

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

1. GENERAL

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

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

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

In the current year, the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) has adopted a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants for the first time. Adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement, the introduction of the statement of changes in equity and additional disclosures. These changes have not had material effect on the results for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas subsidiaries/associates/jointly-controlled entities at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends paid, which were previously presented under a separate heading, are classified as financing cash flows. Interest and dividends received, which were previously presented under a separate heading, are reclassified as investing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

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

Discontinuing operations

SSAP 33 “Discontinuing Operations” is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 “Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies”. Under SSAP 33, financial statement amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group’s trading activities as a discontinued operation in the prior period, details of which are disclosed in note 8.

Employee benefits

In the current year, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. **SIGNIFICANT ACCOUNTING POLICIES**

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group made up to 31st March each year.

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

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

Investments in subsidiaries

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

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates

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

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

Joint ventures

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

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

Goodwill

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

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the consolidated 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 1st April, 2001 is capitalised and amortised on the straight-line basis over its estimated useful life. Any impairment of goodwill will be recognised as an expense in the consolidated income statement immediately.

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 consolidated balance sheet.

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

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

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

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

Property, plant and equipment

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

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

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

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

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

Investment properties

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

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

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

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

Permanent export quota entitlements

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

Investments in securities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Investments in securities** *(Continued)*

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

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

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

Inventories

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

Construction contracts

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

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

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

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

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment

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

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

Hire purchase contracts

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

Revenue recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Capitalisation of borrowing costs**

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

All other borrowings costs are expensed in the period in which they are incurred.

Leases

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

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for the purpose 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 the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period on which the operation is disposed of.

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit scheme contributions

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

4. TURNOVER

Turnover for the year comprises:

	2003 HK\$'000	2002 HK\$'000
Building construction and foundation piling	874,936	993,974
Sales of consumer goods and provision of maintenance services	570,960	748,478
Others	2,000	1,750
	<u>1,447,896</u>	<u>1,744,202</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(i) Business segments

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

Principal activities are as follows:

- (a) Construction activities : Building construction and foundation piling
- (b) Garment activities : Garment manufacture and trading
- (c) Others : Investment holding and provision of management services

Last year, the Group had a division engaged in trading activities, which included the wholesale of mechanical products and electrical appliances and provision of maintenance services. All the subsidiaries engaged in trading activities were disposed of to an associate of the Group in September 2001.

For the year ended 31st March, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(i) Business segments (Continued)

Segment information about these businesses is presented below:

Income statement

	Continuing operations						Discontinued operation		Consolidated	
	Construction activities		Garment activities		Others		Trading activities			
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>874,936</u>	<u>993,974</u>	<u>570,960</u>	<u>690,701</u>	<u>2,000</u>	<u>1,750</u>	-	<u>57,777</u>	<u>1,447,896</u>	<u>1,744,202</u>
Segment results	<u>36,056</u>	<u>35,356</u>	<u>26,192</u>	<u>31,077</u>	<u>1,897</u>	<u>2,124</u>	-	<u>975</u>	<u>64,145</u>	<u>69,532</u>
Net income from investments									<u>16,857</u>	<u>20,497</u>
Unallocated corporate expenses									<u>(5,279)</u>	<u>(10,266)</u>
Profit from operations									<u>75,723</u>	<u>79,763</u>
Finance costs									<u>(12,899)</u>	<u>(21,491)</u>
Gain on disposal of discontinued operation										<u>605</u>
Impairment loss on goodwill arising from an associate acquired in previous years									<u>(11,129)</u>	<u>-</u>
Share of results of associates	-	(3,338)	(1,655)	93	(241,747)	(30,701)	-	-	<u>(243,402)</u>	<u>(33,946)</u>
Share of results of jointly-controlled entities	-	-	4,458	4,528	-	-	-	-	<u>4,458</u>	<u>4,528</u>
(Loss)/profit before taxation									<u>(187,249)</u>	<u>29,459</u>
Taxation charge									<u>(13,787)</u>	<u>(14,997)</u>
(Loss)/profit before minority interests									<u>(201,036)</u>	<u>14,462</u>
Minority interests									<u>(4,580)</u>	<u>(4,167)</u>
Net (loss)/profit for the year									<u>(205,616)</u>	<u>10,295</u>

For the year ended 31st March, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(i) Business segments (Continued)

Balance sheet

	Continuing operations						Discontinued operation					
	Construction activities		Garment activities		Others		Trading activities		Elimination		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS												
Segment assets	516,022	451,391	431,107	445,022	157,547	150,009	-	-	(320,114)	(195,114)	784,562	851,308
Interests in associates	-	-	1,591	3,040	567,655	811,220	-	-	-	-	569,246	814,260
Interests in jointly-controlled entities	-	5	4,189	4,528	-	-	-	-	-	-	4,189	4,533
Unallocated corporate assets											209,437	102,852
Consolidated total assets											<u>1,567,434</u>	<u>1,772,953</u>
LIABILITIES												
Segment liabilities	376,817	387,613	59,355	55,889	177,625	54,788	-	-	(320,114)	(195,114)	293,683	303,176
Unallocated corporate liabilities											330,755	324,175
Consolidated total liabilities											<u>624,438</u>	<u>627,351</u>
OTHER INFORMATION												
Additions to property, plant and equipment												
- The Group	15,577	36,677	2,357	4,545	-	3	-	65	-	-	17,934	41,290
- Acquired on acquisitions of subsidiaries	-	222,735	-	-	-	-	-	-	-	-	-	222,735
Depreciation of property, plant and equipment	38,180	33,066	8,988	10,246	2	3	-	372	-	-	47,170	43,687
Amortisation of permanent export quota entitlements	-	-	2,185	2,439	-	-	-	-	-	-	2,185	2,439

For the year ended 31st March, 2003

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

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

	Turnover	
	2003 HK\$'000	2002 HK\$'000
Hong Kong	888,934	1,072,646
North America	301,230	353,128
Europe	248,469	301,571
Others	9,263	16,857
	<u>1,447,896</u>	<u>1,744,202</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$'000	2002 HK\$'000 (restated)	2003 HK\$'000	2002 HK\$'000
Hong Kong	1,176,682	1,375,788	15,984	260,321
The Republic of Indonesia	200,255	205,060	780	2,759
Others	190,428	192,051	1,170	945
	<u>1,567,365</u>	<u>1,772,899</u>	<u>17,934</u>	<u>264,025</u>
Unallocated assets	69	54		
	<u>1,567,434</u>	<u>1,772,953</u>		

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6. PROFIT FROM OPERATIONS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Depreciation:		
Owned assets	44,670	39,271
Assets held under hire purchase contracts	2,500	4,416
	<u>47,170</u>	<u>43,687</u>
Less: Amount capitalised in contract costs	3,658	3,487
	<u>43,512</u>	<u>40,200</u>
Staff costs (including directors' emoluments)	181,135	184,932
Less: Amount capitalised in contract costs	62,036	61,753
	<u>119,099</u>	<u>123,179</u>
Amortisation of permanent export quota entitlements (included in cost of sales)	2,185	2,439
Auditors' remuneration	1,821	1,899
Loss on disposals of property, plant and equipment	39	–
Loss on write-off of interest in a jointly-controlled entity	5	–
Minimum lease payment paid in respect of land and buildings	2,102	2,450
Deficit arising from revaluation of investment properties	100	100
Unrealised loss on investments in securities	831	763
and after crediting:		
Dividend income from unlisted investments in securities	435	–
Interest income from investments in securities	14,100	13,544
Bank interest income	1,447	2,776
Other interest income	681	1,170
Gain on disposals of property, plant and equipment	–	95
Gain on disposals of investments in securities	–	950
Gain on disposals of permanent textile quota entitlements	–	1,004
Release of negative goodwill arising from deemed acquisition of an additional interest in a subsidiary (included in other operating income)	1,025	–
Net rental income	<u>228</u>	<u>846</u>

For the year ended 31st March, 2003

7. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	12,606	18,837
Other borrowings wholly repayable within five years	–	153
Hire purchase contracts	293	2,501
	12,899	21,491

8. DISCONTINUED OPERATION

In August 2001, the Group entered into a sale agreement to dispose of a subsidiary, Jackson Mercantile Trading Company Limited (“Jackson Mercantile”) which carried out all of the Group’s trading activities to an associate of the Group. The disposal was completed on 3rd September, 2001, on which date control of Jackson Mercantile passed to the associate.

The results of the trading operation for the period from 1st April, 2001 to 3rd September, 2001, which have been included in the consolidated financial statements for the year ended 31st March, 2002, were as follows:

	Period ended 3rd September, 2001 <i>HK\$'000</i>
Turnover	57,777
Cost of sales	(44,173)
Gross profit	13,604
Other operating income	502
Selling and distribution costs	(1,044)
Administrative expenses	(12,085)
Profit from operations	977
Finance costs	(762)
Profit before taxation	215
Taxation charge	(145)
Profit before minority interests	70
Minority interests	(158)
Net loss for the period	(88)

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8. DISCONTINUED OPERATION (Continued)

During the year ended 31st March, 2002, Jackson Mercantile and its subsidiaries utilised approximately HK\$7,491,000 to the Group's net operating cash flows, paid approximately HK\$2,499,000 in respect of investing activities and received approximately HK\$6,078,000 in respect of financing activities.

The carrying amounts of the assets and liabilities of Jackson Mercantile and its subsidiaries at the date of disposal, are disclosed in note 32.

A gain of approximately HK\$605,000 arose on the disposal of Jackson Mercantile, being the proceeds of disposal less the carrying amount of the subsidiaries' net assets and attributable capital reserve. No tax charge or credit arose from the transaction.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Information regarding directors' emoluments

	2003 HK\$'000	2002 HK\$'000
The emoluments paid to directors of the Company during the year are as follows:		
Directors' fees paid to independent non-executive directors	50	100
Emoluments paid to executive directors		
– Salaries	4,290	4,187
– Bonuses paid and payable	2,500	2,500
– Retirement benefit scheme contributions	101	74
	6,941	6,861

The emoluments of directors fall within the following bands:

	Number of directors	
	2003	2002
Nil	3	3
HK\$1 to HK\$1,000,000	1	2
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	2	1
HK\$2,500,001 to HK\$3,000,000	1	1
	7	8

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9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)**(ii) Information regarding employees' emoluments**

The five highest paid individuals of the Group in the year include three directors (2002: three directors). The emoluments of the remaining two highest paid individuals, who are not directors, are as follows:

	2003	2002
	HK\$'000	HK\$'000
Salaries	2,187	2,020
Bonuses paid and payable	2,450	1,994
Retirement benefit scheme contributions	166	135
	4,803	4,149

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

	Number of employees	
	2003	2002
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	1	–
	2	2

10. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

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

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10. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS (Continued)

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

	2003 HK\$’000	2002 HK\$’000
Contributions payable to the Group’s MPF Schemes	<u>4,523</u>	<u>4,986</u>
Contributions payable to the Group’s Provident Funds	668	537
Less: Forfeited contributions	<u>34</u>	<u>120</u>
	<u>634</u>	<u>417</u>
Contributions charged to the income statement	<u>5,157</u>	<u>5,403</u>

At 31st March, 2003, the forfeited contributions under the Provident Funds, arising from employees leaving the schemes and which are available to reduce the contributions payable by the Group in the future, amounted to nil (2002: HK\$33,000).

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11. TAXATION CHARGE

	2003	2002
	HK\$'000	HK\$'000
The charge for the year comprises:		
Hong Kong profits tax		
Current year	11,361	4,753
(Over)/under provision in prior years	(360)	232
	11,001	4,985
Overseas taxation	–	4
Deferred taxation charge (note 27)	436	3,354
	11,437	8,343
Share of taxation of associates	2,295	6,578
Share of taxation of jointly-controlled entities	55	76
	13,787	14,997

Hong Kong profits tax is calculated at 16% (2002: 16%) on the estimated assessable profits of the year.

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

12. DIVIDEND

	2003	2002
	HK\$'000	HK\$'000
Proposed final dividend of 2 cents (2002: 2 cents) per ordinary share	11,027	11,027

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net loss for the year of approximately HK\$205,616,000 (2002: net profit of HK\$10,295,000) and on 551,368,153 (2002: 551,368,153) shares in issue during the year.

No disclosure of diluted loss per share (2002: earnings per share) is presented as the exercise of the outstanding options and convertible guaranteed bonds of the associates of the Group would only serve to reduce the loss per share (2002: increase the earnings per share) from the continuing ordinary activities.

For the year ended 31st March, 2003

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings		Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	Hong Kong HK\$'000	Overseas HK\$'000					
THE GROUP							
COST							
At 1st April, 2002	80,997	67,924	11,899	395,357	9,266	28,195	593,638
Currency realignment	-	(363)	(33)	(46)	(3)	(18)	(463)
Additions	-	-	188	15,664	715	1,367	17,934
Disposals	-	-	(16)	(665)	(1,001)	(185)	(1,867)
At 31st March, 2003	80,997	67,561	12,038	410,310	8,977	29,359	609,242
DEPRECIATION							
At 1st April, 2002	10,124	16,731	10,871	174,457	6,412	21,668	240,263
Currency realignment	-	(51)	(33)	(39)	(2)	(16)	(141)
Provided for the year	1,642	1,831	454	38,844	1,321	3,078	47,170
Eliminated on disposals	-	-	(4)	(550)	(869)	(177)	(1,600)
At 31st March, 2003	11,766	18,511	11,288	212,712	6,862	24,553	285,692
NET BOOK VALUES							
At 31st March, 2003	69,231	49,050	750	197,598	2,115	4,806	323,550
At 31st March, 2002	70,873	51,193	1,028	220,900	2,854	6,527	353,375

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

Included in the net book value of property, plant and equipment of the Group at 31st March, 2003 is an amount of approximately HK\$10,785,000 (2002: HK\$20,679,000) in respect of assets held under hire purchase contracts.

For the year ended 31st March, 2003

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture, fixtures and equipment <i>HK\$'000</i>
THE COMPANY	
COST	
At 1st April, 2002 and 31st March, 2003	72
DEPRECIATION	
At 1st April, 2002	65
Provided for the year	2
At 31st March, 2003	67
NET BOOK VALUES	
At 31st March, 2003	5
At 31st March, 2002	7

15. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$'000</i>
VALUATION	
At 1st April, 2002	1,600
Deficit arising from revaluation	(100)
At 31st March, 2003	1,500

The Group's investment properties at 31st March, 2003, which comprise land and buildings situated in Hong Kong held under medium-term leases, were revalued on an open market value basis by Chesterton Petty Limited, a firm of international property consultants. The revaluation resulted in a deficit of HK\$100,000 (2002: HK\$100,000) which has been charged to the income statement.

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

For the year ended 31st March, 2003

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	115,192	115,192
Amounts due from subsidiaries, net (<i>note</i>)	182,770	231,191
	297,962	346,383

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

Details of the Company's principal subsidiaries at 31st March, 2003 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued ordinary shares/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Apex Curtain Wall and Windows Company Limited	Hong Kong	HK\$10,000	-	86.05	Contracting of building aluminium works
Chinney Builders and Foundation Company Limited	Hong Kong	HK\$2	-	86.05	Building construction
Chinney Construction (BVI) Limited	British Virgin Islands	US\$10,000	-	86.05	Investment holding
Chinney Construction Company, Limited	Hong Kong	HK\$13,000,000	-	86.05	Building construction
Chinney Contractors Company Limited	British Virgin Islands	US\$18,961	86.05	-	Investment holding
Dongguan Chinney Garments Limited *	The People's Republic of China ("PRC")	HK\$9,000,000 **	-	100.00	Garment manufacture

For the year ended 31st March, 2003

16. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued ordinary shares/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Dongguan Marigold Industry City Developing Co., Ltd. *	PRC	HK\$50,000,000 ***	-	100.00	Property holding and development
DriiTech Geotechnical Engineering Limited	Hong Kong	HK\$10,000	-	86.05	Drilling, site investigation and related ground engineering construction
DriiTech Ground Engineering Limited	Hong Kong	HK\$12,500,000	-	86.05	Drilling, site investigation and related ground engineering construction
Gateway Group Holdings Limited	British Virgin Islands	US\$2,500,000	100.00	-	Investment holding
Gateway Trade and Development Company, Limited	Hong Kong	HK\$9,000,000	-	100.00	Garment trading
J.L. Chinney (Holdings) Company Limited *	British Virgin Islands	US\$1,250,000	100.00	-	Investment holding
J.L. Group Company Limited *	Hong Kong	HK\$8,000,000	-	100.00	Garment trading
J.L. Investment Company Limited *	Hong Kong	HK\$10,000	-	100.00	Property holding
J.L. (Overseas) Company Limited *	British Virgin Islands	US\$50,000	-	100.00	Sourcing agent for garments
Kin Wing Chinney (BVI) Limited	British Virgin Islands	US\$208	-	86.05	Investment holding

For the year ended 31st March, 2003

16. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued ordinary shares/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Kin Wing Engineering Company Limited	Hong Kong	HK\$10,000,000	-	86.05	Foundation piling
Kin Wing Foundations Limited	Hong Kong	HK\$10,000	-	86.05	Foundation piling
Kin Wing Machinery & Transportation Limited	Hong Kong	HK\$100	-	86.05	Equipment and machinery leasing
Kin Wing Treasury Limited	Hong Kong	HK\$10,000	-	86.05	Financing
Marton Trading Limited	British Virgin Islands	US\$1	-	100.00	Garment trading
Multi-Way Trading Limited	Hong Kong	HK\$5,000,000	-	100.00	Garment trading
PT. Prefash Wears Cemerlang *	Republic of Indonesia	US\$500,000	-	100.00	Garment manufacture and trading
Royal Treasure Limited	Hong Kong	HK\$2	100.00	-	Property holding

* *These companies were not audited by Deloitte Touche Tohmatsu.*

** *This company is a wholly-foreign owned enterprise.*

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

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

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

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

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

For the year ended 31st March, 2003

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed shares, at cost	–	–	556,064	556,064
Investments in securities	141,000	141,000	141,000	141,000
Share of net assets	428,246	673,260	–	–
	569,246	814,260	697,064	697,064

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

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

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
961,957,982 (2002: 961,957,982) shares of Chinney Alliance Group Limited (“Chinney Alliance”) at a closing price of HK\$0.010 (2002: HK\$0.018) each	9,620	17,315	–	–
632,284,758 (2002: 632,284,758) shares of Hon Kwok at a closing price of HK\$0.096 (2002: HK\$0.185) each	60,699	116,973	60,699	116,973
	70,319	134,288	60,699	116,973

For the year ended 31st March, 2003

17. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's principal associates at 31st March, 2003 are as follows:

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

The above companies were not audited by Deloitte Touche Tohmatsu.

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

Extracts from the financial statements of Chinney Alliance and Hon Kwok, the two major associates of the Company, are set out in note 38.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	<u>4,189</u>	<u>4,533</u>

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

For the year ended 31st March, 2003

19. PERMANENT EXPORT QUOTA ENTITLEMENTS

	THE GROUP <i>HK\$'000</i>
COST	
At 1st April, 2002 and 31st March, 2003	<u>17,756</u>
AMORTISATION	
At 1st April, 2002	15,571
Provided for the year	<u>2,185</u>
At 31st March, 2003	<u>17,756</u>
NET BOOK VALUES	
At 31st March, 2003	<u><u>-</u></u>
At 31st March, 2002	<u><u>2,185</u></u>

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

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20. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
Equity securities:						
Listed shares	-	-	639	1,470	639	1,470
Unlisted – capital contribution (note)	3,510	3,510	-	-	3,510	3,510
	<u>3,510</u>	<u>3,510</u>	<u>639</u>	<u>1,470</u>	<u>4,149</u>	<u>4,980</u>
Total:						
Listed – Hong Kong	-	-	639	1,470	639	1,470
Unlisted	3,510	3,510	-	-	3,510	3,510
	<u>3,510</u>	<u>3,510</u>	<u>639</u>	<u>1,470</u>	<u>4,149</u>	<u>4,980</u>
Market value of listed securities	-	-	639	1,470	639	1,470
Carrying amount analysed for reporting purposes as:						
Current	-	-	639	1,470	639	1,470
Non-current	3,510	3,510	-	-	3,510	3,510
	<u>3,510</u>	<u>3,510</u>	<u>639</u>	<u>1,470</u>	<u>4,149</u>	<u>4,980</u>

Note: The capital contribution is stated at carrying value and represents the Group's 25% equity interest in the registered capital of Gansu Longhai Chinney Construction Engineering Co., Ltd., a company which is established in the PRC and held by a non wholly-owned subsidiary of the Company. The investee company has not been treated as an associate because, in the opinion of the directors, the Group is not in a position to exercise significant influence in the making of operational or financial policy decisions of the investee company.

For the year ended 31st March, 2003

21. INVENTORIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	76,886	54,668
Work in progress	38,206	38,313
Finished goods	10,541	6,463
	<u>125,633</u>	<u>99,444</u>

At the balance sheet dates, all the inventories were carried at cost.

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Contracts in progress at the balance sheet date comprised:		
Contract costs incurred	4,949,072	4,588,835
Add: Recognised profits less recognised losses	619,473	625,670
	5,568,545	5,214,505
Less: Progress billings	5,639,698	5,250,612
	<u>(71,153)</u>	<u>(36,107)</u>
Represented by:		
Amounts due from customers shown under current assets	44,964	50,800
Amounts due to customers shown under current liabilities	(116,117)	(86,907)
	<u>(71,153)</u>	<u>(36,107)</u>

Staff costs, hiring charges for plant and machinery and depreciation charges of approximately HK\$62,036,000 (2002: HK\$61,753,000), HK\$5,638,000 (2002: HK\$12,722,000) and HK\$3,658,000 (2002: HK\$3,487,000), respectively, were included in contract costs. No borrowing costs were capitalised in either year.

For the year ended 31st March, 2003

23. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK\$151,221,000 (2002: HK\$197,531,000). The aging analysis of trade debtors is as follows:

	THE GROUP	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
Current to 30 days	96,913	147,732
31 to 60 days	38,294	29,448
61 to 90 days	7,831	4,621
Over 90 days	8,183	15,730
	<hr/>	<hr/>
Total	151,221	197,531
	<hr/> <hr/>	<hr/> <hr/>

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

24. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK\$93,405,000 (2002: HK\$90,192,000). The aging analysis of trade creditors is as follows:

	THE GROUP	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
Current to 30 days	69,571	59,127
31 to 60 days	14,528	23,573
61 to 90 days	4,664	3,016
Over 90 days	4,642	4,476
	<hr/>	<hr/>
Total	93,405	90,192
	<hr/> <hr/>	<hr/> <hr/>

For the year ended 31st March, 2003

25. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	THE GROUP			
	Minimum payments		Present value of minimum payments	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The maturity of the Group's obligations under hire purchase contracts is as follows:				
Within one year	4,053	7,564	3,956	7,250
Due after one year but within two years	548	4,010	537	3,919
Due after two years but within five years	-	549	-	540
	<u>4,601</u>	<u>12,123</u>	<u>4,493</u>	<u>11,709</u>
Less: Future finance charges	108	414	-	-
Present value of lease obligations	<u>4,493</u>	<u>11,709</u>	<u>4,493</u>	<u>11,709</u>
Less: Amount due within one year shown under current liabilities			<u>3,956</u>	<u>7,250</u>
Amount due after one year			<u>537</u>	<u>4,459</u>

For the year ended 31st March, 2003

26. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unsecured bank loans and overdrafts due within a period of:				
Less than one year or on demand	87,921	129,917	25,000	45,000
More than one year but not exceeding two years	2,500	5,000	2,500	5,000
More than two years but not exceeding five years	–	2,500	–	2,500
	90,421	137,417	27,500	52,500
Secured bank loans and overdrafts due within a period of:				
Less than one year or on demand	87,254	125,951	18,000	70,500
More than one year but not exceeding two years	63,095	23,424	–	18,000
More than two years but not exceeding five years	61,398	4,537	–	–
	211,747	153,912	18,000	88,500
Total bank borrowings	302,168	291,329	45,500	141,000
Less: Amount due within one year or on demand and shown under current liabilities	175,175	255,868	43,000	115,500
Amount due after one year	126,993	35,461	2,500	25,500

For the year ended 31st March, 2003

26. BANK BORROWINGS (Continued)

The banking facilities of the Group are secured by the following assets of the Group with carrying amounts as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Inventories	35,100	87,230
Investments in securities	75,000	75,000
Shares in associates, stated at the Group's share of the associates' net assets	426,655	670,220
Trade debtors	35,100	66,286
Amounts due from associates	–	1,558
Property, plant and equipment	202,397	31,721
Bank balances	21,152	2,000
	<u>795,404</u>	<u>934,015</u>

The banking facilities of the Company are secured by investments in securities with carrying value of HK\$75,000,000 (2002: HK\$75,000,000), certain shares in associates held by the Company and a subsidiary with an aggregate carrying value of approximately HK\$556,062,000 (2002: HK\$556,062,000) and HK\$39,305,000 (2002: HK\$87,700,000) respectively.

27. DEFERRED TAXATION

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	16,855	148
Charge for the year (note 11)	436	3,354
Acquired on acquisitions of subsidiaries	–	13,440
Eliminated upon disposals of subsidiaries	–	(87)
At the end of the year	<u>17,291</u>	<u>16,855</u>

For the year ended 31st March, 2003

27. DEFERRED TAXATION (Continued)

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Tax effect on timing differences attributable to:		
Excess of tax allowances over depreciation	17,982	19,302
Tax losses	(691)	(2,447)
Net deferred taxation liability provided	<u>17,291</u>	<u>16,855</u>

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

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect on timing differences attributable to:				
Excess of tax allowances over depreciation	13,294	13,569	-	-
Tax losses	(17,108)	(15,290)	(12,240)	(10,602)
Others	(401)	-	-	-
Net deferred taxation asset not recognised	<u>(4,215)</u>	<u>(1,721)</u>	<u>(12,240)</u>	<u>(10,602)</u>

For the year ended 31st March, 2003

27. DEFERRED TAXATION (Continued)

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Excess of tax allowances over depreciation	(1,547)	13,505	-	-
Tax losses	(385)	(3,660)	(644)	(1,065)
Effect of change in tax rate	(161)	-	(994)	-
Others	(401)	627	-	-
Net deferred taxation charge/(credit)	<u>(2,494)</u>	<u>10,472</u>	<u>(1,638)</u>	<u>(1,065)</u>

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

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

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

28. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

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

For the year ended 31st March, 2003

29. SHARE CAPITAL

	Number of shares 2003 & 2002	Amount 2003 & 2002 HK\$'000
Ordinary shares of HK\$0.25 each:		
Authorised:		
At the beginning and the end of the year	<u>1,000,000,000</u>	<u>250,000</u>
Issued and fully paid:		
At the beginning and the end of the year	<u>551,368,153</u>	<u>137,842</u>

For the year ended 31st March, 2003

30. RESERVES

	Share premium HK\$'000	Exchange reserve HK\$'000	Capital/ (goodwill) reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP						
At 1st April, 2001	267,569	(45,545)	(14,668)	-	781,633	988,989
Released on disposal of discontinued operation	-	-	(489)	-	-	(489)
Share of reserves of associates attributable to the Group	-	12	4,943	-	-	4,955
Exchange differences arising from translation of financial statements denominated in foreign currencies	-	928	-	-	-	928
Net profit for the year	-	-	-	-	10,295	10,295
Proposed final dividend	-	-	-	11,027	(11,027)	-
At 31st March, 2002	267,569	(44,605)	(10,214)	11,027	780,901	1,004,678
Attributable to:						
The Company and subsidiaries	267,569	1,581	(6,670)	11,027	693,552	967,059
Associates	-	(46,186)	(3,544)	-	82,898	33,168
Jointly-controlled entities	-	-	-	-	4,451	4,451
At 31st March, 2002	267,569	(44,605)	(10,214)	11,027	780,901	1,004,678
At 1st April, 2002	267,569	(44,605)	(10,214)	11,027	780,901	1,004,678
Share of reserves of associates attributable to the Group	-	477	-	-	-	477
Exchange differences arising from translation of financial statements denominated in foreign currencies	-	(259)	-	-	-	(259)
Impairment loss on goodwill arising from an associate acquired in previous years (note)	-	-	11,129	-	-	11,129
Net loss for the year	-	-	-	-	(205,616)	(205,616)
Dividend paid	-	-	-	(11,027)	-	(11,027)
Proposed final dividend	-	-	-	11,027	(11,027)	-
At 31st March, 2003	267,569	(44,387)	915	11,027	564,258	799,382
Attributable to:						
The Company and subsidiaries	267,569	1,322	4,459	11,027	722,945	1,007,322
Associates	-	(45,709)	(3,544)	-	(162,799)	(212,052)
Jointly-controlled entities	-	-	-	-	4,112	4,112
At 31st March, 2003	267,569	(44,387)	915	11,027	564,258	799,382

Note: During the year, the Group reviewed the goodwill and identified that the estimated discounted net future cash flows from the acquired associate would be insignificant and accordingly, the goodwill was fully provided for in the financial statements.

For the year ended 31st March, 2003

30. RESERVES (Continued)

	Share premium <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1st April, 2001	267,569	–	491,178	758,747
Net profit for the year	–	–	20,987	20,987
Proposed final dividend	–	11,027	(11,027)	–
At 31st March, 2002	267,569	11,027	501,138	779,734
Net loss for the year	–	–	(24,392)	(24,392)
Dividend paid	–	(11,027)	–	(11,027)
Proposed final dividend	–	11,027	(11,027)	–
At 31st March, 2003	267,569	11,027	465,719	744,315

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

31. PURCHASES OF SUBSIDIARIES

	2002 <i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	222,735
Investments in securities	2,802
Interest in an associate	5
Interest in a jointly-controlled entity	5
Retention monies receivable after one year	18,598
Amounts due from customers for contract work	80,275
Debtors and prepayments	137,569
Retention monies receivable within one year	57,022
Amount due from an associate	1
Dividend receivable	363
Taxation recoverable	47
Bank balances and cash	6,209
Creditors and accrued charges	(165,895)
Amounts due to customers for contract work	(69,959)
Obligations under hire purchase contracts – due within one year	(12,315)
Amount due to an associate	(5)
Amount due to a jointly-controlled entity	(5)
Bank loans – due within one year	(18,891)
Bank overdrafts	(48,011)
Obligations under hire purchase contracts – due after one year	(16,412)
Bank loans – due after one year	(4,021)
Deferred taxation	(13,440)
Consideration given	176,677
Satisfied by:	
Cash	88,000
Interests in associates	88,677
	176,677

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31. PURCHASES OF SUBSIDIARIES (Continued)

Analysis of net outflow of cash and cash equivalents in connection with the acquisitions of subsidiaries:

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

The subsidiaries acquired during the year ended 31st March, 2002 contributed approximately HK\$993,974,000 to the Group's turnover, and approximately HK\$30,570,000 to the Group's profit before taxation for that year.

32. DISPOSAL OF DISCONTINUED OPERATION

	2002 HK\$'000
Net assets disposed of:	
Property, plant and equipment	10,586
Retention monies receivable after one year	2,286
Amounts due from customers for contract work	7,662
Amounts due from associates	9,766
Inventories	21,337
Debtors and prepayments	23,049
Retention monies receivable within one year	1,342
Taxation recoverable	177
Bank balances and cash	580
Creditors and accrued charges	(27,946)
Amounts due to customers for contract work	(2,582)
Amounts due to associates	(8,742)
Taxation payable	(47)
Deferred taxation	(87)
Bank loans – due within one year	(15,545)
Bank overdrafts	(8,580)
Bank loans – due after one year	(2,496)
Capital reserve attributable to the Group	(489)
Minority interests	(1,007)
	<u>9,264</u>
Gain on disposal of discontinued operation	605
	<u>9,869</u>
Satisfied by:	
Cash consideration	<u>9,869</u>

For the year ended 31st March, 2003

32. DISPOSAL OF DISCONTINUED OPERATION (Continued)

Analysis of net cash inflow of cash and cash equivalents in respect of the disposal of discontinued operation:

	2002 HK\$'000
Cash consideration	9,869
Bank overdrafts disposed of	8,580
Bank balances and cash disposed of	(580)
	<u>17,869</u>

Details of the turnover and profit before taxation of the discontinued operation is shown in note 8.

33. MAJOR NON-CASH TRANSACTIONS

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

34. CONTINGENT LIABILITIES

(a)

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Extent of general banking facilities guaranteed by the Group/Company which were utilised at the balance sheet date by:				
– subsidiaries	–	–	106,238	32,341
– jointly-controlled entities	55,237	35,374	–	–
Bills discounted with recourse	10,792	5,160	–	–
	<u>66,029</u>	<u>40,534</u>	<u>106,238</u>	<u>32,341</u>

For the year ended 31st March, 2003

34. CONTINGENT LIABILITIES *(Continued)*

- (b) Certain subsidiaries of Chinney Contractors Company Limited (“Chinney Contractors”) were involved in legal proceedings or claims against them in the ordinary course of their respective business activities. The aggregate amount of claims, including estimated legal costs, resulting from such contingent liabilities was approximately HK\$67,161,000 as at 31st March, 2003 (2002: HK\$66,586,000). The directors of Chinney Contractors consider that, after taking into account of the legal advices obtained, these proceedings and claims were made without valid grounds and accordingly, no provision for any potential liabilities is considered necessary.
- (c) A subsidiary of Chinney Contractors is currently appealing against an additional tax assessment of approximately HK\$3,200,000 raised by the Hong Kong Inland Revenue Department regarding the taxability of certain gain recognised in prior years. Having taken into account professional advices, the directors of Chinney Contractors consider that the gain is capital in nature and no provision regarding this assessment is necessary in the financial statements.
- (d) On 20th April, 1996, a writ was filed against a wholly-owned subsidiary of Hon Kwok, Joint Peace Investment Limited (“Joint Peace”), regarding an alleged disparity between the pavement and the ground floor level of the building at 18-22 Percival Street, junction of Jaffe Road, Causeway Bay, Hong Kong. The amount claimed, excluding minor construction and related costs, was either HK\$41,000,000 or HK\$69,300,000, representing the claim for loss of rental income or loss of interest on the purchase price, over a period of 12 months. A defence to contest this claim was filed on 22nd July, 1996.

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

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

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35. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	1,398	1,143
In the second to fifth year inclusive	3,035	355
	4,433	1,498

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

At 31st March, 2003, a jointly-controlled entity had annual commitments payable under non-cancellable operating leases for land and buildings falling due within one year and in the second to fifth year inclusive amounting to approximately HK\$542,000 (2002: HK\$697,000) and HK\$561,000 (2002: HK\$1,103,000), respectively. The Group's share of these operating lease commitments amounted to approximately HK\$271,000 (2002: HK\$349,000) and HK\$281,000 (2002: HK\$552,000), respectively.

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

36. RELATED PARTY TRANSACTIONS

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

	2003	2002
	HK\$'000	HK\$'000
Construction work carried out for an associate	11,976	49,678
Interest received from investments in securities of an associate	14,100	13,544
Net interest received from jointly-controlled entities	580	519
Management fee income received from an associate	2,000	1,750

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

36. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) On 12th February, 2003, the Company entered into an underwriting agreement with Hon Kwok in respect of a proposed rights issue of 200,123,100 rights shares of Hon Kwok at a subscription price of HK\$1 per rights share (the "Underwriting Agreement"). Pursuant to the Underwriting Agreement, the Company has irrevocably undertaken to subscribe for 94,842,711 rights shares of Hon Kwok provisionally allotted to the Company in respect of its beneficial shareholding in Hon Kwok. The Company also agreed to underwrite the remaining 105,280,389 rights shares. Hon Kwok would pay a commission of approximately HK\$2,632,000, equivalent to 2.5% of the total subscription monies of the rights shares underwritten by the Company.
- (c) On 12th February, 2003, the Company, Hon Kwok and Hon Kwok Land Treasury II Limited entered into a deed for payment arrangement of the subscription monies payable by the Company for the subscription of the rights shares of Hon Kwok and the repayment of the principal sum of HK\$141 million (the "Redemption Monies") convertible guaranteed bonds issued by Hon Kwok Land Treasury II Limited. The deed was subsequently amended on 31st March, 2003 whereby all parties agreed that the Redemption Monies shall be deferred and applied towards the payment of part of or the whole of the subscription monies payable by the Company for the subscription of the rights shares of Hon Kwok.
- (d) On 31st March, 2003, the Company granted an unsecured bridging facility of a maximum of HK\$159 million to Hon Kwok for the repayment of the convertible guaranteed bonds issued by Hon Kwok Land Treasury II Limited and held by other bondholders upon their maturity on 22nd April, 2003. The advance under the bridging facility was repaid in full before the date of this report.
- (e) The amounts due from/to subsidiaries and associates are unsecured, non-interest bearing and are repayable on demand in both years, except for an amount of HK\$20,000,000 (2002: nil) due from the Company to a subsidiary which bears interest at prevailing market rates.

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

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37. POST BALANCE SHEET EVENT

On 21st May, 2003, the rights issue of Hon Kwok was completed. Hon Kwok announced that they have received total valid applications for 126,755,733 rights shares (including 94,842,711 rights shares taken up by the Company). The Company performed its obligation under the Underwriting Agreement to subscribe for the rest of 73,367,367 rights shares of Hon Kwok. The Company satisfied the subscription monies of approximately HK\$168.2 million by the set-off of the Redemption Monies of HK\$141 million, the set-off of underwriting commission payable by Hon Kwok of approximately HK\$2.6 million and cash payment of approximately HK\$24.6 million. Upon completion of the rights issue, the Company's shareholding in Hon Kwok increased from 47.39% as at 31st March, 2003 to 69.39%. Hon Kwok becomes a subsidiary of the Company.

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

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

(a) Chinney Alliance Group Limited

Consolidated income statement

For the year ended 31st December, 2002

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	<u>828,252</u>	<u>687,671</u>
Operating loss	(52,669)	(109,840)
Share of profits less losses of associates	<u>(2,280)</u>	<u>(18,789)</u>
Loss before tax	(54,949)	(128,629)
Tax	<u>(3,222)</u>	<u>(1,136)</u>
Loss before minority interests	(58,171)	(129,765)
Minority interests	<u>(236)</u>	<u>713</u>
Net loss attributable to shareholders	<u>(58,407)</u>	<u>(129,052)</u>

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38. EXTRACTS FROM THE FINANCIAL STATEMENTS OF THE GROUP'S MAJOR ASSOCIATES (Continued)**(a) Chinney Alliance Group Limited** (Continued)**Consolidated balance sheet**

At 31st December, 2002

	2002 HK\$'000	2001 HK\$'000 (restated)
Fixed assets	33,757	37,066
Goodwill	1,168	1,208
Interests in associates	48,033	41,534
Other non-current assets	4,184	4,578
Current assets	346,853	395,654
Current liabilities	(282,286)	(279,065)
Non-current liabilities	(15,371)	(19,259)
Minority interests	(1,274)	(1,797)
Net assets	<u>135,064</u>	<u>179,919</u>

(b) Hon Kwok Land Investment Company, Limited**Consolidated income statement**

For the year ended 31st March, 2003

	2003 HK\$'000	2002 HK\$'000 (restated)
Turnover	<u>473,877</u>	<u>639,293</u>
Operating (loss)/profit	(479,336)	26,072
Share of profits less losses of jointly-controlled entities	<u>1,454</u>	<u>4,575</u>
(Loss)/profit before tax	(477,882)	30,647
Tax	(2,865)	(13,186)
(Loss)/profit before minority interests	(480,747)	17,461
Minority interests	<u>1,646</u>	<u>(14,305)</u>
Net (loss)/profit from ordinary activities attributable to shareholders	<u>(479,101)</u>	<u>3,156</u>

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38. EXTRACTS FROM THE FINANCIAL STATEMENTS OF THE GROUP'S MAJOR ASSOCIATES (Continued)**(b) Hon Kwok Land Investment Company, Limited** (Continued)**Consolidated balance sheet**

At 31st March, 2003

	2003 HK\$'000	2002 HK\$'000
Fixed assets	4,536	6,221
Properties under development	303,568	724,571
Investment properties	930,775	893,150
Deferred charges	199	4,404
Interests in jointly-controlled entities	2,442	33,802
Interest in an associate	14,857	14,857
Current assets	1,043,774	1,117,318
Current liabilities	(865,788)	(570,100)
Non-current liabilities	(601,329)	(911,397)
Minority interests	(15,709)	(17,355)
Net assets	<u>817,325</u>	<u>1,295,471</u>