

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting policies generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention as modified by revaluation of certain investments in securities.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effected starting from this financial year ended 31st March, 2002.

SSAP 9 (revised)	: Events after the balance sheet date
SSAP 14 (revised)	: Leases
SSAP 26	: Segment reporting
SSAP 30	: Business combinations
SSAP 31	: Impairment of assets

The effect of adopting these new standards is set out in the accounting policies below.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Subsidiaries are those entities in which the Group controls the composition of the board of directors or controls more than half of the voting power.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/jointly controlled entity/associated company at the date of acquisition. In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st April, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1st April, 2001 was taken directly to reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. In accordance with SSAP 31 such goodwill is considered to assess whether there is any indication of impairment loss has arisen since the date of acquisition on goodwill previously taken directly to reserves.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Goodwill/negative goodwill (continued)

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions after 1st April, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions prior to 1st April, 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st April, 2001 acquisitions, the related goodwill taken directly to/against reserves to the extent it has not previously been realised in the profit and loss account.

(d) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to their joint control and none of the participating parties involved has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of a jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

(e) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

1. PRINCIPAL ACCOUNTING POLICIES (continued)**(f) Fixed assets and properties****(i) Investment property**

Investment property is interests in building in respect of which construction work and development has been completed and which is held for their investment potential, any rental income being negotiated at arm's length.

The investment property is held on a lease with an unexpired period of less than 20 years. The investment property is stated at cost less accumulated depreciation and provision for impairment. The investment property is depreciated over the unexpired period.

(ii) Properties under development

Properties under development which are not due for completion within one year from the balance sheet date are stated at cost less accumulated impairment. Cost of property in the course of development comprises land costs and development costs including attributable interest and other related expenses capitalised during the development period.

(iii) Other fixed assets

Other fixed assets, comprising long term leasehold land and buildings, leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment.

Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	5%
Leasehold improvements	over the unexpired period of the lease
Plant and machinery	10–50%
Furniture, fixtures and equipment	10–33.33%
Motor vehicles	25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

As a result of the adoption of the revised SSAP 14, information relating to disclosure of commitments under operating leases has been prepared to conform with the new disclosure requirements.

(h) Stocks and contracting work-in-progress

Stocks are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Contracting work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises direct materials, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(j) Deferred income

Profits in respect of incomplete contracts are calculated in accordance with the stage of completion. Profits calculated in this manner are transferred from gross profit to deferred income on the balance sheet and a portion is released to the profit and loss account in accordance with the stage of completion of the contracts after projects are more than 40% completed.

(k) Investments

(i) Short term investments

Short term investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of short term investments are recognised in the profit and loss account. Profits or losses on disposal of short term investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(ii) Other investments

Other investments represent unlisted investments held for long term and are stated at cost less any provision for impairment.

(l) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries, associated companies and jointly controlled entity expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

1. PRINCIPAL ACCOUNTING POLICIES (continued)**(m) Related companies**

A related company is a company in which a director or a major shareholder of the company has a significant direct or indirect beneficial interest.

(n) Retirement benefits

The Group contributes to two defined contribution retirement schemes, namely Hsin Chong Group Retirement Fund Scheme ("RFS") and Hsin Chong Group Mandatory Provident Fund Scheme ("MPF") (In December 2000, Hsin Chong Group Provident Fund Scheme ("PFS") was terminated and all relevant assets of which was transferred to MPF with employees' concurrence). The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to RFS, PFS and MPF are based on rates ranging from 5% to 10% of employees' salaries depending on length of service and are expensed as incurred in the profit and loss account. The contributions to RFS is not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Such forfeited amounts are retained in the funds for the benefit of other employees.

(o) Revenue recognition

Revenue from contracting work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to the gross billing value of contracting work to date as compared to the total contract sum receivable under the contracts.

Income from sale of stock of properties is recognised on completion of the sale and purchase agreements.

Operating lease rental income is recognised on a straight-line basis.

Plant and plant staff hire income, management fee income and services centre charges are recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to received payments is established.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. The capitalisation rate for the year is based on the cost of the related borrowings. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(q) Interest rate hedging

Any differential interest receipts and payments, arising from interest rate swap agreements are accrued so as to match the net income or cost of such agreement with the related finance expense. No amounts are recognised in respect of future accounting periods.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

(s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and no geographical segment information is presented as major operations are maintained in Hong Kong. The impact of the SSAP 26 is the inclusion of additional segment reporting disclosures which are set out in note 2 to the accounts.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, investment property, inventories, receivables, investments in securities and operating cash. Segment liabilities comprise operating liabilities and bank borrowings, and exclude taxation. Capital expenditure comprises additions to fixed assets (note 12).

(t) Dividend

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Accordingly, opening retained profits at 1st April, 2000 and 2001 have been increased by HK\$16,194,000 and HK\$15,868,000 respectively which are the reversal of the provisions in respect of the proposed final dividends for the year ended 31st March, 2000 and 2001 declared on 7th July, 2000 and 9th July, 2001 respectively. The adoption of the revised SSAP 9 has resulted in a decrease in current liabilities at 31st March, 2001 by HK\$15,868,000 as provision for proposed dividends are no longer required.

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in building construction, civil engineering, piling and foundations, renovation and fitting-out, building repair and maintenance, construction management, property investment, property rental, property development, contractor finance and undertaking projects on a "Build, Operate and Transfer" basis.

Turnover represents gross billing value of contracting work to third parties and related companies, sales proceeds and rental income from development properties, rental income from investment property and other property and rental related income as follows:

	2002 HK\$'000	2001 HK\$'000
Contract revenue	2,147,696	3,081,211
Sales proceeds/Rental income		
— property development	2,532	2,339
— investment property	10,769	17,097
— other property	3,064	2,900
Rental related income	5,734	6,044
	2,169,795	3,109,591

2. TURNOVER AND SEGMENT INFORMATION (continued)**Primary reporting format: business segments**

The Group is organised into six major business segments, being building construction and civil engineering, piling and foundations, property development, rental property, electrical and mechanical installation and hotel operation.

	Building construction and civil engineering 2002 HK\$'000	Piling and foundations 2002 HK\$'000 (note 32)	Property development 2002 HK\$'000	Rental property 2002 HK\$'000	Electrical and mechanical installation 2002 HK\$'000	Hotel operation 2002 HK\$'000	Other operation 2002 HK\$'000	Group 2002 HK\$'000
Turnover	2,131,892	29,462	2,532	19,567	—	—	—	2,183,453
Elimination of inter-segment sales	(13,658)	—	—	—	—	—	—	(13,658)
	2,118,234	29,462	2,532	19,567	—	—	—	2,169,795
Segment results	139,464	(31,867)	(20,838)#	(11,136)^	—	—	—	75,623
Financial and securities income								10,645
Unallocated corporate expenses								(5,975)
Operating profit								80,293
Finance costs	(7,713)	(94)	—	(3,170)	—	—	—	(10,977)
Share of results of								
— Jointly controlled entity	(1,526)	—	—	—	—	—	—	(1,526)
— Associated companies	—	—	(1,486)	—	3,388	(2,179)	1,922	1,645
Profit before taxation								69,435
Taxation								(21,990)
Profit after taxation								47,445
Minority interests								(54,991)
Loss attributable to shareholders								(7,546)
Segment assets	1,066,644	101,813	165,657	339,467	—	—	—	1,673,581
Unallocated assets								42,319
Investment in jointly controlled entity	14	—	—	—	—	—	—	14
Investment in associated companies	—	—	39,095	—	29,388	47,740	12,429	128,652
Total assets								1,844,566
Segment liabilities	(924,980)	(65,446)	(40,104)	(44,610)	—	—	—	(1,075,140)
Unallocated liabilities								(2,078)
Tax liabilities								(30,396)
Total liabilities								(1,107,614)
Shareholders' funds								(687,062)
Minority interests								(49,890)
								(1,844,566)
Capital expenditure	12,018	883	—	—	—	—	—	12,901
Depreciation	25,480	19,339	—	19,226	—	—	—	64,045
Impairment of properties	—	—	21,852	10,000	—	—	—	31,852

Includes an impairment in value of HK\$21.9 million in the unsold stock of carpark property of a completed PSPS project in Tuen Mun, Hong Kong (see note 18).

^ Includes an impairment in value of HK\$10.0 million against an investment property in Wanchai, Hong Kong (see note 12).

2. TURNOVER AND SEGMENT INFORMATION (continued)**Primary reporting format: business segments** (continued)

	Building construction and civil engineering 2001 HK\$'000	Piling and foundations 2001 HK\$'000	Property development 2001 HK\$'000	Rental property 2001 HK\$'000	Electrical and mechanical installation 2001 HK\$'000	Hotel operation 2001 HK\$'000	Other operation 2001 HK\$'000	Group 2001 HK\$'000
Turnover	2,981,644	130,727	2,339	26,041	—	—	—	3,140,751
Elimination of inter-segment sales	(31,160)	—	—	—	—	—	—	(31,160)
	2,950,484	130,727	2,339	26,041	—	—	—	3,109,591
Segment results	125,034	(73,857)	(25,293)*	5,209	—	—	—	31,093
Financial and securities income								31,711
Unallocated corporate expenses								(6,996)
Operating profit								55,808
Finance costs	(14,982)	(1)	—	(5,640)	—	—	—	(20,623)
Share of results of								
— Jointly controlled entity	1,478	—	—	—	—	—	—	1,478
— Associated companies	—	—	4,859	—	3,315	(5,578)	(61)	2,535
Profit before taxation								39,198
Taxation								(15,163)
Profit after taxation								24,035
Minority interests								1,290
Profit attributable to shareholders								25,325
Segment assets	1,192,431	145,984	211,475	366,711	—	—	—	1,916,601
Unallocated assets								21,776
Investment in jointly controlled entity	1,540	—	—	—	—	—	—	1,540
Investment in associated companies	—	—	40,584	—	28,424	47,098	14,532	130,638
Total assets								2,070,555
Segment liabilities	(1,056,879)	(110,351)	(35,980)	(62,021)	—	—	—	(1,265,231)
Unallocated liabilities								(4,585)
Tax liabilities								(22,685)
Total liabilities								(1,292,501)
Shareholders' funds								(707,264)
Minority interests								(70,790)
								(2,070,555)
Capital expenditure	6,337	4,739	—	—	—	—	—	11,076
Depreciation	31,474	20,089	—	19,164	—	—	—	70,727
Impairment of property	—	—	26,750	—	—	—	—	26,750

* Includes an impairment in value of HK\$26.8 million against a property development project in Guangzhou, the People's Republic of China (see note 17).

Secondary reporting format: geographical segments

Over 90% of the activities of the Group during the year were carried out in Hong Kong and over 90% of the assets of the Group were located in Hong Kong. Accordingly, a geographical analysis is not presented.

3. OTHER INCOME

	2002 HK\$'000	2001 HK\$'000
Other income represented:		
Plant and plant staff hire income	3,283	4,063
Gain on disposal of short term investments	116	983
Gain on disposal of fixed assets	—	2,278
Unrealised gain on short term investments	—	1,320
Interest income		
— unlisted investments	—	322
— bank deposits	17,427	42,634
Dividend income from unlisted investments	7	—
Service centre charges received from a related company	8,985	9,422
Net negative goodwill	64	—
Miscellaneous	3,608	3,655
	33,490	64,677

4. OPERATING PROFIT

	2002 HK\$'000	2001 HK\$'000
Operating profit is stated after charging the following:		
Auditors' remuneration		
— charge for the year	1,403	1,440
— (over)/under provision for previous year	(19)	30
Cost of properties sold	206	—
Loss on disposal of fixed assets	1,510	—
Stock written off	3,894	—
Depreciation		
— investment property	11,197	11,197
— building on long term leasehold land	8,029	7,967
— owned fixed assets	44,819	51,563
Legal and professional fees	2,878	3,374
Operating lease rentals for land and buildings	4,168	3,227
Outgoings in respect of		
— investment property	5,781	5,493
— other property	4,533	4,975
Provision for impairment in value in other investments	3,473	412
Retirement benefit costs (Note)	12,941	12,521
Staff costs	236,983	280,277
Unrealised losses on short term investments	170	—
Impairment of properties		
— unsold stock of carpark property (note 18)	21,852	—
— investment property (note 12)	10,000	—
— property development project (note 17)	—	26,750

Note: Retirement benefit costs represent contributions paid by the Company and its subsidiaries to the Hsin Chong Group Retirement Fund Scheme, Hsin Chong Group Provident Fund Scheme and Hsin Chong Group Mandatory Provident Fund. There were no contributions payable to the funds as at 31st March, 2002 (2001: HK\$Nil).

5. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on bank overdraft and loans wholly repayable within five years	9,064	17,364
Interest paid on swap agreements	820	2,202
Others	1,093	1,057
	10,977	20,623

6. DIRECTORS' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
Fees		
— Executive directors	139	167
— Independent non-executive directors	80	79
Salaries, housing and other allowances, benefits in kind	6,286	5,333
Contributions to retirement scheme	214	276
Bonuses	2,307	2,676
	9,026	8,531

There was no benefit (2001: HK\$Nil) arising in respect of the surplus of the market value over the issue price of share issued and allotted under the Executive Share Option Scheme as there was no such share allotment for the year. During the year, a benefit of HK\$34,000 (2001: HK\$35,000) arose on shares issued and allotted to certain directors of the Company under the Employees Share Subscription Scheme.

None of the directors has waived his right to receive emoluments.

The emoluments were paid to the directors as follows:

Emoluments band	Number of directors in each band	
	2002	2001
HK\$Nil – HK\$1,000,000	10	8
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	1	—
HK\$2,000,001 – HK\$2,500,000	—	1
HK\$2,500,001 – HK\$3,000,000	—	—
HK\$3,000,001 – HK\$3,500,000	1	—
HK\$3,500,001 – HK\$4,000,000	—	1
	14	12

7. FIVE HIGHEST PAID EMPLOYEES

There were two (2001: two) directors whose emoluments were among the five highest in the Group and included in the analysis set out in note 6 to the accounts.

Details of the emoluments paid to the other three (2001: three) individuals who are not directors but whose emoluments were among the five highest in the Group are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries, housing and other allowances, benefits in kind	3,354	3,554
Contributions to retirement scheme	242	245
Bonuses	2,496	2,867
	6,092	6,666

Emoluments band	Number of individuals in each band	
	2002	2001
HK\$Nil – HK\$1,000,000	—	—
HK\$1,000,001 – HK\$1,500,000	—	—
HK\$1,500,001 – HK\$2,000,000	2	—
HK\$2,000,001 – HK\$2,500,000	1	3
	3	3

8. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the year after application of available tax losses brought forward.

	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	20,809	16,561
Transfer to/(from) deferred taxation (note 21)	436	(1,818)
	21,245	14,743
Associated companies		
Hong Kong profits tax	745	369
Deferred taxation charge	—	51
	745	420
	21,990	15,163

The Company and subsidiaries' balance includes the Group's share of the profit tax credit of a jointly controlled entity which amounts to HK\$251,000 (2001: share of profits tax charge of HK\$214,000) as the amount is taxable under the name of a subsidiary.

9. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders dealt with in the accounts of the Company is HK\$20,225,000 (2001: profit of HK\$16,546,000).

10. DIVIDEND

	2002 HK\$'000	2001 HK\$'000
Final dividend proposed: Nil (2001: HK2.5 cents) per ordinary share	—	15,868

The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st March, 2000 and 2001 were HK\$16,194,000 and HK\$15,868,000 respectively. Under the Group's new accounting policy as described in note 1(t), these have been written back against opening reserves as at 1st April, 2000 and 2001 in note 25 and are now charged in the period in which they were proposed.

11. (LOSS)/EARNINGS PER SHARE

The calculation of loss per share is based on the loss attributable to shareholders of HK\$7,546,000 (2001: profit of HK\$25,325,000) and the weighted average number of 635,582,000 shares (2001: 644,052,000 shares) in issue during the year.

Diluted (loss)/earnings per share for the years ended 31st March, 2002 and 2001 have not been calculated as no diluting events existed during these years.

12. FIXED ASSETS**Group**

	Investment property in Hong Kong under medium term lease HK\$'000	Long term leasehold land and buildings in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost							
At 1st April, 2001	223,942	229,129	20,792	355,475	23,685	8,569	861,592
Additions	—	—	335	10,974	818	774	12,901
Disposals	—	—	—	(29,744)	(187)	(1,306)	(31,237)
Write back of provision for construction costs	—	(1,141)	—	—	—	—	(1,141)
At 31st March, 2002	223,942	227,988	21,127	336,705	24,316	8,037	842,115
Accumulated depreciation and impairment							
At 1st April, 2001	76,075	16,400	7,194	243,514	17,388	7,395	367,966
Charge for the year	11,197	8,143	3,426	37,542	3,126	725	64,159
Disposals	—	—	—	(26,757)	(154)	(1,168)	(28,079)
Impairment loss (note 4)	10,000	—	—	—	—	—	10,000
Write back of provision for construction costs	—	(114)	—	—	—	—	(114)
At 31st March, 2002	97,272	24,429	10,620	254,299	20,360	6,952	413,932
Net book value							
At 31st March, 2002	126,670	203,559	10,507	82,406	3,956	1,085	428,183
At 31st March, 2001	147,867	212,729	13,598	111,961	6,297	1,174	493,626

Long term leasehold land and buildings with a net book value of HK\$203,559,000 (2001: HK\$212,729,000) had been pledged to a bank to secure the related mortgage loan.

12. FIXED ASSETS (continued)**Company**

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At 1st April, 2001	7,802	9,623	2,875	20,300
Additions	189	355	—	544
Disposals	—	(8)	(114)	(122)
At 31st March, 2002	7,991	9,970	2,761	20,722
Accumulated depreciation				
At 1st April, 2001	2,600	5,921	2,020	10,541
Charge for the year	1,316	2,052	450	3,818
Disposals	—	(5)	(86)	(91)
At 31st March, 2002	3,916	7,968	2,384	14,268
Net book value				
At 31st March, 2002	4,075	2,002	377	6,454
At 31st March, 2001	5,202	3,702	855	9,759

13. SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	210,468	210,468
Amounts due from subsidiaries	767,771	770,769
Amounts due to subsidiaries	(310,652)	(456,301)
Less: Impairment in value	(210,979)	(9,979)
	456,608	514,957

Amounts due from/to subsidiaries are unsecured, non interest bearing and have no fixed terms of repayment, except for an amount due from a subsidiary of HK\$181,593,000 (2001: HK\$181,212,000) which bears interest at Hong Kong prime rate less 2.5% (2001: Hong Kong prime rate) per annum.

Details of principal subsidiaries which, in the opinion of the directors, principally affected the results and assets of the Group, are set out in note 31 to the accounts.

14. ASSOCIATED COMPANIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets before share of provision	38,650	36,855
Amounts due from associated companies	1,785	2,055
Loans to associated companies	166,614	172,457
Share of provision for impairment	(78,397)	(80,729)
	128,652	130,638
Unlisted shares, at cost	23,308	32,748

	Company	
	2002 HK\$'000	2001 HK\$'000
Amounts due from associated companies	298	341

The loans to and amounts due from associated companies are unsecured, non interest bearing and repayable on demand.

Dividends received from associated companies during the year amounted to HK\$1,640,000 (2001: HK\$4,754,000).

Details of principal associated companies which, in the opinion of the directors, principally affected the results and assets of the Group, are set out in note 31 to the accounts.

15. JOINTLY CONTROLLED ENTITY

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	14	1,540

Name	Place of incorporation and operation	Principal activity	Effective percentage of interest held	Proportion of voting power
Hsin Chong Construction Company Limited & Taylor Woodrow International Limited Joint Venture for Kowloon Station	Unincorporated joint venture operating in Hong Kong	Construction management	60%	50%

15. JOINTLY CONTROLLED ENTITY (continued)

Pursuant to the terms of the joint venture agreement, 50% of the profits for each year of the jointly controlled entity or any other sum that may be agreed by the supervisory board of the jointly controlled entity shall be distributed to the joint parties in proportion to their respective interests.

No dividend was received from the jointly controlled entity during the year (2001: HK\$3,211,000). The Group's share of profits retained at year end by the jointly controlled entity amounted to HK\$14,000 (2001: HK\$1,540,000).

16. INVESTMENTS**Group**

	Other investments		Short term investments		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Equity securities						
Listed in Hong Kong, at fair value	—	—	162	242	162	242
Listed overseas, at fair value	—	—	2,451	—	2,451	—
Unlisted overseas, at fair value	—	—	32,120	31,504	32,120	31,504
Unlisted, at cost	8,558	8,558	—	—	8,558	8,558
Less: Provision	(6,233)	(2,760)	—	—	(6,233)	(2,760)
	2,325	5,798	34,733	31,746	37,058	37,544
Debt securities						
Listed overseas, at fair value	—	—	2,848	7,750	2,848	7,750
Total	2,325	5,798	37,581	39,496	39,906	45,294
Analysis of carrying amount for reporting purposes is as follows:						
Current	—	—	37,581	39,496	37,581	39,496
Non-current	2,325	5,798	—	—	2,325	5,798
	2,325	5,798	37,581	39,496	39,906	45,294

17. PROPERTIES UNDER DEVELOPMENT

	Group	
	2002 HK\$'000	2001 HK\$'000
Properties under development, at cost	178,853	168,690
Less: Accumulated impairment		
— at beginning of the year	(92,000)	(65,250)
— for the year (note 4)	—	(26,750)
	86,853	76,690

17. PROPERTIES UNDER DEVELOPMENT (continued)

Properties under development include a project undertaken by a subsidiary which plans to construct and manage service apartments on a site of approximately 471 sq.m. in Ho Chi Minh City, Socialist Republic of Vietnam ("Vietnam"). The subsidiary was established in the form of a joint venture company under the laws of Vietnam with a duration for operations of 30 years from 2nd March, 1994.

Another project relates to a subsidiary which purchased a site at Taifeng Industrial Park located in the Tianjin Economic and Technological Development Area, Tianjin, the People's Republic of China ("China"). The proposed development consists of 10 blocks of factory buildings and two residential blocks on a site area of approximately 53,412 sq.m.. The subsidiary was established in the form of a joint venture company under the laws of China with a period for operations of 50 years from 14th July, 1995.

The third project is undertaken by a subsidiary of the Group to develop, construct, sell residential units and shops on a site of approximately 18,215 sq.m. at Wen Chang Square located in Li Wan District, Guangzhou, China. The subsidiary was also established in the form of a joint venture company under the laws of China with a period of operations of ten years from 14th December, 1995.

There had not been any significant development over the years for the first and second projects while the third project is on going despite some delay from original schedule.

In the opinion of the directors, provisions were made for diminution in value and foreseeable losses on properties under development upon their completion.

18. STOCKS AND CONTRACTING WORK-IN-PROGRESS

	Group	
	2002 HK\$'000	2001 HK\$'000
Cost plus attributable profit less foreseeable losses	4,301,687	3,415,796
Less: Progress payments received and receivable	(4,102,353)	(3,176,718)
Contracting work-in-progress (Note)	199,334	239,078
Raw materials, at cost	5,674	9,371
Stocks of properties, at cost	55,527	55,733
Less: Impairment in value (note 4)	(21,852)	—
Stocks of properties, at net realisable value	33,675	55,733
	238,683	304,182
<i>Note:</i>		
Representing gross amounts due from customers for contract work	199,334	239,078

As at 31st March 2002, retentions held by customers for contract work included in receivables and prepayments amounted to HK\$179,883,000 (2001: HK\$140,763,000).

19. RECEIVABLES AND PREPAYMENTS**Group**

Included in receivables and prepayments are trade debtors and their ageing analysis is as follows:

	Not yet due HK\$'000	1 to 30 days HK\$'000	31 to 90 days HK\$'000	91 to 180 days HK\$'000	Over 180 days HK\$'000	Total HK\$'000
Balance at 31st March, 2002	275,254	3,194	7,852	181	43,641	330,122
Balance at 31st March, 2001	147,394	9,202	11,584	23,716	45,840	237,736

Interim application for progress payments in construction contracts are normally on a monthly basis and settled within one month with retention monies withheld but released on the issuance of relevant maintenance certificates. Rental income is billed in advance of the rental period.

20. RESTRICTED BANK BALANCES

Restricted bank balances are funds which have been pledged to banks for granting banking facilities to a subsidiary.

21. DEFERRED TAXATION

	Group	
	2002 HK\$'000	2001 HK\$'000
At beginning of year	9,708	11,526
Transfer from/(to) profit and loss account (note 8)	436	(1,818)
At end of year	10,144	9,708
Provided in the accounts in respect of:		
Accelerated depreciation allowances	1,191	3,369
Profits on incomplete contracts	8,953	6,339
	10,144	9,708
The potential deferred taxation not provided for in the accounts amount to:		
Tax losses	16,240	13,717

22. LONG TERM BANK LOANS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans, wholly payable within five years				
— secured	172,383	182,611	—	—
— unsecured	60,000	60,000	—	—
	232,383	242,611	—	—
Amounts due within one year included under current liabilities	(44,280)	(14,280)	—	—
	188,103	228,331	—	—
The repayment schedule of long term bank loans is as follows:				
Bank loans				
— within one year	44,280	14,280	—	—
— in the second year	177,353	44,280	—	—
— in the third to fifth years, inclusive	10,750	184,051	—	—
	232,383	242,611	—	—

23. CREDITORS AND ACCRUALS**Group**

Included in creditors and accruals are trade payables and their ageing analysis is as follows:

	Not yet due HK\$'000	1 to 30 days HK\$'000	31 to 90 days HK\$'000	91 to 180 days HK\$'000	Over 180 days HK\$'000	Total HK\$'000
Balance at 31st March, 2002	719,005	1,732	1,283	51	4,408	726,479
Balance at 31st March, 2001	858,078	2,876	4,103	3,823	153	869,033

24. SHARE CAPITAL

	2002 HK\$'000	2001 HK\$'000
Authorised: 1,000,000,000 (2001: 1,000,000,000) shares of HK\$0.10 each	100,000	100,000
Issued and fully paid: 638,853,660 (2001: 637,198,827) shares of HK\$0.10 each	63,885	63,720

24. SHARE CAPITAL (continued)

The movements of the issued share capital of the Company are summarised below:

	2002 No. of shares	2001 No. of shares	2002 HK\$'000	2001 HK\$'000
At beginning of year	637,198,827	660,677,296	63,720	66,068
Employee Share Subscription Scheme	1,698,833	1,999,787	169	200
Shares issued for the acquisition of 15% interest in Rife Yard Limited at HK\$1.09 each	4,000,000	—	400	—
Shares repurchased	(4,044,000)	(25,478,256)	(404)	(2,548)
At end of year	638,853,660	637,198,827	63,885	63,720

During the year, 1,698,833 new shares of HK\$0.10 each in the Company were issued pursuant to the Employee Share Subscription Scheme ("Subscription Scheme") with prices at HK\$0.43 and HK\$0.37 for cash at an aggregate amount of HK\$681,073. As at 31st March, 2002, subscription monies amounting to HK\$70,740 have been received from qualifying employees who have accepted offers to subscribe for shares of the Company under the Subscription Scheme in respect of the current operating period (1st January, 2002 to 30th June, 2002). Under this Subscription Scheme, the subscription price and the number of shares to be allotted were determined on the expiration of the operating period in accordance with the terms of the Subscription Scheme.

During the year, three option holders under Executive Share Option Scheme left the Company and accordingly, their options to subscribe for an aggregate number of 3,594,000 shares in the Company lapsed and determined. No option holders exercised their options to subscribe for shares of HK\$0.10 each in the Company during the financial year. The option holders are entitled to exercise their options at a price of HK\$0.80 per share. At 31st March, 2002, 7,494,000 (2001: 11,088,000) options exercisable before 24th September, 2009 were outstanding.

No options to subscribe for shares in the Company have been granted pursuant to the Executive Share Option Scheme for the year ended 31st March, 2002.

During the year, the Company repurchased and cancelled its own shares listed on The Stock Exchange of Hong Kong Limited at prices as follows:

Month of repurchase	No. of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2001	2,854,000	0.470	0.460	1,329
May 2001	502,000	0.510	0.470	246
September 2001	170,000	0.445	—	76
October 2001	518,000	0.420	—	218
	4,044,000			1,869

The above shares were cancelled upon repurchase. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the financial year.

25. RESERVES

	Exchange reserve HK\$'000 (Note i)	Share premium HK\$'000	Capital redemption reserve HK\$'000 (Note ii)	Capital reserve HK\$'000	Contributed surplus HK\$'000 (Note iii)	General reserve HK\$'000 (Note iv)	Retained profit HK\$'000	Total HK\$'000
Group								
At 31st March, 2000								
— as previously reported	284	142,997	1,402	1	—	121,110	362,514	628,308
— 2000 final dividend (note 1(t))	—	—	—	—	—	—	16,194	16,194
— as restated	284	142,997	1,402	1	—	121,110	378,708	644,502
Premium arising from issue of shares	—	688	—	—	—	—	—	688
Profit retained for the year	—	—	—	—	—	—	25,325	25,325
2000 final dividend	—	—	—	—	—	—	(16,194)	(16,194)
Shares repurchased	—	—	2,548	—	—	—	(13,077)	(10,529)
Exchange translation	(248)	—	—	—	—	—	—	(248)
At 31st March, 2001	36	143,685	3,950	1	—	121,110	374,762	643,544
Representing:								
2001 final dividend proposed							15,868	
Other							358,894	
Retained profit at 31st March, 2001							374,762	
Company and subsidiaries	36	143,685	3,950	1	—	121,110	451,580	720,362
Associated companies	—	—	—	—	—	—	(78,358)	(78,358)
Jointly controlled entity	—	—	—	—	—	—	1,540	1,540
At 31st March, 2001	36	143,685	3,950	1	—	121,110	374,762	643,544
At 31st March, 2001								
— as previously reported	36	143,685	3,950	1	—	121,110	358,894	627,676
— 2001 final dividend (note 1(t))	—	—	—	—	—	—	15,868	15,868
— as restated	36	143,685	3,950	1	—	121,110	374,762	643,544
Premium arising from issue of shares	—	4,471	—	—	—	—	—	4,471
Loss sustained for the year	—	—	—	—	—	—	(7,546)	(7,546)
2001 final dividend	—	—	—	—	—	—	(15,868)	(15,868)
Shares repurchased	—	—	404	—	—	—	(1,875)	(1,471)
Exchange translation	47	—	—	—	—	—	—	47
At 31st March, 2002	83	148,156	4,354	1	—	121,110	349,473	623,177
Representing:								
2002 final dividend proposed							—	
Other							349,473	
Retained profit at 31st March, 2002							349,473	
Company and subsidiaries	83	148,156	4,354	1	—	121,110	412,514	686,218
Associated companies	—	—	—	—	—	—	(63,055)	(63,055)
Jointly controlled entity	—	—	—	—	—	—	14	14
At 31st March, 2002	83	148,156	4,354	1	—	121,110	349,473	623,177

25. RESERVES (continued)

	Exchange reserve HK\$'000 (Note i)	Share premium HK\$'000	Capital redemption reserve HK\$'000 (Note ii)	Capital reserve HK\$'000	Contributed surplus HK\$'000 (Note iii)	General reserve HK\$'000 (Note iv)	Retained profit HK\$'000	Total HK\$'000
Company								
At 31st March, 2000								
— as previously reported	—	140,936	1,402	—	166,718	111,110	40,832	460,998
— 2000 final dividend (note 1(t))	—	—	—	—	—	—	16,194	16,194
— as restated	—	140,936	1,402	—	166,718	111,110	57,026	477,192
Premium arising from issue of shares	—	688	—	—	—	—	—	688
Profit retained for the year	—	—	—	—	—	—	16,546	16,546
2000 final dividend	—	—	—	—	—	—	(16,194)	(16,194)
Shares repurchased	—	—	2,548	—	—	—	(13,077)	(10,529)
At 31st March, 2001	—	141,624	3,950	—	166,718	111,110	44,301	467,703
Representing:								
2001 final dividend proposed							15,868	
Other							28,433	
Retained profit at 31st March, 2001							44,301	
At 31st March, 2001								
— as previously reported	—	141,624	3,950	—	166,718	111,110	28,433	451,835
— 2001 final dividend (note 1(t))	—	—	—	—	—	—	15,868	15,868
— as restated	—	141,624	3,950	—	166,718	111,110	44,301	467,703
Premium arising from issue of shares	—	4,471	—	—	—	—	—	4,471
Loss sustained for the year	—	—	—	—	—	—	(20,225)	(20,225)
2001 final dividend	—	—	—	—	—	—	(15,868)	(15,868)
Shares repurchased	—	—	404	—	—	—	(1,875)	(1,471)
At 31st March, 2002	—	146,095	4,354	—	166,718	111,110	6,333	434,610
Representing:								
2002 final dividend proposed							—	
Other							6,333	
Retained profit at 31st March, 2002							6,333	

Notes:

- (i) See notes to the accounts 1(l).
- (ii) Reserve created during the repurchase of shares.
- (iii) The contributed surplus of the Company arose as a result of the Group reorganisation in 1991 and represents the excess of the then consolidated net asset value of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of the contributed surplus.
- (iv) The Company balance represents reserve created on exercise of scrip option by members of the Company in lieu of cash dividends while the Group balance also includes HK\$10,000,000 (2001: HK\$10,000,000) which was transferred from retained profit for general purpose.
- (v) Distributable reserves of the Company at 31st March, 2002 amounted to HK\$284,161,000 (2001: HK\$322,129,000).

26. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees given to banks for facilities granted to				
— associated companies	71,594	92,388	48,622	56,388
— subsidiaries	—	—	1,002,007	841,745
	71,594	92,388	1,050,629	898,133

An all money debenture over the assets of the Company has been created in favour of a bank for facilities granted to its subsidiaries.

27. RELATED PARTY TRANSACTIONS

- (a) Details of material transactions between certain companies of the Group and its associated companies and related companies are as follows:

	2002 HK\$'000	2001 HK\$'000
(i) Billing of contracts to associated companies	2,949	46,797
(ii) Billing of contracts from associated companies	(1,384)	(8,263)
(iii) Billing of contracts from related companies	(3,267)	(4,065)
(iv) Management fees paid to a related company	(2,400)	(2,400)
(v) Service centre charges received from a related company	8,985	9,422
(vi) Secretarial and accountancy fee received from associated companies	2,330	2,450
(vii) Insurance premiums paid to a related company	(39,406)	(14,043)
(viii) Rental received from related companies	2,089	1,679
(ix) Rental paid to a related company	(1,405)	(1,405)

Notes to items:

- (i) Several subsidiaries provided building construction services to various associated companies as main contractors or subcontractors on terms and prices which were not less favourable than those offered to third parties employers or main contractors and concluded on arm's length basis.
- (ii) Billing represents mechanical and electrical building services rendered by associated companies to construction subsidiaries in the normal course of businesses on terms and prices negotiated at arm's length.
- (iii) Billing represents estate agency, estate management and project management services rendered to several subsidiaries for investment properties, other property and properties under development located in Hong Kong and outside Hong Kong. The terms and prices concluded were no less favourable than those obtainable from third parties.
- (iv) Being management fees paid to a related company for administrative services obtained and allocated overhead incurred by the Group for normal daily operation. The terms and prices were negotiated at arm's length.
- (v) Service centre charges received from a related company represents administrative services provided by the Group to and paid on behalf of the related company for office overhead and were reimbursed at cost based on time and expenses allocated to the related company.
- (vi) Fees are charged to associated companies for secretarial and accountancy services provided by the Group at a fixed monthly sum negotiated at arm's length.
- (vii) Insurance premiums were paid on normal commercial terms to a related insurance company by certain subsidiaries.
- (viii) Rental income represents income on Hsin Chong Center rented by the Group to related companies as headquarters. The tenancy agreements were concluded at prevailing market rates.
- (ix) Rental charges represents rental paid by a construction subsidiary to a related company for a workshop. The tenancy agreement was concluded at prevailing market rate.

27. RELATED PARTY TRANSACTIONS (continued)

Items (i), (ii) and (vi) are not connected transactions while items (iii), (iv), (v), (vii), (viii) and (ix) are connected transactions as defined under Chapter 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

- (b) Receivables and prepayments of the Group included trade receivable from associated companies and related companies of HK\$2,034,000 (2001: HK\$2,938,000).

28. COMMITMENTS

At 31st March, the outstanding commitments in respect of properties under development were as follows:

	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries		
Contracted but not provided for	8,546	32,852
Authorised but not contracted for	140,059	83,799
	148,605	116,651

29. COMMITMENTS UNDER OPERATING LEASES

At 31st March, 2002, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases as follows:

	2002 HK\$'000	2001 HK\$'000
Land and buildings		
— not later than one year	1,632	1,681
— later than one year but not later than five years	1,527	803
— later than five years	1,060	—
	4,219	2,484

At 31st March 2002, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases, which were typically run for a period of one to three years, as follows:

	2002 HK\$'000	2001 HK\$'000
Land and buildings		
— not later than one year	12,402	12,175
— later than one year but not later than five years	15,243	13,757
	27,645	25,932

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of profit before taxation to net cash (outflow)/inflow from operating activities**

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	69,435	39,198
Share of net profits less losses of jointly controlled entity and associated companies	(119)	(4,013)
Net interest income	(7,543)	(23,390)
Depreciation charges	64,045	70,727
Provision for diminution in value in other investments	3,473	412
Net negative goodwill	(64)	—
Net loss/(gain) on disposal of fixed assets	1,510	(2,278)
Loss on liquidation of a subsidiary and associated companies	—	145
Dividend income from unlisted investments	(7)	—
Impairment of properties	31,852	26,750
Decrease/(increase) in stocks and contracting work-in-progress	43,647	(20,118)
(Increase)/decrease in receivables and prepayments	(90,278)	84,958
Decrease/(increase) in short term investments	1,915	(19,923)
Decrease in creditors and accruals	(158,604)	(73,915)
(Decrease)/increase in deferred income	(26,206)	5,196
Exchange translation	47	9
Net cash (outflow)/inflow from operating activities	(66,897)	83,758

(b) Analysis of changes in financing during the year

	Share capital (including premium) HK\$'000	Minority interests HK\$'000	Bank loans HK\$'000	Pledged of restricted fixed deposit HK\$'000	Total HK\$'000
At 1st April, 2000	209,065	70,747	265,370	—	545,182
Cash inflow/(outflow) from financing	(12,189)	2,333	(22,759)	(31,230)	(63,845)
Repurchase of shares					
— paid out of retained profit	13,077	—	—	—	13,077
— on cancellation	(2,548)	—	—	—	(2,548)
Share of current year's loss	—	(1,290)	—	—	(1,290)
Dividend to minority shareholders	—	(1,000)	—	—	(1,000)
At 31st March, 2001	207,405	70,790	242,611	(31,230)	489,576
Cash outflow from financing	(1,195)	(36,924)	(10,228)	(4,377)	(52,724)
Repurchase of shares					
— paid out of retained profit	1,875	—	—	—	1,875
— on cancellation	(404)	—	—	—	(404)
Issue of shares for acquisition of minority interests in a subsidiary	4,360	(4,910)	—	—	(550)
Acquisition of subsidiaries	—	183	—	—	183
Share of current year's profit	—	54,991	—	—	54,991
Dividend to minority shareholders	—	(34,240)	—	—	(34,240)
At 31st March, 2002	212,041	49,890	232,383	(35,607)	458,707

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**(c) Purchase of subsidiaries**

During the current year, the following acquisitions took place:

- (1) The Group acquired an additional 50% interest in and shareholders' advance to Hsin Chong - Philipp Holzmann Civil Engineering Company Limited (subsequently renamed as Hsin Chong Civil Engineering (Asia) Limited) at a nominal consideration of HK\$1 after which Hsin Chong Civil Engineering (Asia) Limited became a wholly owned subsidiary of the Group.
- (2) The Group acquired an additional 25% interest in IT & T Builders Sdn. Bhd. at a nominal consideration of HK\$1 after which IT & T Builders Sdn. Bhd. became a 55% owned subsidiary of the Group.

	2002 HK\$'000	2001 HK\$'000
Net assets acquired		
Receivables and prepayments	3,778	—
Bank balances and cash	598	—
Creditors and accruals	(4,120)	—
Taxation payable	(49)	—
Minority interests	(183)	—
	24	
Share of net assets previously as associates	(510)	—
	(486)	—
Goodwill on acquisitions	486	—
	—	—
Satisfied by:		
Nominal consideration	—	—

The subsidiaries acquired during the year did not contribute significantly to the Group's cashflow.

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

	2002 HK\$'000	2001 HK\$'000
Bank balances and cash acquired	598	—
Nominal consideration	—	—
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries	598	—

31. PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

Company	Country of incorporation/ registration/ operation	The Group's effective interest in percentage of ordinary shares held by		Issued and paid up capital	Principal activities
		Company	subsidiaries		
Subsidiaries:					
Anber Limited	Hong Kong	—	62.5%	HK\$200	Investment holding
Bioneering Limited	British Virgin Islands	—	100%	US\$1	Investment holding
Cogent Spring Limited	Hong Kong	—	100%	HK\$2	Property investment
Concrete Repairs (H.K.) Limited	Hong Kong	—	100%	HK\$1,000,000	Concrete repairs
Deventer Limited	Hong Kong	—	100%	HK\$10	Property holding
Easeway Engineering Limited	Hong Kong	—	62.5%	HK\$10,000	Investment holding
Easeway Thaison Co. Limited	Socialist Republic of Vietnam	—	43.75%	US\$2,000,000	Property development
Flannel Limited (formerly known as Hsin Chong (Foundations) Limited)	Hong Kong	—	92.79%	HK\$6,500,000* HK\$652	Piling and foundation
Flannel (Asia) Limited (formerly known as Hsin Chong (Foundations) Asia Limited)	Hong Kong	—	92.79%	HK\$1,304,000	Piling and foundation
Glenwell Orient Limited	Hong Kong	—	70%	HK\$100	Investment holding
# Guangzhou Fengyu Real Estate Co. Limited	People's Republic of China	—	42%	HK\$80,000,000	Real estate development
# Guangzhou Free Trade Zone Dongjing Property Co. Limited	People's Republic of China	—	70%	HK\$12,290,000	Real estate investment
# Hebei An Neng Hsin Chong Construction Company Limited	People's Republic of China	—	70%	US\$2,500,000	Building construction

31. PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (continued)

Company	Country of incorporation/ registration/ operation	The Group's effective interest in percentage of ordinary shares held by		Issued and paid up capital	Principal activities
		Company	subsidiaries		
Subsidiaries: (continued)					
Hsin Chong Civil Engineering Company Limited	Hong Kong	—	100%	HK\$2	Civil engineering
[^] Hsin Chong Civil Engineering (Asia) Limited (formerly known as Hsin Chong - Philipp Holzmann Civil Engineering Company Limited)	Hong Kong	—	100%	HK\$7,500,000(A) HK\$7,500,000(B)	Civil engineering
Hsin Chong Construction Company Limited	Hong Kong	—	100%	HK\$20,000,000* HK\$2,000	Building construction and civil engineering
Hsin Chong Construction (Asia) Limited	Hong Kong	—	100%	HK\$10,000,000* HK\$2,000	Building construction and civil engineering
Hsin Chong Construction (BVI) Ltd.	British Virgin Islands	100%	—	HK\$150,000	Investment holding
[#] Hsin Chong Construction (Tianjin) Limited	People's Republic of China	—	95%	US\$3,000,000	Real estate development
Hsin Chong Construction Management Services Limited	Hong Kong	—	100%	HK\$1,000,000	Construction management services
Hsin Chong (Corporate Services) Limited	Hong Kong	—	100%	HK\$2	Corporate services
Hsin Chong Development (China) Limited	Hong Kong	—	100%	HK\$10,000	Investment holding
Hsin Chong Development (Vietnam) Limited	Hong Kong	—	100%	HK\$2	Investment holding

31. PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (continued)

Company	Country of incorporation/ registration/ operation	The Group's effective interest in percentage of ordinary shares held by		Issued and paid up capital	Principal activities
		Company	subsidiaries		
Subsidiaries: (continued)					
Hsin Chong Environmental Engineering Company Limited	Hong Kong	—	100%	HK\$5,000,000	Environmental engineering
[^] Hsin Chong Jie Sheng Construction and Investment Company Limited	Hong Kong	—	85%	HK\$1,000	Contracting and environmental related businesses
[#] Hsin Chong Rocks Business Management and Consultancy (Beijing) Limited	People's Republic of China	—	90%	US\$166,700	Consultancy services in construction business
Hsin Chong Specialist Contractors Limited	Hong Kong	—	100%	HK\$1,000,000	Conversion, renovation and fitting-out
Insight One Investments Limited	British Virgin Islands	—	100%	US\$1	Investment holding
[^] IT & T Builders Sdn. Bhd.	Malaysia	—	55%	MR1,000,000 MR1,000,000Δ	Building construction
Linders View Limited	British Virgin Islands/ Hong Kong	—	92.79%	US\$652	Plant hiring
[^] Phoenix (Foundations) Limited	Hong Kong	—	100%	HK\$2	Piling and foundation
Readon View Limited	British Virgin Islands/ Hong Kong	—	100%	US\$1	Plant hiring
[^] Rife Yard Limited	Hong Kong	—	100%	HK\$1,000	Real estate development
Rocheland Company Limited	Hong Kong	—	100%	HK\$10,000	Investment holding
Techtrade Limited	British Virgin Islands	—	100%	US\$1	Investment holding
Wellhurst Company Limited	Hong Kong	—	100%	HK\$2	Investment holding

31. PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (continued)

Company	Country of incorporation/ registration/ operation	The Group's effective interest in percentage of ordinary shares held by		Issued and paid up capital	Principal activities
		Company	subsidiaries		
Subsidiaries: (continued)					
Yik Shing Limited	Hong Kong	—	100%	HK\$2	Investment holding
Hsin Chong - Taylor Woodrow Joint Venture No. 1	Hong Kong	—	60%	—	Building design and construction
Associated companies:					
Budi Ikhtiar Sdn. Bhd.	Malaysia	—	20%	MR18,000,000	Real estate development
Cheer Star Development Limited	Hong Kong	—	22.5%	HK\$10,000	Property investment
CS Management Services Limited	Hong Kong	—	22.5%	HK\$2	Hotel management services
Cotteen Investments Limited	Hong Kong	—	50%	HK\$100,000	Vessel holding and leasing
Globpac Development Limited	Hong Kong	—	25%	HK\$10,000	Real estate development
Goldian Limited	Hong Kong	—	25%	HK\$10,000	Investment holding
Hsin Chong Aster Building Services Limited	Hong Kong	—	50%	HK\$2,000,000(A) HK\$2,000,000(B)	Mechanical, electrical and building services
Hsin Chong Aster Building Services (Asia) Limited	Hong Kong	—	50%	HK\$2,000,000	Mechanical, electrical and building services
Infinity Goal Limited	Hong Kong	—	30%	HK\$10,000	Real estate development
Topway Investments Limited	British Virgin Islands	—	33.33%	US\$6,000	Investment holding
Victory Guide Limited	Hong Kong	—	30%	HK\$10	Property investment

* Non-voting deferred shares

△ Preference shares

Equity joint venture

^ Except for the subsidiaries incorporated or additional interest in the subsidiaries acquired during the year which are marked with " ^ ", percentage of equity interest are unchanged from 31st March, 2001

32. DISCONTINUED OPERATIONS

On 18th June, 2002, the board of directors of the foundation subsidiaries unanimously resolved to cease the foundation operations of the Group having regard to the current highly competitive and onerous contractual terms of such business. As at 31st March, 2002, the carrying amount of the assets of the foundation segment was HK\$101,813,000 and its liabilities were HK\$65,446,000. During the year ended 31st March, 2002, the foundation segment earned revenue of HK\$29,462,000, incurred cost and expenses of HK\$61,423,000, and incurred a pretax operating loss of HK\$31,961,000. During the year ended 31st March, 2002, the foundation segment reported a cash outflow from operating activities of HK\$21,053,000 and cash outflow from investing activities of HK\$805,000, mostly funded by the immediate holding company, ultimate holding company and other fellow subsidiaries. While the foundation segment has completed all of its orders on hand by the end of May 2002, it is actively disposing of its plant and machinery at their current market value and tentatively plans to complete the disposal by 31st March, 2003. Subsequent to the year end, the foundation segment has disposed of its plant and machinery with a net book value of HK\$3,573,000 for HK\$10,450,000 at a profit of HK\$6,877,000.

33. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 5th July, 2002.