1. **CORPORATE INFORMATION**

During the year, the Group was principally engaged in investment holding, building construction and maintenance, restaurant operations and other investing activities.

2. **BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINTY IN RESPECT OF GOING CONCERN**

During the year ended 31 March 2001, the Group incurred a consolidated net loss from ordinary activities attributable to shareholders of HK$68.7 million. As at 31 March 2001, the Group had consolidated net current liabilities of HK$146.7 million including total overdraft and loan balances of HK$69.1 million, of which approximately HK$68.3 million was overdue.

Since the year ended 31 March 2000, certain of the Group's bankers have terminated or reduced facilities granted to the Group and have demanded repayment of certain overdue loans. As of the date on which these financial statements were approved, the Group has no unutilised banking facilities available to support its working capital requirements.

In view of the liquidity problems faced by the Group, the directors have adopted the following measures with a view to improving the Group's overall financial position, immediate liquidity and cash flows and otherwise sustaining the Group as a going concern:

(a) The directors have been in active negotiations with the Group's bankers and certain creditors to reschedule or restructure the repayment terms of and attachment of security to certain of its outstanding indebtedness;

(b) The directors are in the process of seeking the continued orderly disposal of certain of the Group's leasehold properties in Hong Kong, with the consent of the banks with whom the properties have been pledged as security. During the year, the Group succeeded in the disposal of certain of its leasehold properties which generated aggregate sales proceeds of HK$13.2 million;

2. BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINTY IN RESPECT OF GOING CONCERN *(continued)*

(c) The directors are considering various alternative fund raising plans. On 18 September 2001, a conditional subscription agreement (the "Subscription Agreement") was entered into between the Company and Active China Group Limited (the "Subscriber"), an independent third party, in which the Subscriber agreed to subscribe for convertible loan notes to be issued by the Company up to an aggregate principal amount of HK$21.6 million, subject to the fulfillment of certain conditions. The directors expect that the conditions specified under the Subscription Agreement will be duly satisfied in early 2002. The directors have also been negotiating with a potential subscriber to issue convertible debentures with an aggregate amount of up to US$10 million (approximately HK$78 million). The debentures are intended to be subscribed in two tranches, with US$5 million each. However, no formal agreement in this respect has been signed as of the date of the financial statements;

(d) The directors have been taking steps to dispose of certain of the Group's subsidiaries which are currently engaged in the construction and restaurant businesses and the holding of a hotel project under development (note 13) through the implementation of a Group restructuring. With the heavy gearing attached to and/or sustained losses incurred by these subsidiaries, the directors consider that the disposal of these non-performing subsidiaries will enable the Group to improve its liquidity and financial positions. On 23 October 2001, a conditional agreement was signed between the Group and All Shine Holdings Limited, an independent third party, for the proposed disposal of these identified subsidiaries, further details of which are set out in note 37(b) to the financial statements; and

(e) The directors have been taking actions to continue tightening cost controls over various general and administrative expenses, including the strict monitoring of the Group's accounts receivable and payable.

In the opinion of the directors, in light of the measures taken to date, together with the expected results from other measures in progress, the Group should have sufficient working capital for its current financial requirements. Moreover, the directors have considered the carrying values of the non-current assets as at 31 March 2001 and have already made adjustments to write them down to their estimated market values at that date. The directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position and tight cash flows as at 31 March 2001.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of 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 the Hong Kong Statements of Standard Accounting Practice ("SSAPs"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets and equity investments, as further explained below.

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 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 diminutions in values, when they are written down to values determined by the directors.

Associates

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

The Group's share of the post-acquisition results and reserves of associates are 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 impairments in values, other than temporary in nature, deemed necessary by the directors.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provisions for impairments in values, other than temporary in nature, deemed necessary by the directors.

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

Joint venture

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 involved 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.

Prior to the year ended 31 March 2000, the Group's share of the post-acquisition results of the investment in Hubei Chang Zhou Power Development Co., Ltd. ("HCZP") was included in the consolidated profit and loss account and the Group's interest therein was stated in the consolidated balance sheet at the Group's share of net assets, under the equity method of accounting.

Since the year ended 31 March 2000, in light of developments affecting HCZP, which are further described in note 16 to the financial statements, these financial statements have not included the Group's share of results of HCZP for the years ended 31 March 2001 and 2000 using the equity method of accounting and this investment has been stated at its carrying value determined at 31 March 1999.

Goodwill/capital reserve on consolidation

Goodwill arising on consolidation of subsidiaries and on acquisition of associates and jointly controlled entities represents the excess of the purchase consideration paid for subsidiaries/associates/jointly controlled entities over the fair values ascribed to the net underlying assets at the dates of acquisition and is eliminated against reserves in the year in which it arises.

Capital reserve on consolidation represents the excess of the fair values ascribed to the acquired subsidiaries' or associates' or jointly controlled entities' net underlying assets at the date of acquisition over the purchase consideration for such subsidiaries or associates or jointly controlled entities.

Upon the disposal of interests in subsidiaries or associates or jointly controlled entities, the relevant portion of the attributable goodwill or capital reserve previously eliminated against or taken to reserves is realised and taken into account in arriving at the gain or loss on disposal of the investments.

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

Fixed assets and depreciation

Fixed assets are stated at cost or 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 fixed assets have been put into operation, such as repairs and maintenance costs, 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 tangible fixed asset, the expenditure is capitalised as an additional cost thereof.

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. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

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

Leasehold land	Over the remaining lease terms	
Leasehold buildings	Over the shorter of 50 years or the remaining lease terms on the cost or valuation of buildings	
Machinery and tools	20%	reducing balance/straight-line basis
Furniture and fixtures	15%–20%	reducing balance/straight-line basis
Motor vehicles	20%–30%	reducing balance/straight-line basis
Computer equipment	30%	reducing balance basis
Kitchen equipment	15%	straight-line basis

Assets held under hire purchase contracts are depreciated over their estimated useful lives on the same basis as owned assets.

The transitional provisions set out in paragraph 72 of SSAP 17 "Property, Plant and Equipment" have been adopted for fixed assets stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in financial statements for periods ended before 30 September 1995 have not been revalued to fair value by class at the balance sheet date. It is the directors' intention not to revalue these assets in the future.

The properties included at 1997 valuation related to investment properties transferred to fixed assets which were reclassified at their valuation amount.

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

Fixed assets and depreciation *(continued)*

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. Reductions of recoverable amounts are charged to the consolidated profit and loss account, except to the extent that they reverse previous revaluation surpluses in respect of the same items, when they are charged to the revaluation reserve.

Project under development

Project under development with an underlying contractual period is stated at cost less provision for any impairment in value deemed necessary by the directors.

Hire purchase contracts/operating leases

A distinction is made between hire purchase contracts, which effectively transfer all the risks and benefits attached to the ownership of the hire purchase assets to the Group, and operating leases, under which the lessor effectively retains all such risks and benefits.

Where fixed assets are acquired by means of hire purchase contracts, the cost of the asset is capitalised at the net present value of the minimum hire purchase payments, derived by discounting them at the interest rate implicit in the hire purchase contracts, and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. The finance costs of such hire purchase contracts are charged to the profit and loss account so as to provide a constant periodic rate of charge over the hire purchase contract terms.

Rentals applicable to operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

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

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

Long term investments *(continued)*

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.

Other investments

Other investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Construction contracts in progress

Construction contracts in progress in respect of long term contracts are stated at the direct costs incurred including capitalised interest, plus estimated attributable profits, less foreseeable losses and progress payments received and receivable. Contract costs comprise direct materials, direct labour, sub-contracting charges and an appropriate portion of construction overheads. Where progress billings received and receivable on construction contracts exceed contract costs incurred to date plus recognised profits less recognised losses, the net amount is treated as amounts due to contract customers. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings received and receivable on construction contracts, the net amount is treated as an amount due from contract customers.

Capitalised borrowing costs

Interest incurred on borrowings to finance construction contracts is capitalised and included in the costs of these contracts. Interest is capitalised at the interest rates related to specific construction contracts.

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

Recognition of profits from construction and other contracts

The estimated attributable profits on long term contracts not completed at the balance sheet date are recognised in the profit and loss account on the percentage of completion basis, when the outcome of contracts can be reasonably foreseen and when the value of work certified by the project architect shows that more than 30% of such contracts have been completed, and after making due allowance for contingencies. Provision is made for any foreseeable losses as soon as such losses are anticipated by management.

Income from maintenance contracts is recognised on an accrual basis.

Stocks and stores

Stocks and stores comprise principally the purchase cost of food and beverages and are stated at the lower of cost, on the first-in, first-out basis, and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Provident fund scheme

The Group continues to operate a defined contribution provident fund scheme (the "Scheme") for certain of its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they are incurred in accordance with the rules of the Scheme. When an employee leaves the Scheme prior to his/her interest in the Group employer contributions becoming fully vested, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Apart from the Scheme, the Group also joined the Mandatory Provident Fund Scheme (the "MPF Scheme") on 1 December 2000. Certain employees who were members of the Scheme have elected to move to the MPF Scheme. Accordingly, their share of the underlying assets of the Scheme was transferred to the MPF Scheme. Contributions to the MPF Scheme are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

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

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) construction and other contracts, on the basis as set out under "Recognition of profits from construction and other contracts" above;

(b) the sale of investments, 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 investments sold;

(c) the rendering of restaurant services, in the period in which such services are rendered;

(d) dividend and investment income, when the right to receive payment is established; and

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

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 unless its realisation is assured beyond reasonable doubt.

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 subsidiaries, associates and a jointly controlled entity denominated in foreign currencies 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

4. TURNOVER

	Group	
	2001	2000
	HK$	*HK$*
Gross certified value of construction work and net amount of maintenance work rendered	**367,219,991**	1,860,849,911
Income from restaurant operations	**92,507,124**	91,194,100
Income from investments	**2,920,560**	5,932,578
Proceeds from the disposal of other investments	**179,320**	6,046,340
	462,826,995	1,964,022,929

5. OTHER OPERATING EXPENSES

Other operating expenses include the following items:

	Group	
	2001	2000
	HK$	*HK$*
Provision for a bank guarantee given to a related company – *note 23*	**7,800,000**	–
Provision for bad and doubtful debts	**7,283,102**	29,216,116
Provisions for impairment in values of fixed assets – *note 12*	**300,000**	58,045,122
Provision against project under development – *note 13*	**4,600,000**	54,544,309
Provisions against interests in associates – *note 15*	**2,000,146**	4,600,000
Provisions for impairment in values of long term investments and non-recovery of related loans receivable	**600,000**	14,702,321

6. LOSS FROM OPERATING ACTIVITIES

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

	Group	
	2001	2000
	HK$	*HK$*
Depreciation:		
Owned fixed assets	**2,107,361**	6,645,066
Fixed assets under hire purchase contracts	**2,901,560**	10,146,821
	5,008,921	16,791,887
Less: depreciation capitalised in construction projects	**(2,836,614)**	(9,956,719)
Net depreciation charge	**2,172,307**	6,835,168
Auditors' remuneration:		
Current year provision	**1,600,000**	1,450,000
Prior year underprovision	**250,000**	–
Staff costs (exclusive of directors' remuneration disclosed in note 8):		
Wages and salaries	**43,073,097**	43,860,503
Provident fund scheme contributions	**513,893**	459,935
	43,586,990	44,320,438
Less: amount included in cost of sales	**(27,429,830)**	(27,351,388)
	16,157,160	16,969,050
Cost of stocks and stores	**31,629,768**	29,940,573
Operating lease rentals in respect of land and buildings	**18,424,004**	19,220,335
Write-off of fixed assets	**–**	1,320,053
Loss on disposal of fixed assets	**394,775**	398,746
Foreign exchange losses, net	**131,339**	682,961
Net unrealised holding loss/(gain) on other investments	**1,172,780**	(710,889)
Loss/(gain) on disposal of other investments	**131,180**	(1,084,637)
Dividend income from listed investments	**–**	(4,578)
Profit on disposal of long term investments	**(56,564)**	–
Income from an unlisted investment	**(2,920,560)**	(5,928,000)
Interest income	**(1,597,492)**	(3,837,838)

The effect of forfeited contributions on the Group's contributions to the provident fund for the year and the amounts of forfeited contributions available to reduce contributions in future years were not material.

7. FINANCE COSTS

	Group 2001 HK$	2000 HK$
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	**12,030,720**	18,136,952
Hire purchase contracts	**314,392**	917,446
Convertible debentures	**–**	291,423
	12,345,112	19,345,821
Less: interest capitalised in construction projects	**(620,803)**	(3,346,118)
	11,724,309	15,999,703
Issue costs of convertible debentures	**–**	3,221,649
	11,724,309	19,221,352

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules") is detailed as follows:

	Group 2001 HK$	2000 HK$
Fees	**1,870,000**	1,200,000
Salaries, bonuses and other emoluments	**4,779,356**	5,860,087
Provident fund contributions	**37,040**	9,923
	6,686,396	7,070,010

The independent non-executive directors of the Company were entitled to a total sum of HK$206,666 (2000: HK$183,332) in respect of directors' fees.

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

Directors *(continued)*

The remuneration of the above directors fell within the following bands:

	Number of directors	
	2001	2000
Nil – HK$1,000,000	**17**	16
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**1**	–
	20	18

In the prior year, share options to subscribe for 12,000,000 shares of HK$0.10 each of the Company at an exercise price of HK$0.50 per share were granted to a director. No options have been exercised by any of the directors during the year.

In the absence of a readily available market value in respect of the options granted on the Company's shares, the directors are unable to determine the value of the benefits in kind arising from the granting of these options and, accordingly, no amount attributable thereto is included in the above remuneration.

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

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

Five highest paid individuals

The five highest paid individuals of the Group during the year included three (2000: three) executive directors, details of whose remuneration are set out above. The remuneration of the two (2000: two) non-directors, highest paid individuals disclosed pursuant to the Listing Rules is detailed as follows:

	Group	
	2001	2000
	HK$	*HK$*
Salaries, bonuses and other emoluments	**2,049,625**	1,402,700
Provident fund contributions	**3,033**	9,923
	2,052,658	1,412,623

The remuneration of the two (2000: two) non-directors, highest paid individuals fell within the following bands:

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

9. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2000: Nil).

	Group	
	2001	2000
	HK$	*HK$*
Underprovision in prior years:		
Hong Kong	**(128,710)**	–
Deferred tax – *note 28*	**537,342**	–
Tax credit for the year	**408,632**	–

No provision for tax is required in respect of associates and a jointly controlled entity as no assessable profits were earned by the associates and jointly controlled entity during the year (2000: Nil).

10. NET 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 amounted to HK$109,442,551 (2000: HK$173,856,294).

Loss for the year retained by:

	Group	
	2001	2000
	HK$	*HK$*
The Company and its subsidiaries	**68,741,971**	187,474,743
Associates	–	3,052,672
	68,741,971	190,527,415

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders of HK$68,741,971 (2000: HK$190,527,415) and the weighted average of 976,968,162 shares (2000: 844,448,479 shares) in issue during the year.

Diluted loss per share for the years ended 31 March 2001 and 2000 have not been presented as the effect of any dilution is anti-dilutive.

12. FIXED ASSETS

Group

	Leasehold land and buildings *HK$*	Machinery and tools *HK$*	Furniture and fixtures *HK$*	Motor vehicles *HK$*	Computer equipment *HK$*	Kitchen equipment *HK$*	Total *HK$*
Cost or valuation:							
At beginning of year	32,881,908	32,660,757	26,015,669	2,828,606	769,473	1,783,246	96,939,659
Additions	–	–	493,108	–	112,418	–	605,526
Disposals	(16,477,705)	–	–	–	–	–	(16,477,705)
Provision for impairment – note 5	(300,000)	–	–	–	–	–	(300,000)
At 31 March 2001	16,104,203	32,660,757	26,508,777	2,828,606	881,891	1,783,246	80,767,480
Accumulated depreciation:							
At beginning of year	6,325,251	29,278,362	22,503,029	2,118,132	642,625	1,732,676	62,600,075
Provided during the year	268,198	2,875,411	1,387,297	373,802	91,004	13,209	5,008,921
Disposals	(2,877,705)	–	–	–	–	–	(2,877,705)
At 31 March 2001	3,715,744	32,153,773	23,890,326	2,491,934	733,629	1,745,885	64,731,291
Net book value:							
At 31 March 2001	**12,388,459**	**506,984**	**2,618,451**	**336,672**	**148,262**	**37,361**	**16,036,189**
At 31 March 2000	26,556,657	3,382,395	3,512,640	710,474	126,848	50,570	34,339,584

None of the fixed assets were held under hire purchase contracts as at 31 March 2001. The net book value of assets held under hire purchase contracts included in fixed assets at 31 March 2000 amounted to HK$3,256,858. The depreciation charge for the year in respect of such assets amounted to HK$2,901,560 (2000: HK$10,146,821).

12. FIXED ASSETS *(continued)*

The cost or valuation of leasehold land and buildings comprises:

	Group	
	2001	2000
	HK$	*HK$*
Leasehold land and buildings in Hong Kong:		
Long term:		
At cost	–	12,791,009
At valuation as at 31 March 1997	**7,004,203**	7,004,203
Medium term:		
At cost	**9,100,000**	9,400,000
At valuation as at 31 March 1997	–	3,686,696
	16,104,203	32,881,908

The above amounts are net of provisions for impairment in values.

Certain leasehold properties with aggregate carrying value of HK$6,326,058 as at 31 March 2001 were mortgaged to secure banking facilities made available to the Group. Subsequent to the balance sheet date, these properties attached to certain overdue bank loans were foreclosed by a bank.

The valuations of the leasehold properties at 31 March 1997 were performed by Chung Sen Surveyors Limited and Chesterton Petty Limited, Chartered Surveyors on an open market, existing use basis.

Had there been no revaluations of leasehold land and buildings, the carrying amount of cost less accumulated depreciation and provisions for impairment in values at 31 March 2001 would have been HK$6,310,777 (2000: HK$9,140,446).

12. FIXED ASSETS *(continued)*

Company

	Furniture and fixtures *HK$*	Computer equipment *HK$*	Motor vehicles *HK$*	Total *HK$*
Cost:				
At beginning of year	201,871	321,293	583,893	1,107,057
Additions	48,440	112,418	–	160,858
At 31 March 2001	250,311	433,711	583,893	1,267,915
Accumulated depreciation:				
At beginning of year	193,249	212,977	330,320	736,546
Provided during the year	7,667	85,444	175,168	268,279
At 31 March 2001	200,916	298,421	505,488	1,004,825
Net book value:				
At 31 March 2001	**49,395**	**135,290**	**78,405**	**263,090**
At 31 March 2000	8,622	108,316	253,573	370,511

13. PROJECT UNDER DEVELOPMENT

	Group 2001 HK$	2000 HK$
At cost:		
At beginning of year	**119,497,309**	117,907,427
Additions	**2,189,368**	1,589,882
	121,686,677	119,497,309
Provision for impairment in value:		
At beginning of year	**(54,544,309)**	–
Provision for the year – *note 5*	**(4,600,000)**	(54,544,309)
	(59,144,309)	(54,544,309)
At end of year	**62,542,368**	64,953,000

The project under development represents an investment held through a 80% owned subsidiary, Yiu Wing Ningsi Real Estate Development Company Limited ("Ningsi"), in a hotel development project in Guangzhou, the People's Republic of China (the "PRC"), undertaken by Guangzhou Minzu Guest House Company Limited ("Minzu"), a co-operative joint venture established in the PRC with a tenure of 30 years under an amended joint co-operation agreement (the "Agreement") dated 12 April 1993. Pursuant to the Agreement, the PRC Minzu joint venture partner contributed the land on which the hotel is being constructed, and Ningsi is committed to finance the construction costs of the project. The foundation and superstructure has been completed, but the interior decoration has yet to be commenced.

Pursuant to the Agreement, the profits generated by Minzu from the operation of the hotel will first be distributed to Ningsi up to the amount of construction costs injected by Ningsi and to the PRC Minzu joint venture partner to the extent of RMB3.5 million. Any profits generated in excess of these amounts will be distributed as to 60% to Ningsi and 40% to the PRC Minzu joint venture partner.

13. PROJECT UNDER DEVELOPMENT *(continued)*

The directors of the Company confirm that it has been the Group's intention since the year ended 31 March 2000 to dispose of the hotel, but no binding agreement has been made. A valuation of the hotel has been carried out by American Appraisal Hongkong Limited, a firm of independent professional appraisers, at RMB90 million (approximately HK$83.9 million) as at 14 September 2001 based on depreciated replacement cost approach, existing state basis, after deducting the premium payable to obtain the relevant title documents in order for conveyance of the hotel to third parties. Taking into account the estimated costs attributable to the PRC Minzu joint venture partner of approximately HK$21.4 million (representing the tentative acquisition price to acquire the PRC Minzu joint venture partner's entire interest in the hotel), a provision of HK$4.6 million has been charged to the profit and loss account in the current year (note 5).

Because the previous operating losses incurred by Ningsi were shared by the Ningsi minority shareholders up to their investment cost therein and there was no binding obligation on the Ningsi minority shareholders to make good the debit minority interest, the provision of HK$4.6 million (2000: HK$54.5 million) has been wholly absorbed by the Group.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$	*HK$*
Unlisted shares, at cost	**92,221,493**	92,211,493
Due from subsidiaries	**732,480,738**	848,280,123
Due to subsidiaries	**(139,081,923)**	(244,885,648)
	685,620,308	695,605,968
Provisions for diminutions in values	**(401,829,276)**	(341,153,080)
	283,791,032	354,452,888

The balances with subsidiaries are unsecured and have no fixed terms of repayment. Apart from certain balances at the prior year end which bore interest at rates ranging from 5% to 10% per annum, the remaining balances are interest-free.

14. INTERESTS IN SUBSIDIARIES *(continued)*

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		Principal activities
			Direct	Indirect	
Yiu Wing (Overseas) Limited	British Virgin Islands/ Hong Kong	US$1,000	100	–	Investment holding
Walton Enterprises Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Good Wagon Limited	Hong Kong	HK$100	100	–	Investment holding
Premium High Investments Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Joint Tech Investment Limited	Hong Kong	HK$100	100	–	Investment holding
Yiu Wing Construction Company Limited	Hong Kong	"A" HK$2,475,000	–	99.9	Building construction and maintenance
		"B" HK$50,000,000	–	100	
Yiu Wing Holdings Company Limited	Hong Kong	Ordinary HK$20	–	100	Investment holding
		Non-voting deferred HK$20	–	–	
Yiu Wing Liberty Properties Limited	British Virgin Islands/ Hong Kong	US$3	–	100	Investment holding

14. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operations*	Nominal value of issued share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Rohtak Investments Limited	Hong Kong	HK$20	–	100	Investment holding
Kan Yue Realty Limited	Hong Kong	Ordinary HK$20	–	100	Property holding
		Non-voting deferred HK$10,000	–	–	
Ocean Palace Restaurant & Nightclub Limited	Hong Kong	HK$5,500,000	–	99.9	Restaurant operations
Yiu Wing Ningsi Real Estate Development Company Limited	Hong Kong	HK$2,500,000	–	80	Hotel project investment
Ocean Essence Holdings Limited	Hong Kong	HK$10,000	–	100	Investment holding

* *Where different from the place of incorporation.*

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. INTERESTS IN ASSOCIATES

	Group 2001 HK$	2000 HK$
Share of net liabilities	**(23,671,811)**	(23,671,811)
Loans to associates	**58,100,940**	58,100,940
	34,429,129	34,429,129
Provisions against interests in associates – *note 5*	**(34,429,129)**	(32,428,983)
	–	2,000,146

The Group's share of post-acquisition accumulated losses of the associates at 31 March 2001 was HK$28,961,385 (2000: HK$28,961,385).

The loans to associates are unsecured, interest-free and not repayable within one year.

Particulars of the principal associate at the balance sheet date were as follows:

Name	Place/ country of incorporation/ registration	Percentage of equity attributable to the Group 2001	2000	Principal activity
Central City Enterprises Limited	Hong Kong	**32**	32	Investment holding

The above table lists the associate 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 associates would, in the opinion of the directors, result in particulars of excessive length.

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2001	2000
	HK$	*HK$*
Cost of investment	**179,000,000**	179,000,000
Share of post-acquisition losses	**(10,660,737)**	(10,660,737)
	168,339,263	168,339,263

Particulars of the jointly controlled entity at the balance sheet date were as follows:

Name	Form of business structure	Place of incorporation and operations	Percentage of equity interest attributable to the Group	Principal activity
Hubei Chang Zhou Power Development Co., Ltd. ("HCZP")	Corporate	People's Republic of China	40	Electricity generating plant operations

As further explained below, the Group's share of post-acquisition accumulated losses of the jointly controlled entity at 31 March 2001 is stated at HK$10,660,737 which was derived from the amount brought forward from the previous year (2000: HK$10,660,737).

HCZP is a Sino-foreign joint venture company established in the PRC and is engaged in the operation of an electricity generating plant.

The Group has accounted for its interest in HCZP on the equity method of accounting through to the year ended 31 March 1999. As at 31 March 1999, the Group's share of HCZP's net assets was HK$168.3 million and the Group's share of HCZP's loss for the year then ended was HK$9.6 million (1998: share of loss of HK$1 million). These amounts were derived from HCZP's unaudited management accounts for the year ended 31 December 1998 prepared under generally accepted accounting principles in the PRC.

As a result of the disputes between the Group and the PRC joint venture partner of HCZP, China Chang Jiang Energy Corporation (Group) (the "Chang Jiang Group"), over the management of HCZP since the year ended 31 March 1999, the directors have been unable to obtain the necessary financial information in respect of HCZP for the purpose of equity accounting for this investment in the Group's financial statements commencing with the year ended 31 March 2000. Accordingly, these financial statements have not included the Group's share of results of HCZP for the years ended 31 March 2001 and 2000. The disputes also led to the suspension of the operations of the electricity generating plant of HCZP until January 2000 whereupon HCZP resumed its operations.

16. INTEREST IN A JOINTLY CONTROLLED ENTITY *(continued)*

Due to the lack of the financial information of HCZP made available to the Group, no disclosure has been made in respect of the Group's interest in HCZP in accordance with the disclosure requirements set out in Statement of Standard Accounting Practice 2.121 "Accounting for Interests in Joint Ventures" issued by the Hong Kong Society of Accountants.

In December 1998, the Group filed a writ with China International Economic and Trade Arbitration Commission (Shenzhen) ("CIETAC") in an attempt to recover compensation from the Chang Jiang Group due to, inter alia, the loss suffered by HCZP from the suspension of its operations. On 19 July 2000, a judgement was awarded by CIETAC against the Chang Jiang Group for compensation of RMB25 million to HCZP which was required to be settled within thirty days from the date of the judgement. However, no compensation has yet been received by HCZP from the Chang Jiang Group to date. On 20 September 2000, the Group filed a writ to the Superior People's Court of Hubei Province (the "Court") to enforce the judgement against the Chang Jiang Group. In this connection, on 5 February 2001, the Court issued an enforcement notice to the Chang Jiang Group requesting for the fulfilment of its obligations on or before 15 February 2001, but no constructive response was received from the Chang Jiang Group.

The directors confirm that various meetings have been held with the Chang Jiang Group to negotiate the terms of settlement, but no conclusion has been reached. On 18 April 2001 and 3 August 2001, the Group requested the Court to take coercive action against the Chang Jiang Group to enforce the performance of its obligations. A judgement was awarded by the Court on 5 November 2001 to the effect that (i) all the books and records, the business licence and relevant legal documents of HCZP should be released by the Chang Jiang Group to the board of directors of HCZP; and (ii) all bank and other accounts of HCZP were to be frozen, with immediate effect.

The directors confirm that the Group has taken over the operations of the electricity generating plant with effect from 15 November 2001. However, the books and records as well as the relevant legal documents of HCZP have not yet been released by the Chang Jiang Group. The directors intend to take all necessary actions to enforce the release of the above documents by, and the compensation payment of RMB25 million due from the Chang Jiang Group.

16. INTEREST IN A JOINTLY CONTROLLED ENTITY *(continued)*

On 12 October 2001, a conditional shares swap agreement (the "Agreement") was entered into between the Group and the other 40% foreign joint venture partner of HCZP (the "Vendor") whereby the Vendor agreed to exchange its entire 40% equity interest in HCZP in return for the Group's (i) 100% issued share capital in Premium High Investments Limited ("Premium High") which indirectly holds a 90% interest in Wuhan Ocean Essence (note 17(a)); and (ii) 100% issued share capital in Joint Tech Investment Limited ("Joint Tech") which intends to invest in a 70% equity interest in a joint venture company to be engaged in the production of materials for printing of official identity related documents in the PRC (note 18(b)); and (iii) shareholders' loans to Premium High and Joint Tech. The completion of the Agreement is subject to the fulfillment of certain conditions specified thereunder. Should the conditions not be fulfilled within 100 days from the date of the Agreement, the Agreement will be terminated, unless otherwise extended by mutual consent from both parties in writing. Up to the approval date of these financial statements, the proposed shares swap has not yet been completed.

Following the completion of the Agreement, HCZP would become an 80% owned jointly-controlled entity of the Group.

17. LONG TERM INVESTMENTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$	*HK$*	***HK$***	*HK$*
Listed equity investments in Hong Kong, at cost	**10,379,388**	10,379,388	**10,379,388**	10,379,388
Provisions for impairment in values	**(10,379,388)**	(10,279,388)	**(10,379,388)**	(10,279,388)
	–	100,000	**–**	100,000
Unlisted investments:				
Investment in Wuhan Ocean Essence Water Factory Company Limited – *note (a)*	**148,500,000**	148,500,000	**–**	–
Other unlisted investments, at cost	**24,132,058**	24,135,058	**8,000,000**	8,000,000
Loans receivable	**7,020,000**	24,714,809	**–**	–
Provisions for impairment in values of unlisted investments and non-recovery of related loans receivable	**(23,985,289)**	(34,735,611)	**(8,000,000)**	(8,000,000)
	155,666,769	162,614,256	**–**	–
	155,666,769	162,714,256	**–**	100,000
Market value of listed investments at the balance sheet date	**11,660**	159,000	**11,660**	159,000

Note:

(a) Wuhan Ocean Essence Water Factory Company Limited ("Wuhan Ocean Essence")

On 3 December 1998, certain sale and purchase agreements (the "S&P Agreements") were entered into between the Group and Lang Jing and Lai Man Yuk (collectively the "Vendors"), whereby the Group agreed to acquire 60% of the issued share capital of and the related shareholder loans to Ocean Essence Holdings Limited ("Ocean Essence") from the Vendors (the "Acquisition"), for an aggregate consideration of HK$81 million, which was satisfied by the issue of 124,615,385 shares of the Company at HK$0.65 per share. The sole asset of Ocean Essence is an investment in a 90% equity interest in Wuhan Ocean Essence, a Sino-foreign co-operative joint venture established in the PRC, which engages in the operation and management of a water supply factory in Wuhan, PRC.

17. LONG TERM INVESTMENTS *(continued)*

On 18 December 1998, certain Deeds of Call Option (the "Deeds") were entered into between the Group and the Vendors pursuant to which the Group was granted a call option (the "Option") to require the Vendors to sell the remaining 40% issued share capital (the "Option Shares") of and related shareholder loans (the "Option Loans") to Ocean Essence within 12 months from the date of the Deeds. On 13 May 1999, the Group exercised its Option to acquire the Option Shares and the Option Loans for an aggregate consideration of HK$54 million, which was satisfied by the issue of 83,076,923 shares of the Company at HK$0.65 per share. Such acquisition was approved by the independent shareholders at a special general meeting held on 13 May 1999.

Following the Acquisition and the exercise of the Option, Ocean Essence became a wholly-owned subsidiary of the Group and, accordingly, Wuhan Ocean Essence is effectively held by the Group as to 90%.

Pursuant to the terms of the joint venture agreement and articles of association of Wuhan Ocean Essence, the directors are of the opinion that joint control by the joint venture partners of Wuhan Ocean Essence is established as no single party is in a position to control unilaterally the financial and operating policy decisions thereof. However, due to the change in the legal representative of the PRC joint venture partner in Wuhan Ocean Essence in previous year, the formation of a new board of directors of Wuhan Ocean Essence was delayed. Despite the Group's holding of a 90% effective interest in Wuhan Ocean Essence since the year ended 31 March 2000 and having exhausted all means to enforce the formation thereof, up to the date of approval of these financial statements, representatives of the Group have not yet been appointed to the board of directors of Wuhan Ocean Essence. The Group has not yet been able to exercise its joint control over the financial and operating policy decisions of Wuhan Ocean Essence. Accordingly, the directors consider it more appropriate to continue to account for the investment therein as a long term investment until the Group is in a position to exercise joint control over Wuhan Ocean Essence when it will be accounted for as a jointly controlled entity under the equity method of accounting.

Under the terms of the S&P Agreements, the Vendors agreed to provide certain profit guarantee of Wuhan Ocean Essence to the Group. In addition, the Vendors further agreed to procure the Group to be given full access to the water supply factory and books of account of Wuhan Ocean Essence. The directors confirm that the Group could not ascertain the guaranteed profit and any such shortfall because the Vendors could not be located since November 1999. In the absence of the Vendors' co-operation, the present legal representative of the PRC joint venture partner denied the Group access to the water supply factory and the books and records of Wuhan Ocean Essence. The Group has sought legal advice as to its rights to claim against the Vendors for the shortfall in respect of the guaranteed profit and damages for the loss suffered by the Group. On 20 October 2001, a writ of summons was issued by the Group against the Vendors which required the Vendors to either satisfy the claim or acknowledge the intention of contesting the proceedings within 14 days from the writ of summons. However, to the best of knowledge of the directors, no response has been received from the Vendors. The directors confirm that the Group intends to take all necessary actions to locate and claim against the Vendors.

17. LONG TERM INVESTMENTS *(continued)*

In February 2000, two former directors of the Company, Messrs. Cheung Yiu Wing and Cheung Wing Keung, Samuel (collectively the "Cheung Directors"), requested the Company's board of directors to investigate the events surrounding the Group's investment in Wuhan Ocean Essence including, inter alia, the legality and validity of the investment. On 7 March 2000, an independent board committee (the "IBC") was appointed by the Company's board of directors to conduct such review.

On 14 April 2000, a report was submitted by the IBC (the "IBC Report") to the Company to confirm, among other things, the Group's ownership of its 90% effective interest in Wuhan Ocean Essence supported by legal opinions expressed by both Hong Kong and PRC legal advisors. Further details of findings of the IBC Report were contained in the Company's announcements on 26 April 2000 and 11 January 2001, respectively. However, certain documents were produced by the Cheung Directors containing information which casts doubt on the validity of Ocean Essence's ownership of its interest in Wuhan Ocean Essence. The directors of the Company, other than the Cheung Directors, confirm that the Group has sought legal advice concerning the sources and validity of the documents produced by the Cheung Directors, but no such legal opinion has been obtained by the Group to address the above.

On 19 June 2000, the business licence of Wuhan Ocean Essence, expiring in September 1998, was revoked by State Administration of Industrial and Commerce ("SAIC") of Wuhan by reason of the failure of Wuhan Ocean Essence to submit the relevant documents, including statutory audited financial statements, for 1999 annual examination by the relevant government authorities. The Group made an appeal to SAIC in both Wuhan city and Hubei Province to renew the business licence, but such appeal was dismissed on the grounds that the appeal could only be made by Wuhan Ocean Essence instead one of its individual joint venture partners. Based on the PRC legal opinion obtained from the Group's legal advisor, the revocation of the business licence of Wuhan Ocean Essence would not impair Ocean Essence's ownership of its interest in Wuhan Ocean Essence. Despite the revocation of the business licence of Wuhan Ocean Essence, to the best knowledge of the directors, the water supply factory of Wuhan Ocean Essence is still in operation.

On 29 December 2000, the Group filed a writ to CIETAC seeking arbitration of the disputes between the Group and the PRC joint venture partner of Wuhan Ocean Essence. The arbitration proceedings have commenced with a view to seeking an arbitration award to enforce the Group's entitlement to the rights in Wuhan Ocean Essence. The first and second arbitration hearings were held on 27 April 2001 and 14 September 2001, respectively. However, the judgement has not yet been concluded by CIETAC up to the date of these financial statements.

18. DEPOSITS RECOVERABLE AND OTHER RECEIVABLES

	Group		Company	
	2001	2000	**2001**	2000
	HK$	*HK$*	***HK$***	*HK$*
Deposits recoverable:				
The General Association of Xiamen (H.K.) Ltd. – *note (a)*	**15,000,000**	15,000,000	**15,000,000**	15,000,000
The Chang Jiang Group	**38,629,922**	38,629,922	**–**	–
Less: Provision for non-recovery of deposits recoverable	**(38,629,922)**	(38,629,922)	**–**	–
	15,000,000	15,000,000	**15,000,000**	15,000,000
Other receivables:				
Advances to Beijing Trico Industry Company – *note (b)*	**65,520,000**	50,525,220	**–**	–
Advances to Intelligent Trico Enterprises Limited – *note (c)*	**–**	9,750,000	**–**	–
Receivable from the Chang Jiang Group	**11,588,849**	11,588,849	**–**	–
Less: Provision for non-recovery of other receivables	**(11,588,849)**	(11,588,849)	**–**	–
	65,520,000	60,275,220	**–**	–
	80,520,000	75,275,220	**15,000,000**	15,000,000
Amounts due within one year classified as current assets	**(12,500,000)**	(9,750,000)	**(12,500,000)**	–
	68,020,000	65,525,220	**2,500,000**	15,000,000

18. DEPOSITS RECOVERABLE AND OTHER RECEIVABLES *(continued)*

Notes:

(a) The amount represents a deposit of HK$15 million (2000: HK$15 million) paid to The General Association of Xiamen (H.K.) Ltd. ("GAX"), of which Mr. Cheung Kung Tai ("Mr. Cheung"), a former director of the Company, is an executive committee member. Pursuant to an investment agreement dated 20 August 1999 (the "Investment Agreement") entered into between the Company and GAX, GAX would procure the Company to acquire a 15% equity interest in Xiamen Information Port Construction and Development Co., Ltd. ("XIPCD") from GAX and/or the subscription of additional capital from XIPCD, for a cash consideration of RMB30 million (approximately HK$28 million) (the "Proposed Acquisition"). XIPCD is a Sino-foreign co-operative joint venture company established in the PRC and the shareholding of which is held by GAX as to 10%. During the year ended 31 March 2000, a deposit of HK$15 million was paid by the Company to GAX in respect of the Proposed Acquisition. During the current year, the Company resolved not to proceed with the Proposed Acquisition. On 20 October 2000, a cancellation agreement was signed by the Company with GAX to terminate the Investment Agreement and GAX agreed to refund the deposit to the Company within six months from the date of the cancellation agreement. On 19 December 2000, Mr. Cheung signed a guarantee agreement with the Company pursuant to which a guarantee was given by Mr. Cheung in favour of the Company as security for the repayment of the deposit by GAX to the Company on or before 20 April 2001. However, the deposit remained unpaid on the due date.

Pursuant to (i) an agreement of repayment of deposit (the "Settlement Agreement") dated 3 July 2001 and a supplemental agreement dated 15 November 2001, entered into between the Company, Mr. Cheung and Mr. Cheng Chao Ming, Jenson ("Mr. Cheng"), another former director of the Company; and (ii) a letter signed by Mr. Cheng to the Company dated 12 July 2001, Mr. Cheung and Mr. Cheng agreed to undertake the repayment of the deposit to the Company in the amount of HK$13.5 million and HK$1.5 million, respectively, on the condition that the Company refrains from taking any legal action or proceedings against GAX and Mr. Cheung.

Up to September 2001, aggregate payments of HK$8 million have been repaid by Mr. Cheung to the Company by reference to the original repayment schedule specified in the Settlement Agreement. The major terms of which included the bi-weekly instalment payment by Mr. Cheung of HK$1 million commencing from 4 June 2001 (two cheques of HK$1 million each were received by the Group prior to the signing of the Settlement Agreement) with the final repayment for the remaining balance being on 22 October 2001. Upon full repayment of the portion undertaken by Mr. Cheung, an immediate repayment would be made by Mr. Cheng. The directors confirm that, with the request from Mr. Cheung for the restructuring of the repayment schedule in order to accord with the time schedule for his personal funds remittances, the Company agreed a revised repayment schedule with Mr. Cheung and Mr. Cheng on 15 November 2001. The bi-weekly instalment payment with outstanding amount of HK$5.5 million undertaken by Mr. Cheung has been reduced to HK$0.5 million each commencing from 29 November 2001 with the final repayment for the remaining balance being on 18 April 2002. Mr. Cheng is to repay his outstanding portion of HK$1.5 million by monthly instalment of HK$0.5 million commencing from May 2002 with the final repayment in July 2002. In November 2001, an additional amount of HK$0.5 million was repaid by Mr. Cheung in accordance with the revised repayment schedule.

Based on the aforesaid revised repayment schedule, the portion repayable within one year amounted to HK$12,500,000 and, accordingly, it has been reclassified as current assets.

18. DEPOSITS RECOVERABLE AND OTHER RECEIVABLES *(continued)*

(b) On 16 August 1999, a joint venture agreement (the "JV Agreement 1") was entered into between the Group and Beijing Cards Shield Alliance Company ("BCS"), an independent third party company registered in the PRC, to establish a joint venture company with the Group which will be engaged in the production of materials for printing of official identity related documents in the PRC. The directors confirm that, due to the corporate restructuring of BCS, the PRC partner to the joint venture was replaced by the parent company of BCS, Beijing Trico Industry Company ("BTI"). Accordingly, another joint venture agreement was entered into by the Group and BTI on 16 October 1999 (the "JV Agreement 2").

The total investment and registered capital of the joint venture company, with a tenure of 30 years, was intended to be US$5 million which would be contributed by the Group and BCS as to US$3.5 million (approximately HK$27.3 million) (70%) and US$1.5 million (approximately HK$11.7 million) (30%), respectively.

On 16 October 1999, the Group signed an agreement with BTI whereby BTI agreed to transfer the technology, know-how and intellectual property rights, relating to the production of printing materials for official identity related documents in the PRC (the "Intangible Rights"), from BCS to the joint venture company. The consideration of such transfer was determined at US$12 million and the Group was required to make a payment, representing its 70% share of the consideration, of US$8.4 million (approximately HK$65.5 million) to BTI as a procurement fee for the Intangible Rights. Up to the year ended 31 March 2000, a total payment of HK$50.5 million was made to BTI to satisfy part of the procurement fee. Of which, an aggregate payment of HK$22.8 million was made by the Group to BTI during the year ended 31 March 2000, through certain companies beneficially owned by Mr. Cheng in accordance with the remittance instruction of BTI. The remaining amount of HK$27.7 million was satisfied by the transfer of advances previously made by the Group to Intelligent Trico Enterprises Company Limited.

During the year, additional aggregate payments of HK$15 million were made by the Group to BTI to satisfy the remaining balance of the procurement fee. Of which, a total payment of HK$11.6 million was made by the Group to BTI, through a company beneficially owned by Mr. Cheng in accordance with the remittance instruction of BTI. The remaining amount of HK$3.4 million was satisfied through (i) the payment by a third party at BTI's instructions of certain sales proceeds from disposal of the Group's long term investment during the year of RMB3 million (HK$2.8 million) and; (ii) the payment by Mr. Cheng on behalf of the Group (HK$0.6 million). On 28 May 2001, BTI acknowledged to the Company the receipt of the total payment of HK$15 million for the year.

18. DEPOSITS RECOVERABLE AND OTHER RECEIVABLES *(continued)*

According to the intended capital contribution by BTI as specified in the JV Agreement 2, BTI was to inject certain fixed assets to the joint venture company. Due to the lengthy process of commissioning an asset revaluation of the fixed assets to be injected into the joint venture company by BTI in accordance with the laws and regulations in the PRC, the directors confirm that, in order to accelerate the application for the establishment of the joint venture company, BTI decided to contribute cash to the joint venture company instead of fixed assets together with another PRC partner, Beijing Trico Safety Technology Development Company ("BTS"). On 1 December 2000, another new joint venture agreement was entered into between the Group, BTI and BTS (the "JV Agreement 3") with a tenure of 30 years. The total investment capital of the joint venture company is US$7.85 million and the registered capital remains at US$5 million which will be contributed by the Group, BTI and BTS as to 70%, 15%, 15%, respectively. The directors confirm that the JV Agreement 3 replaces the JV Agreements 1 and 2. Pursuant to an agreement signed by the Group, BTI and BTS on 19 January 2001, BTI is required to transfer the Intangible Rights to the joint venture company established under the JV Agreement 3.

On 8 January 2001, an approval was obtained from local technology bureau for the feasibility study report regarding the establishment of the joint venture company to engage in the related business. An approval for the establishment of the joint venture company was also obtained from the Ministry of Foreign Trade and Economic Co-operation (Changping) on 18 January 2001. On 30 March 2001, a business licence of the joint venture company, which expired on 29 September 2001, was issued by the Beijing Municipal Administration for Industrial and Commerce. The directors confirm that, due to the liquidity problem faced by the Group, the registered capital has not yet been injected by the Group into the joint venture company and hence no renewal of the business licence has been made to date.

In order to mitigate the cash outlays of this proposed investment, the Group signed a conditional shares swap agreement on 12 October 2001 with another joint venture partner of HCZP for the disposal of this proposed investment and the Intangible Rights as part of the consideration in exchange for an additional 40% equity interest in HCZP, further details of which are set out in note 16 to the financial statements.

As at 31 March 2001, the procurement fee for the Intangible Rights of HK$65.5 million was recorded by the Company as a shareholder loan to Joint Tech which in turn recorded the amount as advances to BTI. As a result, upon completion of the Agreement referred to in note 16, the Intangible Rights will also be disposed.

As the Intangible Rights is to be realised in the form of investment of a long term nature, pending the completion of the proposed shares swap transaction described above, it has been classified as a long term asset in the balance sheet.

18. DEPOSITS RECOVERABLE AND OTHER RECEIVABLES *(continued)*

(c) In prior years, the Group made an advance of US$2.25 million (approximately HK$17.6 million) to Intelligent Trico Enterprises Company Limited ("Intelligent Trico") to finance its investment in a satellite project. Mr. Zeng Xiang Zhi, a then director of the Company, was also a beneficial shareholder of Intelligent Trico. According to an agreement dated 18 November 1997, Intelligent Trico agreed to repay the US$2.25 million advance together with US$0.5 million interest thereon to the Group over a period ending in 2000. The advance in the amount of US$1 million (approximately HK$7.8 million) was partially repaid by Intelligent Trico in the prior year. The remaining balance of the advance of US$1.25 million (approximately HK$9.75 million) was fully repaid by Intelligent Trico during the year. The interest receivable thereon of US$0.5 million (approximately HK$3.9 million) has been accounted for as part of the investment cost in a joint venture project as further detailed in note (b) above.

19. STOCKS AND STORES

The carrying amount of stocks and stores is arrived at after charging a general provision of HK$141,817 (2000: HK$141,817).

20. OTHER INVESTMENTS

	Group and Company	
	2001	2000
	HK$	*HK$*
Listed equity investments in Hong Kong, at market value	**434,600**	1,917,880

21. ACCOUNTS RECEIVABLE

The Group allows an average credit period of 30 days to its trade customers. For retention money receivables in respect of the construction work, the due dates are usually two years after the completion of the construction work.

The ageing analysis of accounts receivable is as follows:

	Group	
	2001	2000
	HK$	*HK$*
Current to 30 days	**24,990,255**	48,605,120
31 – 60 days	**1,951,449**	286,827
61 – 91 days	**10,643**	78,227
91 – 120 days	**3,729**	5,707,975
Over 120 days	**134,734**	153,165
	27,090,810	54,831,314
Retention money receivable	**21,140,575**	28,042,696
	48,231,385	82,874,010

22. CONSTRUCTION CONTRACTS

	Group	
	2001	2000
	HK$	*HK$*
Contract costs incurred plus recognised profits less recognised losses to date	**1,788,407,408**	1,605,002,530
Less: progress billings received and receivable	**(1,788,407,408)**	(1,604,982,208)
	–	20,322
Representing:		
Gross amount due from customers for contract works included in current assets	**–**	20,322

At 31 March 2001, retentions held by customers for contract works as included in accounts receivable under current assets amounted to HK$21,140,575 (2000: HK$28,042,696).

At 31 March 2001, advances from customers for contract works as included in other payables, deposits and receipts in advance under current liabilities amounted to HK$3,544,823 (2000: HK$943,964).

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2001	2000	**2001**	2000
	HK$	*HK$*	***HK$***	*HK$*
Bank loans:				
Secured	**1,393,996**	43,853,352	**–**	26,643,981
Unsecured – *note (a)*	**37,260,855**	23,608,255	**37,260,855**	23,608,255
	38,654,851	67,461,607	**37,260,855**	50,252,236
Bank overdrafts:				
Secured	**6,075,018**	58,405,557	**5,276,840**	53,407,977
Unsecured	**82,093**	–	**82,093**	–
	6,157,111	58,405,557	**5,358,933**	53,407,977
Other loans wholly repayable within five years, unsecured	**24,324,482**	24,324,482	**–**	–
	69,136,444	150,191,646	**42,619,788**	103,660,213

As at 31 March 2001, all of the above bank and other borrowings, which are overdue (HK$68.3 million) or repayable on demand (HK$0.8 million), are classified as current liabilities. Claims have been received by the Group with respect to the overdue balances of HK$45.9 million up to the approval date of these financial statements.

The unsecured other loans bear interest at Hong Kong prime rate plus 2% per annum and are overdue.

Details of the security for all the secured bank loans and overdrafts are set out in note 35 to the financial statements.

Note:

(a) The unsecured bank loans of the Group and the Company included a loan of US$2 million (approximately HK$15.8 million) (2000: HK$15.8 million) borrowed from Jenson International Development Limited ("Jenson"), a company controlled by Mr. Cheng Chao Ming, Jenson ("Mr. Cheng"), a former director of the Company. A back to back financial arrangement was made between the Company, Jenson, and the Industrial and Commercial Bank of China ("ICBC") whereby ICBC agreed to advance the loan to Jenson, which in turn advanced a loan to the Company on the same terms with ICBC. The Company is responsible for the repayment of the loan principal and the interest accrued thereon to ICBC. A corporate guarantee has been given by the Company in favour of ICBC amounting to US$3 million for the banking facilities granted by ICBC to Jenson.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

On 19 March 2001, a writ of summons was issued by ICBC to claim against the Company for the US$3 million guarantee given by the Company due to the default repayment of certain bank loans by Jenson to ICBC. As a result, a deed of waiver was signed by Jenson on 18 September 2001 whereby Jenson agreed to waive the Company's outstanding loan of US$2 million due to it. With the US$3 million guarantee given by the Company which is payable to ICBC, the Group is required to make up a shortfall of US$1 million (HK$7.8 million). Accordingly, a provision against the shortfall has been made and classified as an additional bank loan in the current year financial statements (note 5). On 27 October 2001, a writ of summons was issued by the Company against Mr. Cheng in respect of the US$1 million shortfall required to be borne by the Group, but the judgement is yet to be concluded.

24. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	Group	
	2001	2000
	HK$	*HK$*
Current to 30 days	**21,520,446**	42,899,501
31 – 60 days	**1,720,929**	3,136,618
61 – 90 days	**1,617,969**	282,333
91 – 120 days	**395**	2,632,935
Over 120 days	**42,462,279**	43,613,256
	67,322,018	92,564,643
Retention money payable	**22,339,215**	23,825,911
Total	**89,661,233**	116,390,554

25. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

There were payables under hire purchase contracts at the balance sheet date as follows:

	Group	
	2001	2000
	HK$	*HK$*
Amounts payable within one year and total minimum hire purchase payments	–	2,494,520
Future finance charges	–	(314,392)
Total net obligations under hire purchase contracts	–	2,180,128
Amounts due within one year classified as current liabilities	–	(2,180,128)
Non-current portion of obligations under hire purchase contracts	–	–

26. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured. Except for an amount of HK$3,000,000 (2000: Nil) which bears interest at 9% per annum and is repayable within one year, the remaining amounts are interest-free and have no fixed terms of repayment.

27. AMOUNTS DUE TO DIRECTORS/A SHAREHOLDER

The amounts due to directors/a shareholder are unsecured, interest-free and have no fixed terms of repayment.

28. DEFERRED TAX

	Group	
	2001	2000
	HK$	*HK$*
At beginning of year	**537,342**	537,342
Credit for the year – *note 9*	**(537,342)**	–
At 31 March	–	537,342

28. DEFERRED TAX *(continued)*

The principal components of the Group's provision for deferred tax are as follows:

	Group	
	2001	2000
	HK$	*HK$*
Accelerated depreciation allowances	–	212,011
Other timing differences	–	325,331
	–	537,342

The Company and the Group had no significant potential deferred tax liabilities for which provision has not been made at the balance sheet date.

The revaluations of the Group's properties do not constitute a timing difference because the realisation of the revaluation surpluses would not be subject to tax. Therefore, the amount of potential deferred tax liabilities has not been quantified.

29. SHARE CAPITAL

Shares

	Company	
	2001	2000
	HK$	*HK$*
Authorised:		
1,500,000,000 shares of HK$0.10 each	**150,000,000**	150,000,000
Issued and fully paid:		
1,087,027,066 (2000: 917,527,066) shares of HK$0.10 each	**108,702,707**	91,752,707

29. SHARE CAPITAL *(continued)*

Movements in the issued share capital of the Company during the year were as follows:

	Note	Number of shares issued	Amount
			HK$
At beginning of year		917,527,066	91,752,707
Issue of new shares	*(a)*	169,500,000	16,950,000
At 31 March 2001		1,087,027,066	108,702,707

Note:

(a) a total of 169,500,000 shares of HK$0.10 each were allotted and issued to Whirlwind Holdings Limited, an independent investor, at a subscription price of HK$0.12 per share.

Warrants

The Company had the following warrants in issue at the balance sheet date:

	Warrants with expiry date on 15 October 2003 nominal value
Balance at beginning and at end of year	US$ 750,000
Exercise price per share (subject to adjustment)	HK$ 1.0875

None of the warrants have been exercised during the year. The exercise in full of such warrants at the balance date would, under the present capital structure of the Company, result in the issue of approximately 5,379,000 new shares and cash proceeds, before related issue expenses, of approximately HK$5,850,000.

29. SHARE CAPITAL *(continued)*

Share Options

On 30 September 1991, the Company adopted a share option scheme under which the directors may, at their discretion, invite any employees or executive directors of the Group to take up options to subscribe for shares in the capital of the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the then issued share capital of the Company.

Pursuant to the Company's share option scheme, a total of 27 million shares under options were granted on 6 December 1999 to a director and an employee at an exercise price of HK$0.50 per share, subject to adjustment, at any time from 28 December 1999 up to and including 27 December 2001.

There was no option granted to or exercised by the executive directors and/or employees of the Company and its subsidiaries during the year except that a total of 15 million shares under options lapsed upon the resignation of the employee. Accordingly, as at the balance sheet date, the Company had 12 million outstanding shares options, the exercise in full of which would, under the present capital structure of the Company, result in the issue of 12 million additional new shares of HK$0.5 each and cash proceeds to the Company of approximately HK$6 million before the related share issuing expenses.

30. RESERVES

Group

	Share premium account HK$	Capital redemption reserve HK$	Capital reserve HK$	Fixed asset revaluation reserve HK$	Exchange fluctuation reserve HK$	Accumulated losses HK$	Total HK$
Balance at 1 April 1999	552,435,757	1,540,400	598,434	358,685	1,766,850	(202,021,467)	354,678,659
Premium on:							
Allotment of new shares	45,692,308	–	–	–	–	–	45,692,308
Conversion of 3% convertible debentures	31,222,858	–	–	–	–	–	31,222,858
Capital reserve arising on acquisition of additional interests in subsidiaries	–	–	6,271,000	–	–	–	6,271,000
Exchange realignment on translation of overseas subsidiaries	–	–	–	–	(38,500)	–	(38,500)
Release in reserve regarding the provision for impairment in values of fixed assets	–	–	–	(358,685)	–	–	(358,685)
Loss for the year	–	–	–	–	–	(190,527,415)	(190,527,415)
Balance at 31 March 2000 and 1 April 2000	629,350,923	1,540,400	6,869,434	–	1,728,350	(392,548,882)	246,940,225
Premium on allotment of new shares	3,390,000	–	–	–	–	–	3,390,000
Exchange realignment on translation of overseas subsidiaries	–	–	–	–	(133,757)	–	(133,757)
Loss for the year	–	–	–	–	–	(68,741,971)	(68,741,971)
Balance at 31 March 2001	632,740,923	1,540,400	6,869,434	–	1,594,593	(461,290,853)	181,454,497

30. RESERVES *(continued)*

Company

	Share premium account HK$	Contributed surplus HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
Balance at 1 April 1999	552,435,757	30,815,245	1,540,400	(260,457,678)	324,333,724
Premium on:					
Allotment of new shares	45,692,308	–	–	–	45,692,308
Conversion of 3% convertible debentures	31,222,858	–	–	–	31,222,858
Loss for the year	–	–	–	(173,856,294)	(173,856,294)
Balance at 31 March 2000 and 1 April 2000	629,350,923	30,815,245	1,540,400	(434,313,972)	227,392,596
Premium on allotment of new shares	3,390,000	–	–	–	3,390,000
Loss for the year	–	–	–	(109,442,551)	(109,442,551)
Balance at 31 March 2001	632,740,923	30,815,245	1,540,400	(543,756,523)	121,340,045

The contributed surplus of the Company arose from the Group reorganisation on 26 July 1991 and represented the difference between the nominal value of the Company's shares issued by the Company and the then consolidated net asset value of the subsidiaries acquired pursuant to the Group reorganisation.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders under certain circumstances, prescribed by Section 54 thereof.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001	2000
	HK$	*HK$*
Loss from operating activities	**(57,426,294)**	(169,692,552)
Interest income	**(1,597,492)**	(3,837,838)
Dividends from listed investments	**–**	(4,578)
Income from an unlisted investment	**(2,920,560)**	(5,928,000)
Profit on disposal of long term investments	**(56,564)**	–
Net realised and unrealised holding loss/(gain) on other investments	**1,303,960**	(1,795,526)
Provision for/(write-back of provision for) long service payment obligations	**102,319**	(271,117)
Depreciation, net of portion capitalised in construction projects	**2,172,307**	6,835,168
Amortisation of an unlisted investment	**–**	1,794,389
Loss on disposal of fixed assets	**394,775**	398,746
Provision for a bank guarantee given to a related company	**7,800,000**	–
Provision for bad and doubtful debts	**7,283,102**	29,216,116
Provisions against interests in associates, long term investments and non-recovery of related loans receivable	**2,600,146**	19,302,321
Provision against project under development	**4,600,000**	54,544,309
Provisions for impairment in values of fixed assets	**300,000**	58,045,122
Write-off of fixed assets	**–**	1,320,053
Decrease in stocks and stores	**526,859**	144,059
Decrease in accounts receivable	**27,359,523**	49,372,518
Decrease in prepayments, deposits and other receivables	**19,256,483**	24,709,375
Decrease/(increase) in net balances with customers for contract works	**3,477,739**	(15,668,483)
Decrease in accounts payable	**(26,729,321)**	(20,907,504)
Increase in other payables, deposits and receipts in advance	**11,435,167**	5,500,624
Increase/(decrease) in amounts due to related companies	**3,000,000**	(2,273,797)
Increase/(decrease) in amounts due to directors/a shareholder	**(1,048,788)**	11,029,944
Net cash inflow from operating activities	**1,833,361**	41,833,349

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in Group financing.

	Share capital (including share premium account)	Convertible debentures	Obligations under hire purchase contracts	Bank loans	Other loans	Minority interests
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Balance at 1 April 1999	628,103,630	–	11,448,305	125,547,835	2,225,913	95,837,246
Net cash inflow/(outflow) from financing activities	–	39,000,000	(9,268,177)	(58,086,228)	22,098,569	–
Conversion of 3% convertible debentures	39,000,000	(39,000,000)	–	–	–	–
Arising from acquisition of additional interests in subsidiaries	54,000,000	–	–	–	–	(61,257,206)
Share of loss for the year	–	–	–	–	–	(1,439,161)
Balance at 31 March 2000 And 1 April 2000	721,103,630	–	2,180,128	67,461,607	24,324,482	33,140,879
Net cash inflow/(outflow) from financing activities	20,340,000	–	(2,180,128)	(36,606,756)	–	–
Provision for a bank guarantee given – *note 23*	–	–	–	7,800,000	–	–
Balance at 31 March 2001	741,443,630	–	–	38,654,851	24,324,482	33,140,879

(c) Major non-cash transactions

During the year, the following major non-cash transactions took place:

(i) As further explained in note 23 to the financial statements, a provision of HK$7.8 million in respect of a bank guarantee of US$3 million given by the Company to ICBC has been made and classified as an additional bank loan in the current year.

(ii) As detailed in note 18(b) to the financial statements, a total payment of HK$15 million was made by the Group to BTI, of which, an amount of RMB3 million (HK$2.8 million) was satisfied through the offset of certain sales proceeds from the Group's disposal of a long term investment during the year. The remaining amount of HK$0.6 million was paid by Mr. Cheng on behalf of the Group.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(d) There were no attributable cash flows in respect of other operating expenses as set out in note 5 to the financial statements.

32. COMMITMENTS

(a) Annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:

	Group		**Company**	
	2001	2000	**2001**	2000
	HK$	*HK$*	***HK$***	*HK$*
Within one year	**87,147**	3,871,272	**60,076**	634,500
In the second to fifth years, inclusive	**16,126,963**	12,364,558	**–**	–
	16,214,110	16,235,830	**60,076**	634,500

(b) Capital commitments

	Group	
	2001	2000
	HK$	*HK$*
Capital commitments in respect of:		
Property development project:		
Contracted for	**28,004,854**	28,004,854
Contracted other capital commitments	**27,300,000**	42,295,000
	55,304,854	70,299,854

The Company had no capital commitments at the balance sheet date (2000: Nil).

33. CONTINGENT LIABILITIES

The Company and the Group had the following contingent liabilities at the balance sheet date:

(a)

	Group		Company	
	2001	2000	**2001**	2000
	HK$	*HK$*	***HK$***	*HK$*
Guarantees for performance bonds in respect of construction contracts undertaken by the Group	**88,580,126**	97,292,126	**65,615,000**	65,615,000
Guarantees given for banking facilities granted to and utilised by subsidiaries	**–**	–	**2,192,174**	20,727,030
Guarantee given for banking facility granted to and utilised by a related company	**–**	23,400,000	**–**	23,400,000
Long service payment obligations – *note 34*	**9,934,018**	8,971,641	**–**	–
	98,514,144	129,663,767	**67,807,174**	109,742,030

(b) Since 11 August 2000, Yiu Wing Construction Company Limited ("YWCCL"), a 99.9% indirect subsidiary of the Company, has received a claim of approximately HK$292 million (revised) (2000: HK$230 million) from a contract employer in respect of a construction contract for liquidated damages and the rectification of alleged detective work caused by the Company. The claim of HK$292 million is currently subject to arbitration proceedings. Pursuant to the Order for Directions issued by the arbitrator on 19 November 2001, the hearing of the arbitration will commence on 4 November 2002. Having taken advice from the Group's legal advisors, the directors are of the opinion that it is too early to give any opinion as to the prospects or likely awards. The directors also consider that, given the nature of the claim and damages in dispute as well as the preliminary status of the proceedings, it is not possible to estimate the eventual outcome of the claim with reasonable certainty at this stage. On this basis that the directors consider that the Group has valid defences against the claim, no provision for any potential liabilities has been made.

33. CONTINGENT LIABILITIES *(continued)*

In connection with the above claim against YWCCL, on 8 November 2000, a writ was filed against the Company as first defendant and YWCCL as the second defendant (the "Defendants") to call for the Defendants to provide security to an insurer for potential performance related bond payments of HK$65.6 million under an indemnity provided by the Company and YWCCL. On 13 July 2001, a summary judgement was made by a court in Hong Kong against the Company and YWCCL in respect of the indemnity of HK$65.6 million. However, the Defendants have not paid the HK$65.6 million indemnity pending the outcome of the arbitration proceedings of the claim as further described above.

(c) In addition to the claim described in note 33(b) above, as at 31 March 2001, YWCCL had received numerous claims from various parties, including suppliers and subcontractors for the alleged non-payment for materials supplied and an amount of HK$17 million advanced to YWCCL as other loans. The aggregate amount of such claims was approximately HK$100 million where the amount of such claims is specified and numerous claims with unspecified amounts at 31 March 2001. Of the claims with specified amount totalling HK$100 million (2000: HK$56 million), a provision of approximately HK$43 million (2000: HK$36 million) has already been made by the Group in the financial statements. No provision has been made for numerous claims with unspecific amounts.

Counter-claims have been/will be commenced to obviate or limit the losses and damages suffered by the Group. The directors are of the view that the Group has valid defences against the claims and believe that it is not probable that any material loss will be suffered by the Group and, accordingly, no further provision has been made therefor in the financial statements.

34. LONG SERVICE PAYMENT OBLIGATIONS

This represents a provision for those employees who have been employed by the Group for over 5 years and are aged over 65.

At the balance sheet date, apart from the above, another 142 (2000: 127) employees have completed the required number of years of service under the Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Ordinance, such as attaining the age of 65 on termination.

If the termination of all these employees met the circumstances required by the Ordinance, the Group's additional liability not provided for in the financial statements at the balance sheet date would be approximately HK$9,934,018 (2000: HK$8,972,000).

35. PLEDGE OF ASSETS

At 31 March 2001, the following assets of the Group were pledged in favour of banks for banking facilities granted to the Group:

	Group		Company	
	2001	2000	**2001**	2000
	HK$	*HK$*	***HK$***	*HK$*
Leasehold land and properties	**6,326,058**	24,452,572	**–**	–
Time deposits	**3,231,264**	63,546,315	**–**	60,500,000
	9,557,322	87,998,887	**–**	60,500,000

36. CONNECTED AND RELATED PARTY TRANSACTIONS

The following transactions are connected transactions disclosed in accordance with Chapter 14 of the Hong Kong Listing Rules (the "Rules") and additional related party transactions disclosed in accordance with the SSAP 2.120 "Related Party Disclosures" issued by the Hong Kong Society of Accountants.

Apart from the transactions set out in notes 15, 18, 23 and 33 to the financial statements, the Group had the following material transactions with related/connected parties during the year:

(a) On 16 March 1998, an agreement was entered into between Wuhan Ocean Essence and the PRC joint venture partner whereby, for the period from 16 March 1998 to 15 March 2028, the PRC joint venture partner underwrites to purchase from Wuhan Ocean Essence of not less than 100 million cubic metres of water for drinking purposes per year at RMB0.45 per cubic metre, subject to future adjustments. An underwriting fee of RMB0.03 per cubic metre is payable by Wuhan Ocean Essence to the PRC joint venture partner.

(b) During the year, the Group paid rental expenses of HK$960,000 (2000: HK$960,000) to a company in which Messrs. Cheung Yiu Wing and Cheung Wing Keung, Samuel, who retired as directors of the Company on 8 February 2001, were directors and/ or controlling shareholders. Mr. Cheung Yiu Wing is also a substantial shareholder of the Company throughout the current year. The amount related to leasing of office spaces to the Group and was charged at a monthly amount of HK$80,000 (2000: HK$80,000).

(c) During the year, the Group paid consultancy fees of HK$720,000 (2000: Nil) to a company in which Mr. Chen Vee Yong, Frederick, a director of the Company, is also a director and beneficial shareholder. The amount related to consultancy and advisory services provided to the Group and was charged at a monthly amount of HK$60,000 (2000: Nil).

36. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

(d) As at 31 March 2001, Mr. Cheng Chao Ming, Jenson, an executive director of the Company who resigned on 17 September 2001, and Mr. Cheung Yiu Wing, a substantial shareholder of the Company and a director of the Company (retired on 8 February 2001), had provided personal guarantees for the Group's banking facilities to the extent of approximately HK$30,259,033 (2000: HK$55,067,029).

37. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, in addition to the events detailed in notes 2, 16, 17(a), 18(a), 18(b) and 23 to the financial statements, the following significant events took place:

(a) On 24 September 2001, the Group entered into a conditional sale and purchase agreement (the "S&P Agreement") with Winko Investments Limited ("Winko"), an independent third party and the sole shareholder of Sanko Logistics Limited ("Sanko"), to acquire a 33% issued share capital in Sanko together with the attributable shareholders' loan of US$891,000 (approximately HK$6.9 million) for a total consideration of HK$24 million (the "Proposed Acquisition"), which is to be satisfied by the issue of 160 million shares of the Company at HK$0.15 per share, subject to the fulfillment of all conditions specified under the S&P Agreement. The Proposed Acquisition has not been completed as of the date of these financial statements.

Sanko, incorporated in the British Virgin Islands on 17 August 2001, intends to engage in the shipping and logistics business in the PRC. Under the S&P Agreement, the Group is granted a call option to require Winko to sell to the Group a further interest up to 34% of the issued share capital in Sanko on or before 23 March 2002.

(b) On 23 October 2001, a conditional sale and purchase agreement was entered into between the Group and All Shine Holdings Limited ("All Shine"), an independent third party, whereby the Group agreed to dispose of its entire issued share capital in Yiu Wing (Overseas) Limited ("YWO") to All Shine for a consideration of HK$100,000 (the "Proposed Disposal"), subject to certain conditions. YWO holds various subsidiaries, including Yiu Wing Construction Company Limited ("YWCCL") and Ocean Palace Restaurant and Nightclub Limited, which are engaged in the construction and restaurant businesses, respectively. Prior to the completion of the Proposed Disposal, the directors of the Company confirm that the Group intends to transfer its entire 80% issued share capital of an indirect subsidiary, Yiu Wing Ningsi Real Estate Development Limited ("Ningsi") to YWCCL. Ningsi holds a hotel project under development (note 13). Up to the approval date of these financial statements, the Proposed Disposal has not been completed. The directors of the Company expect a gain to arise on the Proposed Disposal. However, they are unable to estimate the amount with reasonable accuracy as at the date of approval of these financial statements.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 7 December 2001.