. In July 2001, a financial institution granted a HK$50,000,000 unsecured revolving term loan facility which is repayable on the date falling 18 months from the date of the first drawdown.

(ii) The Group is currently negotiating with its ultimate holding company to refinance/reschedule the repayment terms of a revolving loan from it and to secure additional funding. As any modification to the existing arrangements may constitute a connected transaction between the Group and the ultimate holding company and, therefore, may be subject to approval by the independent shareholders of the ultimate holding company at a special general meeting.

2. BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINTIES (con't)

(iii) The Group is currently in the process of identifying/negotiating with potential investors to raise new equity financing for the Group.

The directors are satisfied that, in light of the measures/arrangements implemented to date, together with the expected results of other measures in progress/as planned, the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements in the foreseeable future. The directors believe that the aforementioned financing plans will be successful and the ultimate holding company will continue to support the Group. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements have not incorporated any adjustments that may be required if the above restructuring and financing measures are not successful. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of all assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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 unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

Jointly-controlled entity

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and 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. 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. Goodwill arising from the acquisition of jointly-controlled entities, which is not eliminated directly to reserves, is included as part of the Group's interests in jointly-controlled entities.

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 equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of 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 and on acquisition of associates and jointly-controlled entities 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. On disposal of subsidiaries, associates or jointly-controlled entities, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

Fixed assets and depreciation

Fixed assets, other than software under development, are stated at cost 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

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

Leasehold land	Over the lease terms
Buildings	Over the lease terms or 20%, whichever is higher
Leasehold improvements	Over the lease terms or 20% – 33.33%, whichever is higher
Plant and machinery	10% – 33.33%
Furniture, fixtures and office equipment	20% – 33.33%
Computer equipment and software	20% – 33.33%
Motor vehicles	25% – 33.33%

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.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions of recoverable amounts are charged to the profit and loss account.

Software under development

Expenditure incurred in developing software for internal use is capitalised and deferred only when such software is clearly defined, the expenditure is separately identifiable and can be measured reliably, and when there is reasonable certainty that the software is technically feasible. Software under development is transferred to computer equipment and software when it is completed and ready for use and no depreciation is provided until these occur.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

Leased assets

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

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

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

Long term investments

Long term investments in unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any provisions for impairments in values deemed necessary by the directors, other than those considered to be temporary in nature, on an individual basis.

When such impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged is credited to the profit and loss account to the extent of the amounts previously charged.

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value, which is determined by the directors with reference to prevailing market prices less any further costs expected to be incurred in the process of disposal.

Inventories

Inventories are stated at the lower of cost and net realisable value, after making due allowance for any obsolete or slow-moving items. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred in the process of disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred and revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

Provisions are made for foreseeable losses as soon as they are anticipated by management.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, or when each asset has been separately negotiated, or when the costs and revenue of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

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

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

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 into 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are recognised as expenses in the period in which they are incurred.

Retirement benefits schemes

The Group established a defined contribution retirement scheme for all qualified employees in its ground engineering and building construction operations. The scheme is operated under the Hong Kong Occupation Retirement Schemes Ordinance ("ORSO").

With the implementation of the Hong Kong Mandatory Provident Fund ("MPF") Schemes Ordinance on 1 December 2000 in Hong Kong, the Group also began to operate a defined contribution MPF scheme for all qualified Hong Kong employees. The scheme became effective from 1 December 2000.

The employees under the ORSO scheme elected to enrol into the MPF scheme and leave the ORSO scheme. All eligible employees in Hong Kong not previously included in the ORSO scheme have enrolled in the MPF schemes since the MPF schemes became effective.

The Group also operates defined contribution schemes for certain of its overseas employees who are eligible and have elected to participate in the respective scheme.

The assets of the aforesaid retirement schemes are held separately from those of the Group in independently administered funds which are operated by independent parties. The Group's employer contributions vest fully with the employees when contributed into the schemes, except for the Group's employer voluntary contributions which are refunded to the Group when employees leave employment prior to the contributions vesting fully, in accordance with the rules of applicable schemes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

Revenue recognition

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

(a) fee income for the provision of services, including healthcare transaction processing, healthcare service solutions, claims handling and telemarketing services, on the provision of the relevant services;

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) income from construction contracts, on the percentage of completion basis and determined by reference to the value of construction work performed, as further explained in the accounting policy for "Construction contracts" above;

(d) income from hiring of plant and machinery, on a time proportion basis over the lease terms;

(e) rental income, on a time proportion basis over the lease terms;

(f) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(g) dividends, when the shareholders' right to receive payment is established.

Related parties

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

Cash equivalents

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

4. TURNOVER AND REVENUE

The turnover from continuing operations represents income earned from the provision of healthcare transaction processing, healthcare service solutions, claims handling and telemarketing services, and the net invoiced value of goods sold, after allowances for returns and trade discounts. The turnover from the ground engineering and building construction operations discontinued subsequent to the balance sheet date represents the value of contract work performed in respect of construction contracts and income from the hiring of plant and machinery.

Revenue from the following activities has been included in turnover:

	Group	
	2001	2000
	HK$'000	HK$'000
Continuing operations:		
Healthcare transaction operations and related businesses	**40,451**	–
Telemarketing	**1,370**	–
	41,821	–
Operations to be discontinued:		
Ground engineering and building construction		
– value of construction work performed	**883,370**	681,663
– income from hiring of plant and machinery	**720**	4,773
	884,090	686,436
	925,911	686,436

5. OPERATIONS TO BE DISCONTINUED SUBSEQUENT TO THE BALANCE SHEET DATE

On 26 March 2001, the Group entered into a conditional agreement with a company beneficially owned and controlled by certain shareholders/directors of the Company, for the disposal of its entire interest in a subsidiary, Kin Wing Chinney (BVI) Limited ("KWC BVI"), the principal activities of which comprised the ground engineering and building construction operations of the Group, for a cash consideration of HK$88 million (the "Disposal"). The ground engineering and building construction operations are solely carried out in Hong Kong. (Further details of the Disposal are also set out in a circular of the Company dated 17 April 2001.)

The Disposal was completed on 8 May 2001 and the ground engineering and building construction operations were consolidated by the Group until that date. The gain or loss on disposal of such operations will be determined based on the sale proceeds less the consolidated net asset value of the Group's interests in such operations on 8 May 2001 plus the release of relevant reserves. As at the date of the approval of these financial statements, the Group is unable to quantify the gain or loss on the disposal of such operations with reasonable accuracy.

A pro forma condensed summary of the effect of this disposal on the Group consolidated balance sheet is set out in note 34(c) to the financial statements.

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2001	2000
	HK$'000	HK$'000
Cost of inventories sold and services provided	**32,021**	–
Cost of construction	**785,396**	599,916
Depreciation:		
Owned fixed assets	**31,017**	19,516
Leased fixed assets	**6,711**	7,311
	37,728	26,827
Less: Amount capitalised as contract costs	**(3,764)**	(3,573)
	33,964	23,254
Staff costs (including directors' remuneration – note 8):		
Salaries, allowances and bonuses	**146,599**	81,601
Pension contributions	**4,259**	2,177
	150,858	83,778
Less: Amount capitalised as contract costs	**(61,528)**	(47,564)
	89,330	36,214
Auditors' remuneration:		
Provision for the year	**1,663**	781
Underprovision in prior years	**55**	112
	1,718	893
Foreign exchange losses, net	**204**	–
Loss on disposal of an associate	**128**	–
Loss on disposal of fixed assets	**1,320**	234
Provision for bad and doubtful debts	**973**	–
Provision for fixed asset impairment	**16,351**	–
Operating lease rentals in respect of land and buildings	**3,442**	798
and after crediting:		
Foreign exchange gains, net	**–**	937
Interest income	**2,265**	436
Dividend income from an unlisted long term investment	**747**	–
Net rental income	**555**	157

At 31 March 2001, there were no forfeited contributions available to the Group to reduce its contributions to retirement benefit schemes in future years (2000: HK$164,000).

7. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	HK$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**5,759**	5,397
Other loan wholly repayable within five years	**252**	–
Finance leases and hire purchase contracts	**2,221**	1,974
Amount due to the immediate holding company	**–**	670
Amount due to the ultimate holding company	**2,050**	–
	10,282	8,041

8. DIRECTORS' REMUNERATION

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

	Group	
	2001	2000
	HK$'000	HK$'000
Fees	**–**	100
Other emoluments:		
Salaries, allowances and benefits in kind	**4,003**	2,522
Performance related bonuses	**744**	558
Contributions to retirement schemes	**149**	146
	4,896	3,226
	4,896	3,326

No fees were paid to the independent non-executive directors of the Company during the year (2000: HK$100,000). There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil – HK$1,000,000	**12**	5
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**2**	1
	15	7

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2000: two) directors, the details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining two (2000: three) highest paid employees, who are non-directors, are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,825**	2,419
Performance related bonuses	**–**	590
Contributions to retirement schemes	**3**	148
	2,828	3,157

The remuneration of the two (2000: three) non-director, highest paid employees for the year fell within the following bands:

	Number of employees	
	2001	2000
Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**1**	2
HK$1,500,001 – HK$2,000,000	**1**	–
	2	3

10. TAX

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.

	Group	
	2001	2000
	HK$'000	HK$'000
Hong Kong profits tax:		
Provision for the year	**330**	115
Underprovision/(overprovision) in prior years	**6**	(15)
Deferred – note 27	**3,080**	744
Tax charge for the year	**3,416**	844

The Group did not have any unprovided taxes on profits assessable elsewhere, based on existing legislation, interpretations and practices in respect thereof.

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

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$1,082,615,000 (2000: HK$71,630,000).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK$118,137,000 (2000: net profit of HK$5,519,000) and the weighted average of 1,924,156,148 (2000: 360,000,000) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 March 2001 has not been shown as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

Diluted earnings per share for the year ended 31 March 2000 has not been calculated as no diluting events existed during that year.

13. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment and software HK$'000	Motor vehicles HK$'000	Software under develop-ment HK$'000	Total HK$'000
Cost:								
At beginning of year	14,140	741	249,605	8,276	–	3,725	–	276,487
Acquisition of subsidiaries and businesses	10,802	1,591	–	2,051	15,870	–	2,085	32,399
Additions	–	650	77,078	2,329	5,738	1,449	2,840	90,084
Disposals	–	–	(1,858)	(543)	(1,268)	(974)	–	(4,643)
Provisions	–	–	(9,500)	–	(6,851)	–	–	(16,351)
Transfers	–	–	–	–	2,663	–	(2,663)	–
Exchange realignment	–	–	–	(134)	(8)	(48)	–	(190)
At 31 March 2001	24,942	2,982	315,325	11,979	16,144	4,152	2,262	377,786
Accumulated depreciation:								
At beginning of year	316	587	86,357	5,245	–	2,329	–	94,834
Provided during the year	513	814	27,806	1,829	5,922	844	–	37,728
Disposals	–	–	(232)	(264)	(283)	(832)	–	(1,611)
Exchange realignment	–	–	–	(7)	(2)	(5)	–	(14)
At 31 March 2001	829	1,401	113,931	6,803	5,637	2,336	–	130,937
Net book value:								
At 31 March 2001	24,113	1,581	201,394	5,176	10,507	1,816	2,262	246,849
At 31 March 2000	13,824	154	163,248	3,031	–	1,396	–	181,653

The net book value of the fixed assets of the Group held under finance leases and hire purchase contracts included in the total amount of fixed assets at 31 March 2001 amounted to HK$43,899,000 (2000: HK$58,477,000).

The Group's leasehold land and buildings are situated in Hong Kong and are held under medium term leases.

At 31 March 2001, the Group's leasehold land and buildings with a net book value of HK$5,875,000 were pledged to secure banking facilities granted to the Group (note 23).

14. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$'000	HK$'000
Unlisted shares, at cost	**2,027,065**	92,854
Amounts due from subsidiaries	**309,537**	–
	2,336,602	92,854
Provision for diminution in value of a subsidiary	**(990,319)**	–
Provision against amounts due from subsidiaries	**(136,453)**	–
	1,209,830	92,854

The amounts due from subsidiaries are unsecured, interest-free, except for HK$44,950,000 which bears interest at the Hong Kong dollar prime rate plus 3% per annum and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Healthcare Transaction Operations and Related Businesses					
ehealthcareasia.com Limited	Hong Kong	Ordinary HK$2	100%	–	Development and provision of healthcare transaction processing, healthcare solutions and claims handling services
ehealthcareasia Pte Limited	Singapore	Ordinary S$2	100%	–	Development and provision of healthcare solutions and services

14. INTERESTS IN SUBSIDIARIES (con't)

Name	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
eHealth Australia Pty Ltd	Australia	Ordinary A$3,392,109	100%	–	Investment holding and development and provision of healthcare solutions and services
eQuality Group Pty Ltd.	Australia	Ordinary A$2	100%	–	Development and provision of healthcare solutions and services
Medseed Pty Limited	Australia	Ordinary A$149	100%	–	Development and provision of healthcare solutions and services
HealthBasic.com Limited	Hong Kong	Ordinary HK$15,165,878	100%	–	Development and provision of Internet-based healthcare solutions and services
Ultronics Enterprise Limited	Hong Kong	Ordinary HK$5 Deferred HK$4,313,880	100%	–	Distribution of medical equipment and supplies

14. INTERESTS IN SUBSIDIARIES (con't)

Name	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Telemarketing					
ehealthcareasia (Taiwan) Limited	Taiwan	Ordinary NTD500,000	100%	–	Provision of telemarketing services
Ground Engineering and Building Construction					
Kin Wing Chinney (BVI) Limited *#	British Virgin Islands	Ordinary US$208	50%	100%	Investment holding
Apex Aluminium Fabricator Company Limited *#	Hong Kong	Ordinary HK$9,160,000	50%	100%	Contracting of building aluminium work
Apex Curtain Wall and Windows Company Limited *#	Hong Kong	Ordinary HK$10,000	50%	100%	Contracting of building aluminium work
Chinney Builders and Foundation Company Limited *#	Hong Kong	Ordinary HK$2	50%	100%	Building construction
Chinney Construction Company, Limited *#	Hong Kong	Ordinary HK$10,000,000	50%	100%	Building construction
DrilTech Geotechnical Engineering Limited *#	Hong Kong	Ordinary HK$10,000	50%	100%	Drilling and related ground engineering construction
DrilTech Ground Engineering Limited *#	Hong Kong	Ordinary HK$12,500,000	50%	100%	Drilling, site investigation and related ground engineering construction

14. INTERESTS IN SUBSIDIARIES (con't)

Name	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Kin Wing Engineering Company Limited *#	Hong Kong	Ordinary HK$10,000,000	50%	100%	Foundation piling
Kin Wing Foundations Limited *#	Hong Kong	Ordinary HK$10,000	50%	100%	Foundation piling
Kin Wing Machinery & Transportation Limited *#	Hong Kong	Ordinary HK$100	50%	100%	Equipment and machinery leasing

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

\# In the option of the directors, the Group is able to control the composition of the boards of directors of these companies and, accordingly, they are accounted for as subsidiaries. Subsequent to the balance sheet date, the entities ceased as subsidiaries of the Group (note 5).

Except for Kin Wing Chinney (BVI) Limited, all the above subsidiaries are indirectly held by the Company.

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

15. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2001 HK$'000	Group 2000 HK$'000
Share of net assets	**5**	–

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation and operation	Percentage of ownership interest attributable to the Group 2001	2000	Principal activity
Sunley-Kin Wing Joint Venture Limited *	Corporate	Hong Kong	50%	–	Inactive

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

The above jointly-controlled entity is indirectly held by the Company. Subsequent to the balance sheet date, the entity ceased as a joint-controlled entity of the Group (note 5).

16. INTERESTS IN ASSOCIATES

	Group 2001 HK$'000	Group 2000 HK$'000
Share of net assets	**5**	6

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation and operation	Percentage of ownership interest attributable to the Group 2001	2000	Principal activity
Glory Art Development Limited *	Corporate	Hong Kong	–	40%	Inactive
Luckfaith Far East Limited *	Corporate	Hong Kong	50%	50%	Inactive

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

The above associates are indirectly held by the Company. Subsequent to the balance sheet date, the entities ceased as associates of the Group (note 5).

17. LONG TERM INVESTMENT

	Group	
	2001	2000
	HK$'000	HK$'000
Unlisted investment, at cost	**2,802**	2,802

At 31 March 2001, the Group held a 25% (2000: 25%) equity interest in the registered capital of Gansu Longhai Chinney Construction Engineering Co. Ltd., a company established in the People's Republic of China. The investee company is not treated as an associate because, in the opinion of the directors, the Group is not in a position to exercise significant influence in the making of commercial financial policy decisions by the investee company.

18. PROPERTIES FOR SALE

The properties for sale are situated in the People's Republic of China and are held under medium term leases.

At 31 March 2001, one of the Group's properties for sale with a carrying value of HK$981,000 (2000: Nil) was pledged to secure a bank loan of the Group (note 23).

19. INVENTORIES

	Group	
	2001	2000
	HK$'000	HK$'000
Trading stocks	**3,839**	–

The amount of inventories carried at net realisable value included in the above is HK$218,000 (2000: Nil).

20. DEBTORS, PREPAYMENTS AND DEPOSITS

The Group allows an average credit period of 30 to 90 days to its business-related customers, except for certain well-established customers, where the terms are extended beyond 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed by senior management.

Included in debtors, prepayments and deposits are trade debtors with the following ageing analysis:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors:				
Current – 90 days	**88,385**	76,055	**–**	–
91 – 180 days	**14,327**	245	**–**	–
181 – 365 days	**21,386**	3,183	**–**	–
Over 365 days	**–**	19,522	**–**	–
	124,098	99,005	**–**	–
Prepayments, deposits and other debtors	**26,719**	8,995	**316**	–
	150,817	108,000	**316**	–

21. CONSTRUCTION CONTRACTS

	Group	
	2001	2000
	HK$'000	HK$'000
Gross amounts due from contract customers	**81,108**	103,914
Gross amounts due to contract customers	**(93,719)**	(27,535)
	(12,611)	76,379
Contract costs incurred plus recognised profits less recognised losses to date	**4,203,007**	3,472,331
Less: Progress billings	**(4,215,618)**	(3,395,952)
	(12,611)	76,379

22. CREDITORS, ACCRUED LIABILITIES AND DEPOSITS RECEIVED

Included in creditors, accrued liabilities and deposits received are trade creditors with the following ageing analysis:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors:				
Current – 90 days	**75,526**	60,285	**–**	–
91 – 180 days	**900**	1,287	**–**	–
181 – 365 days	**4,047**	166	**–**	–
Over 365 days	**266**	2,964	**–**	–
	80,739	64,702	**–**	–
Accrued liabilities and deposits received	**124,728**	65,970	**2,696**	284
	205,467	130,672	**2,696**	284

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans and overdrafts:				
Secured	**15,179**	32,384	**–**	–
Unsecured	**28,365**	66,384	**–**	–
	43,544	98,768	**–**	–
Financial institution loan – secured	**40,000**	–	**40,000**	–
	83,544	98,768	**40,000**	–
Portion repayable within one year				
classified as current liabilities:				
Interest-bearing bank and other borrowings	**(79,074)**	(93,262)	**(40,000)**	–
Non-current portion	**4,470**	5,506	**–**	–

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (con't)

The maturity terms of bank and other borrowings are as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans and overdraft repayable:				
Within one year or on demand	**39,074**	93,262	**–**	–
In the second year	**1,631**	1,358	**–**	–
In the third to fifth years, inclusive	**2,839**	4,148	**–**	–
	43,544	98,768	**–**	–
Financial institution loan repayable				
within one year	**40,000**	–	**40,000**	–
	83,544	98,768	**40,000**	–

Certain of the Group's bank loans and overdrafts are secured by a specific bank deposit, a leasehold property and a property for sale of the Group.

The financial institution loan at the balance sheet date was secured by the Group's interest in a subsidiary of the Company and bore interest at the Hong Kong dollar prime rate plus 2% per annum. The loan was fully repaid subsequent to the balance sheet date.

24. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES

There were obligations under finance leases and hire purchase contracts at the balance sheet date as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Amounts payable:		
Within one year	**26,380**	14,139
In the second year	**14,464**	6,869
In the third to fifth years, inclusive	**6,075**	10,229
Total minimum finance lease and hire purchase contract payments	**46,919**	31,237
Future finance charges	**(5,317)**	(4,341)
Total net finance lease and hire purchase contract payables	**41,602**	26,896
Portion classified as current liabilities	**(23,873)**	(12,528)
Non-current portion	**17,729**	14,368

25. LOAN FROM THE ULTIMATE HOLDING COMPANY

The balance at 31 March 2001 represented the amount drawn down under a revolving loan facility granted by the ultimate holding company for up to HK$75 million which is unsecured, bears interest at the Hong Kong dollar prime rate plus 3% per annum and is repayable at the earlier of 31 December 2001 or six months after the ultimate holding company's equity interest in the Company falls below 50%.

26. DEFERRED ACQUISITION CONSIDERATION

	Group	
	2001	2000
	HK$'000	HK$'000
Partial consideration payable for the acquisition of certain businesses and business assets	**3,459**	–

The amount represented the balance of the remaining consideration for the acquisition of certain businesses and business assets of International Research Pty Limited and its subsidiaries which will be satisfied by the issuance of 6,918,000 new ordinary shares of the Company, credited as fully paid at HK$0.50 per share, upon the fulfillment of certain conditions. The conditions were fulfilled prior to 31 March 2001 and the shares are expected to be issued during the year ending 31 March 2002.

27. DEFERRED TAX

	Group	
	2001	2000
	HK$'000	HK$'000
Balance at beginning of year	**10,360**	9,616
Charge for the year – note 10	**3,080**	744
At 31 March	**13,440**	10,360

The principal component of the Group's provision for deferred tax relates to timing differences arising from accelerated depreciation allowances.

Deferred tax has not been provided in respect of timing differences which are not expected to reverse in the foreseeable future, after taking into consideration the Group's medium-term financial plans and projections.

At the balance sheet date, the Group and the Company had no significant unprovided deferred tax liabilities for which provision has not been made (2000: Nil).

28. SHARE CAPITAL

Shares

	2001 HK$'000	2000 HK$'000
Authorised:		
3,000,000,000 (2000: 1,000,000,000) ordinary shares of HK$0.10 each	**300,000**	100,000
Issued and fully paid:		
2,621,916,240 (2000: 360,000,000) ordinary shares of HK$0.10 each	**262,192**	36,000

Pursuant to an ordinary resolution of the Company passed on 28 June 2000, the Company's authorised share capital was increased from HK$100,000,000 to HK$300,000,000 by the creation of 2,000,000,000 additional ordinary shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

A summary of the movements in the Company's share capital and share premium account is as follows:

	Notes	Shares issued	Share capital HK$'000	Share premium arising during the year HK$'000
Allotments of new shares for business acquisitions made during the year:				
On 28 June 2000	(i)	1,422,900,000	142,290	1,280,610
On 27 July 2000	(i)	553,350,000	55,335	498,015
On 9 November 2000	(ii)	27,666,240	2,767	11,067
On 7 December 2000	(iii)	10,000,000	1,000	4,000
On 8 December 2000	(iv)	70,000,000	7,000	28,000
On 7 February 2001	(v)	178,000,000	17,800	71,200
Movements during the year		2,261,916,240	226,192	1,892,892

28. SHARE CAPITAL (con't)

Notes:

(i) Pursuant to an ordinary resolution of the Company passed on 28 June 2000, 1,976,250,000 new ordinary shares of HK$0.10 each, credited as fully paid at HK$1 per share, were issued for the acquisition of the entire interest in Quality HealthCare Technologies and Services Limited from a subsidiary of QHA. (Further details of the acquisition are also set out in a circular of the Company dated 5 June 2000.)

(ii) On 9 November 2000, 27,666,240 new ordinary shares of HK$0.10 each, credited as fully paid at HK$0.50 per share, were issued as part of the total consideration for the acquisition of certain businesses and business assets of International Research Pty Limited and its subsidiaries. (Further details of the acquisition are also set out in a circular of the Company dated 27 September 2000.)

(iii) On 7 December 2000, 10,000,000 new ordinary shares of HK$0.10 each, credited as fully paid at HK$0.50 per share, were issued as part of the total consideration for the acquisition of the entire issued share capital of Medseed Pty Limited ("Medseed"). In addition, 1,000,000 share options for the subscription of 1,000,000 ordinary shares of the Company at an exercise price of HK$0.50 per share were granted to certain executives of Medseed. (Further details of the acquisition are also set out in a circular of the Company dated 9 November 2000.)

(iv) On 8 December 2000, 70,000,000 new ordinary shares of HK$0.10 each, credited as fully paid at HK$0.50 per share, were issued and 10,000,000 share options for the subscription of 10,000,000 ordinary shares of the Company at an exercise price of HK$0.50 per share were granted to certain third parties for the acquisition of the entire issued share capital of HealthBasic.com Limited ("HealthBasic.com"). (Further details of the acquisition are also set out in a circular of the Company dated 20 November 2000.)

(v) On 7 February 2001, 178,000,000 new ordinary shares of HK$0.10 each, credited as fully paid at HK$0.50 per share, were issued for the acquisition of certain business operations and business assets and liabilities of MedWeb Limited ("MedWeb"). (Further details of the acquisition are also set out in a circular of the Company dated 20 December 2000.)

Share options

On 24 September 1998, the Company adopted a share option scheme (the "Scheme") under which the directors may, at their discretion, grant share options to any directors or employees of the Company or its subsidiaries to subscribe for shares in the Company at any time from the date of grant of the relevant share options to the close of business on the second anniversary of that date or the last day of the ten year period after the date on which the Scheme is adopted by the Company, whichever is the earlier. The subscription price will not be less than the higher of the nominal value of the Company's shares and 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the share options. The maximum number of shares in respect of which share options may be granted under the Scheme may not exceed 10% of the issued share capital of the Company from time to time, excluding any shares issued upon exercise of share options granted under the Scheme.

28. SHARE CAPITAL (con't)

As further detailed in note 28(iii) to the financial statements, on 7 December 2000, the Company granted 1,000,000 share options under the Scheme as part of the total consideration for the acquisition of Medseed. None of the share options were exercised during the year.

As further detailed in note 28(iv) to the financial statements, on 8 December 2000, the Company granted 10,000,000 share options as part of the total consideration for the acquisition of HealthBasic.com. Such share options are exercisable within twelve months from the date of grant and none of the share options were exercised during the year.

The Company had 11,000,000 outstanding share options at 31 March 2001 (2000: Nil). The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 11,000,000 additional ordinary shares of HK$0.10 each and receipts, before expenses, totalling HK$5,500,000.

29. RESERVES

Group

	Share premium account	Special reserve	Goodwill reserve	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 1999	62,049	(6,999)	–	–	93,047	148,097
Arising on acquisition of subsidiaries – note 30(d)	–	–	(524)	–	–	(524)
Net profit for the year	–	–	–	–	5,519	5,519
At 31 March 2000 and 1 April 2000	62,049	(6,999)	(524)	–	98,566	153,092
Premium on issue of shares	1,892,892	–	–	–	–	1,892,892
Arising on acquisition of subsidiaries, businesses and business assets and liabilities – note 30(d)	–	–	(2,162,333)	–	–	(2,162,333)
Release on partial disposal of a subsidiary	–	3,499	–	–	–	3,499
Release on disposal of an associate	–	–	27	–	–	27
Exchange realignments	–	–	–	2,123	–	2,123
Net loss for the year	–	–	–	–	(118,137)	(118,137)
At 31 March 2001	1,954,941	(3,500)	(2,162,830)	2,123	(19,571)	(228,837)

29. RESERVES (con't)

The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the nominal value of the issued share capital and the share premium account of KWC BVI, the subsidiary which was acquired by the Company pursuant to a group reorganisation which took place in 1997. During the year, the special reserve was partially released as the Group disposed of a 50% equity interest in KWC BVI.

All the reserves of the Group as at 31 March 2001 and 2000 were retained by the Company and its subsidiaries.

As further detailed in note 28(v) to the financial statements, on 7 February 2001, the Group acquired certain business operations and business assets and liabilities of MedWeb (the "MedWeb Acquisition"). The transaction was accounted for as an acquisition and the goodwill arising therefrom, which represented the excess purchase consideration paid over the fair values ascribed to the underlying identifiable assets and liabilities acquired, was eliminated against reserves during the year. The allocation of the purchase consideration and the goodwill calculation of the MedWeb Acquisition is preliminary pending completion of appraisals on certain fixed assets acquired which is expected to be completed during the year ended 31 March 2002. The fair values ascribed to the underlying fixed assets acquired and the goodwill arising on the MedWeb Acquisition may change with the completion of these appraisals, which in turn may affect the amount initially eliminated against reserves.

Company

	Share premium account	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 1999	62,049	65,854	311	128,214
Transfer	–	(65,854)	65,854	–
Net loss for the year	–	–	(71,630)	(71,630)
At 31 March 2000 and 1 April 2000	62,049	–	(5,465)	56,584
Premium on issue of shares	1,892,892	–	–	1,892,892
Net loss for the year	–	–	(1,082,615)	(1,082,615)
At 31 March 2001	1,954,941	–	(1,088,080)	866,861

29. RESERVES (con't)

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of KWC BVI at the date on which the group reorganisation became effective and the nominal value of the share capital of the Company issued under the group reorganisation.

During the year ended 31 March 2000, the contributed surplus of HK$65,854,000 as at 1 April 1999 was transferred to the retained profits account to eliminate the accumulated losses position of the Company at 31 March 1999.

Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus is distributable to shareholders under certain circumstances, which the Company is currently unable to satisfy.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow/(outflow) from operating activities:

	Group	
	2001	2000
	HK$'000	HK$'000
Profit/(loss) from operating activities	**(96,951)**	14,404
Interest income	**(2,265)**	(436)
Rental income	**(173)**	(157)
Dividend income from a long term investment	**(747)**	–
Depreciation	**33,964**	23,254
Provision for bad and doubtful debts	**973**	–
Provision for fixed asset impairments	**16,351**	–
Loss on disposal of fixed assets	**1,320**	234
Loss on disposal of an associate	**128**	–
Increase in other receivables	**(827)**	–
Increase in inventories	**(676)**	–
Increase in debtors, prepayments and deposits	**(19,247)**	(1,089)
Decrease/(increase) in amounts due from contract customers	**26,570**	(38,084)
Decrease/(increase) in retention monies receivable	**(9,600)**	4,574
Decrease in amounts due from fellow subsidiaries	**18**	16,964
Increase in amounts due to contract customers	**66,184**	5,839
Increase/(decrease) in creditors, accrued liabilities and deposits received	**42,133**	(18,001)
Decrease in amount due to the ultimate holding company	**(73,084)**	–
Increase in amount due to a fellow subsidiary	**9,000**	–
Net cash inflow/(outflow) from operating activities	**(6,929)**	7,502

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (con't)

(b) Analysis of changes in financing during the year:

	Share capital and share premium	Amount due to the immediate holding company/ loan from the ultimate holding company	Interest-bearing bank and other borrowings	Finance lease and hire purchase contract payables	Minority interests
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 1999	98,049	–	5,653	16,340	–
Inception of finance lease payables	–	–	–	117	–
Arising on acquisition of subsidiaries	–	14,000	38,337	167	–
Cash inflow/(outflow) from financing activities, net	–	(14,000)	(5,449)	10,272	–
Balance at 31 March 2000 and 1 April 2000	98,049	–	38,541	26,896	–
Inception of finance lease payables	–	–	–	2,114	–
Exchange translation differences	–	–	–	(1,810)	–
Arising on acquisition of subsidiaries, businesses and business assets and liabilities	2,119,084	–	575	14,033	–
Arising on partial disposal of a subsidiary	–	–	–	–	96,673
Arising on disposal of an associate	–	–	–	–	27
Dividend paid to a minority shareholder of a subsidiary	–	–	–	–	(2,000)
Share of loss for the year	–	–	–	–	(2,685)
Cash inflow from financing activities, net	–	42,900	29,554	369	–
Balance as at 31 March 2001	2,217,133	42,900	68,670	41,602	92,015

(c) Major non-cash transactions

(i) The consideration for the purchases of certain subsidiaries, businesses and business assets and liabilities which took place during the year comprised shares in the Company. Details of the acquisitions are as set out in note 28 to the financial statements.

(ii) During the year, the Group entered into finance lease/hire purchase arrangements in respect of fixed assets with a total capital value at inception of the finance lease/hire purchase contracts of HK$2,114,000. The above amount included a finance lease entered into on behalf of a sub-contractor of HK$1,872,000.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (con't)

(d) Acquisition of subsidiaries, businesses and business assets and liabilities:

	Group	
	2001	2000
	HK$'000	HK$'000
Net assets acquired/(liabilities assumed):		
Fixed assets	**32,399**	15,853
Long term investment	**–**	2,802
Retention monies receivable	**–**	43,493
Properties for sale	**9,072**	–
Inventories	**3,163**	–
Debtors, prepayments and deposits	**24,142**	56,243
Amounts due from contract customers	**–**	44,090
Dividend receivable	**–**	393
Tax recoverable	**–**	1
Cash and bank balances	**31,335**	38,190
Interest-bearing bank and other borrowings	**(575)**	(55,787)
Amounts due to contract customers	**–**	(19,894)
Creditors, accrued liabilities and deposits received	**(31,368)**	(79,401)
Amount due to the ultimate holding company	**(75,184)**	–
Amount due to the immediate holding company	**–**	(14,000)
Finance lease and hire purchase contract payables	**(14,033)**	(167)
Tax payable	**–**	(340)
	(21,049)	31,476
Goodwill/premium on acquisition	**2,162,333**	524
	2,141,284	32,000
Satisfied by:		
Cash	**11,459**	32,000
Costs incurred in respect of the acquisition of subsidiaries, businesses and business assets and liabilities	**7,282**	–
Deferred acquisition consideration – note 26	**3,459**	–
Shares issued	**2,119,084**	–
	2,141,284	32,000

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (con't)

(d) Acquisition of subsidiaries, businesses and business assets and liabilities (continued):

Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries, businesses and business assets and liabilities:

	2001	2000
	HK$'000	HK$'000
Cash consideration paid	**(11,459)**	(32,000)
Costs incurred in respect of the acquisition of subsidiaries, businesses and business assets and liabilities	**(7,282)**	–
Cash and bank balances acquired	**31,335**	38,190
Bank overdrafts acquired	**–**	(17,450)
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries, businesses and business assets and liabilities	**12,594**	(11,260)

The subsidiaries, businesses and business assets and liabilities acquired during the year contributed HK$41,821,000 to turnover and accounted for HK$95,817,000 of the consolidated loss before tax and minority interests for the year ended 31 March 2001. The subsidiaries, businesses and business assets and liabilities acquired during the year utilised HK$150,210,000 of the Group's net operating cash flows, paid HK$18,776,000 in respect of investing activities but had no significant impact in respect of net returns on investments and servicing of finance, taxation and financing activities.

The subsidiaries acquired in the prior year contributed HK$1,476,000 to the consolidated profit before tax and minority interests for the year ended 31 March 2000. These subsidiaries utilised HK$24,585,000 of the Group's net operating cash flows, paid HK$4,116,000 in respect of net returns on investments and servicing of finance, paid HK$499,000 in respect of tax, paid HK$1,851,000 in respect of investing activities and paid HK$18,700,000 in respect of financing activities.

31. CONTINGENT LIABILITIES

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

	Company	
	2001	2000
	HK$'000	HK$'000
Guarantees given to banks/financial institutions in connection with credit facilities granted to subsidiaries:		
– Continuing operations	**20,000**	–
– Operations to be discontinued*	**145,481**	98,768
	165,481	98,768

* Subsequent to the completion of the Disposal, the Company has been arranging the release of such guarantees. Up to the date of the approval of the financial statements, part of such guarantees amounting to HK$5,000,000 was released.

(b) Certain subsidiaries of the Company engaged in the ground engineering and building construction businesses were involved in legal proceedings or claims against them in the ordinary course of their respective business activities. The aggregate amount of claims, including estimated legal costs, resulting from such contingent liabilities was approximately HK$5,023,000 as at 31 March 2001 (2000: HK$5,100,000). The directors of the Company consider that, after taking into account of the legal advice obtained, these proceedings and claims were either made without valid grounds or the subsidiaries have a valid defense to the litigation and, accordingly, no provision for any potential liabilities is considered necessary. In any event, these contingent liabilities were subsequently disposed of by the Group upon the completion of the Disposal on 8 May 2001 (see note 5).

32. COMMITMENTS

(a) Capital commitments:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Acquisition of fixed assets:				
Contracted, but not provided for	**11,750**	–	**–**	–

In additional to the above, on 24 February 2001, the Company entered into a binding memorandum of agreement pursuant to which the Company agreed to enter into a definitive agreement regarding certain cooperative arrangements (the "Arrangements") and the acquisition of a company (the "Acquisition"). In exchange for which the Company agreed to issue 320,000,000 new shares of the Company and HK$40,000,000 – 2.5% convertible notes as consideration therefor. Subsequent to the balance sheet date, on 10 April 2001, the Company entered into certain agreements in respect of the Arrangements and the Acquisition as set out in note 34(a) of the financial statements.

32. COMMITMENTS (con't)

(b) Commitments under operating leases

At 31 March 2001, the Group and the Company had commitments under non-cancellable operating leases to make payments in the following year as set out below.

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings expiring:				
Within one year	**692**	–	**–**	–
In the second to fifth years, inclusive	**4,333**	720	**–**	–
	5,025	720	**–**	–

33. RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the year not disclosed elsewhere in the financial statements:

		Group	
		2001	2000
	Notes	**HK$'000**	HK$'000
Transaction processing fees charged to a fellow subsidiary	(a)	**17,859**	–
Consultancy service fees charged by a fellow subsidiary	(b)	**18,000**	–
Management fees charged by the ultimate holding company	(c)	**6,300**	–
Interest charged by the ultimate holding company	(d)	**2,050**	–
Proceeds received on partial disposal of a subsidiary	(e)	**90,000**	–
Construction work carried out for related companies	(f)	**84,290**	124,070
Rentals received from the immediate holding company		**–**	125
Interest received from the immediate holding company		**–**	331
Interest paid to the immediate holding company		**–**	670
Consideration paid for the acquisition of a subsidiary		**–**	32,000

33. RELATED PARTY TRANSACTIONS (con't)

Notes:

(a) The Group processes medical transactions for the QHA group and charged transaction processing fees according to the terms of a service agreement dated 29 April 2000.

(b) The Group received consultancy and related services from the QHA group and the consultancy service fees were charged according to the terms of a service agreement dated 29 April 2000.

(c) The management fees were charged at rates mutually agreed between the Group and the ultimate holding company with reference to the management services provided.

(d) The interest expense charged by the ultimate holding company arose from the unsecured revolving loan detailed in note 25 to the financial statements.

(e) Pursuant to an agreement dated 23 March 2000, the Group disposed of 50% equity interest in KWC BVI to a company beneficially owned by certain directors/then beneficial shareholders of the Company for a cash consideration of HK$90 million on 28 June 2000. (Further details of this transaction are also set out in a circular of the Company dated 5 June 2000.)

(f) During the year, the Group had construction work carried out for specific related companies, in which certain directors and/or beneficial shareholders of certain subsidiaries are the directors and/or beneficial shareholders of those companies. The construction work for related companies was carried out at prices determined on the cost plus a percentage mark-up basis.

(g) The ultimate holding company has issued a corporate guarantee amounting to HK$20 million for banking facilities granted to a subsidiary of the Company. During the year, the guarantee was released and replaced by a corporate guaranteed issued by the Company, which has been included in the amount set out in note 31(a) to the financial statements.

(h) As detailed in note 5 to the financial statements, on 26 March 2001, the Company entered in a conditional agreement with New Luck Assets Limited ("New Luck") in relation to the disposal of KWC BVI for a cash consideration of HK$88 million. New Luck was 86.05% owned by Chinney Investments, Limited ("Chinney") and 13.95% owned by Zuric Chan ("Mr Chan"), a director of KWC BVI, both of whom are beneficial shareholders of KWC BVI. On the same date, QHA, the Warrantors (Chinney, Mr Chan and Johnny Yu), the Company, Chinney Contractors Company Limited ("CCC") and the custodian of a custodian account entered into a supplemental deed pursuant to which QHA unconditionally agreed that, subject to the completion of the disposal of KWC BVI, all monies amounting to HK$89,999,999 (plus accrued interest) be released to the Warrantors from the custodian account. CCC was 77.11% owned by Chinney, 12.5% by Mr Chan and 10.39% by Johnny Yu who is also a director of KWC BVI. James Wong (a director of KWC BVI and a former director of the Company up to his resignation on 27 July 2000) has a significant beneficial interest in Chinney which is the holding company of New Luck. Further details of these transactions are set out in a circular of the Company dated 17 April 2001.

34. POST BALANCE SHEET EVENTS

A summary of the significant post balance sheet events of the Group not disclosed elsewhere in the financial statements is set out below.

(a) On 10 April 2001, the Company entered into the following conditional agreements:

(i) certain cooperative agreements and a software license agreement were entered into by the Company with iBusinessCorporation.com Limited, i21 Limited and Excel Technology International Holdings Limited for a total consideration of HK$110 million, which were satisfied by the issue of 280,000,000 new ordinary shares of the Company valued at HK$0.25 each and a HK$40 million, 2.5% interest-bearing convertible note, which is convertible into ordinary shares of the Company; and

(ii) an agreement for the acquisition of the entire issued share capital of iClaims21 Limited, a company incorporated in Hong Kong, for a total consideration of HK$10,000,000, which was satisfied by the issue of 40,000,000 new ordinary shares of the Company valued at HK$0.25 per share.

The above convertible note has a term of three years and a fixed conversion price of HK$0.40 per share.

All the above agreements were completed prior to the approval of the financial statements.

Further details of the agreements are also set out in a circular of the Company dated 7 May 2001.

(b) Pursuant to an ordinary resolution passed on 3 May 2001, the authorised share capital of the Company was increased from HK$300,000,000 to HK$600,000,000 by the creation of 3,000,000,000 additional ordinary shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

(c) As detailed in note 5 to the financial statements, the Disposal was completed on 8 May 2001 and the ground engineering and building construction operations were effectively discontinued on that date. On completion of the Disposal, the liquidity position of the Group was substantially improved. A summary of the condensed pro forma adjusted consolidated net assets as at 31 March 2001, based on the audited consolidated net assets of the Group at the same date and adjusted as if the completion of the Disposal had taken place at that date, is presented below.

34. POST BALANCE SHEET EVENTS (con't)

	Audited consolidated net assets HK$'000	Assets and liabilities of KWC BVI and its subsidiaries HK$'000	Cash consideration for the Disposal HK$'000	Pro forma adjusted consolidated net assets HK$'000
Non-current Assets				
Fixed assets	246,849	(212,423)	–	34,426
Interest in a jointly-controlled entity	5	(5)	–	–
Interests in associates	5	(5)	–	–
Long term investment	2,802	(2,802)	–	–
Retention monies receivable	17,858	(17,858)	–	–
Other receivables	1,815	(988)	–	827
	269,334			35,253
Current Assets	351,267	(298,912)	88,000	140,355
Current Liabilities	(459,592)	323,476	–	(136,116)
Net Current Assets/(Liabilities)	(108,325)			4,239
Total Assets Less Current Liabilities	161,009			39,492
Non-current Liabilities				
Interest-bearing bank and other borrowings	(4,470)	4,131	–	(339)
Finance lease and hire purchase contract payables	(17,729)	17,415	–	(314)
Deferred tax	(13,440)	13,440	–	–
	(35,639)			(653)
Minority interests	(92,015)	92,015	–	–
	33,355			38,839

35. COMPARATIVE AMOUNTS

The Comparative amounts of various bank borrowings have been combined and presented as "Interest – bearing bank and other borrowings" to conform with the current year's presentation and to provide a better presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

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