

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate holding company is Lucky Year Finance Limited, an international business company incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of its principal operating subsidiaries, associates and jointly-controlled entities are set out in notes 16, 17 and 18, respectively.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants for the first time. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosure for the prior year have been restated in order to achieve a consistent presentation.

The adoption of the new and revised SSAPs described above has resulted in the following changes to the Group’s accounting policies that have affected the amounts and disclosure reported for the current or prior periods.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has no effect to the financial statements.

The adoption of SSAP 9 (Revised) has also resulted in the derecognition of income from proposed final dividends that are declared and approved by the subsidiaries of the Company after the balance sheet date in the Company’s own financial statements in prior years. As a result, the net profit of the Company for the year ended 31st March, 2001 increased by approximately HK\$20,813,000 and the shareholders’ funds of the Company as at 1st April, 2000 decreased by approximately HK\$20,813,000.

Leases

Disclosures of the Group’s leasing arrangements have been modified so as to comply with SSAP 14 (Revised) “Leases”. Comparative figures and disclosure have been restated in order to achieve a consistent presentation as required under SSAP 14 (Revised).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

Segment reporting

SSAP 26 “Segment reporting” has introduced new principles for reporting financial information by segment. Segment disclosures for the year ended 31st March, 2001 have been modified in order to conform with the requirements of the standard.

Goodwill

In the current year, the Group has adopted SSAP 30 “Business combinations” and has elected not to restate goodwill/negative goodwill previously eliminated against/credited to reserves. Accordingly, goodwill/negative goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged/credited to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisition after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisition after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) made up to 31st March each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from or up to their effective dates of acquisition and disposal, respectively.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Investments in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Interests in associates**

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Joint ventures

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

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Goodwill arising on acquisition after 1st April, 2001 is capitalised and amortised on the straight-line basis over its estimated useful life. Any impairment of goodwill will be recognised as an expense in the income statement immediately. Goodwill arising on acquisition prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly-controlled entity or at such time as the goodwill is determined to be impaired.

Goodwill arising on the acquisition of an associate or a jointly-controlled entity is included within the carrying amount of the associate or jointly-controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly-controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition after 1st April, 2001 is presented as a deduction from assets and recognised as income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on acquisition prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly-controlled entity.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses, if any.

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

Depreciation is provided to write off the cost of items of property, plant and equipment, other than leasehold improvements, using the straight-line method, over their estimated useful lives, at the following rates:

Leasehold land	Over the unexpired terms of the leases
Buildings	2% to 5%
Plant and machinery	10% to 30%
Motor vehicles	20% to 30%
Furniture, fixtures and equipment	20% to 33.3%

Depreciation on leasehold improvements is calculated to write off the cost of the leasehold improvements over their expected useful lives or the unexpired duration of the leases, whichever is the shorter.

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Investment properties**

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

Investment properties are stated at their open market value based on annual professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement.

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

No depreciation is provided on investment properties which are held under leases with unexpired terms of more than 20 years.

Permanent export quota entitlements

Permanent export quota entitlements purchased from outside parties are stated at cost less amortisation. The cost of purchased permanent export quota entitlements is amortised on the straight-line method over a period of three to eight years by equal monthly instalments.

Investments in securities

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

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

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

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Inventories**

Inventories are stated at the lower of cost and net realisable value and is calculated using the first-in, first-out method.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and 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, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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 revenues 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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Hire purchase contracts**

Under a hire purchase contract, all the risks and rewards of ownership of the asset are substantially transferred to the Group. Assets held under hire purchase contracts are capitalised at their fair values at the dates of inception of the contracts. The corresponding instalments payable, net of interest charges, are shown as obligations of the Group on the balance sheet. The interest charges, or finance costs, which represent the difference between the gross instalments payable and the original principal amount under the hire purchase contract at the date of inception of the contract, are charged to the income statement over the period of the contract at an approximately constant rate.

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) sales of goods are recognised when goods are delivered and title has passed;
- (b) revenue on construction contracts is recognised using the percentage of completion method and determined by reference to the value of the construction work performed;
- (c) rental income from property letting under operating leases, is recognised on the straight-line basis over the term of the relevant lease;
- (d) interest income is recognised on a time basis by reference to the principal outstanding and at the interest rates applicable; and
- (e) dividend income is recognised when the Group's rights to receive payments have been established.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, namely 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 these assets. Capitalisation of 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 borrowings costs are expensed in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Rentals receivable or payable under operating leases are credited or charged to income on the straight-line basis over the term of the relevant lease.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of the Group's overseas operations which are denominated in foreign currencies are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the exchange reserve and are recognised as income or expenses in the period on which the operation is disposed of.

Retirement benefit scheme contributions

The retirement benefit scheme contributions charged to the income statement represent the amount of contributions payable by the Group under defined contribution retirement benefit scheme and defined contribution mandatory provident fund scheme.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

4. TURNOVER

Turnover for the year comprises:

	2002	2001
	HK\$'000	HK\$'000
Building construction and foundation piling	993,974	212,477
Sales of consumer goods and provision of maintenance services	748,478	924,244
Others	1,750	8,500
	<u>1,744,202</u>	<u>1,145,221</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS**(a) Business segments**

For management purposes, the Group is currently organised into four operating divisions including construction activities, garment activities, trading activities and others. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Construction activities	:	Building construction and foundation piling
Garment activities	:	Garment manufacturing and trading
Trading activities	:	Wholesaling of mechanical products and electrical appliances and provision of maintenance services. All the subsidiaries engaged in trading activities were disposed in September, 2001
Others	:	Investment holding and provision of management services

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)**(a) Business segments** (Continued)

Segment information about these business is presented below.

Income statement

	Construction activities		Garment activities		Trading activities		Others		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	993,974	212,477	690,701	813,706	57,777	110,538	1,750	8,500	1,744,202	1,145,221
Segment results	35,356	4,817	31,077	54,955	975	1,210	2,124	8,535	69,532	69,517
Net income from investments									20,497	7,249
Unallocated corporate expenses									(10,266)	(10,742)
Profit from operations									79,763	66,024
Finance costs									(21,491)	(23,284)
Gain on disposals of subsidiaries									605	94,878
Gain on disposals of associates									-	1,017
Impairment loss on goodwill arising from subsidiaries acquired in prior years									-	(45,285)
Share of results of associates	(3,338)	(978)	93	(1,175)	-	-	(30,701)	(193,604)	(33,946)	(195,757)
Share of results of jointly-controlled entities	-	-	4,528	4,373	-	-	-	-	4,528	4,373
Profit/(loss) before taxation									29,459	(98,034)
Taxation charge									(14,997)	(6,176)
Profit/(loss) before minority interests									14,462	(104,210)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

Balance sheet

	Construction activities		Garment activities		Trading activities		Others		Eliminated		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS												
Segment assets	451,391	-	445,022	441,945	-	62,093	150,009	68,948	(195,114)	(120,647)	851,308	452,339
Interests in associates	-	92,015	3,040	975	-	-	811,220	698,222	-	-	814,260	791,212
Interests in jointly-controlled entities	5	-	4,528	8,340	-	-	-	-	-	-	4,533	8,340
Unallocated corporate assets											102,852	159,105
Consolidated total assets											1,772,953	1,410,996
LIABILITIES												
Segment liabilities	387,613	87,932	55,889	57,206	-	35,721	54,788	55,350	(195,114)	(120,647)	303,176	115,562
Unallocated corporate liabilities											327,257	168,603
Consolidated total liabilities											630,433	284,165
OTHER INFORMATION												
Additions to property, plant and equipment												
- The Group	36,677	4,313	4,545	5,734	65	293	3	-	-	-	41,290	10,340
- Acquired on acquisitions of subsidiaries	222,735	-	-	-	-	124	-	-	-	-	222,735	124
Depreciation of property, plant and equipment	33,066	7,110	10,246	10,981	372	922	3	4	-	-	43,687	19,017
Amortisation of permanent export quota entitlements	-	-	2,439	2,659	-	-	-	-	-	-	2,439	2,659

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)**(b) Geographical segments**

The following table provided an analysis of the Group's turnover by geographical market:

	Turnover		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	1,072,646	378,331	48,054	10,315
North America	353,128	386,574	13,668	29,664
Europe	301,571	351,686	15,610	23,589
Others	16,857	28,630	2,431	2,456
	<u>1,744,202</u>	<u>1,145,221</u>	<u>79,763</u>	<u>66,024</u>

The following is an analysis of the carrying amount of the segment assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	606,829	229,323	260,321	6,957
The Republic of Indonesia	198,454	171,660	2,759	2,785
Others	46,025	51,356	945	722
	<u>851,308</u>	<u>452,339</u>	<u>264,025</u>	<u>10,464</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

6. PROFIT FROM OPERATIONS

	2002	2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation:		
Owned assets	39,271	16,903
Assets held under hire purchase contracts	4,416	2,114
	43,687	19,017
Less: Amount capitalised in contract costs	3,487	917
	40,200	18,100
Staff costs (including directors' emoluments)	184,932	139,728
Less: Amount capitalised in contract costs	61,753	12,642
	123,179	127,086
Amortisation of permanent export quota entitlements	2,439	2,659
Auditors' remuneration	1,899	1,617
Loss on disposals of property, plant and equipment	–	254
Minimum lease payment paid in respect of land and buildings	2,450	3,744
Deficit arising from revaluation of investment properties	100	100
Loss on disposals of investments in securities	–	2,653
Unrealised loss on investments in securities	763	3,562
and after crediting:		
Accretion of discount on acquisition of debt securities	–	4,048
Bank interest income	2,776	4,238
Interest income from investments in securities	13,544	3,972
Other interest income	1,170	1,206
Gain on disposals of property, plant and equipment	95	–
Gain on disposals of investments in securities	950	–
Gain on disposals of permanent export quota entitlements	1,004	–
Net rental income	846	850

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

7. FINANCE COSTS

	2002	2001
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	18,837	22,181
Bank borrowings not wholly repayable within five years	-	488
Other borrowings wholly repayable within five years	153	30
Hire purchase contracts	2,501	585
	<u>21,491</u>	<u>23,284</u>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**(a) Information regarding directors' emoluments**

	2002	2001
	HK\$'000	HK\$'000
The emoluments paid to directors of the Company during the year are as follows:		
Directors' fees paid to independent non-executive directors	100	100
Emoluments paid to executive directors		
– Salaries	4,187	3,188
– Bonuses paid and payable	2,500	2,000
– Retirement benefit scheme contributions	74	72
	<u>6,861</u>	<u>5,360</u>

The emoluments of directors fall within the following bands:

	Number of directors	
	2002	2001
Nil	3	3
HK\$1 to HK\$1,000,000	2	3
HK\$1,500,001 to HK\$2,000,000	1	-
HK\$2,000,001 to HK\$2,500,000	1	2
HK\$2,500,001 to HK\$3,000,000	1	-
	<u>8</u>	<u>8</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)**(b) Information regarding employees' emoluments**

The five highest paid individuals of the Group in the year include three directors (2001: three directors). The emoluments of the remaining two highest paid individuals, who are not directors, are as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries	2,020	2,129
Bonuses paid and payable	1,994	2,750
Retirement benefit scheme contributions	135	171
	<u>4,149</u>	<u>5,050</u>

The emoluments of these two individuals fall within the following bands:

	Number of employees	
	2002	2001
HK\$1,500,001 to HK\$2,000,000	-	1
HK\$2,000,001 to HK\$2,500,000	2	-
HK\$3,000,001 to HK\$3,500,000	-	1
	<u>2</u>	<u>2</u>

9. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

The Group operates defined contribution mandatory provident fund schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate. The MPF Schemes became effective on 1st December, 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vested fully with the employees when contributed into the MPF Schemes 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 Schemes.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

9. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS *(Continued)*

As an alternative, certain subsidiaries of the Company also operated defined contribution provident fund schemes (the “Provident Funds”) under the Occupational Retirement Schemes Ordinance for those employees who are eligible to participate. Provident Funds operated in a similar way to the MPF Schemes, except that when an employee left the Provident Funds prior to his/her interest in the Group’s employer contributions being vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions.

	2002	2001
	HK\$’000	HK\$’000
Contributions payable to the Group’s MPF Schemes	4,986	623
Contributions payable to the Group’s Provident Funds	537	2,562
Less: Forfeited contributions	120	278
	417	2,284
Contributions charged to the income statement	5,403	2,907

At 31st March, 2002, the forfeited contributions under the Provident Funds, arising from employees leaving the schemes and which are available to reduce the contributions payable by the Group in the future, amounted to approximately HK\$33,000 (2001: HK\$87,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

10. TAXATION CHARGE

	2002 HK\$'000	2001 HK\$'000
The charge for the year comprises:		
Hong Kong profits tax		
Current year	4,753	3,251
Under/(over)–provision in prior years	232	(1,021)
	4,985	2,230
Overseas taxation	4	26
Deferred taxation charge (note 27)	3,354	–
	8,343	2,256
Share of taxation of associates	6,578	3,893
Share of taxation of jointly-controlled entities	76	27
	14,997	6,176

Hong Kong profits tax is calculated at 16% (2001: 16%) on the estimated assessable profits of the year.

Overseas taxation is provided on the profits of overseas subsidiaries in accordance with the tax laws of the countries in which the subsidiaries operate.

11. NET PROFIT/(LOSS) FOR THE YEAR

The Group's net profit/(loss) for the year includes a net profit of approximately HK\$20,987,000 (2001: HK\$225,198,000) which has been dealt with in the financial statements of the Company.

12. DIVIDEND

	2002 HK\$'000	2001 HK\$'000
Proposed final dividend of 2 cents per ordinary share (2001: Nil)	11,027	–

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit for the year of approximately HK\$10,295,000 (2001: net loss of HK\$105,028,000) and on 551,368,153 (2001: 551,368,153) shares in issue during the year.

No disclosure of diluted earnings per share (2001: loss per share) is presented as the exercise of outstanding options and convertible guaranteed bonds of the associates of the Group would only serve to increase the earnings per share (2001: reduce the loss per share) from the continuing ordinary activities.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings		Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	Hong Kong	Overseas					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
COST							
At 1st April, 2001	77,734	66,469	11,627	42,239	5,825	20,909	224,803
Currency realignment	-	1,259	116	128	6	58	1,567
Acquired on acquisitions of subsidiaries	14,140	-	880	321,073	4,102	9,274	349,469
Eliminated on disposals of subsidiaries	(10,877)	-	(816)	(318)	(1,180)	(3,508)	(16,699)
Additions	-	556	186	37,150	1,012	2,386	41,290
Disposals	-	(360)	(94)	(4,915)	(499)	(924)	(6,792)
At 31st March, 2002	80,997	67,924	11,899	395,357	9,266	28,195	593,638
DEPRECIATION							
At 1st April, 2001	8,853	14,786	9,987	26,472	4,005	14,719	78,822
Currency realignment	-	130	96	119	6	45	396
Acquired on acquisitions of subsidiaries	663	-	701	116,421	2,360	6,589	126,734
Eliminated on disposals of subsidiaries	(1,051)	-	(778)	(315)	(1,103)	(2,866)	(6,113)
Eliminated on disposals	-	-	(84)	(1,944)	(429)	(806)	(3,263)
Provided for the year	1,659	1,815	949	33,704	1,573	3,987	43,687
At 31st March, 2002	10,124	16,731	10,871	174,457	6,412	21,668	240,263
NET BOOK VALUES							
At 31st March, 2002	70,873	51,193	1,028	220,900	2,854	6,527	353,375
At 31st March, 2001	68,881	51,683	1,640	15,767	1,820	6,190	145,981

All leasehold land and buildings are held under medium-term leases.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Included in the net book value of property, plant and equipment of the Group at 31st March, 2002 is an amount of approximately HK\$20,679,000 (2001: HK\$176,000) in respect of assets held under hire purchase contracts.

	Furniture, fixtures and equipment <i>HK\$'000</i>
THE COMPANY	
COST	
At 1st April, 2001	80
Additions	3
Disposals	(11)
	<hr/>
At 31st March, 2002	72
	<hr/>
DEPRECIATION	
At 1st April, 2001	73
Eliminated on disposals	(11)
Provided for the year	3
	<hr/>
At 31st March, 2002	65
	<hr/>
NET BOOK VALUES	
At 31st March, 2002	7
	<hr/> <hr/>
At 31st March, 2001	7
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

15. INVESTMENT PROPERTIES

	THE GROUP
	<i>HK\$'000</i>
VALUATION	
At 1st April, 2001	1,700
Deficit arising from revaluation	(100)
	<hr/>
At 31st March, 2002	<u>1,600</u>

The Group's investment properties at 31st March, 2002, which comprise land and buildings situated in Hong Kong held under medium-term leases, were revalued on an open market value basis by Chesterton Petty Limited, a firm of international property consultants. The revaluation resulted in a deficit of HK\$100,000 (2001: HK\$100,000) which has been charged to the income statement.

All the Group's investment properties are rented out under operating leases.

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	115,192	125,192
Amounts due from subsidiaries (note)	231,191	151,405
	<hr/>	<hr/>
	<u>346,383</u>	<u>276,597</u>

Note : The amounts are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of directors, the amounts will not be demanded to repay within twelve months from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the Company's principal subsidiaries at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Percentage of nominal value of issued ordinary share/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Apex Curtain Wall and Windows Company Limited	Hong Kong	HK\$10,000	-	81.58	Contracting of building aluminium works
Chinney Builders and Foundation Company Limited	Hong Kong	HK\$2	-	81.58	Building construction
Chinney Construction (BVI) Limited (Formerly known as New Luck Assets Limited)	British Virgin Islands	US\$10,000	-	81.58	Investment holding
Chinney Construction Company, Limited	Hong Kong	HK\$10,000,000	-	81.58	Building construction
Chinney Contractors Company Limited	British Virgin Islands	US\$20,000	81.58	-	Investment holding
Dongguan Chinney Garments Limited *	The People's Republic of China ("PRC")	HK\$22,000,000	-	100.00	Garment manufacture
Dongguan Marigold Industry City Developing Co., Ltd. *	PRC	HK\$50,000,000 **	-	100.00	Property holding and development
DrilTech Geotechnical Engineering Limited	Hong Kong	HK\$10,000	-	81.58	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering Limited	Hong Kong	HK\$12,500,000	-	81.58	Drilling, site investigation and related ground engineering construction
Gateway Group Holdings Limited	British Virgin Islands	US\$2,500,000	100.00	-	Investment holding
Gateway Trade and Development Company, Limited	Hong Kong	HK\$9,000,000	-	100.00	Garment trading
J.L. Chinney (Holdings) Company Limited *	British Virgin Islands	US\$1,250,000	100.00	-	Investment holding

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

16. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Percentage of nominal value of issued ordinary share/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
J.L. Group Company Limited *	Hong Kong	HK\$8,000,000	-	100.00	Garment trading
J.L. Investment Company Limited *	Hong Kong	HK\$10,000	-	100.00	Property and investment holding
J.L. (Overseas) Company Limited *	British Virgin Islands	US\$50,000	-	100.00	Sourcing agent for garments
Kin Wing Chinney (BVI) Limited	British Virgin Islands	US\$208	-	81.58	Investment holding
Kin Wing Engineering Company Limited	Hong Kong	HK\$10,000,000	-	81.58	Foundation piling
Kin Wing Foundations Limited	Hong Kong	HK\$10,000	-	81.58	Foundation piling
Kin Wing Machinery & Transportation Limited	Hong Kong	HK\$100	-	81.58	Equipment and machinery leasing
Marton Trading Limited	British Virgin Islands	US\$1	-	100.00	Garment trading
Multi-Way Trading Limited	Hong Kong	HK\$5,000,000	-	100.00	Garment trading
P.T. Prefash Wears Cemerlang *	Republic of Indonesia	US\$500,000	-	100.00	Garment manufacture and trading
Royal Treasure Limited	Hong Kong	HK\$2	100.00	-	Property holding and letting

* These companies were not audited by Deloitte Touche Tohmatsu.

** This company is a co-operative joint venture enterprise. Pursuant to an agreement entered into with the joint venture partner, the Group is:

- obliged to contribute 100% of the registered capital of the company
- entitled to 85% of the profit but has to bear all of the losses of the company
- entitled to 100% of the residual net assets of the company upon winding up

All the subsidiaries operate in their respective place of incorporation/establishment.

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of directors, result in particulars of excessive length.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed shares, at cost	-	-	556,064	556,064
Investments in securities	141,000	-	141,000	-
Share of net assets	673,260	791,212	-	-
	814,260	791,212	697,064	556,064

The investments in securities represented the carrying value of the held-to-maturity debt securities of the 10% convertible guaranteed bonds due April, 2003 issued by a wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok"). Holders of the bonds have the right to convert the bonds into equity shares of Hon Kwok at a conversion price, subject to adjustment in certain events, of HK\$0.40 per share.

The market values of the shares listed on the Stock Exchange held by the Group and the Company at 31st March are as follows:

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
961,957,982 (2001: 797,447,982) shares of Chinney Alliance Group Limited ("Chinney Alliance") at a closing price of HK\$0.018 (2001: HK\$0.042) each	17,315	33,493	-	-
632,284,758 (2001: 632,284,758) shares of Hon Kwok at a closing price of HK\$0.185 (2001: HK\$0.28 each)	116,973	177,040	116,973	177,040
	134,288	210,533	116,973	177,040

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

17. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's principal associates at 31st March, 2002 are as follows:

Name of associate	Place of incorporation/ operation	Nominal value of issued ordinary share capital	Percentage of nominal value of issued ordinary share capital held by the Company		Principal activities
			Directly	Indirectly	
Chinney Alliance Group Limited	Bermuda/ Hong Kong	HK\$33,059,950	-	29.10	Trading and manufacture of industrial products, property and investment holding
Hon Kwok Land Investment Company, Limited	Hong Kong	HK\$133,415,402	47.39	-	Property development, property investment and investment holding

The above companies were not audited by Deloitte Touche Tohmatsu.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or from a substantial portion of the net assets of the Group.

Extracts from the financial statements of Chinney Alliance and Hon Kwok, the two major associates of the Company, are set out in note 42.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	<u>4,533</u>	<u>8,340</u>

The Group had 50% equity interest in the issued share capital of its principal jointly-controlled entity, SGA Holdings Limited, an investment holding company incorporated in the British Virgin Islands, with its subsidiaries engaged in garment trading activities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

19. PERMANENT EXPORT QUOTA ENTITLEMENTS

	THE GROUP
	<i>HK\$'000</i>
COST	
At 1st April, 2001	19,951
Disposals	(2,195)
	<hr/>
At 31st March, 2002	17,756
	<hr/>
AMORTISATION	
At 1st April, 2001	14,257
Provided for the year	2,439
Eliminated on disposals	(1,125)
	<hr/>
At 31st March, 2002	15,571
	<hr/>
NET BOOK VALUES	
At 31st March, 2002	2,185
	<hr/> <hr/>
At 31st March, 2001	5,694
	<hr/> <hr/>

The permanent export quota entitlements held by the Group are principally for shipments to the United States of America.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

20. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
Equity securities:						
Listed shares	-	-	1,470	2,232	1,470	2,232
Unlisted – shares	-	2	-	-	-	2
– capital contribution (note (a))	3,510	-	-	-	3,510	-
	<u>3,510</u>	<u>2</u>	<u>1,470</u>	<u>2,232</u>	<u>4,980</u>	<u>2,234</u>
Debt securities:						
Listed (note (b))	-	-	-	51,151	-	51,151
Total:						
Listed – Hong Kong	-	-	1,470	2,232	1,470	2,232
– outside Hong Kong	-	-	-	51,151	-	51,151
Unlisted	3,510	2	-	-	3,510	2
	<u>3,510</u>	<u>2</u>	<u>1,470</u>	<u>53,383</u>	<u>4,980</u>	<u>53,385</u>
Market value of listed securities	<u>-</u>	<u>-</u>	<u>1,470</u>	<u>53,383</u>	<u>1,470</u>	<u>53,383</u>
Carrying amount analysed for reporting purposes as:						
Current	-	-	1,470	53,383	1,470	53,383
Non-current	3,510	2	-	-	3,510	2
	<u>3,510</u>	<u>2</u>	<u>1,470</u>	<u>53,383</u>	<u>4,980</u>	<u>53,385</u>
THE COMPANY						
Debt securities:						
Listed, outside Hong Kong (note (b))	-	-	-	51,151	-	51,151
Market value of listed securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,151</u>	<u>-</u>	<u>51,151</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

20. INVESTMENTS IN SECURITIES (Continued)

Notes:

- (a) The capital contribution was stated at carrying value and represented the Group's 25% equity interest in the registered capital of Gansu Longhai Chinney Construction Engineering Co., Ltd., a company which is established in the PRC. The investee company was not treated as an associate because, in the opinion of the directors, the Group was not in a position to exercise significant influence in the making of commercial or financial policy decisions of the investee company.
- (b) The amounts in 2001 represented the 5.3% convertible guaranteed bonds issued by a wholly-owned subsidiary of Hon Kwok, an associate of the Group.

21. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	54,668	79,083
Work in progress	38,313	29,749
Finished goods	6,463	18,539
	<u>99,444</u>	<u>127,371</u>

Raw materials and finished goods for 2002 were stated at cost. For 2001, raw materials of approximately HK\$599,000 and finished goods of approximately HK\$1,972,000 were carried at net realisable value. Work in progress was stated at cost for both years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

22. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Contracts in progress at the balance sheet date comprised:		
Contract costs incurred	4,588,835	56,884
Add: Recognised profits less recognised losses	625,670	6,459
	5,214,505	63,343
Less: Progress billings	5,250,612	61,549
	(36,107)	1,794
Represented by:		
Amounts due from customers shown under current assets	50,800	2,754
Amounts due to customers shown under current liabilities	(86,907)	(960)
	(36,107)	1,794

Staff costs, hiring charges for plant and machinery and depreciation charges of approximately HK\$61,753,000 (2001: HK\$12,642,000), HK\$12,722,000 (2001: Nil) and HK\$3,487,000 (2001:HK\$917,000), respectively, were included in contract costs. No interest expenses were capitalised in either year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

23. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK\$197,531,000 (2001: HK\$87,479,000). The ageing analysis of trade debtors is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Current to 30 days	147,732	59,405
31 to 60 days	29,448	16,066
61 to 90 days	4,621	5,000
Over 90 days	15,730	7,008
	<hr/>	<hr/>
Total	197,531	87,479
	<hr/> <hr/>	<hr/> <hr/>

The Group allows an average credit period of 30 days to its trade customers.

24. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK\$90,192,000 (2001: HK\$42,531,000). The ageing analysis of trade creditors is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Current to 30 days	59,127	32,899
31 to 60 days	23,573	6,759
61 to 90 days	3,016	896
Over 90 days	4,476	1,977
	<hr/>	<hr/>
Total	90,192	42,531
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

25. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	THE GROUP			
	Minimum		Present value	
	lease payments		of minimum	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The maturity of the Group's obligations under hire purchase contracts is as follows:				
Within one year	7,564	58	7,250	39
Due after one year but within two years	4,010	58	3,919	43
Due after two years but within five years	549	106	540	95
	12,123	222	11,709	177
Less: Future finance charges	414	45	-	-
Present value of lease obligations	11,709	177	11,709	177
Less: Amount due within one year shown under current liabilities			7,250	39
Amount due after one year			4,459	138

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

26. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unsecured bank loans and overdrafts due within a period of:				
Less than one year or on demand	129,917	85,035	45,000	–
More than one year but not exceeding two years	5,000	–	5,000	–
More than two years but not exceeding five years	2,500	–	2,500	–
	137,417	85,035	52,500	–
Secured bank loans and overdrafts due within a period of:				
Less than one year or on demand	125,951	74,330	70,500	24,200
More than one year but not exceeding two years	23,424	1,752	18,000	–
More than two years but not exceeding five years	4,537	4,304	–	–
After five years	–	630	–	–
	153,912	81,016	88,500	24,200
Total bank borrowings	291,329	166,051	141,000	24,200
Less: Amount due within one year or on demand and shown under current liabilities	255,868	159,365	115,500	24,200
Amount due after one year	35,461	6,686	25,500	–

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

26. BANK BORROWINGS (Continued)

The secured bank loans and overdrafts of the Group are secured by shares in certain associates and the following assets of the Group with carrying values as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Inventories	87,230	99,063
Investments in securities	75,000	–
Trade debtors	66,286	23,071
Amounts due from associates	1,558	2,818
Property, plant and equipment	31,721	18,687
Bank balances	2,000	–
	<u>263,795</u>	<u>143,639</u>

The secured bank loans and overdrafts of the Company are secured by investments in securities with carrying value of HK\$75,000,000 and shares in certain associates.

27. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Balance at the beginning of the year	148	10,508
Charge for the year (note 10)	3,354	–
Acquired on acquisitions of subsidiaries	13,440	–
Eliminated upon disposals of subsidiaries	(87)	(10,360)
	<u>16,855</u>	<u>148</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

27. DEFERRED TAXATION (Continued)

At the balance sheet date, the major components of the net deferred taxation liability provided for in the financial statements are analysed as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect on timing differences attributable to:		
Excess of tax allowances over depreciation	19,302	148
Tax losses	(2,447)	–
	<hr/>	<hr/>
Net deferred taxation liability provided	<u>16,855</u>	<u>148</u>

At the balance sheet date, the major components of the net deferred taxation assets not recognised in the financial statements are analysed as follows:

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect on timing differences attributable to:				
Excess of tax allowances over depreciation	13,569	64	–	–
Tax losses	(15,290)	(11,630)	(10,602)	(9,537)
Others	–	(627)	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred taxation asset not recognised	<u>(1,721)</u>	<u>(12,193)</u>	<u>(10,602)</u>	<u>(9,537)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

27. DEFERRED TAXATION (Continued)

The amount of net unprovided deferred taxation charge/(credit) for the year is analysed as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Excess of tax allowances over depreciation	13,505	(13,326)	-	-
Tax losses	(3,660)	5,007	(1,065)	(693)
Others	627	285	-	-
Net deferred taxation charge/(credit)	<u>10,472</u>	<u>(8,034)</u>	<u>(1,065)</u>	<u>(693)</u>

No provision for deferred taxation has been made on timing differences attributable to the excess of tax allowances over depreciation as the potential deferred taxation liability is not expected to be reversed in the foreseeable future after taking into consideration for the Group's medium term financial plans and projections.

A deferred taxation asset is not recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be crystallised in the foreseeable future.

Deferred taxation has not been provided on revaluation of investment properties as the profit or loss arising on the disposal of these assets would not be subject to taxation. Accordingly, the valuation does not constitute a timing difference for tax purposes.

28. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

The amounts are unsecured, non-interest bearing and have no fixed repayment terms. As agreed with minority shareholders of subsidiaries, the amount will not be demanded to repay within twelve months from the balance sheet date.

29. SHARE CAPITAL

	Number of shares	Amount
	2002 and 2001	2002 and 2001 HK\$'000
Ordinary shares of HK\$0.25 each:		
Authorised:		
At the beginning and the end of the year	<u>1,000,000,000</u>	<u>250,000</u>
Issued and fully paid:		
At the beginning and the end of the year	<u>551,368,153</u>	<u>137,842</u>

There were no changes in authorised and issued shares for both years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

30. RESERVES

	Share premium	Investment property revaluation reserve	Exchange reserve	Capital/ (goodwill) reserve	Dividend reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP							
At 1st April, 2000	267,569	756	(44,690)	(115,355)	-	886,661	994,941
Released on disposals of associates	-	(756)	609	30,459	-	-	30,312
Released on disposals of subsidiaries	-	-	-	(732)	-	-	(732)
Capital reserve arising on acquisitions of subsidiaries	-	-	-	485	-	-	485
Capital reserve arising on acquisitions of associates	-	-	-	19,438	-	-	19,438
Goodwill arising on additional investment in a subsidiary	-	-	-	(415)	-	-	(415)
Share of reserves of associates attributable to the Group	-	-	(4,354)	6,167	-	-	1,813
Exchange differences arising on translation of financial statements denominated in foreign currencies	-	-	2,890	-	-	-	2,890
Impairment loss on goodwill arising from subsidiaries acquired in prior years	-	-	-	45,285	-	-	45,285
Net loss for the year	-	-	-	-	-	(105,028)	(105,028)
At 31st March, 2001	<u>267,569</u>	<u>-</u>	<u>(45,545)</u>	<u>(14,668)</u>	<u>-</u>	<u>781,633</u>	<u>988,989</u>
Attributable to:							
The Company and subsidiaries	267,569	-	652	(6,188)	-	656,904	918,937
Associates	-	-	(46,197)	(8,480)	-	116,466	61,789
Jointly-controlled entities	-	-	-	-	-	8,263	8,263
At 31st March, 2001	<u>267,569</u>	<u>-</u>	<u>(45,545)</u>	<u>(14,668)</u>	<u>-</u>	<u>781,633</u>	<u>988,989</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

30. RESERVES (Continued)

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Capital/ (goodwill) reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP (Continued)							
At 1st April, 2001	267,569	-	(45,545)	(14,668)	-	781,633	988,989
Released on disposals of subsidiaries	-	-	-	(489)	-	-	(489)
Share of reserves of associates attributable to the Group	-	-	12	4,943	-	-	4,955
Exchange differences arising on translation of financial statements denominated in foreign currencies	-	-	928	-	-	-	928
Net profit for the year	-	-	-	-	-	10,295	10,295
Proposed final dividend	-	-	-	-	11,027	(11,027)	-
At 31st March, 2002	267,569	-	(44,605)	(10,214)	11,027	780,901	1,004,678
Attributable to:							
The Company and subsidiaries	267,569	-	1,581	(6,670)	11,027	693,552	967,059
Associates	-	-	(46,186)	(3,544)	-	82,898	33,168
Jointly-controlled entities	-	-	-	-	-	4,451	4,451
At 31st March, 2002	267,569	-	(44,605)	(10,214)	11,027	780,901	1,004,678
THE COMPANY							
At 1st April, 2000							
As previously reported	267,569	-	-	-	-	286,793	554,362
Prior period adjustment: - Derecognition of final dividend from subsidiaries	-	-	-	-	-	(20,813)	(20,813)
As restated	267,569	-	-	-	-	265,980	533,549
Net profit for the year	-	-	-	-	-	225,198	225,198
At 31st March, 2001	267,569	-	-	-	-	491,178	758,747
Net profit for the year	-	-	-	-	-	20,987	20,987
Proposed final dividend	-	-	-	-	11,027	(11,027)	-
At 31st March, 2002	267,569	-	-	-	11,027	501,138	779,734

In addition to the retained profits of the Company which are distributable to shareholders, the share premium account of the Company can be applied under the Companies Ordinance to pay up bonus shares issuable to shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

31. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	HK\$'000	HK\$'000
Profit/(loss) before taxation	29,459	(98,034)
Share of results of associates and jointly-controlled entities	29,418	191,384
Interest income	(17,490)	(9,416)
Interest expenses	21,491	23,284
Depreciation	40,200	18,100
Amortisation of permanent export quota entitlements	2,439	2,659
Gain on disposals of permanent export quota entitlements	(1,004)	–
Accretion of discount on acquisition of debt securities	–	(4,048)
(Gain)/loss on disposals of property, plant and equipment	(95)	254
Gain on disposals of subsidiaries	(605)	(94,878)
Gain on disposals of associates	–	(1,017)
Unrealised loss on investments in securities	763	3,562
Impairment loss on goodwill arising on subsidiaries acquired in prior years	–	45,285
(Gain)/loss on disposals of investments in securities	(950)	2,653
Deficit arising from revaluation of investment properties	100	100
Decrease in inventories	6,590	14,172
Decrease/(increase) in amounts due from customers for contract work	28,054	(798)
Decrease/(increase) in retention monies receivable	4,813	(4,090)
(Increase)/decrease in debtors and prepayments	(17,459)	23,776
Decrease in creditors and accrued charges	(40,418)	(54,804)
Increase in amounts due to customers for contract work	18,570	15,312
Exchange differences	(243)	1,119
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>103,633</u>	<u>74,575</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

32. ACQUISITIONS OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	222,735	124
Investments in securities	2,802	–
Interests in an associate	5	–
Investment in a jointly-controlled entity	5	–
Retention monies receivable after one year	18,598	–
Amounts due from customers for contract work	80,275	–
Inventories	–	4,054
Debtors and prepayments	137,569	1,902
Retention monies receivable within one year	57,022	–
Amounts due from associates	1	7,453
Dividend receivable	363	–
Taxation recoverable	47	–
Bank balances and cash	6,209	3,298
Creditors and accrued charges	(165,895)	(8,891)
Amounts due to customers for contract work	(69,959)	–
Obligations under hire purchase contracts		
– due within one year	(12,315)	–
Amounts due to associates	(5)	(6,399)
Amount due to a jointly-controlled entity	(5)	–
Bank loans – due within one year	(18,891)	–
Bank overdrafts	(48,011)	–
Obligations under hire purchase contracts		
– due after one year	(16,412)	–
Bank loans – due after one year	(4,021)	–
Deferred taxation	(13,440)	–
Taxation payable	–	(133)
Minority interests	–	(220)
	176,677	1,188
Capital reserve arising on acquisitions attributable to the Group	–	(485)
Consideration given	176,677	703
Satisfied by:		
Cash	88,000	703
Interests in associates	88,677	–
	176,677	703

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

32. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Analysis of net (outflow)/inflow of cash and cash equivalents in connection with the acquisitions of subsidiaries:

	2002 HK\$'000	2001 HK\$'000
Cash consideration paid	(88,000)	(703)
Bank balances and cash acquired	6,209	3,298
Bank overdrafts acquired	(48,011)	–
	<u>(129,802)</u>	<u>2,595</u>

The subsidiaries acquired during the year contributed approximately HK\$112,171,000 of the Group's net operating cash flows, paid approximately HK\$4,399,000 in respect of net returns on investments and servicing of finance, paid approximately HK\$863,000 in respect of taxation, utilised approximately HK\$38,681,000 for investment activities, utilised approximately HK\$20,713,000 in respect of financing activities and contributed a profit of approximately HK\$30,570,000 to Group's profit before taxation for the current year.

The subsidiaries acquired during the year ended 31st March, 2001 did not contribute significantly to the Group's cash flows or operating results.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

33. DISPOSALS OF SUBSIDIARIES

	2002	2001
	HK\$'000	HK\$'000
Net assets disposed of:		
Property, plant and equipment	10,586	179,472
Interests in associates	-	6
Investments in securities	-	2,802
Retention monies receivable after one year	2,286	12,538
Amounts due from customers for contract work	7,662	103,498
Amounts due from associates	9,766	-
Inventories	21,337	-
Debtors and prepayments	23,049	115,784
Retention monies receivable within one year	1,342	52,481
Taxation recoverable	177	543
Bank balances and cash	580	2,419
Creditors and accrued charges	(27,946)	(129,947)
Amounts due to customers for contract work	(2,582)	(42,688)
Obligations under hire purchase contracts		
- due within one year	-	(10,044)
Amounts due to associates	(8,742)	(7)
Taxation payable	(47)	-
Deferred taxation	(87)	(10,360)
Bank loans - due within one year	(15,545)	(30,220)
Bank overdrafts	(8,580)	(35,573)
Obligations under hire purchase contracts		
- due after one year	-	(12,691)
Bank loans - due after one year	(2,496)	(5,191)
Capital reserve attributable to the Group	(489)	(732)
Minority interests	(1,007)	(81,313)
	9,264	110,777
Transaction costs incurred in disposals of subsidiaries	-	2,547
Gain on disposals of subsidiaries	605	94,878
	9,869	208,202
Satisfied by:		
Cash consideration	9,869	208,202

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

33. DISPOSALS OF SUBSIDIARIES *(Continued)*

Analysis of net cash inflow of cash and cash equivalents in respect of the disposals of subsidiaries:

	2002 HK\$'000	2001 HK\$'000
Cash consideration	9,869	208,202
Transaction costs incurred in disposals of subsidiaries	–	(2,547)
Bank overdrafts disposed of	8,580	35,573
Bank balances and cash disposed of	(580)	(2,419)
	<u>17,869</u>	<u>238,809</u>

The subsidiaries disposed of during the year paid approximately HK\$7,042,000 of the Group's net operating cash flows, paid approximately HK\$760,000 in respect of net returns on investments and servicing of finance, paid approximately HK\$449,000 in respect of taxation, utilised approximately HK\$2,501,000 for investing activities, received approximately HK\$6,840,000 in respect of financing activities and contributed profit of approximately HK\$215,000 to the Group's profit before taxation in current year.

The subsidiaries disposed of during the year ended 31st March, 2001 contributed approximately HK\$16,295,000 of the Group's net operating cash flows, paid approximately HK\$2,159,000 in respect of net returns on investments and servicing of finance, received approximately HK\$2,069,000 in respect of taxation, utilised approximately HK\$3,992,000 for investing activities, utilised approximately HK\$7,289,000 in respect of financing activities and contributed profit of approximately HK\$2,599,000 to the Group's loss before taxation in that year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

34. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium	Bank borrowings	Obligations under hire purchase contracts	Minority interests	Amounts due to minority shareholders of a subsidiary
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April, 2000	405,411	349,292	26,896	80,217	–
Currency realignment	–	384	–	–	–
New bank borrowings raised	–	742,905	–	–	–
Repayments during the year	–	(909,882)	(4,200)	–	–
Advances from minority shareholders of a subsidiary	–	–	–	–	20,125
Capital contributions from minority shareholders of subsidiaries	–	–	–	318	–
Inception of a hire purchase contract (note 35(a))	–	–	216	–	–
Acquisitions of subsidiaries	–	–	–	220	–
Disposals of subsidiaries	–	(35,411)	(22,735)	(81,313)	–
Share of results attributable to minority interests	–	–	–	818	–
Share of reserves attributable to minority interests	–	–	–	1,528	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2001	405,411	147,288	177	1,788	20,125
New bank borrowings raised	–	670,505	–	–	–
Repayments during the year	–	(564,798)	(19,355)	–	–
Advances from minority shareholders of a subsidiary	–	–	–	–	12,265
Inception of hire purchase contracts (note 35(a))	–	–	2,160	–	–
Acquisitions of subsidiaries	–	22,912	28,727	–	–
Disposals of subsidiaries	–	(18,041)	–	(1,007)	–
Additional investment in a subsidiary	–	–	–	(24)	–
Share of results attributable to minority interests	–	–	–	4,167	–
Dividend attributable to minority shareholders of a subsidiary	–	–	–	(1,842)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2002	<u>405,411</u>	<u>257,866</u>	<u>11,709</u>	<u>3,082</u>	<u>32,390</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

35. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, the Group entered into hire purchase arrangements in respect of plant and machinery with a total capital value at the inception of the contracts of approximately HK\$2,160,000 (2001: HK\$216,000).
- (b) The Company was allotted a principal sum of HK\$141 million of the 10% convertible guaranteed bonds issued by a wholly-owned subsidiary of Hon Kwok on 18th April, 2001. The subscription monies were satisfied by Hon Kwok repurchasing the Group's holding of the 5.3% convertible guaranteed bonds issued by a wholly-owned subsidiary of Hon Kwok valued at approximately HK\$51 million and cash payment of approximately HK\$90 million.

36. ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS

	2002	2001
	HK\$'000	HK\$'000
Bank balances and cash	95,818	104,185
Bank overdrafts	(33,463)	(18,763)
	<u>62,355</u>	<u>85,422</u>

37. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Extent of general banking facilities guaranteed by the Group/Company which were utilised at the balance sheet date by:				
– subsidiaries	–	–	32,341	19,410
– jointly-controlled entities	35,374	–	–	–
Bills discounted with recourse	5,160	7,198	–	–
	<u>40,534</u>	<u>7,198</u>	<u>32,341</u>	<u>19,410</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

37. CONTINGENT LIABILITIES *(Continued)*

- (b) Certain subsidiaries of Chinney Contractors Company Limited (“Chinney Contractors”) 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\$66,586,000 as at 31st March, 2002 (2001: HK\$5,023,000). The directors of Chinney Contractors consider that, after taking into account of the legal advices obtained, these proceedings and claims were made without valid grounds and accordingly, no provision for any potential liabilities is considered necessary.
- (c) On 20th April, 1996, a writ was filed against a wholly-owned subsidiary of Hon Kwok, Joint Peace Investment Limited (“Joint Peace”), regarding an alleged disparity between the pavement and the ground floor level of the building at 18-22 Percival Street, junction of Jaffe Road, Causeway Bay, Hong Kong. The amount claimed, excluding minor construction and related costs, was either HK\$41,000,000 or HK\$69,300,000, representing the claim for loss of rental income or loss of interest on the purchase price, over a period of 12 months. A defence to contest this claim was filed on 22nd July, 1996.

On 2nd December, 1997, the plaintiff of this claim was allowed to amend the Writ of Summons and the Statement of Claim dated 20th April, 1996. Under advice by its solicitors, an Amended Defence in respect thereof was filed by Joint Peace on 30th December, 1997. On the same date, a Request for Further and Better Particulars of the Amended Statement of Claim was sent by Joint Peace’s solicitors to the plaintiff’s solicitors.

Following consultation with Hon Kwok’s legal advisers (in their capacity as the legal advisers of Joint Peace), the directors of Hon Kwok formed the view that the amended claim was unlikely to succeed and were therefore of the opinion that no provision regarding this claim is necessary in the Hon Kwok’s financial statements. There has been no further progress of the claim so far up to the date of this report.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

38. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due:

	THE GROUP	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
		<i>(restated)</i>
Within one year	1,143	1,717
In the second to fifth year inclusive	355	54
	<u>1,498</u>	<u>1,771</u>

The Company had no operating lease commitments at the balance sheet date.

At 31st March, 2002, a jointly-controlled entity had annual commitments payable under non-cancellable operating leases for land and buildings falling due within one year and in the second to fifth year inclusive amounting to approximately HK\$697,000 (2001: HK\$576,000) and HK\$1,103,000 (2001: HK\$1,459,000), respectively. The Group's share of these operating lease commitments amounted to approximately HK\$349,000 (2001: HK\$288,000) and HK\$552,000 (2001: HK\$730,000), respectively.

Operating lease payments represent rental payable by the Group for certain land and buildings. Leases are negotiated for an average term of not more than two years.

39. CAPITAL COMMITMENTS

The Group and the Company had no capital commitments as at 31st March, 2002.

At 31st March, 2001, the Group had capital commitments contracted but not provided for in respect of expenditure on acquisition of property, plant and equipment amounting to approximately HK\$252,000. The Company had no capital commitments as at that date.

40. FINANCIAL COMMITMENTS

The Group and the Company had no financial commitments as at 31st March, 2002.

At 31st March, 2001, the Group had entered into forward exchange contract commitments amounting to approximately HK\$13,188,000. The Company had no financial commitments as at that date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

41. RELATED PARTY TRANSACTIONS

- (a) Set out below are the significant transactions between the Group and other related parties during the year:

	2002	2001
	HK\$'000	HK\$'000
Construction work carried out for an associate	49,678	22,535
Net interest received from jointly-controlled entities	519	798
Management fee income received from associates	1,750	8,500

In the opinion of the directors, the construction work for the associate was carried out at prices determined on the cost plus a percentage mark-up basis, and the other transactions were carried out at market prices or at market rates.

- (b) The Company was allotted a principal sum of HK\$141 million of the 10% convertible guaranteed bonds issued by a wholly-owned subsidiary of Hon Kwok on 18th April, 2001. The subscription monies were satisfied by Hon Kwok repurchasing the Company's holding of the 5.3% convertible guaranteed bonds issued by a wholly-owned subsidiary of Hon Kwok valued at approximately HK\$51 million and cash payment of approximately HK\$90 million.
- (c) On 3rd September, 2001, the Company disposed of its entire interest in Jackson Mercantile Trading Company Limited ("Jackson Mercantile"), a then wholly-owned subsidiary of the Company, to Chinney Alliance at a cash consideration of approximately HK\$9,869,000. The consideration was arrived at after arm's length negotiation and determined by reference to the unaudited pro-forma consolidated net tangible assets of Jackson Mercantile and its subsidiaries of HK\$9,869,000 as at 30th June, 2001.
- (d) On 8th January, 2002, Multi-Investment Group Limited entered into an agreement with Chinney Alliance for the subscription of 550,000,000 new shares in Chinney Alliance at HK\$0.025 per share. The transaction was completed on 22nd January, 2002.
- (e) The amounts due from/to subsidiaries and associates are unsecured, non-interest bearing and are repayable on demand in both years.

The amounts due from/to jointly-controlled entities are unsecured, bear interest at the prevailing market rates and are repayable on demand in both years.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31st March, 2002

42. EXTRACTS FROM THE FINANCIAL STATEMENTS OF THE GROUP'S MAJOR ASSOCIATES

The following information is extracted from the most recent published audited financial statements of the Group's major associates:

(a) Chinney Alliance Group Limited

Consolidated income statement
For the year ended 31st December, 2001

	2001 HK\$'000	2000 <i>HK\$'000</i>
Turnover	<u>687,671</u>	<u>614,189</u>
Operating loss	(109,840)	(18,795)
Share of profits less losses of associates	<u>(18,789)</u>	<u>2,374</u>
Loss before tax	(128,629)	(16,421)
Tax	<u>(1,136)</u>	<u>(5,411)</u>
Loss before minority interests	(129,765)	(21,832)
Minority interests	<u>713</u>	<u>(720)</u>
Net loss attributable to shareholders	<u>(129,052)</u>	<u>(22,552)</u>

Consolidated balance sheet
At 31st December, 2001

	2001 HK\$'000	2000 <i>HK\$'000</i>
Fixed assets	37,066	42,970
Goodwill	1,208	–
Interests in associates	41,534	53,877
Long term investments	–	43,443
Other non-current assets	4,578	1,220
Current assets	395,654	448,837
Current liabilities	(280,120)	(243,271)
Non-current liabilities	(18,204)	(49,020)
Minority interests	<u>(1,797)</u>	<u>(1,503)</u>
Net assets	<u>179,919</u>	<u>296,553</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

42. EXTRACTS FROM THE FINANCIAL STATEMENTS OF THE GROUP'S MAJOR ASSOCIATES (Continued)**(b) Hon Kwok Land Investment Company, Limited****Consolidated income statement
For the year ended 31st March, 2002**

	2002 HK\$'000	2001 HK\$'000
Turnover	<u>640,031</u>	<u>322,491</u>
Operating profit/(loss)	26,072	(323,266)
Share of profits less losses of jointly-controlled entities	<u>4,575</u>	<u>(72,176)</u>
Profit/(loss) before tax	30,647	(395,442)
Tax	<u>(13,186)</u>	<u>(1,339)</u>
Profit/(loss) before minority interests	17,461	(396,781)
Minority interests	<u>(14,305)</u>	<u>(320)</u>
Net profit/(loss) from ordinary activities attributable to shareholders	<u>3,156</u>	<u>(397,101)</u>

**Consolidated balance sheet
At 31st March, 2002**

	2002 HK\$'000	2001 HK\$'000
Fixed assets	6,221	7,198
Properties under development	724,571	957,674
Investment properties	893,150	888,150
Deferred charges	4,404	782
Interests in jointly-controlled entities	33,802	33,385
Interests in associates	14,857	14,857
Current assets	1,117,318	1,006,855
Current liabilities	(570,100)	(1,001,425)
Non-current liabilities	(911,397)	(612,168)
Minority interests	<u>(17,355)</u>	<u>(3,050)</u>
Net assets	<u>1,295,471</u>	<u>1,292,258</u>