

## 1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability. Its shares and warrants are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company is an investment holding company and the activities of its principal subsidiaries, associates and jointly controlled entities are set out in note 47.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

The adoption of these new and revised SSAPs 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 years:

### **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 been applied retrospectively, resulting in a prior period adjustment.

### **Leases**

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any effect on the results for the current or prior years and, accordingly, no prior period adjustment is required. Disclosures for the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts and disclosure have been restated in order to achieve a consistent presentation.

### **Segment reporting**

The Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the prior year have been amended so that they are presented on a consistent basis.

### **Goodwill**

The Group has adopted SSAP 30 "Business combinations" and has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and past impairment losses in respect of goodwill between the date of acquisition of the relevant subsidiary, associate or joint venture and the date of adoption of SSAP 30 have been recognised retrospectively, resulting in prior period adjustments. Following restatement, goodwill is presented as an asset in the balance sheet and is amortised over its estimated useful life. Premium arising on the acquisitions of an interest in an associate or a jointly controlled entity is dealt with in the same manner as that described for goodwill except that it is capitalised as part of the Group's interests in associates/jointly controlled entities.

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## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

**Goodwill (Continued)**

The effect of these changes in accounting policies on goodwill reserve and accumulated profits (losses) at 1st April, 2000 is summarised below:

	THE GROUP		THE COMPANY	
	Goodwill reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000	Accumulated profits HK\$'000
Restatement as an asset of goodwill previously written off against reserves with retrospective recognition of accumulated amortisation and past impairment losses	841,501	(466,565)	374,936	–
Exclusion of previously amortised goodwill from calculation of gain/loss on disposal and dilution of interests in subsidiaries	–	31,811	31,811	–
Derecognition of liability for dividend proposed	–	9,801	9,801	9,801
	841,501	(424,953)	416,548	9,801

Past impairment losses of goodwill in aggregate amounting to approximately HK\$258,786,000 recognised retrospectively in prior years were related to certain subsidiaries and an associate which are principally engaged in the manufacturing and trading of concrete products, building and civil engineering works, and elevators and escalators installation and maintenance in Hong Kong. Impairment losses represented the excess of the carrying amounts of the goodwill over its recoverable amount estimated by reference to the cash flows of the subsidiaries and associate discounted at the prevailing interest rates at the respective financial year ends.

The effect of these changes in accounting policies on the results for the current and prior year is summarised below:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Amortisation of goodwill	(2,305)	(29,346)
Share of amortisation of goodwill of associates	(18,723)	–
Exclusion of previously amortised goodwill from calculation of gain/loss on disposal and dilution of interests in subsidiaries and associates	10,447	44,726
	(10,581)	15,380

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

#### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length. Investment properties are stated at their open market values based on independent professional valuations at the balance sheet date. No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewable period, is twenty years or less.

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 of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of an investment property, the balance of the investment property revaluation reserve attributable to that property is transferred to the income statement.

#### **Property, plant and equipment**

Property, plant and equipment, other than hotel properties and freehold land, are stated at cost less depreciation and amortisation and any identified impairment loss.

Hotel properties are stated at cost and no depreciation is provided on hotel properties held on leases of more than twenty years. It is the Group's practice to maintain the properties in a continual state of sound repairs and maintenance and, accordingly, the directors consider that depreciation is not necessary due to their high residual value. The related maintenance expenditure is dealt with in the income statement in the year of expenditure.

No amortisation is provided for freehold land. The cost of leasehold land is amortised over the remaining period of the relevant leases using the straight line method.

The cost of buildings is depreciated over the remaining period of the relevant leases or fifty years, whichever is shorter, using the straight line method.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment (Continued)

Depreciation is provided to write off the cost of other assets over their estimated useful lives, using the straight line method, at rates ranging from 10% to 33 $\frac{1}{3}$ % per annum.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group or over the terms of the relevant leases, whichever is shorter.

The gain 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.

#### Properties held for resale and properties under development held for resale

Completed properties and properties under development held for resale are classified under current assets and are stated at the lower of cost and net realisable value. Cost comprises the acquisition cost, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to be incurred in marketing and selling.

#### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

#### Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium on acquisition in so far as it has not already been written off or amortised or released to income, less any identified impairment loss.

#### Interests in jointly controlled entities

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 relevant jointly controlled entities, less any identified impairment loss. The Group's share of the post-acquisition results of jointly controlled entities is included in the consolidated income statement.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. Impairment losses are 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 far as 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

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

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

#### Other long term investments

Other long term investments are stated at cost, less any identified impairment loss.

#### Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred. Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profit less recognised loss exceed progress billings, the excess is shown as amount due from a customer for contract work. Where progress billings exceed contract costs incurred to date plus recognised profit less recognised loss, the excess is shown as amount due to a customer for contract work.

#### Convertible bonds

Convertible bonds are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance costs, including the premium payable upon the final redemption of the convertible bonds, recognised in the income statement in respect of the convertible bonds are calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible bonds for each accounting period.

The costs incurred in connection with the issue of the convertible bonds are deferred and amortised on a straight line basis over the lives of the convertible bonds from the date of issue of the bonds to their final redemption date. If any of the bonds are converted, redeemed or purchased and cancelled prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the income statement.

#### Assets held under finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease. Finance costs, which represent the difference between the total commitments and the outstanding principal amount at the inception of the finance leases, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Assets held under finance leases (Continued)**

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the terms of the relevant leases.

#### **Turnover**

Turnover represents the total value of contract work certified and the gross proceeds received and receivable from project management services in connection with contract work rendered by the Group, revenue generated from hotel operations, property rental and related income, and gross proceeds received and receivable from sale of property during the year.

#### **Revenue recognition**

Revenue from a fixed price construction contract is recognised on the percentage of completion method, measured by reference to the value of work certified during the year.

Income from properties pre-sold prior to completion of development is recognised over the period from the execution of a binding sales agreement to the completion of development on the percentage of completion method, measured by reference to the value of work certified during the year. Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sales deposits received in advance of completion are forfeited. The excess or short fall between the sales deposits forfeited and the profits recognised up to the date of forfeiture is credited or charged to the income statement.

Revenue from hotel operations is recognised when services are rendered.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income under operating leases is recognised on a straight line basis over the terms of the relevant leases.

#### **Capitalisation of borrowing costs**

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

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### **Retirement benefit schemes**

The amount of the contributions payable in respect of the current year to the Group's defined contribution retirement benefit schemes is charged to the income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under 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 on 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 operations which are denominated in foreign currencies are translated at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserve.

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#### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

##### Business segments

For management purposes, the Group's operations are organised into eight operating divisions namely building construction, civil engineering, specialist works, construction materials, engineering and infrastructure services, hotel and catering, property letting and sale of property. These divisions are the basis on which the Group reports its primary segment information.

In the opinion of the directors, the inclusion of the proportionate share of turnover of the associates and jointly controlled entities is meaningful in providing a clearer indication of the Group's activity.

Business segment information for the year ended 31st March, 2002 is presented below:

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Hotel and catering	Property leasing	Sale of property	Eliminations	Consolidated
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
TURNOVER										
External sales	3,116,878	1,329,728	586,850	25,389	-	68,563	49,030	167,372	-	5,343,810
Inter-segment sales	49,240	1,564	67,173	45,765	-	-	23,679	-	(187,421)	-
	3,166,118	1,331,292	654,023	71,154	-	68,563	72,709	167,372	(187,421)	5,343,810
Share of associates and jointly controlled entities	55,862	341,737	-	3,862	3,064,498	-	-	-	-	3,465,959
Total	3,221,980	1,673,029	654,023	75,016	3,064,498	68,563	72,709	167,372	(187,421)	8,809,769
RESULT										
Segment result	7,756	19,210	(25,079)	(20,394)	-	(13,607)	21,994	28,308		18,188
Finance costs										(38,301)
Net investment income										39,584
Loss on dilution of interest in an associate										(6,688)
Share of results of associates	3,368	694	-	1,509	110,000	-	-	-		115,571
Share of results of jointly controlled entities	-	8,559	-	-	-	-	-	-		8,559
Impairment loss for interest in an associate										(11,670)
Profit before taxation										125,243
Taxation										(47,935)
Profit before minority interests										77,308
Minority interests										(6,605)
Profit for the year										70,703

Inter-segment sales are charged at market price or, where no market price was available, at terms determined and agreed by both parties.



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## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

## Business segments (Continued)

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Hotel and catering	Property leasing	Sale of property	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
BALANCE SHEET										
ASSETS										
Segment assets	1,494,521	707,593	354,230	78,857	-	675,450	717,670	9,874	-	4,038,195
Interests in associates	58,043	1,526	-	3,519	773,794	-	-	-	11,670	848,552
Interests in jointly controlled entities	-	7,823	-	-	-	-	-	-	-	7,823
Unallocated corporate assets										1,298,429
<b>Total assets</b>										<b>6,192,999</b>
LIABILITIES										
Segment liabilities	960,621	628,893	182,572	26,993	-	9,552	13,024	9,231	-	1,830,886
Unallocated corporate liabilities										1,351,419
<b>Total liabilities</b>										<b>3,182,305</b>
OTHER INFORMATION										
Capital additions	1,941	1,289	1,930	8,745	-	14,163	38,118	-	2,962	69,148
Amortisation of goodwill	2,305	-	-	-	-	-	-	-	-	2,305
Deficit arising on revaluation of investment properties	-	-	-	-	-	-	31,130	-	-	31,130
Depreciation and amortisation of property, plant and equipment	18,069	6,594	19,272	5,670	-	14,602	8,633	-	6,092	78,932
Write back of impairment losses of property interests	-	-	-	-	-	45,000	8,829	-	-	53,829
Impairment loss on unlisted investment securities	-	-	-	-	-	-	-	-	1,000	1,000
Impairment loss on listed investment securities	-	-	-	-	-	-	-	-	1,462	1,462

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## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

**Business segments (Continued)**

Business segment information for the year ended 31st March, 2001 is presented below:

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Hotel and catering	Property leasing	Sale of property	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER										
External sales	4,301,679	1,675,977	755,127	50,754	3,904,039	5,033	47,572	63,074	-	10,803,255
Inter-segment sales	134,884	2,663	182,209	108,375	-	-	24,765	-	(452,896)	-
	4,436,563	1,678,640	937,336	159,129	3,904,039	5,033	72,337	63,074	(452,896)	10,803,255
Share of associates and jointly controlled entities	54,918	127,190	-	1,964	94,373	-	-	-	-	278,445
<b>Total</b>	<b>4,491,481</b>	<b>1,805,830</b>	<b>937,336</b>	<b>161,093</b>	<b>3,998,412</b>	<b>5,033</b>	<b>72,337</b>	<b>63,074</b>	<b>(452,896)</b>	<b>11,081,700</b>
RESULT										
Segment result	216,491	(232,276)	363	(15,592)	178,467	(14,197)	23,153	34,767		191,176
Finance costs										(211,650)
Net investment expenses										(18,742)
Loss on disposal and dilution of interests in subsidiaries										(289,190)
Share of results of associates	1,586	7,518	-	(887)	6,752	-	-	-		14,969
Share of results of a jointly controlled entity	-	293	-	-	-	-	-	-		293
Loss before taxation										(313,144)
Taxation										(49,953)
Loss before minority interests										(363,097)
Minority interests										(91,343)
<b>Loss for the year</b>										<b>(454,440)</b>

Inter-segment sales are charged at market price or, where no market price was available, at terms determined and agreed by both parties.

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## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

## Business segments (Continued)

	Building construction	Civil engineering	Specialist works	Construction materials	Engineering and infrastructure services	Hotel and catering	Property leasing	Sale of property	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
BALANCE SHEET										
ASSETS										
Segment assets	1,313,816	730,677	386,604	196,786	-	625,069	662,468	239,743	-	4,155,163
Interests in associates	42,442	(1,469)	-	2,746	635,846	-	-	-	23,340	702,905
Interest in a jointly controlled entity	-	276	-	-	-	-	-	-	-	276
Unallocated corporate assets										1,318,534
<b>Total assets</b>										<b>6,176,878</b>
LIABILITIES										
Segment liabilities	1,112,939	677,835	112,471	43,932	-	78,903	15,674	42,613	-	2,084,367
Unallocated corporate liabilities										1,242,447
<b>Total liabilities</b>										<b>3,326,814</b>
OTHER INFORMATION										
Capital additions	6,298	4,529	15,210	6,525	327,512	58,731	1,772	50,429	10,379	481,385
Amortisation of goodwill	2,305	-	-	-	27,041	-	-	-	-	29,346
Deficit arising on revaluation of investment properties	-	-	-	-	-	-	13,000	-	-	13,000
Depreciation and amortisation of property, plant and equipment	22,476	5,744	18,922	5,172	278,912	2,157	8,678	-	5,514	347,575

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## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

**Geographical segments**

The Group's operations are located in the People's Republic of China other than Hong Kong (the "PRC"), Hong Kong, and Pacific region and South East Asia.

The following table provides an analysis of the Group's turnover and profit (loss) from operations by geographical market, irrespective of the origin of the goods/services:

	Turnover		Profit (loss) from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	5,262,554	6,329,493	25,623	7,098
PRC	81,256	25,682	(7,435)	(18,288)
Pacific region and South East Asia	–	4,448,080	–	202,366
	<b>5,343,810</b>	<b>10,803,255</b>	<b>18,188</b>	<b>191,176</b>

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	5,225,775	5,399,101	24,907	148,942
PRC	134,551	96,065	44,241	4,931
Pacific region and South East Asia	832,673	681,712	–	327,512
	<b>6,192,999</b>	<b>6,176,878</b>	<b>69,148</b>	<b>481,385</b>

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## 5. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	2,305	29,346
Auditors' remuneration	2,138	6,503
Depreciation and amortisation of property, plant and equipment ( <i>note (a) below</i> )	78,932	347,575
Loss on disposal of property, plant and equipment	8,768	2,269
Minimum lease payments under operating leases in respect of:		
Premises	5,788	24,140
Plant and machinery	9,206	84,321
Staff costs ( <i>note (b) below</i> )	137,284	1,146,456
and after crediting:		
Rental income under operating leases in respect of:		
Premises, net of outgoings of HK\$13,437,000 (2001: HK\$12,871,000)	23,925	21,470
Plant and machinery	1,454	941

Notes:

	2002 HK\$'000	2001 HK\$'000
(a) Depreciation and amortisation of property, plant and equipment:		
Owned assets	76,321	320,327
Assets held under finance leases	6,710	31,777
	83,031	352,104
Less: Amount capitalised in respect of contracts in progress	(4,099)	(4,529)
	78,932	347,575

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## 5. PROFIT FROM OPERATIONS (Continued)

Notes: (Continued)

	2002 HK\$'000	2001 HK\$'000
(b) Staff costs:		
Directors' remuneration:		
Fees	90	100
Other emoluments	20,587	28,501
	<b>20,677</b>	28,601
Other staff costs:		
Salaries and allowances	473,714	1,569,152
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$6,203,000 (2001: HK\$3,238,000)	9,947	43,377
	<b>504,338</b>	1,641,130
Less: Amount capitalised in respect of contracts in progress	<b>(367,054)</b>	(494,674)
	<b>137,284</b>	1,146,456

## 6. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Borrowing costs on:		
Amortisation of deferred expenditure on convertible bonds	–	4,409
Bank borrowings wholly repayable within five years	26,703	49,197
Bank borrowings not wholly repayable within five years	15,793	58,290
Convertible bonds, including amortisation of premium payable upon final redemption of the convertible bonds	–	45,467
Convertible notes	1,275	26,833
Obligations under finance leases	265	15,734
Others	3,273	20,922
	<b>47,309</b>	220,852
Less: Amount capitalised in respect of properties under development held for resale and contracts in progress	<b>(9,008)</b>	(9,202)
	<b>38,301</b>	211,650

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**7. INVESTMENT INCOME (EXPENSES) – NET**

	2002 HK\$'000	2001 HK\$'000
Amortisation of redemption premium of debt securities	–	6,396
Deficit arising on revaluation of investment properties	<b>(31,130)</b>	(13,000)
Dividend income from:		
Listed securities	–	2,987
Unlisted securities	–	24
Gain (loss) on disposal of:		
Unlisted investment securities	–	21,354
Unlisted short term investments	<b>(22,000)</b>	–
Listed other investments	<b>4,795</b>	(155,771)
Impairment loss on:		
Unlisted investment securities	<b>(1,000)</b>	–
Listed investment securities	<b>(1,462)</b>	–
Interest income	<b>38,312</b>	137,996
Net realised and unrealised holding loss on		
listed other investments	<b>(1,760)</b>	(18,728)
Write back of impairment losses on:		
Hotel properties	<b>45,000</b>	–
Properties under development held for resale	<b>8,829</b>	–
	<b>39,584</b>	(18,742)

**8. LOSS ON DISPOSAL AND DILUTION OF INTERESTS IN SUBSIDIARIES AND AN ASSOCIATE**

	2002 HK\$'000	2001 HK\$'000 (As restated)
Loss on disposal and dilution of interests in subsidiaries	–	(289,190)
Loss on dilution of interest in an associate	<b>(6,688)</b>	–
	<b>(6,688)</b>	(289,190)

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**9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**

Particulars of the emoluments of the directors and five highest paid individuals for the year are as follows:

**(a) Directors' emoluments**

	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive directors	43	40
Non-executive directors	47	60
	<b>90</b>	100
Other emoluments:		
Executive directors		
Salaries and other benefits	18,705	17,619
Discretionary bonus	–	9,000
Retirement benefit scheme contributions	882	882
Non-executive directors		
Salaries and other benefits	1,000	1,000
	<b>20,587</b>	28,501
	<b>20,677</b>	28,601

The amounts disclosed above include directors' fee of HK\$20,000 (2001: HK\$20,000) and other emoluments of HK\$1,000,000 (2001: HK\$1,000,000) paid to independent non-executive directors.

The emoluments of the directors were within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	7	6
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$4,500,001 to HK\$5,000,000	2	–
HK\$6,000,001 to HK\$6,500,000	1	1
HK\$6,500,001 to HK\$7,000,000	–	1
HK\$7,000,001 to HK\$7,500,000	–	2



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**9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS** (Continued)**(b) Employees' emoluments**

The five highest paid individuals in the Group for the year included four (2001: four) directors, details of whose emoluments are included in paragraph (a) above. Particulars of the emoluments of the remaining one (2001: one) individual are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	2,428	2,492
Discretionary bonus	–	3,000
Retirement benefit scheme contributions	115	–
	<b>2,543</b>	<b>5,492</b>

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the year.

**10. TAXATION**

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	7,721	58,756
(Over)underprovision in previous years	(638)	30
	<b>7,083</b>	<b>58,786</b>
Overseas taxation	4,390	25,586
Share of tax on results of associates	42,924	5,278
Share of tax on results of jointly controlled entities	12	13
	<b>54,409</b>	<b>89,663</b>
Deferred taxation	(6,474)	(39,710)
	<b>47,935</b>	<b>49,953</b>

Hong Kong Profits Tax is calculated at the rate of 16% (2001: 16%) of the estimated assessable profits derived from Hong Kong for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Details of deferred taxation are set out in note 31.

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**11. DIVIDENDS**

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000 (As restated)
Interim dividend paid for 2002 – 1.0 cent (2001: 1.0 cent) per share	<b>10,246</b>	9,801
Final dividend proposed for 2002 – 1.0 cent (2001: 1.0 cent) per share	<b>10,367</b>	9,925
	<b>20,613</b>	19,726
Final dividend paid for 2001 – 1.0 cent (2000 : 1.0 cent) per share	<b>9,925</b>	9,852

Of the final dividend for the year ended 31st March, 2001 and the interim dividend for the year ended 31st March, 2002, approximately HK\$5,674,000 and HK\$3,034,000 were settled in shares under the Company's scrip dividend schemes announced by the directors of the Company on 14th July, 2001 and 17th December, 2001, respectively. The amounts were credited to the accumulated profits during the year (*note 35*).

The amount of the final dividend proposed for the year ended 31st March, 2002, which will be in scrip form with a cash option, has been calculated by reference to the 1,036,744,924 issued shares as at the date of this report. Pursuant to the adoption of SSAP 9 (Revised), the final dividends proposed for the current and prior years after the balance sheet date are not recognised as liabilities in the financial statements.

**12. EARNINGS (LOSS) PER SHARE**

The calculation of the basic and diluted earnings (loss) per share for the year is based on the following data:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000 (As restated)
Earnings (loss):		
Earnings (loss) for the purposes of basic earnings (loss) per share	<b>70,703</b>	(454,440)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	–	(7,866)
Adjustment to the share of results of an associate based on dilution of its earnings per share	<b>(2,892)</b>	–
Earnings (loss) for the purposes of diluted earnings (loss) per share	<b>67,811</b>	(462,306)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<b>1,002,323,116</b>	981,793,807

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**12. EARNINGS (LOSS) PER SHARE** (Continued)

For the year ended 31st March, 2002, the computation of diluted earnings per share does not assume the conversion of the Company's share options, warrants and secured convertible redeemable note since their exercise prices are higher than the average market price per share for the year.

For the year ended 31st March, 2001, the computation of diluted loss per share does not assume the conversion of the Company's share options, warrants, secured convertible redeemable note and convertible bonds since their exercise would result in a decrease in loss per share from continuing operations.

The adjustment to the basic and diluted loss per share for the year ended 31st March, 2001, arising from the changes in accounting policies set out in note 2 above, is as follows:

	Basic HK\$	Diluted HK\$
Loss per share:		
As originally stated	(0.479)	(0.487)
Adjustments arising from the adoption of new/revised SSAPs	0.016	0.016
As restated	<u>(0.463)</u>	<u>(0.471)</u>

**13. INVESTMENT PROPERTIES**

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
VALUATION		
Balance brought forward	<b>585,130</b>	598,130
Transfer from properties under development held for resale	<b>85,000</b>	–
Other addition	<b>36,900</b>	–
Deficit arising on revaluation	<b>(31,130)</b>	(13,000)
Balance carried forward	<b><u>675,900</u></b>	<u>585,130</u>

The Group's investment properties are held for rental purposes under operating leases. They were revalued on 31st March, 2002, on an open market value basis, by RHL Appraisal Ltd., an independent professional valuer. The valuation attributable to the investment properties amounted to approximately HK\$675,900,000 (2001: HK\$585,130,000) and the deficit arising on revaluation of these properties amounting to approximately HK\$31,130,000 (2001: HK\$13,000,000) has been charged to the income statement.

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**13. INVESTMENT PROPERTIES** (Continued)

The carrying amount of investment properties held by the Group as at the balance sheet date comprises the following:

	2002 HK\$'000	2001 HK\$'000
Long term leasehold properties in:		
Hong Kong	85,000	–
PRC	3,900	6,130
Medium term leasehold properties in:		
Hong Kong	525,000	539,000
PRC	62,000	40,000
	<b>675,900</b>	<b>585,130</b>

**14. PROPERTY, PLANT AND EQUIPMENT**

	Hotel properties	Land and buildings	Plant and machinery	Motor vehicles and yachts	Furniture and fixtures	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
COST						
At 1st April, 2001	560,000	277,441	479,143	69,424	166,579	1,552,587
Additions	–	–	6,874	854	24,520	32,248
Disposals	–	–	(20,081)	(8,424)	(2,687)	(31,192)
Write back of impairment loss	45,000	–	–	–	–	45,000
At 31st March, 2002	605,000	277,441	465,936	61,854	188,412	1,598,643
DEPRECIATION AND AMORTISATION						
At 1st April, 2001	–	23,717	250,774	33,419	44,405	352,315
Provided for the year	–	5,353	44,352	6,587	26,739	83,031
Eliminated on disposals	–	–	(9,785)	(5,937)	(1,596)	(17,318)
At 31st March, 2002	–	29,070	285,341	34,069	69,548	418,028
NET BOOK VALUES						
At 31st March, 2002	605,000	248,371	180,595	27,785	118,864	1,180,615
At 31st March, 2001	560,000	253,724	228,369	36,005	122,174	1,200,272

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

The net book value of hotel properties and land and buildings held by the Group as at the balance sheet date comprises the following:

	2002 HK\$'000	2001 HK\$'000
Long term leasehold properties in:		
Hong Kong	605,000	560,000
PRC	1,680	1,714
Medium term leasehold properties in:		
Hong Kong	246,068	251,369
PRC	623	641
	<b>853,371</b>	813,724

As at 31st March, 2001, the net book value of property, plant and equipment of the Group included an aggregate amount of approximately HK\$35,841,000 in respect of assets held under finance leases.

As at 31st March, 2002, the directors reviewed the carrying value of the hotel properties and identified that the recoverable amount of the hotel properties, estimated by reference to the cash flows from the hotel properties discounted at the prevailing interest rates, exceeded its carrying value. Accordingly, an impairment loss of approximately HK\$45,000,000 was written back to the consolidated income statement for the year.

**15. GOODWILL**

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000 (As restated)
<b>COST</b>		
Balance brought forward	385,531	841,501
On acquisition of subsidiaries	-	84,862
Eliminated on disposal and dilution of interests in subsidiaries	-	(540,832)
Balance carried forward	<b>385,531</b>	385,531
<b>AMORTISATION AND IMPAIRMENT</b>		
Balance brought forward	364,784	434,754
Provided for the year	2,305	29,346
Eliminated on disposal and dilution of interests in subsidiaries	-	(99,316)
Balance carried forward	<b>367,089</b>	364,784
<b>NET BOOK VALUE</b>		
Balance carried forward	<b>18,442</b>	20,747

The amortisation period adopted for goodwill is 20 years.

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## 16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares	212,921	212,921
Loans to subsidiaries	160,900	166,500
Amounts due from subsidiaries	3,587,249	3,757,912
	<b>3,961,070</b>	4,137,333
Less: Impairment loss recognised	<b>(457,468)</b>	–
	<b>3,503,602</b>	4,137,333

The unlisted shares are stated at their carrying values which are based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under a group reorganisation in 1993.

In the opinion of the directors, the loans to subsidiaries and amounts due from subsidiaries will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

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

Particulars of the Company's principal subsidiaries as at 31st March, 2002 are set out in note 47.

At 31st March, 2002, the directors reviewed the carrying value of the Company's interests in subsidiaries and identified that certain loss making subsidiaries are not expected to generate income from their future operations. Accordingly, impairment losses of approximately HK\$457,468,000, which represent the excess of carrying value of the interests in subsidiaries over their recoverable amounts estimated by reference to the net selling prices of the underlying assets and liabilities of the subsidiaries, were recognised in the income statement for the year.

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## 17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000 (As restated)
Share of net assets:		
Listed investments overseas (note (a) below)	495,691	392,999
Unlisted investments	10,723	29,361
Premium on acquisition of associates (note (b) below)	278,103	242,848
	<b>784,517</b>	665,208
Amount due from an associate (note (c) below)	64,035	37,697
	<b>848,552</b>	702,905
Market value of listed investments	<b>1,300,600</b>	567,100

## Notes:

- (a) In February 2001, Downer EDI Limited ("Downer"), which was formerly a subsidiary of the Company, became the Group's principal associate. Downer is a company listed in Australia and its financial year end date is 30th June. In the consolidated balance sheet at 31st March, 2001, the Group's interests in associates included the Group's share of net assets of Downer calculated based on the financial information made up to 31st March, 2001. Commencing on 1st April, 2001, only published financial information of Downer will be available and used by the Group in applying the equity method. Accordingly, the Group's share of interest in Downer at 31st March, 2002 is calculated based on the net assets of Downer at 31st December, 2001 and the results from 1st April 2001 to 31st December, 2001.

The following details have been extracted from the published financial information of Downer, the Group's significant associate, for the six months period ended 31st December, 2001:

	HK\$'000
Results for the period:	
Revenue from ordinary activities	5,145,763
Profit from ordinary activities before taxation	129,025
Profit from ordinary activities after taxation	84,285
Financial position:	
Non-current assets	3,789,308
Current assets	3,300,160
Current liabilities	(1,860,501)
Non-current liabilities	(2,393,676)
Preference share capital	(251,613)

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**17. INTERESTS IN ASSOCIATES** (Continued)

(b) Movement of premium on acquisition of associates is analysed as follows:

	THE GROUP HK\$'000
COST	
At 1st April, 2001	297,438
On acquisition of associates	100,195
Eliminated on dilution of interest	(56,664)
At 31st March, 2002	340,969
AMORTISATION	
At 1st April, 2001	54,590
Provided for the year	18,723
Eliminated on dilution of interest	(10,447)
At 31st March, 2002	62,866
NET BOOK VALUE	
At 31st March, 2002	278,103
At 31st March, 2001	242,848

The amortisation period adopted for goodwill is 20 years.

(c) The amount due from an associate is unsecured and bears interest at 1% (2001: 1%) over Hong Kong prime rate. In the opinion of the directors, the amount will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current.

Particulars of the Group's principal associates as at 31st March, 2002 are set out in note 47.

The Group's share of losses of an associate amounting to approximately HK\$123,735,000 (2001: HK\$125,701,000) has not been accounted for by the Group as those losses arise on a contract are recoverable in full under guarantees provided by an ex-shareholder of the associate. The Group proceeded a court action against the ex-shareholder to recover the losses together with interest and other expenses incurred. The directors, having taken legal advice, believe that the suit is valid and the losses can be fully recovered from the ex-shareholder.

**18. INTERESTS IN JOINTLY CONTROLLED ENTITIES**

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	2,823	276
Amount due from a jointly controlled entity	5,000	-
	<b>7,823</b>	<b>276</b>

The amount due from a jointly controlled entity is unsecured and interest free. In the opinion of the directors, the amount will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current.

Particulars of the Group's jointly controlled entities as at 31st March, 2002 are set out in note 47.



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## 19. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP						
Listed equity securities:						
in Hong Kong	644,030	644,030	34,005	16,903	678,035	660,933
in overseas	22,823	24,285	–	–	22,823	24,285
Unlisted debt securities	–	–	100,000	100,000	100,000	100,000
	<b>666,853</b>	668,315	<b>134,005</b>	116,903	<b>800,858</b>	785,218
Market value of listed securities	<b>64,045</b>	112,939	<b>34,005</b>	16,903	<b>98,050</b>	129,842
Carrying amount analysed for reporting purposes as:						
Current	7,824	–	134,005	16,903	141,829	16,903
Non-current	659,029	668,315	–	100,000	659,029	768,315
	<b>666,853</b>	668,315	<b>134,005</b>	116,903	<b>800,858</b>	785,218

Particulars of the equity securities held by the Group as at 31st March, 2002 disclosed in accordance with Section 129(2) of the Companies Ordinance are as follows:

Name of company	Place of incorporation	Type of investment	Proportion of nominal value of issued share capital held by the Group
China Strategic Holdings Limited	Hong Kong	Ordinary shares	17.45%

In the opinion of the directors, the above investments are worth at least their carrying value.

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## 20. OTHER LONG TERM INVESTMENTS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Unlisted investments, at cost:		
in Hong Kong	15,901	15,901
in overseas	388	325
	<b>16,289</b>	16,226

In the opinion of the directors, the above investments are worth at least their carrying value.

## 21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred to date	31,249,672	27,368,751
Recognised profits less recognised losses	941,835	867,038
	<b>32,191,507</b>	28,235,789
Less: Progress billings	<b>(32,430,004)</b>	(28,672,690)
	<b>(238,497)</b>	(436,901)
Represented by:		
Amounts due from customers for contract works	375,414	367,784
Amounts due to customers for contract works	<b>(613,911)</b>	(804,685)
	<b>(238,497)</b>	(436,901)

At 31st March, 2002, retentions held by customers for contract works included in debtors, deposits and prepayments amounted to approximately HK\$544,866,000 (2001: HK\$530,644,000). Advances received from customers for contract works included in creditors and accrued expenses amounted to approximately HK\$7,346,000 (2001: Nil).