

# Notes to the Financial Statements

For the year ended 31 March 2002

## I. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. Its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work and property development.

## 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 (“SSAPs”) 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. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

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 reported for the current or prior periods.

### Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment reporting”. Segment disclosures for the year ended 31 March 2001 have been amended so that they are presented on a consistent basis.

### 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. The effect of this change is to increase shareholders’ funds of the Group and the Company at 1 April 2000 and 31 March 2001 by HK\$9,160,394 and HK\$9,056,824, respectively.

As a result of the revision of SSAP 9 (Revised) “Events after the balance sheet date”, SSAP 18 “Revenue” has also been revised. Accordingly, the dividends proposed or declared after the balance sheet date by the subsidiaries are not recognised by the Company at the balance sheet date. This change in accounting policy has also been applied retrospectively. The effect of this change is to decrease shareholders’ funds of the Company as at 1 April 2000 and 31 March 2001 by HK\$9,160,000 and HK\$9,400,000, respectively.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

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### Leases

In the current year, the Group has adopted SSAP 14 (Revised) “Leases”. Disclosures for the Group’s operating lease arrangements as set out in note 35 have been modified so as to meet the requirements of SSAP 14 (Revised). Comparative figures and disclosures have been restated in order to achieve a consistent presentation.

## 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 investment in securities.

The financial statements have been prepared 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 31 March each year.

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

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

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### 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 acquisitions prior to 1 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 acquisitions after 1 April 2001 is capitalised and amortised on a straight line basis over its useful economic life. 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, an associate or a jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

**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 acquisitions after 1 April 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on 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.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

**Subsidiaries**

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

**Associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associate 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, less any identified impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

**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 jointly controlled entities, 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.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

### 3. SIGNIFICANT ACCOUNTING POLICIES > continued

#### Revenue recognition

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. 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.

Income from property development project undertaken by the Group under the Private Sector Participation Scheme is recognised, when the outcome of the project can be estimated reliably, over the development period on the percentage of completion method, measured by reference to the value of work carried out during the period.

Income from properties developed for sale, where there are no pre-sales prior to completion of development, is recognised on the execution of a binding sales agreement.

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 carried out during the period.

Service income is recognised when services are provided.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant lease.

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

#### Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

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

#### Investment properties

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

**3. SIGNIFICANT ACCOUNTING POLICIES > continued**

**Investment properties > continued**

Investment properties are stated at their open market value based on independent professional valuations 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. 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 on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided in respect of investment properties which are held on lease with unexpired terms, including the renewable period, of more than twenty years.

**Property, plant and equipment**

Property, plant and equipment, other than properties under development, are stated at cost less depreciation or amortisation and accumulated impairment losses, if any.

The gain or loss arising on the 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.

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Amortisation is provided to write off the cost of leasehold land over the terms of the relevant leases using the straight line method.

The cost of buildings is depreciated over their estimated useful lives of twenty-five years or, where shorter, the terms of the relevant leases using the straight line method.

Depreciation is provided to write off the cost of other property, plant and equipment other than properties under development, over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Plant and machinery	15% – 25%
Motor vehicles	25%
Furniture, fixtures and equipment	15%

Assets held under finance leases are depreciated over their estimated useful lives or, where shorter, the terms of the leases on the same basis as owned assets.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES > continued

#### **Assets held under finance leases and hire purchase contracts**

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the Group. Assets held under finance leases and hire purchase contracts are capitalised at their fair values at the date of acquisition. The corresponding principal portions of the commitments are shown as obligations to the Group. The finance charges, which represent the difference between the total commitments and the outstanding principal amount at the inception of the finance leases or hire purchase contracts, are charged to the income statement using actuarial method over the period of the respective leases or contracts.

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 period of respective leases.

#### **Properties under development**

Properties under development are stated at cost plus development profit recognised to date less any impairment loss where appropriate.

Cost comprises land cost and development costs including attributable borrowing costs and charges capitalised during the development period.

#### **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 and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured 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 year.

#### **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 these 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, such 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.

**3. SIGNIFICANT ACCOUNTING POLICIES > continued**

**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.

**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 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 currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars 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 denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the exchange rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserves.

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into two operating divisions - construction works and property development. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

#### For the year ended 31 March 2002

	Construction works HK\$	Property development HK\$	Other activities HK\$	Consolidated HK\$
<b>TURNOVER</b>				
External sales	2,310,151,656	—	—	2,310,151,656
<b>RESULT</b>				
Segment result	79,142,183	(51,649)	(8,632,495)	70,458,039
Interest income				1,165,096
Surplus on revaluation of investment properties				153,203
Unallocated corporate expenses				(14,785,727)
Profit from operations				56,990,611
Finance costs				(5,250,899)
Gain on disposal of interests in subsidiaries				318,958
Loss on disposal of an associate			(7,039,336)	(7,039,336)
Share of results of jointly controlled entities	16,047,826			16,047,826
Profit from ordinary activities before taxation				61,067,160
Taxation				(20,217,832)
Profit before minority interests				40,849,328
Minority interests				480,352
Profit attributable to shareholders				41,329,680



## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS &gt; continued

## Business segments &gt; continued

At 31 March 2002

## BALANCE SHEET

	Construction works HK\$	Property development HK\$	Other activities HK\$	Consolidated HK\$
<b>ASSETS</b>				
Segment assets	2,130,813,206	490,145,343	3,869,826	2,624,828,375
Interests in jointly controlled entities	117,831,541			117,831,541
Interests in associates	87,893,812			87,893,812
Unallocated corporate assets				222,844,430
Consolidated total assets				<u>3,053,398,158</u>
<b>LIABILITIES</b>				
Segment liabilities	1,788,883,586	346,104,602	111,373	2,135,099,561
Amount due to a jointly controlled entity	9,291,889			9,291,889
Unallocated corporate liabilities				288,566,358
Consolidated total liabilities				<u>2,432,957,808</u>
<b>OTHER INFORMATION</b>				
	Construction works HK\$	Property development HK\$	Other activities HK\$	Consolidated HK\$
Capital expenditure	12,047,496	—	166,607	12,214,103
Depreciation and amortisation	54,706,870	—	236,210	54,943,080

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS > continued

### Business segments > continued

For the year ended 31 March 2001

	Construction works HK\$	Property development HK\$	Other activities HK\$	Consolidated HK\$
<b>TURNOVER</b>				
External sales	2,719,882,319	—	—	2,719,882,319
<b>RESULT</b>				
Segment result	51,950,121	(22,310)	(1,369,124)	50,558,687
Interest income				923,746
Surplus on revaluation of investment properties				2,500,000
Unallocated corporate expenses				(17,270,730)
Profit from operations				36,711,703
Finance costs				(8,494,799)
Share of results of jointly controlled entities	25,599,466			25,599,466
Profit from ordinary activities before taxation				53,816,370
Taxation				(7,945,570)
Profit before minority interests				45,870,800
Minority interests				509,822
Profit attributable to shareholders				46,380,622

## Notes to the Financial Statements > continued

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS > continued

#### Business segments > continued

At 31 March 2001

#### BALANCE SHEET

	Construction works HK\$	Property development HK\$	Other activities HK\$	Consolidated HK\$
<b>ASSETS</b>				
Segment assets	1,841,341,289	101,229,413	2,015,807	1,944,586,509
Interests in jointly controlled entities	111,813,989			111,813,989
Interests in associates	94,088,006			94,088,006
Unallocated corporate assets				223,328,422
Consolidated total assets				<u>2,373,816,926</u>
<b>LIABILITIES</b>				
Segment liabilities	1,386,397,059	99,219,758	—	1,485,616,817
Amount due to a jointly controlled entity	8,886,720			8,886,720
Unallocated corporate liabilities				287,549,226
Consolidated total liabilities				<u>1,782,052,763</u>
<b>OTHER INFORMATION</b>				
	Construction works HK\$	Property development HK\$	Other activities HK\$	Consolidated HK\$
Capital expenditure	82,264,160	—	1,345,416	83,609,576
Depreciation and amortisation	56,781,256	—	1,410	56,782,666

#### Geographical segments

The Group's operations are located in Hong Kong and elsewhere in the People's Republic of China (the "PRC").

No analysis of contribution to profit from operations by geographical market has been presented as more than 90% of the Group's activities were carried out in Hong Kong.

## 5. PROFIT FROM OPERATIONS

	2002 HK\$	2001 HK\$
Profit from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	1,571,604	1,499,604
Underprovision in prior years	17,000	203,800
Depreciation and amortisation on:		
Owned assets	28,567,194	35,889,353
Assets held under finance leases and hire purchase contracts	26,375,886	20,893,313
	<b>54,943,080</b>	56,782,666
Less: Amount attributable to contract work	<b>(51,072,864)</b>	(53,037,589)
	<b>3,870,216</b>	3,745,077
Loss on disposal of property, plant and equipment	1,093,882	263,613
Operating lease rentals for:		
Land and buildings	4,547,576	3,378,541
Plant and machinery	16,462,215	61,599,848
	<b>21,009,791</b>	64,978,389
Less: Amount attributable to contract work	<b>(17,855,215)</b>	(62,392,348)
	<b>3,154,576</b>	2,586,041
Staff costs, including Directors' emoluments	360,748,477	448,075,578
Less: Amount attributable to contract work	<b>(287,367,688)</b>	(374,406,466)
Amount attributable to properties under development	<b>(2,240,520)</b>	(346,546)
	<b>71,140,269</b>	73,322,566
and after crediting:		
Interest income	1,165,096	923,746
Rental income from investment properties, net of negligible outgoings	<b>1,722,743</b>	992,736

**6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS****(a) Directors' emoluments**

	2002 HK\$	2001 HK\$
Fees:		
Executive Directors	—	—
Independent Non-executive Directors	660,000	660,000
Other emoluments to Executive Directors:		
Salaries and other benefits	8,166,920	10,197,952
Retirement benefit scheme contributions	192,339	135,400
	<b>9,019,259</b>	<b>10,993,352</b>

The Directors' emoluments were within the following bands:

	2002 Number of Directors	2001
Nil to HK\$1,000,000	4	4
HK\$1,500,001 to HK\$2,000,000	2	2
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$4,500,001 to HK\$5,000,000	—	1
HK\$5,000,001 to HK\$5,500,000	1	—

**(b) Employees' emoluments**

The five highest paid individuals included two (2001: two) Executive Directors whose emoluments are included above. The emoluments of the remaining three (2001: three) individuals are as follows:

	2002 HK\$	2001 HK\$
Salaries and other benefits	5,421,757	5,763,250
Retirement benefit scheme contributions	176,790	148,730
	<b>5,598,547</b>	<b>5,911,980</b>

The employees' emoluments were within the following bands:

	2002 Number of employees	2001
HK\$1,500,001 to HK\$2,000,000	3	2
HK\$2,000,001 to HK\$2,500,000	—	1

## 7. FINANCE COSTS

	2002 HK\$	2001 HK\$
Interest payable on:		
Bank borrowings wholly repayable within five years	51,702,145	58,089,989
Other borrowing wholly repayable within five years	223,454	702,236
Bank borrowings not wholly repayable within five years	561,887	858,712
Finance leases and hire purchase contracts	4,361,550	6,816,190
	<b>56,849,036</b>	66,467,127
Less: Amount attributable to contract work	<b>(12,974,945)</b>	(19,643,185)
Amount attributable to properties under development	<b>(38,623,192)</b>	(38,329,143)
	<b>5,250,899</b>	8,494,799

## 8. TAXATION

	2002 HK\$	2001 HK\$
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax		
– current year	11,463,523	4,327,253
– underprovision in prior years	3,266,971	112,780
	<b>14,730,494</b>	4,440,033
– Foreign Enterprise Income Tax in the PRC	175,024	83,139
	<b>14,905,518</b>	4,523,172
Deferred taxation		
– Hong Kong Profits Tax	813,790	(915,597)
	<b>15,719,308</b>	3,607,575
Share of taxation attributable to jointly controlled entities	4,498,524	4,337,995
	<b>20,217,832</b>	7,945,570

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for both years.

Foreign Enterprise Income Tax in the PRC is calculated at the rates prevailing in the PRC.

Details of the deferred taxation are set out in note 23.

**9. DIVIDENDS**

	2002 HK\$	2001 HK\$
Interim dividend paid in respect of 2002 of 0.5 cent (2001: 1.00 cent) per share	<b>3,622,730</b>	7,245,455
Final dividend paid in respect of 2001 of 1.25 cents (2000: 1.25 cents) per share	<b>9,056,824</b>	9,160,394
	<b>12,679,554</b>	16,405,849

The final dividend of 1 cent per share for the year ended 31 March 2002 (2001: 1.25 cents) has been proposed by the Directors and is subject to approval by the shareholders in the Annual General Meeting.

**10. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$41,329,680 (2001: HK\$46,380,622) and 724,545,896 shares (2001: weighted average of 729,413,534 shares) in issue during the year.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding warrants and share options as the exercise prices of those warrants and options were higher than the average market prices of the Company's shares in both years.

**11. INVESTMENT PROPERTIES**

	THE GROUP	
	2002 HK\$	2001 HK\$
VALUATION		
At beginning of the year	<b>28,840,000</b>	26,340,000
Transfer from leasehold land and buildings	<b>2,096,019</b>	—
Surplus on revaluation	<b>153,203</b>	2,500,000
At end of the year	<b>31,089,222</b>	28,840,000

The investment properties of the Group were leased out for rental purposes under operating leases and were revalued as at 31 March 2002 on an open market value basis by Centaline Surveyors Limited, a firm of independent professional valuers. The resulting surplus arising on revaluation of HK\$153,203 (2001: HK\$2,500,000) has been credited to the income statement.

The investment properties are situated in the PRC and are held under medium-term lease.

## 12. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP					THE COMPANY
	Leasehold land and buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total	Leasehold land and buildings
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
COST						
At 1 April 2001	57,942,251	495,449,755	32,996,426	26,907,815	613,296,247	49,085,889
Disposal of subsidiaries	—	—	—	(12,850)	(12,850)	—
Additions	—	8,664,807	605,930	2,943,366	12,214,103	—
Disposals	—	(13,730,483)	(98,099)	(27,790)	(13,856,372)	—
Transfer to investment properties (note 11)	(2,144,296)	—	—	—	(2,144,296)	—
<b>At 31 March 2002</b>	<b>55,797,955</b>	<b>490,384,079</b>	<b>33,504,257</b>	<b>29,810,541</b>	<b>609,496,832</b>	<b>49,085,889</b>
DEPRECIATION AND AMORTISATION						
At 1 April 2001	7,471,105	207,364,974	16,066,178	13,478,420	244,380,677	6,612,625
Disposal of subsidiaries	—	—	—	(8,351)	(8,351)	—
Provided for the year	1,404,001	47,005,948	4,289,090	2,244,041	54,943,080	1,255,364
Eliminated on disposals	—	(9,478,383)	(45,218)	(10,723)	(9,534,324)	—
Transfer to investment properties (note 11)	(48,277)	—	—	—	(48,277)	—
<b>At 31 March 2002</b>	<b>8,826,829</b>	<b>244,892,539</b>	<b>20,310,050</b>	<b>15,703,387</b>	<b>289,732,805</b>	<b>7,867,989</b>
NET BOOK VALUES						
<b>At 31 March 2002</b>	<b>46,971,126</b>	<b>245,491,540</b>	<b>13,194,207</b>	<b>14,107,154</b>	<b>319,764,027</b>	<b>41,217,900</b>
At 31 March 2001	50,471,146	288,084,781	16,930,248	13,429,395	368,915,570	42,473,264

The net book values of leasehold land and buildings held by the Group and the Company at the balance sheet date comprise the following:

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Properties in Hong Kong held under medium-term lease	43,417,900	44,723,264	41,217,900	42,473,264
Properties in the PRC held under:				
Long lease	996,839	1,012,902	—	—
Medium-term lease	2,556,387	4,734,980	—	—
	<b>46,971,126</b>	50,471,146	<b>41,217,900</b>	42,473,264



## 12. PROPERTY, PLANT AND EQUIPMENT > continued

The net book value of the Group's property, plant and equipment includes an amount of HK\$119,474,330 (2001: HK\$113,110,812) and HK\$7,467,515 (2001: HK\$9,297,559) in respect of plant and machinery and motor vehicles held under finance leases and hire purchase contracts respectively.

## 13. PROPERTIES UNDER DEVELOPMENT

The properties under development mainly represent the property development projects under the Private Sector Participation Scheme in Yuen Long, Hong Kong and the MTRC Choi Hung Park and Ride Development in Kowloon, Hong Kong. The land portion included in properties under development is held under medium-term lease.

## 14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$	2001 HK\$
Unlisted shares, at cost	77,191,837	77,191,821
Amounts due from subsidiaries	549,334,779	511,219,159
	<b>626,526,616</b>	<b>588,410,980</b>

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Particulars of the Company's principal subsidiaries at 31 March 2002 are set out in note 40.

An amount of approximately HK\$200,791,000 due from a subsidiary has been subordinated in favour of a financial institution to secure credit facilities of HK\$65,000,000 granted to that subsidiary.

Amounts due from (to) subsidiaries are unsecured, interest free and will not be repayable with the next twelve months from the balance sheet date.

## 15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002 HK\$	2001 HK\$
Investment costs	4	1,409,457
Amounts due from associates	77,851,366	83,154,549
	<b>77,851,370</b>	<b>84,564,006</b>

The Group's share of results of associates have not been accounted for in the consolidated income statement as, in the opinion of the Directors, the results of the associates attributable to the Group are insignificant.

Particulars of the associates as at 31 March 2002 are set out in note 41.

## 16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2002 HK\$	2001 HK\$
Share of net assets of jointly controlled entities	<b>23,810,773</b>	21,261,471

Particulars of the jointly controlled entities as at 31 March 2002 are set out in note 42.

## 17. INVESTMENTS

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Other investments:				
– Debt securities:				
Unlisted	<b>10,000,000</b>	10,000,000	<b>10,000,000</b>	10,000,000
– Equity securities:				
Unlisted	<b>600,000</b>	—	<b>600,000</b>	—
Listed – Hong Kong	<b>1,002,311</b>	—	—	—
	<b>11,602,311</b>	10,000,000	<b>10,600,000</b>	10,000,000
Total securities:				
Unlisted	<b>10,600,000</b>	10,000,000	<b>10,600,000</b>	10,000,000
Listed – Hong Kong	<b>1,002,311</b>	—	—	—
	<b>11,602,311</b>	10,000,000	<b>10,600,000</b>	10,000,000
Market value of listed securities	<b>1,002,311</b>	—	—	—
Carrying amount analysed for reporting purposes as:				
Non-current	<b>1,602,311</b>	10,000,000	<b>600,000</b>	10,000,000
Current	<b>10,000,000</b>	—	<b>10,000,000</b>	—
	<b>11,602,311</b>	10,000,000	<b>10,600,000</b>	10,000,000

**18. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK**

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$</b>	<b>HK\$</b>
Costs incurred to date plus recognised profits less recognised losses	<b>10,829,135,741</b>	12,623,409,261
Less: Progress billings	<b>(10,755,590,613)</b>	(12,509,738,615)
	<b>73,545,128</b>	113,670,646
Represented by:		
Due from customers included in current assets	<b>256,726,080</b>	279,908,758
Due to customers included in current liabilities	<b>(183,180,952)</b>	(166,238,112)
	<b>73,545,128</b>	113,670,646

**19. DEBTORS, DEPOSITS AND PREPAYMENTS**

Interim applications for progress payments in construction contracts are normally on a monthly basis and settled within one month. The ageing analysis of trade debtors of HK\$171,995,149 (2001: HK\$296,017,957), which are included in the Group's debtors, deposits and prepayments, are as follows:

	<b>2002</b>	<b>2001</b>
	<b>HK\$</b>	<b>HK\$</b>
Not yet due	<b>122,167,387</b>	206,502,495
0 to 30 days	<b>6,039,479</b>	9,839,701
31 to 90 days	<b>7,338,911</b>	511,099
91 to 180 days	<b>36,630</b>	135,218
Over 180 days	<b>36,412,742</b>	79,029,444
	<b>171,995,149</b>	296,017,957

At the balance sheet date, retentions held by customers for contract work included in debtors, deposits and prepayments were HK\$127,963,840 (2001: HK\$175,253,336).

The Company did not have any trade debtors at the balance sheet date.

## 20. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$334,869,384 (2001: HK\$427,623,201), which are included in the Group's creditors and accrued charges, are as follows:

	2002 HK\$	2001 HK\$
Not yet due	198,458,094	231,902,908
0 to 30 days	74,875,914	93,397,544
31 to 90 days	9,919,649	19,931,188
91 to 180 days	633,316	1,899,349
Over 180 days	50,982,411	80,492,212
	<b>334,869,384</b>	<b>427,623,201</b>

The Company did not have any trade creditors at the balance sheet date.

## 21. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	Minimum payments		Present value of minimum payments	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
THE GROUP				
Within one year	44,750,807	47,228,654	42,374,000	43,108,941
More than one year, but not exceeding two years	21,652,944	34,537,590	20,820,985	33,221,869
More than two years, but not exceeding five years	8,533,326	12,446,169	8,327,665	12,239,991
	<b>74,937,077</b>	94,212,413	<b>71,522,650</b>	88,570,801
Less: future finance charges	<b>(3,414,427)</b>	(5,641,612)	—	—
Present value of lease obligations and hire purchase contracts	<b>71,522,650</b>	88,570,801	<b>71,522,650</b>	88,570,801
Less: Amount due within one year shown under current liabilities			<b>(42,374,000)</b>	(43,108,941)
Amount due after one year			<b>29,148,650</b>	45,461,860

**21. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS** > continued

It is the Group's policy to lease/purchase certain of its plant and equipment under finance leases or hire purchase contracts. The average lease/contract terms ranging from two to four years. All leases and contracts are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

**22. BORROWINGS**

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Borrowings comprise:				
Trust receipt loans	38,415,598	75,559,323	—	—
Bank loans	1,621,253,512	879,458,398	—	—
Mortgage loans	13,538,823	21,960,995	12,496,387	16,914,889
	<b>1,673,207,933</b>	976,978,716	<b>12,496,387</b>	16,914,889
Analysed as:				
Secured	1,504,792,335	809,419,394	12,496,387	16,914,889
Unsecured	168,415,598	167,559,322	—	—
	<b>1,673,207,933</b>	976,978,716	<b>12,496,387</b>	16,914,889
The borrowings are repayable as follows:				
Within one year or on demand	167,301,129	176,050,051	3,943,096	4,363,535
More than one year, but not exceeding two years	1,319,515,322	4,739,631	1,934,982	3,820,719
More than two years, but not exceeding five years	184,655,857	793,233,701	4,882,684	5,775,302
More than five years	1,735,625	2,955,333	1,735,625	2,955,333
	<b>1,673,207,933</b>	976,978,716	<b>12,496,387</b>	16,914,889
Less: Amount due within one year shown under current liabilities	(167,301,129)	(176,050,051)	(3,943,096)	(4,363,535)
Amount due after one year	<b>1,505,906,804</b>	800,928,665	<b>8,553,291</b>	12,551,354

## 23. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$	2001 HK\$
At beginning of the year	6,903,903	7,819,500
Charge (credit) for the year (note 8)	813,790	(915,597)
At end of the year	<b>7,717,693</b>	<b>6,903,903</b>

At the balance sheet date, the major components of the provision for deferred taxation were as follows:

	THE GROUP	
	2002 HK\$	2001 HK\$
Tax effect of timing differences attributable to:		
Excess of tax allowances over depreciation	38,130,000	41,409,500
Unutilised tax losses	(17,889,676)	(25,823,117)
Others	(12,522,631)	(8,682,480)
	<b>7,717,693</b>	<b>6,903,903</b>

At the balance sheet date, the Group has a deferred tax asset of approximately HK\$6,148,000 (2001: HK\$410,000) not recognised in the financial statements in respect of tax losses available to offset against future taxable profits as it is not certain that the tax benefit will crystallise in the foreseeable future.

There was no other significant unprovided deferred taxation of the Group and the Company for the year or at the balance sheet date.

## 24. SHARE CAPITAL

	2002	2001	2002	2001
	Number of shares		HK\$	HK\$
Shares of HK\$0.1 each				
Authorised:				
At beginning and end of the year	<b>1,500,000,000</b>	1,500,000,000	<b>150,000,000</b>	150,000,000
Issued and fully paid:				
At beginning of the year	<b>724,545,896</b>	732,831,483	<b>72,454,590</b>	73,283,148
Exercise of 2001 Warrants (note 25)	—	413	—	42
Repurchase of shares (note)	—	(8,286,000)	—	(828,600)
At end of the year	<b>724,545,896</b>	724,545,896	<b>72,454,590</b>	72,454,590

## 24. SHARE CAPITAL &gt; continued

Note:

In 2001, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of shares repurchased	Repurchase price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
October 2000	4,692,000	0.305	0.275	1,367,090
November 2000	3,594,000	0.320	0.290	1,103,950
	<u>8,286,000</u>			<u>2,471,040</u>

The shares were cancelled upon repurchase. The issued share capital of the Company was reduced by the nominal value of these shares and the premium of HK\$1,642,440 paid on the repurchases was charged to the share premium account (see note 27). The Directors considered that the repurchases would enhance the net asset value per share and the earnings per share of the Company.

## 25. WARRANTS

	2001 Warrants (Note)	
	Number	Value HK\$
Balance at 1 April 2000	110,240,014	63,939,208
Exercised during the year (note 24)	(413)	(240)
Lapsed during the year	<u>(110,239,601)</u>	<u>(63,938,968)</u>
Balance at 31 March 2001 and 31 March 2002	<u>—</u>	<u>—</u>

Note:

During the year ended 31 March 2000, a bonus issue of warrants (the "2001 Warrants") conferring rights to subscribe in aggregate up to HK\$63,953,588 in cash for shares in the Company was made to the shareholders on the basis of one warrant for every five existing shares then held on 23 September 1999. Each of the 2001 Warrants entitles the holder to subscribe in cash for one share of HK\$0.1 each in the Company at an initial exercise price of HK\$0.6, subject to adjustments, at any time from the business day immediately following the date of issue up to and including 15 March 2001. On 25 December 1999, adjustment was made to the exercise price of the 2001 Warrants from HK\$0.6 per share to HK\$0.58 per share pursuant to the terms of the warrant instrument as a result of the rights issue taken place during the year ended 31 March 2000.

## 26. SHARE OPTION SCHEME

No share options were granted by the Company during the year. A summary of the movements in share options which were granted to certain employees of the Group is as follows:

Date of grant	Exercise price per share HK\$	Number of share options		
		Outstanding at 1 April 2001	Lapsed during the year	Outstanding at 31 March 2002
1 April 2000	0.3912	6,934,000	(6,934,000)	—

## 27. RESERVES

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
<b>SHARE PREMIUM</b>				
At beginning of the year	<b>242,571,578</b>	244,244,508	<b>242,571,578</b>	244,244,508
Exercise of warrants	—	198	—	198
Repurchase of shares	—	(1,642,440)	—	(1,642,440)
Expenses incurred in connection with the repurchase of shares	—	(30,688)	—	(30,688)
At end of the year	<b>242,571,578</b>	242,571,578	<b>242,571,578</b>	242,571,578
<b>SPECIAL RESERVE</b>				
At beginning and end of the year	<b>(7,339,916)</b>	(7,339,916)	—	—
<b>CONTRIBUTED SURPLUS</b>				
At beginning and end of the year	—	—	<b>52,551,750</b>	52,551,750
<b>CAPITAL RESERVE</b>				
At beginning of the year	<b>8,300,911</b>	9,266,486	—	—
Goodwill arising on acquisition of subsidiaries	—	(965,575)	—	—
Goodwill released on disposal of interests in subsidiaries	<b>229,968</b>	—	—	—
At end of the year	<b>8,530,879</b>	8,300,911	—	—
<b>TRANSLATION RESERVE</b>				
At beginning of the year	<b>676,676</b>	506,773	—	—
Exchange differences arising on translation of financial statements denominated in currencies other than Hong Kong dollars	—	169,903	—	—
At end of the year	<b>676,676</b>	676,676	—	—



## 27. RESERVES &gt; continued

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
RETAINED PROFITS				
At beginning of the year				
– as originally stated	<b>265,732,772</b>	235,654,429	<b>4,027,877</b>	3,869,442
– prior year adjustments (note 2)				
– restatement of dividend receivable	—	—	<b>(9,400,000)</b>	(9,160,000)
– restatement of dividend payable	<b>9,056,824</b>	9,160,394	<b>9,056,824</b>	9,160,394
– as restated	<b>274,789,596</b>	244,814,823	<b>3,684,701</b>	3,869,836
Profit attributable to shareholders	<b>41,329,680</b>	46,380,622	<b>15,250,354</b>	16,220,714
Dividends paid	<b>(12,679,554)</b>	(16,405,849)	<b>(12,679,554)</b>	(16,405,849)
At end of the year	<b>303,439,722</b>	274,789,596	<b>6,255,501</b>	3,684,701
TOTAL RESERVES	<b>547,878,939</b>	518,998,845	<b>301,378,829</b>	298,808,029

Included in the retained profits of the Group as at 31 March 2002 is an amount attributable to jointly controlled entities of HK\$23,810,773 (2001: HK\$21,261,471).

In the opinion of the Directors, the Company's reserves available for distribution to the shareholders were as follows:

	2002 HK\$	2001 HK\$
Contributed surplus	<b>52,551,750</b>	52,551,750
Retained profits	<b>6,255,501</b>	3,684,701
	<b>58,807,251</b>	56,236,451

The special reserve of the Group represents the aggregate amount of the non-voting deferred share capital of Chun Wo Construction and Engineering Company Limited and the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal amount of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1993.

## 27. RESERVES > continued

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Chun Wo Hong Kong Limited at the date on which the group reorganisation became effective and the nominal amount of the Company's shares issued under the reorganisation in 1993.

In addition to retained profits of the Company, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

## 28. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 HK\$	2001 HK\$
Profit from ordinary activities before taxation	<b>61,067,160</b>	53,816,370
Share of results of jointly controlled entities	<b>(16,047,826)</b>	(25,599,466)
Interest expenses	<b>5,250,899</b>	8,494,799
Interest income	<b>(1,165,096)</b>	(923,746)
Depreciation and amortisation	<b>3,870,216</b>	3,745,077
Surplus on revaluation of investment properties	<b>(153,203)</b>	(2,500,000)
Loss on disposal of property, plant and equipment	<b>1,093,882</b>	263,613
Gain on disposal of interests in subsidiaries	<b>(318,958)</b>	—
Loss on disposal of an associate	<b>7,039,336</b>	—
Loss on disposal of investments	—	86,429
Decrease in amounts due from (to) customers for contract work	<b>104,173,327</b>	46,933,863
Decrease in debtors, deposits and prepayments	<b>195,372,407</b>	181,346,826
Decrease (increase) in amounts due from associates	<b>2,376,811</b>	(524,000)
Increase in amounts due from jointly controlled entities	<b>(3,468,250)</b>	(58,473,901)
Decrease in creditors and accrued charges	<b>(42,634,522)</b>	(107,575,260)
Increase in amount due to a jointly controlled entity	<b>405,169</b>	8,886,720
Effect of foreign exchange rate changes	—	(42,890)
Net cash inflow from operating activities	<b>316,861,352</b>	107,934,434

**29. ACQUISITION OF SUBSIDIARIES**

	<b>2002</b>	<b>2001</b>
	<b>HK\$</b>	<b>HK\$</b>
Net assets acquired		
Property, plant and equipment	—	11,244
Debtors, deposits and prepayments	—	200,544
Bank balances and cash	—	455,012
Creditors and accrued charges	—	(156,792)
Minority interests	—	(204,003)
	—	306,005
Goodwill arising on acquisition	—	965,575
	—	1,271,580
Satisfied by:		
Cash	—	1,271,580
Net cash outflow arising on acquisition:		
Cash consideration	—	(1,271,580)
Bank balances and cash acquired	—	455,012
	—	(816,568)

The subsidiaries acquired in 2001 did not have any significant impact on the cash flow and the results of the Group.

### 30. DISPOSAL OF INTERESTS IN SUBSIDIARIES

	2002 HK\$	2001 HK\$
Net liabilities disposed of:		
Property, plant and equipment	4,499	—
Debtors, deposits and prepayments	2,461,222	—
Bank balances and cash	69,910	—
Amounts due to fellow subsidiaries	(2,895,253)	—
Creditors and accrued charges	(156,304)	—
	(515,926)	—
Attributable goodwill	229,968	—
Gain on disposal of subsidiaries	318,958	—
Total consideration	<b>33,000</b>	—
Satisfied by:		
Cash	<b>33,000</b>	—
Net cash outflow arising on disposal:		
Cash consideration	33,000	—
Bank balances and cash disposal of	(69,910)	—
	<b>(36,910)</b>	—

The subsidiary disposed of during the year ended 31 March 2002 did not have any significant impact on the cash flow and the results of the Group.

**31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	2002 HK\$	2001 HK\$
<b>SHARE CAPITAL AND PREMIUM</b>		
At beginning of the year	<b>315,026,168</b>	317,527,656
Proceeds from issue of shares	—	240
Repurchase of shares	—	(2,471,040)
Expenses incurred in connection with the repurchase of shares	—	(30,688)
At end of the year	<b>315,026,168</b>	315,026,168
<b>OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS</b>		
At beginning of the year	<b>88,570,801</b>	60,055,721
Inception of finance leases and hire purchase contracts (note 33)	<b>3,274,906</b>	56,188,414
New obligations under finance leases and hire purchase contracts raised	<b>26,121,802</b>	8,985,190
Repayments during the year	<b>(46,444,859)</b>	(36,658,524)
At end of the year	<b>71,522,650</b>	88,570,801
<b>BANK LOANS</b>		
At beginning of the year	<b>879,458,398</b>	70,300,000
New loans raised	<b>788,795,114</b>	862,458,398
Repayments during the year	<b>(47,000,000)</b>	(53,300,000)
At end of the year	<b>1,621,253,512</b>	879,458,398
<b>MORTGAGE LOANS</b>		
At beginning of the year	<b>21,960,995</b>	29,726,169
Repayments during the year	<b>(8,422,172)</b>	(7,765,174)
At end of the year	<b>13,538,823</b>	21,960,995

## 32. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 HK\$	2001 HK\$
Bank balances and cash	135,297,766	141,543,415
Trust receipt loans	(38,415,598)	(75,559,323)
	<b>96,882,168</b>	<b>65,984,092</b>

## 33. NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases and hire purchase contracts in respect of property, plant and equipment with a total capital value at the inception of the leases and contracts of HK\$3,274,906 (2001: HK\$56,188,414).

## 34. RETIREMENT BENEFIT SCHEME

Prior to 1 December 2000, the Group operated a defined contribution retirement benefit scheme (“Defined Contribution Scheme”) for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there were employees who left the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

With effect from 1 December 2000, the Group has joined a Mandatory Provident Fund Scheme (“MPF Scheme”) for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contributions of HK\$11,945,488 (2001: HK\$8,840,955) after forfeited contributions utilised of HK\$4,452,256 (2001: HK\$2,824,860).

At the balance sheet date, the Group did not have any significant forfeited contributions which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

**35. OPERATING LEASE ARRANGEMENTS****The Group as lessee:**

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Land and buildings</b>		
Within one year	<b>4,023,945</b>	2,395,630
In the second to fifth year inclusive	<b>3,337,753</b>	536,352
	<b>7,361,698</b>	2,931,982

Operating leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

The Company did not have any significant operating lease commitments at the balance sheet date.

**The Group as lessor:**

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Property rental income earned during the year was HK\$1,722,743 (2001: HK\$992,736). The properties held have committed tenants for an average term of two years.

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$</b>	<b>HK\$</b>
Within one year	<b>1,591,709</b>	423,341
In the second to fifth year inclusive	<b>981,708</b>	168,058
	<b>2,573,417</b>	591,399

## 36. CAPITAL COMMITMENTS

	THE GROUP	
	2002 HK\$	2001 HK\$
Capital expenditure relating to property, plant and equipment contracted for but not provided in the financial statements	<b>7,719,834</b>	3,364,000

In addition, at 31 March 2002, the Group had outstanding capital contribution to a subsidiary and an associate amounting to HK\$5,518,326 (2001: HK\$8,015,489) and Nil (2001: HK\$8,017,035) respectively.

The Company did not have any significant capital commitments at the balance sheet date.

## 37. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:				
– subsidiaries	<b>398,215,000</b>	455,432,000	<b>356,877,000</b>	414,932,000
– an associate	<b>22,400,000</b>	22,400,000	<b>22,400,000</b>	22,400,000
– jointly controlled entities	<b>311,393,000</b>	241,652,000	<b>245,716,000</b>	227,224,000
	<b>732,008,000</b>	719,484,000	<b>624,993,000</b>	664,556,000
Extent of guarantees issued to financial institutions to secure credit facilities granted to:				
– subsidiaries	—	—	<b>3,311,100,640</b>	2,602,298,000
– an associate	<b>52,400,000</b>	60,000,000	<b>52,400,000</b>	60,000,000
– a jointly controlled entity	—	30,000,000	—	—
	<b>52,400,000</b>	90,000,000	<b>3,363,500,640</b>	2,662,298,000



**37. CONTINGENT LIABILITIES > continued**

Note: At 31 March 2001, a subsidiary of the Company was one of the co-borrowers to a financial institution for credit facilities of HK\$320,000,000 granted to a jointly controlled entity. According to the facility letter, the subsidiary of the Company was jointly and severally liable for the credit amount. The extent of such facilities utilised by the jointly controlled entity at 31 March 2001 amounted to approximately HK\$98,390,000.

During the year ended 31 March 2002, the aforesaid credit facilities were revised under a new facility letter, pursuant to which the joint venture partner of the jointly controlled entity has issued a guarantee in favour of the financial institution to the extent of HK\$20,000,000 in respect of revised credit facilities granted to that jointly controlled entity. In consideration of the joint venture partner entering into the aforesaid guarantee, the Company has entered into a deed of indemnity to indemnify the joint venture partner in proportion to the Group's interest in the jointly controlled entity of any payments which are required to be made by the joint venture partner in respect of the aforesaid guarantee.

The extent of such facilities utilised by the jointly controlled entity at 31 March 2002 amounted to approximately HK\$726,000.

**38. PLEDGE OF ASSETS**

- (a) At 31 March 2002, the Group's leasehold properties in Hong Kong and plant and machinery with carrying values of approximately HK\$41,218,000 (2001: HK\$42,473,000) and HK\$7,430,000 (2001: HK\$8,742,000) respectively and the benefits under a construction contract have been pledged to banks as securities for credit facilities granted to the Group.
- (b) At 31 March 2001, an amount of approximately HK\$77,851,000 due from an associate was subordinated in favour of a bank to secure credit facilities granted to the associate. Such security was released by the bank upon the expiry of the banking facilities granted to the associate during the year ended 31 March 2002.
- (c) At 31 March 2002, the Group's interests in the properties under development in Hong Kong with carrying values of approximately HK\$1,719,565,000 (2001: HK\$803,408,000) have been pledged to certain banks as securities for certain syndicated bank loans amounting to HK\$2,775,000,000 (2001: HK\$2,075,000,000) granted to two subsidiaries.

### 39. RELATED PARTY TRANSACTIONS

During the year, the Group had the following related party transactions:

	Notes	Associates		Jointly controlled entities	
		2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Transactions during the year:					
Contract revenue recognised	(a)	—	9,280,000	291,655,400	262,517,633
Project management fee received	(a)	—	—	42,483,315	13,338,533
Rental income received	(a)	—	—	1,129,544	2,432,435
Security guard services income received	(a)	—	—	5,932,068	4,109,276
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties		22,400,000	22,400,000	311,393,000	241,652,000
Extent of guarantees issued to financial institutions to secure credit facilities granted to related parties		52,400,000	60,000,000	—	30,000,000
Amounts due from related parties:					
Due from associates (note 15)	(b)	77,851,366	83,154,549	—	—
Trade balances shown under current assets	(c)	10,042,442	9,524,000	94,020,768	90,552,518
		87,893,808	92,678,549	94,020,768	90,552,518
Amount due to a related party:					
Trade balances shown under current liabilities	(c)	—	—	9,291,889	8,886,720

**39. RELATED PARTY TRANSACTIONS > continued**

In addition to the above, a subsidiary of the Company acts as one of the co-borrowers to a financial institution for credit facilities of HK\$20,000,000 (2001: HK\$320,000,000) granted to a jointly controlled entity as detailed in note 37.

Notes:

- (a) The pricing policy of contracts with related parties is consistent with the pricing of contracts with third parties.
- (b) The amount is unsecured, interest free and will not be repayable within the next twelve months.
- (c) The amounts are unsecured, interest free and are repayable on demand.

**40. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

Particulars of the Company's principal subsidiaries as at 31 March 2002 are as follows:

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued/ contributed capital	Percentage of issued/ contributed capital held by the Company/ subsidiaries %	attributable to the Group %	Principal activities
Caine Developments Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding
Chun Wo Building Construction Limited	Hong Kong	HK\$200,000 ordinary shares	100	100	Construction
Chun Wo (China) Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding and construction
Chun Wo Construction and Engineering Company Limited ("CWCE")	Hong Kong	HK\$2 ordinary shares HK\$9,000,000 non-voting deferred shares	100 (Note 1 below)	100	Construction
Chun Wo Contractors Limited	Hong Kong	HK\$2 ordinary shares	100	100	Construction

#### 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES > continued

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued/ contributed capital	Percentage of issued/ contributed capital held by the Company/ subsidiaries %	attributable to the Group %	Principal activities
Chun Wo E & M Engineering Limited	Hong Kong	HK\$3,000,000 ordinary shares	100	100	Electrical and mechanical contract works
Chun Wo Elegant Decoration Engineering Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	Interior design and decoration
Chun Wo Foundations Limited	Hong Kong	HK\$9,000,000 ordinary shares	100	100	Construction
City Security Company Limited	Hong Kong	HK\$1,000,000 ordinary shares	100	100	Security guard services
Guangzhou Wah Chun Construction and Engineering Company Limited ("Guangzhou Wah Chun")	People's Republic of China	Rmb13,750,000 registered capital	(Note 2 below)		Construction
Kamlight Construction Company Limited	Hong Kong	HK\$8,000,000 ordinary shares	100	100	Securities investment
Rich Resource Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property development
Rich Score Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property development
Shanghai Jin Chun Wo Construction Engineering Co., Ltd.	People's Republic of China	US\$1,800,000 registered capital	99	99	Construction

**40. PARTICULARS OF PRINCIPAL SUBSIDIARIES > continued**

Notes:

1. The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of CWCE or to participate in any distribution on winding up. Chun Wo Hong Kong Limited, a subsidiary of the Company, has been granted an option by the holders of the non-voting deferred shares to acquire these shares at a nominal amount.
2. Pursuant to an agreement with the joint venture partner of Guangzhou Wah Chun, the Group is responsible for contributing all of the equity capital totalling Rmb13,750,000 to Guangzhou Wah Chun. The Group is only entitled to 60% of the results of the subsidiary.

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

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

**41. PARTICULARS OF ASSOCIATES**

Particulars of the Group's associates as at 31 March 2002 are as follows:

Name of associate	Place of incorporation and operations	Nominal value of issued capital	Percentage of issued capital held by the Group %	Principal activities
Grand View Properties Limited	Hong Kong	HK\$10 ordinary shares	40	Property development
Hoi Kin Property Management Limited	Hong Kong	HK\$490,000 ordinary shares HK\$10,000 non-voting deferred shares	46	Property management

## 42. PARTICULARS OF JOINTLY CONTROLLED ENTITIES

Particulars of the Group's jointly controlled entities as at 31 March 2002 are as follows:

Name of jointly controlled entity	Form of business structure	Place of registration/operation	Attributable interest to the Group %	Principal activities
Chun Wo – CCECC Joint Venture	Unincorporated	Hong Kong	50	Construction
Maeda – Chun Wo Joint Venture	Unincorporated	Hong Kong	30	Construction
Dumez GTM – Chun Wo Joint Venture	Unincorporated	Hong Kong	25	Construction
Maeda-Chun Wo Joint Venture (Viaducts)	Unincorporated	Hong Kong	45	Construction
Chun Wo-Fujita-Henryvicy Joint Venture	Unincorporated	Hong Kong	50	Construction
Chun Wo-Henryvicy-China Railway Construction Corporation	Unincorporated	Hong Kong	50	Construction
Chun Wo-Henryvicy-China Railway Construction Corporation-Queensland Rail Joint Venture	Unincorporated	Hong Kong	45	Construction

Notes: No capital has been contributed by the joint venture partners of all the above jointly controlled entities.