

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 1. GENERAL

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 50, 18 and 19 respectively.

## 2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practices ("SSAP(s)") issued by the Hong Kong Society of Accountants ("HKSA"). Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosure for the prior year have been restated in order to achieve a consistent presentation. Details of the effect of prior year adjustments are set out in note 40.

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

### Segment reporting

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

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE (Cont'd)

#### Goodwill

In the current year, the Group has adopted SSAP 30 "Business combinations" and has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and impairment losses in respect of goodwill between the date of acquisition of the relevant subsidiary, associate or joint venture and the date of adoption of SSAP 30 have been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary, associate or joint venture and the date of adoption of SSAP 30 has been recognised retrospectively. Following restatement, goodwill is presented as an asset in the balance sheet and negative goodwill is presented as a deduction from assets. Goodwill is amortised over its estimated useful life. Negative goodwill will be released to income based on an analysis of the circumstances from which the balance resulted.

The effect of adoption of SSAP 30 is to increase the carrying value of goodwill and minority interest at 1st April, 2001 by HK\$14,944,000 and HK\$1,162,000 respectively and to decrease the carrying value of interests in associates, goodwill held in reserves and the retained profits at 1st April, 2001 by HK\$19,876,000, HK\$99,907,000 and HK\$106,001,000 respectively. In addition, the profit for the year ended 31st March, 2001 increased by HK\$3,983,000 after taking into account additional amortisation of goodwill, negative goodwill released to income, goodwill impaired, the increase in share of profits of associates and the decrease in minority interests amounting to HK\$6,372,000, HK\$580,000, HK\$423,000, HK\$9,036,000 and HK\$1,162,000 respectively.

#### Consolidation

SSAP 32 "Consolidated financial statements and accounting for investments in subsidiaries" requires that the consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to each financial year end date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

In last year, the Group's 51 per cent. interest in Supertime Holdings Limited ("Supertime") was included in the consolidated balance sheet as a subsidiary not consolidated because the Group had no control over Supertime. As the Group is still in a position to exercise significant influence on Supertime, the interest in Supertime was stated at the Group's share of the net assets of Supertime last year. In accordance with SSAP 32, Supertime is redesignated as an associate of the Group and accordingly the credit balance of HK\$353,000 at 1st April, 2001 was reclassified to interests in associates in the consolidated balance sheet.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE (Cont'd)

### Changes in accounting estimates

SSAP 31 "Impairment of assets" is effective for periods beginning on or after 1st January, 2001 and has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets other than financial assets. Although in prior years the Group complied with the requirements of specific SSAPs in respect of impairment losses, the introduction of SSAP 31 has required a re-estimation of the recoverable amount of certain property, plant and equipment and investments in securities resulting in the identification of additional impairment losses at 31st March, 2002 amounting to HK\$50,905,000 and HK\$800,000 respectively. These additional impairment losses have been recognised in full in the current year.

### Leases

In the current year, the Group has adopted SSAP 14 (Revised) "Leases". Disclosures for the Group's operating lease arrangements as set out in note 45(b) have been modified so as to meet the requirements of SSAP 14 (Revised). Comparative figures have been restated in order to achieve a consistent presentation.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for valuation of 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 as follows:

### Basis of consolidation

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Goodwill

Goodwill arising on consolidation represents the excess of the purchase consideration over the fair value of the Group's share of the identifiable assets and liabilities of subsidiaries, associates or jointly controlled entities at the date of acquisition. Goodwill is recognised as an asset in the consolidated balance sheet and amortised on a straight-line basis over its estimated useful life.

Goodwill arising on the acquisition of associates or jointly controlled entities is included within the carrying amount of the associates or jointly controlled entities. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

#### Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the identifiable assets and liabilities of subsidiaries, associates or jointly controlled entities at the date of acquisition over the cost of acquisition. Negative goodwill is presented as a deduction from assets in the consolidated balance sheet. Negative goodwill will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of associates or jointly controlled entities is deducted from the carrying amount of that associates or jointly controlled entities. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet as a deduction from assets.

#### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

#### Revenue recognition

Sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Toll revenue, net of business tax, is recognised on a receipt basis. Minimum income undertakings are recognised when they are receivable in accordance with the joint venture agreements.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Revenue recognition (Cont'd)

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

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

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

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

Freehold land	Nil
Leasehold land	Over the terms of the relevant leases
Buildings	4% or over the terms of the relevant leases, whichever is shorter
Leasehold improvements	33 $\frac{1}{3}$ % or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10% - 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Vessels	10% - 15%

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Toll highway operation right

Toll highway operation right is recognised as an asset and stated in the balance sheet at cost.

Depreciation of toll highway operation right is provided on the basis similar to a sinking fund calculation where annual depreciation amounts compounded at a rate of six per cent. per annum will be equal to the cost of the toll highway operation right at the end of the relevant or respective joint venture period.

#### Taxation

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

#### Inventories

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

#### Interests in associates

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

#### Joint ventures

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

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### *Jointly controlled operations*

Where a group company undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the balance sheet of the relevant group company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations together with the expenses that it incurs are included on the income statement when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

#### *Jointly controlled entities*

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

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

#### **Construction contracts**

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

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

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

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the "Amount due from customers for contract work" or the "Amount due to customers for contract work", as appropriate. Amounts billed, but not yet paid by the customers, for work performed on contracts are included in the balance sheet under "Debtors, deposits and prepayments".

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 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 securities) are measured at amortised cost, less any identified impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost less any identified impairment loss.

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

#### Leased assets

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

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

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

### Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation the financial statements of overseas subsidiaries, associates and jointly controlled entities are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

### Retirement benefit schemes contributions

The contributions payable to the Group's Mandatory Provident Fund Schemes ("MPF Schemes") are charged as expenses.

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash generating unit) estimated is less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Impairment (Cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but 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 (or cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

#### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

### 4. TURNOVER

Turnover of the Group represents the revenue on construction contracts, the value of goods sold to outside customers less returns and allowances, toll revenue net of business tax and minimum income undertakings.

In relation to a number of the Group's joint ventures in the People's Republic of China ("PRC"), the Group has obtained minimum income undertakings from the PRC joint venture partners in accordance with the relevant joint venture agreements. Any shortfall of the Group's share of the cash/profit of these PRC joint ventures below the minimum income undertakings will be borne by the PRC joint venture partners. The amount of minimum income shortfall recorded by the Group from the PRC joint venture partners for the year amounted to HK\$40,159,000 (2001: HK\$Nil).

## Notes to the Financial Statements

*For the year ended 31st March, 2002*

### 5. SEGMENTAL INFORMATION

The Group's turnover and profit for the year ended 31st March, 2002 by business activity and geographical market are as follows:

(a) **Business segments**

For management purposes, the Group is currently organised into five operating divisions - civil construction, building construction, quarrying, highway and expressway operations, building materials and other operations. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Civil construction

- construction of civil engineering projects

Building construction

- construction of building projects

Quarrying

- production and sale of quarry products

Highway and expressway operations

- investment in, development, operation and management of highway and expressway

Building materials

- production and sale of timber products

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 5. SEGMENTAL INFORMATION (Cont'd)

### (a) Business segments (Cont'd)

	Civil construction HK\$'000	Building construction HK\$'000	Quarrying HK\$'000	Highway and expressway operations HK\$'000	Building materials HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>2002</b>								
<b>Results</b>								
Group turnover	1,066,754	648,231	142,090	50,282	137,383	26,998	—	2,071,738
Add: Inter-segment sales	1,306	—	2,786	—	—	2,409	(6,501)	—
Segment turnover	1,068,060	648,231	144,876	50,282	137,383	29,407	(6,501)	2,071,738
Share of turnover of jointly controlled entities	1,064,725	—	—	232,470	—	—	—	1,297,195
Segment turnover and share of turnover of jointly controlled entities	2,132,785	648,231	144,876	282,752	137,383	29,407	(6,501)	3,368,933
The inter-segment sales were charged at cost plus a percentage of profit mark up.								
Segment results	5,568	80,281	(43,739)	42,519	(10,619)	(19,089)	—	54,921
Share of profits less losses of jointly controlled entities	22,802	—	—	117,932	—	(3)	—	140,731
Segment results and share of profits less losses of jointly controlled entities	28,370	80,281	(43,739)	160,451	(10,619)	(19,092)	—	195,652
Unallocated corporate expenses	—	—	—	—	—	—	—	(10,036)
Profit from operations	—	—	—	—	—	—	—	185,616
Finance costs	—	—	—	—	—	—	—	(79,148)
Share of profits less losses of associates	(12,764)	(9)	—	79,588	—	(1,294)	—	65,521
Profit before taxation	—	—	—	—	—	—	—	171,989
Taxation	—	—	—	—	—	—	—	(59,633)
Profit before minority interests	—	—	—	—	—	—	—	112,356
Minority interests	—	—	—	—	—	—	—	(11,676)
Profit for the year	—	—	—	—	—	—	—	100,680
<b>Assets</b>								
Segment assets	476,960	—	125,147	—	38,471	20,826	—	661,404
Interests in associates	21,866	—	—	1,939,509	—	9,908	—	1,971,283
Interests in joint ventures	75,902	—	—	—	—	(10,690)	—	65,212
Unallocated corporate assets	—	—	—	—	—	—	—	4,567
Total consolidated assets	—	—	—	—	—	—	—	2,702,466
<b>Liabilities</b>								
Segment liabilities	507,377	—	26,761	—	25,218	3,525	—	562,881
Unallocated corporate liabilities	—	—	—	—	—	—	—	247,458
Total consolidated liabilities	—	—	—	—	—	—	—	810,339
<b>Other information</b>								
Capital additions	2,846	153	3,476	1,849	2,311	1,691	—	12,326
Depreciation	12,545	853	16,040	516	2,175	1,409	—	33,538
Amortisation of toll highway operation right	—	—	—	1,797	—	—	—	1,797
Amortisation of goodwill	—	1,526	—	—	1,660	—	—	3,186
Impairment loss recognised	—	—	43,708	—	5,891	1,306	—	50,905

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 5. SEGMENTAL INFORMATION (Cont'd)

### (a) Business segments (Cont'd)

	Civil construction HK\$'000	Building construction HK\$'000	Quarrying HK\$'000	Highway and expressway operations HK\$'000	Building materials HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
2001								
<b>Results</b>								
Group turnover	1,309,915	714,020	163,040	—	342,028	18	—	2,529,021
Add: Inter-segment sales	8,424	97,923	5,069	—	—	2,777	(114,193)	—
Segment turnover	1,318,339	811,943	168,109	—	342,028	2,795	(114,193)	2,529,021
Share of turnover of jointly controlled entities	940,372	—	—	—	—	—	—	940,372
Segment turnover and share of turnover of jointly controlled entities	2,258,711	811,943	168,109	—	342,028	2,795	(114,193)	3,469,393
The inter-segment sales were charged at cost plus a percentage of profit mark up.								
Segment results	(80,304)	69,989	7,794	—	9,264	(4,306)	—	2,437
Share of profits less losses of jointly controlled entities	77,774	—	—	—	—	—	—	77,774
Segment results and share of profits less losses of jointly controlled entities	(2,530)	69,989	7,794	—	9,264	(4,306)	—	80,211
Unallocated corporate expenses								(14,871)
Profit from operations								65,340
Finance costs								(56,388)
Share of profits less losses of associates	342	7	—	197,085	—	(2,145)	—	195,289
Profit before taxation								204,241
Taxation								(17,139)
Profit before minority interests								187,102
Minority interests								(6,951)
Profit for the year								180,151
<b>Assets</b>								
Segment assets	628,743	186,609	210,323	—	224,912	8,954	—	1,259,541
Interests in associates	(2,373)	(353)	—	1,872,166	—	15,650	—	1,885,090
Interests in joint ventures	131,557	—	—	—	—	12,746	—	144,303
Unallocated corporate assets								5,894
Total consolidated assets								3,294,828
<b>Liabilities</b>								
Segment liabilities	734,617	236,655	29,497	—	58,043	3,006	—	1,061,818
Unallocated corporate liabilities								400,329
Total consolidated liabilities								1,462,147
<b>Other information</b>								
Capital additions	11,468	103	6,282	—	2,704	1,060	—	21,617
Depreciation	4,352	693	22,339	—	4,375	1,313	—	33,072
Amortisation of goodwill	—	3,052	—	—	3,320	—	—	6,372
Goodwill impaired	—	—	—	—	—	423	—	423

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 5. SEGMENTAL INFORMATION (Cont'd)

#### (b) Geographical segments

	Hong Kong HK\$'000	Other regions in the PRC HK\$'000	Republic of China HK\$'000	Total HK\$'000
<b>2002</b>				
<b>Results</b>				
Segment turnover	1,805,923	51,258	214,557	2,071,738
Share of turnover of jointly controlled entities	<u>1,064,725</u>	<u>232,470</u>	<u>—</u>	<u>1,297,195</u>
Segment turnover and share of turnover of jointly controlled entities	<u>2,870,648</u>	<u>283,728</u>	<u>214,557</u>	<u>3,368,933</u>
Segment results	43,559	7,142	4,220	54,921
Share of profits less losses of jointly controlled entities	<u>19,137</u>	<u>120,388</u>	<u>1,206</u>	<u>140,731</u>
Segment results and share of profits less losses of jointly controlled entities	<u>62,696</u>	<u>127,530</u>	<u>5,426</u>	195,652
Unallocated corporate expenses				<u>(10,036)</u>
Profit from operations				185,616
Finance costs				(79,148)
Share of profits less losses of associates	(12,773)	78,294	—	<u>65,521</u>
Profit before taxation				171,989
Taxation				<u>(59,633)</u>
Profit before minority interests				112,356
Minority interests				<u>(11,676)</u>
Profit for the year				<u>100,680</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 5. SEGMENTAL INFORMATION (Cont'd)

#### (b) Geographical segments (Cont'd)

	Hong Kong HK\$'000	Other regions in the PRC HK\$'000	Republic of China HK\$'000	Total HK\$'000
2001				
<b>Results</b>				
Segment turnover	2,310,063	3,605	215,353	2,529,021
Share of turnover of jointly controlled entities	940,372	—	—	940,372
Segment turnover and share of turnover of jointly controlled entities	3,250,435	3,605	215,353	3,469,393
Segment results	33,220	(5,182)	(25,601)	2,437
Share of profits less losses of jointly controlled entities	75,763	—	2,011	77,774
Segment results and share of profits less losses of jointly controlled entities	108,983	(5,182)	(23,590)	80,211
Unallocated corporate expenses				(14,871)
Profit from operations				65,340
Finance costs				(56,388)
Share of profits less losses of associates	349	195,008	(68)	195,289
Profit before taxation				204,241
Taxation				(17,139)
Profit before minority interests				187,102
Minority interests				(6,951)
Profit for the year				180,151

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 5. SEGMENTAL INFORMATION (Cont'd)

#### (b) Geographical segments (Cont'd)

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

	Carrying amount of total assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment assets located in :				
Hong Kong	481,362	854,959	595	10,929
Other Regions in the PRC	65,094	262,560	9,196	8,986
Republic of China	114,948	142,022	2,535	1,702
	<u>661,404</u>	<u>1,259,541</u>	<u>12,326</u>	<u>21,617</u>
Interests in associates	1,971,283	1,885,090		
Interests in joint ventures	65,212	144,303		
Unallocated corporate assets	4,567	5,894		
	<u>2,702,466</u>	<u>3,294,828</u>		

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 6. OTHER REVENUE

	2002	2001
	HK\$'000	HK\$'000
Other revenue has been arrived at after crediting:		
Dividend income from other unlisted investment	48,853	—
Unrealised gain on revaluation of other unlisted investments	227	—
Interest on other receivable	1,194	—
Interest on bank deposits	7,157	8,980
Gain on disposal of property, plant and equipment	154	3,717
Gain on deemed disposal of partial interest in an associate	4,230	—
Gain on deconsolidation of subsidiaries	—	2,655
Gain on disposal of an associate	—	331
	<u>          </u>	<u>          </u>

### 7. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

The directors of the Company have reviewed the carrying amounts of the assets of the Group as at 31st March, 2002 and have determined the idle property, plant and equipment of subsidiaries engaged in the quarrying and manufacturing of building materials in the PRC amounting to HK\$50,905,000 to be fully impaired with regard to the current market situation of such businesses. Accordingly, this amount has been provided for.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 8. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of goodwill included in administrative expenses	3,186	6,372
Amortisation of toll highway operation right included in cost of sales	1,797	—
Auditors' remuneration	2,281	3,400
Depreciation:		
Owned assets	38,872	43,083
Assets held under finance leases	1,827	3,656
	<u>40,699</u>	<u>46,739</u>
Less: Amount attributable to construction contracts, inventories and ginseng crops capitalised	<u>7,161</u>	<u>13,667</u>
	<u>33,538</u>	<u>33,072</u>
Goodwill impaired	—	423
Hire charges for plant and machinery	47,821	28,640
Less: Amount attributable to construction contracts, inventories and ginseng crops capitalised	<u>47,776</u>	<u>26,690</u>
	<u>45</u>	<u>1,950</u>
Staff costs:		
Directors' remuneration (note 10)	10,635	14,766
Other staff costs	332,321	358,740
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK\$1,536,000 (2001: HK\$2,431,000)	<u>11,779</u>	<u>10,742</u>
	<u>354,735</u>	<u>384,248</u>
Less: Amount attributable to construction contracts, inventories and ginseng crops capitalised	<u>245,663</u>	<u>257,327</u>
	<u>109,072</u>	<u>126,921</u>
Operating lease rentals in respect of land and buildings	20,450	23,785
Less: Amount attributable to construction contracts, inventories and ginseng crops capitalised	<u>581</u>	<u>276</u>
	<u>19,869</u>	<u>23,509</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 9. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	52,800	52,834
Redeemable exchangeable bond	10,928	11,592
Finance leases	162	1,155
Sale and leaseback arrangement	100	—
Finance costs arising on convertible redeemable preference shares issued by a subsidiary	12,829	10,900
Discount on guarantee notes	209	—
Amortisation of capitalised borrowing costs on financing the construction of the joint ventures' toll highways and expressways	2,120	—
	<u>79,148</u>	<u>76,481</u>
Less: Amount attributable to construction contracts and properties under development held for sale	—	20,093
	<u>79,148</u>	<u>56,388</u>

### 10. DIRECTORS' REMUNERATION

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive	—	—
Non-executive	290	—
Independent non-executive	145	280
	<u>435</u>	<u>280</u>
Other emoluments – executive directors:		
Salary and other benefits	6,013	9,233
Performance related incentive payments	3,550	4,492
Retirement benefits scheme contributions	637	761
	<u>10,200</u>	<u>14,486</u>
	<u>10,635</u>	<u>14,766</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 10. DIRECTORS' REMUNERATION (Cont'd)

Remuneration of the directors were within the following bands:

	Number of directors	
	2002	2001
Up to HK\$1,000,000	7	4
HK\$1,500,001 to HK\$2,000,000	1	2
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	—	2
HK\$4,000,001 to HK\$4,500,000	1	—

### 11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three directors (2001: four directors), details of whose emoluments are set out above. The emoluments of the remaining two (2001: one) highest paid individual(s) are as follows:

	2002	2001
	HK\$'000	HK\$'000
Salary and other benefits	5,747	2,512
Performance related incentive payments	408	64
Retirement benefits scheme contributions	194	28
	<u>6,349</u>	<u>2,604</u>

The emoluments were within the following bands:

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

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 12. TAXATION

	2002 HK\$'000	2001 HK\$'000
Provision for the year		
Hong Kong	7,720	8,632
Other jurisdictions	634	622
Under (over) provision in prior years		
Hong Kong	4,167	(13,797)
Other jurisdictions	27	(469)
Deferred taxation (note 37)	1,400	—
Share of tax on results of associates	13,362	14,272
Share of tax on results of jointly controlled entities	32,323	7,879
	<u>59,633</u>	<u>17,139</u>

Hong Kong Profits Tax is calculated at 16 per cent. (2001: 16 per cent.) on the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

### 13. DIVIDEND PER SHARE

The final dividend of 1 cent (2001: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2002 HK\$'000	2001 HK\$'000
Profit for the year	100,680	180,151
Effect of dilutive potential ordinary shares:		
Finance cost saved on convertible redeemable preference shares issued by a subsidiary on conversion (note b)	—	10,900
Increase in minority interests arising from exercise of the share options issued by a subsidiary	—	(5,094)
Earnings for the purpose of diluted earnings per share	<u>100,680</u>	<u>185,957</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	774,057,706	744,272,856
Effect of dilutive potential ordinary shares:		
Convertible redeemable preference shares (note b)	—	44,213,891
Options	<u>2,305,239</u>	<u>1,328,905</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>776,362,945</u>	<u>789,815,652</u>

Notes:

- (a) As the exercise price of warrants which lapsed on 30th June, 2000 was higher than the average market price of the Company's ordinary shares, there was no dilutive effect on earnings per share for the year ended 31st March, 2001.
- (b) As set out in note 30, the Group re-purchased the convertible redeemable preference shares issued by a subsidiary during the year ended 31st March, 2001 and accordingly there was no dilutive effect on the earnings per share for the year ended 31st March, 2002.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 15. PROPERTY, PLANT AND EQUIPMENT

### THE GROUP

	Land and buildings HK\$'000	Freehold land in overseas HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Vessels HK\$'000	Total HK\$'000
<b>COST</b>								
At 1st April, 2001	65,537	—	13,243	255,561	27,602	15,208	100,347	477,498
Exchange realignment	(273)	(219)	(169)	(8,483)	(389)	(544)	(1,619)	(11,696)
Additions	1,942	—	219	7,291	763	610	1,501	12,326
Disposals	—	—	(546)	(1,051)	(111)	(1,513)	(4,029)	(7,250)
Acquisition of a subsidiary	3,500	3,142	1,010	50,745	1,523	1,317	—	61,237
Deconsolidation of subsidiaries	(4,688)	(2,923)	(2,748)	(57,297)	(4,996)	(2,131)	—	(74,783)
At 31st March, 2002	<u>66,018</u>	<u>—</u>	<u>11,009</u>	<u>246,766</u>	<u>24,392</u>	<u>12,947</u>	<u>96,200</u>	<u>457,332</u>
<b>DEPRECIATION AND IMPAIRMENT</b>								
At 1st April, 2001	42,557	—	10,524	185,027	21,378	9,951	61,565	331,002
Exchange realignment	(102)	—	(136)	(5,869)	(270)	(182)	(331)	(6,890)
Provided for the year	4,241	—	2,306	19,836	2,761	1,587	9,968	40,699
Impairment loss recognised	10,376	—	96	40,216	—	—	217	50,905
Eliminated on disposals	—	—	(34)	(263)	(61)	(1,051)	(2,796)	(4,205)
Eliminated on deconsolidation of subsidiaries	18	—	(1,775)	(3,565)	(2,160)	(443)	—	(7,925)
At 31st March, 2002	<u>57,090</u>	<u>—</u>	<u>10,981</u>	<u>235,382</u>	<u>21,648</u>	<u>9,862</u>	<u>68,623</u>	<u>403,586</u>
<b>NET BOOK VALUES</b>								
At 31st March, 2002	<u>8,928</u>	<u>—</u>	<u>28</u>	<u>11,384</u>	<u>2,744</u>	<u>3,085</u>	<u>27,577</u>	<u>53,746</u>
At 31st March, 2001	<u>22,980</u>	<u>—</u>	<u>2,719</u>	<u>70,534</u>	<u>6,224</u>	<u>5,257</u>	<u>38,782</u>	<u>146,496</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The net book values of leasehold land and buildings shown above comprise:

	2002 HK\$'000	2001 HK\$'000
Medium-term leases in Hong Kong	5,327	5,580
Medium-term leases outside Hong Kong	3,147	16,835
Short leases outside Hong Kong	454	565
	<u>8,928</u>	<u>22,980</u>

The net book value of property, plant and equipment in respect of assets held under:

	2002 HK\$'000	2001 HK\$'000
Finance leases	—	3,599
Sale and leaseback arrangement	751	—
	<u>751</u>	<u>—</u>

### 16. TOLL HIGHWAY OPERATION RIGHT

	THE GROUP HK\$'000
<b>COST</b>	
At 1st April, 2001	—
Acquisition of a subsidiary	71,367
Deconsolidation of a subsidiary	(71,367)
	<u>—</u>
At 31st March, 2002	—
<b>AMORTISATION</b>	
At 1st April, 2001	—
Provided for the year	1,797
Eliminated on deconsolidation of a subsidiary	(1,797)
	<u>—</u>
At 31st March, 2002	—
<b>NET BOOK VALUE</b>	
At 31st March, 2002	<u>—</u>
At 31st March, 2001	<u>—</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	124,144	124,144
Amounts due from subsidiaries	974,178	1,303,743
	<u>1,098,322</u>	<u>1,427,887</u>

The carrying amount of the unlisted shares is based on the book value of the underlying net tangible assets of the subsidiaries as at the date on which they were acquired by the Company at the time of the group reorganisation in 1992.

Other than an amount of HK\$80,000,000 (2001: HK\$80,000,000) which bears interest at prime rate per annum, the remaining balances due from subsidiaries are interest free. All amounts are unsecured and have no fixed repayment terms. The Company will not demand the repayments of the amounts within the next twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current assets.

Details of the Company's principal subsidiaries at 31st March, 2002 are set out in note 50.

### 18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets of associates	1,962,383	1,885,090
Negative goodwill (Note a)	(11,102)	—
Amount due from an associate (Note b)	20,002	—
	<u>1,971,283</u>	<u>1,885,090</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 18. INTERESTS IN ASSOCIATES (Cont'd)

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

Name of associate	Form of business structure	Place of incorporation or registration/ operation	Proportion of nominal value of issued ordinary capital held indirectly by the Company %	Principal activities
Grand Plan Development Limited	Incorporated	Republic of China	25	Property development
Hong Kong Landfill Restoration Group Limited	Incorporated	Hong Kong	23	Civil engineering
Kong On Waste Management Limited	Incorporated	Hong Kong	50	Environmental and waste management
Oceanblue Holdings Limited	Incorporated	British Virgin Islands	40	Not yet commenced business
Road King Infrastructure Limited ("Road King")	Incorporated	Bermuda	49.082 (note c)	Investment in and the development, operation and management of toll highways and expressways
Supertime Holdings Limited	Incorporated	Hong Kong	40	Property development
Kier Hong Kong Limited	Incorporated	England	49.5	Civil engineering

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 18. INTERESTS IN ASSOCIATES (Cont'd)

Notes:

(a) Movements in the goodwill and negative goodwill included in interests in associates are as follows:

	Goodwill HK\$'000	Negative goodwill HK\$'000
GROSS AMOUNT		
At 1st April, 2001	25,632	31,316
Eliminated when the associate became the Company's subsidiary during the year	(25,632)	(31,316)
Transferred from negative goodwill on deconsolidation of a subsidiary	—	19,501
	<u>—</u>	<u>19,501</u>
At 31st March, 2002	<u>—</u>	<u>19,501</u>
AMORTISATION AND IMPAIRMENT/RELEASED TO INCOME		
At 1st April, 2001	25,632	31,316
Eliminated when the associate became the Company's subsidiary during the year	(25,632)	(31,316)
Transferred from negative goodwill on deconsolidation of a subsidiary	—	8,399
	<u>—</u>	<u>8,399</u>
At 31st March, 2002	<u>—</u>	<u>8,399</u>
CARRYING AMOUNT		
At 31st March, 2002	<u>—</u>	<u>11,102</u>
At 31st March, 2001	<u>—</u>	<u>—</u>

(b) The amount due from an associate is unsecured, interest free and have no fixed term of repayment. The Group will not demand the repayment within twelve months from the balance sheet date and accordingly the amount is shown as a non-current asset.

(c) Road King was incorporated in Bermuda with limited liability and is also a company listed on the Stock Exchange. Extracts from the published financial information of Road King are set out below.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 18. INTERESTS IN ASSOCIATES (Cont'd)

	1.1.2002 to 31.3.2002 HK\$'000 (unaudited)	1.1.2001 to 31.12.2001 HK\$'000 (audited)	1.1.2000 to 31.12.2000 HK\$'000 (audited)
<b>Operating results:</b>			
Toll revenue	7,751	32,445	28,078
Minimum income undertakings	14,854	137,492	222,288
Sales of goods	27,964	75,564	25,408
Turnover	<u>50,569</u>	<u>245,501</u>	<u>275,774</u>
Gain on disposal of interests in infrastructure joint ventures	—	34,033	—
Profit from ordinary activities before taxation	93,842	297,663	449,421
Profit from ordinary activities before taxation attributable to the Group	<u>15,128</u>	<u>109,146</u>	<u>199,031</u>
<b>Financial position:</b>			
		31.12.2001 HK\$'000 (audited)	31.12.2000 HK\$'000 (audited)
Non-current assets		4,296,370	4,859,620
Current assets		1,329,363	868,749
Current liabilities		(157,793)	(235,815)
Non-current liabilities		(1,099,646)	(1,239,589)
Minority interests		(80,785)	(84,776)
Net assets		<u>4,287,509</u>	<u>4,168,189</u>
Net assets attributable to the Group		<u>1,896,303</u>	<u>1,854,167</u>

The market value of shares held in Road King at 31st March, 2002 amounted to HK\$803,487,000 (2001: HK\$733,894,000).

Road King has been accounted for as a subsidiary of the Company for the period from 7th November, 2001 to 26th February, 2002.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 19. INTERESTS IN JOINT VENTURES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share of net assets of jointly controlled entities	75,868	135,784	—	—
Amount due from a jointly controlled entity	37,400	37,383	37,400	37,383
Unrealised gains of interest charged (Note a)	(2,350)	(2,350)	—	—
Unrealised gains of construction contract (Note b)	(45,706)	(26,514)	—	—
	<u>65,212</u>	<u>144,303</u>	<u>37,400</u>	<u>37,383</u>

The amount due from a jointly controlled entity is unsecured and interest free. The Company will not demand the repayment within twelve months from the balance sheet date and accordingly the amount is shown as a non-current asset.

At 31st March, 2002, the Group had interests in the following jointly controlled entities:

Name	Form of business structure	Place of registration/ operation	Attributable interest to the Group %	Nature of business
大棟營造股份有限公司 - 亞太土木工程有限公司 共同承攬	Unincorporated	Republic of China	25	Marine engineering
AMSOC Joint Venture	Unincorporated	Hong Kong	37.5	Civil engineering
Balfour Beatty-Zen Pacific Joint Venture	Unincorporated	Hong Kong	50	Civil engineering
Barclay Mowlem-Zen Pacific-AMEC Consortium	Unincorporated	Hong Kong	30.73	Civil engineering
Barclay Mowlem-Zen Pacific-China Civil Joint Venture	Unincorporated	Hong Kong	35	Civil engineering

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 19. INTERESTS IN JOINT VENTURES (Cont'd)

Name	Form of business structure	Place of registration/ operation	Attributable interest to the Group %	Nature of business
Barclay Mowlem-Zen Pacific Joint Venture	Unincorporated	Hong Kong	40	Civil engineering
China State-Zen Pacific Joint Venture	Unincorporated	Hong Kong	30	Civil engineering
Dragages-Zen Pacific Joint Venture	Unincorporated	Hong Kong	25	Civil engineering
First Star Development Limited ("First Star") (note c)	Incorporated	Hong Kong	49	Property development
Kier/Zen Pacific Joint Venture	Unincorporated	Hong Kong	50	Civil engineering
Shanxi Jin-Ya Road and Bridge Construction Limited	Incorporated	PRC	50	Road construction
Zen Pacific-Shui On Joint Venture (C518)	Unincorporated	Hong Kong	50	Civil engineering
惠記集團有限公司 - 亞太單氏海事工程有限公司 - 遠東疏浚有限公司聯合承攬企業體	Unincorporated	Republic of China	37.5	Civil engineering

Notes:

- (a) The interest charged by the Group to First Star was capitalised in the financial statements of First Star. On consolidation, unrealised interest income of approximately HK\$2,350,000 (2001: HK\$2,350,000), computed based on the percentage of the Group's interest in First Star, was eliminated from the consolidated income statement and has been credited to the Group's interests in jointly controlled entities.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 19. INTERESTS IN JOINT VENTURES (Cont'd)

- (b) First Star subcontracted the construction work of a Private Sector Participation Scheme ("PSPS") project to a former wholly-owned subsidiary of the Company which has been deconsolidated during the year as set out in note 42. All the construction profit recognised by this subsidiary is capitalised in the properties under development held for sale in First Star. As the Group retains an effective interest of 49 per cent. in First Star, 49 per cent. of the construction profit recognised by the subsidiary up to the date of deconsolidation is unrealised and has been credited to the Group's interests in jointly controlled entities.
- (c) Pursuant to a subscription agreement dated 13th June, 2000, the Group's interest in First Star have been diluted from 100 per cent. to 51 per cent. by issuing 49 new ordinary shares in First Star's capital at par to an independent third party ("Subscriber"). Upon completion of the subscription agreement, the Group received from the Subscriber an amount of approximately HK\$36,945,000, being half of the loans advanced by the Group to First Star. The Group did not have any significant gain or loss on disposal of its partial interest in First Star.

Pursuant to the shareholders' agreement on the same date, First Star is subject to joint control of both the Subscriber and the Group and over which none of the participating parties has unilateral control. Accordingly, the Group's interests in First Star are accounted for as interests in jointly controlled entities.

During the year, the Group disposed of 2% interest in First Star and the respective gain on disposal of partial interests was insignificant. As the disposal did not alter the terms of the shareholders' agreement under which no shareholder can exercise unilateral control over First Star, First Star continues to be regarded as jointly controlled entity during the year.

In addition to the jointly controlled entities listed above, the Group has a 70% interest in a jointly controlled operation to produce precast concrete segments.

The aggregate amount of assets, liabilities, income and profit recognised in the financial statements in relation to interests in a jointly controlled operation is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Assets	<u>1,779</u>	<u>13,096</u>
Liabilities	<u>—</u>	<u>12,275</u>
Turnover for the year	<u>16,391</u>	<u>38,244</u>
Profit after taxation for the year	<u>958</u>	<u>1,100</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 20. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Unlisted equity securities		
Investment securities, at cost	800	800
Other investments, at fair values	46,979	—
	<u>47,779</u>	<u>800</u>
Less: Impairment loss recognised	(800)	—
	<u>46,979</u>	<u>800</u>
Carrying amount analysed for reporting purpose:		
Non-current	—	800
Current	46,979	—
	<u>46,979</u>	<u>800</u>

Included in other investments is an amount of HK\$36,891,000 which represents the Group's interest in Sundart Timber Products Company Limited ("Sundart"), a former subsidiary, determined in accordance with SSAP 24 "Accounting for investments in securities".

Pursuant to an agreement dated 15th October, 2001, the Group's interest in Sundart was disposed of to an independent third party for a cash consideration of HK\$34,800,000 with a put option and a call option as specified in the agreement. The consideration will be settled by instalments. Accordingly, the net assets of Sundart were deconsolidated on 15th October, 2001 when the transaction was completed and the disposal will be accounted for upon the lapse of the put option which will not be later than 15th January, 2004.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 21. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Under one year	7,743	6,180
In the second to fifth year inclusive	33,697	51,125
	<u>41,440</u>	<u>57,305</u>
Less: Amount receivable within one year shown under current assets	7,743	6,180
Amount receivable after one year	<u>33,697</u>	<u>51,125</u>

The amount represents advances to and the cost of construction work to be recoverable from the local government in Wanshan, PRC, which will be settled by a waiver of royalty fees arising from the sale of quarry products from two quarries in the PRC. In the opinion of the Directors, a portion of these loans receivable amounted to HK\$7,743,000 (2001: HK\$6,180,000) will be settled within the next twelve months and accordingly, the remaining balance of HK\$33,697,000 (2001: HK\$51,125,000) is shown under non-current assets.

### 22. GOODWILL

	THE GROUP HK\$'000
<b>GROSS AMOUNT</b>	
At 1st April, 2001	151,942
Transferred to investments in securities on deconsolidation of subsidiaries	(36,475)
At 31st March, 2002	<u>115,467</u>
<b>AMORTISATION AND IMPAIRMENT</b>	
At 1st April, 2001	136,998
Amortisation for the year	3,186
Transferred to investments in securities on deconsolidation of subsidiaries	(24,717)
At 31st March, 2002	<u>115,467</u>
<b>CARRYING AMOUNT</b>	
At 31st March, 2002	<u>—</u>
At 31st March, 2001	<u>14,944</u>

Goodwill is amortised using the straight line method over its estimated useful life which ranges from 3 to 20 years.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 23. NEGATIVE GOODWILL

	THE GROUP
	HK\$'000
<b>GROSS AMOUNT</b>	
At 1st April, 2001	17,753
Arising on acquisition of a subsidiary	19,501
On deconsolidation of subsidiaries, transferred to:	
Interests in associates	(19,501)
Investments in securities	(5,545)
	<hr/>
At 31st March, 2002	12,208
	<hr/>
<b>RELEASED TO INCOME</b>	
At 1st April, 2001	17,753
Released in the year	8,399
On deconsolidation of subsidiaries, transferred to:	
Interests in associates	(8,399)
Investments in securities	(5,545)
	<hr/>
At 31st March, 2002	12,208
	<hr/>
<b>CARRYING AMOUNT</b>	
At 31st March, 2002	—
	<hr/> <hr/>
At 31st March, 2001	—
	<hr/> <hr/>

Negative goodwill is recognised as income over 3 years, being the remaining weighted average useful life of the non-monetary assets acquired by the Group on the acquisition of Road King.

### 24. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	83	17,607
Consumables	11,848	16,194
Work-in-progress	—	9,512
Finished goods	5,755	37,774
	<hr/>	<hr/>
	17,686	81,087
	<hr/> <hr/>	<hr/> <hr/>

The cost of inventories recognised as an expense during the year is HK\$87,898,000 (2001: HK\$126,260,000).

Included above are raw materials of HK\$69,000 (2001: HK\$69,000), consumables of HK\$Nil (2001: HK\$208,000) and finished goods of HK\$Nil (2001: HK\$16,746,000) which are carried at net realisable values.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 25. AMOUNT DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Contracts in progress at balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	11,043,306	10,537,113
Less: Progress billings	11,036,887	10,555,845
	<u>6,419</u>	<u>(18,732)</u>
Represented by:		
Due from customers included in current assets	107,575	189,185
Due to customers included in current liabilities	(101,156)	(207,917)
	<u>6,419</u>	<u>(18,732)</u>

### 26. DEBTORS, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Trade debtors (aged analysis):		
0 to 60 days	107,423	204,467
61 to 90 days	3,642	10,177
Over 90 days	30,233	28,525
	<u>141,298</u>	<u>243,169</u>
Retentions receivable	108,402	193,965
Other debtors, deposits and prepayments	60,845	125,046
	<u>310,545</u>	<u>562,180</u>

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 27. CREDITORS AND ACCRUED CHARGES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Trade creditors (aged analysis):		
0 to 60 days	44,064	174,580
61 to 90 days	3,194	8,319
Over 90 days	6,237	20,637
	<u>53,495</u>	<u>203,536</u>
Retentions payable	48,341	134,924
Accrued project costs	114,602	231,035
Other creditors and accrued charges	103,788	104,428
	<u>320,226</u>	<u>673,923</u>

### 28. PROVISION FOR PILING INCIDENT

In preparing the financial statements, the directors have considered the likelihood of a successful claim which is being made against one of the Company's wholly-owned subsidiaries, Zen Pacific Civil Contractors Limited ("ZPCCL"), in relation to a piling project which was discovered to be sub-standard in late 1999 and in respect of which the Company made a provision of HK\$60 million in its audited consolidated financial statements for the year ended 31st March, 2000, being the director's estimate of the costs of carrying out remedial work and of legal and consultant's cost. Details were disclosed in Note 6 to the financial statements for the year ended 31st March, 2000.

The Hong Kong Housing Authority ("HA") has now alleged claims in respect of the sub-standard piling in the amount of approximately HK\$542 million. Both parties have agreed to settle the claims through arbitration.

ZPCCL has taken legal advice on the claims alleged by the HA and the amount of any such claims, and on the counterclaim prepared based on acceptable legal arguments available to ZPCCL. Based on that advice and on the information at present available to ZPCCL, although it is not possible to determine the outcome of the arbitration with reasonable certainty at this time, the directors have determined that there is no requirement to make any additional provision in respect of the alleged claims in the financial statements.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 29. BANK LOANS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Secured	14,889	3,310	—	—
Unsecured	—	61,153	—	40,000
	<u>14,889</u>	<u>64,463</u>	<u>—</u>	<u>40,000</u>

### 30. OTHER BORROWINGS

Other borrowings comprise:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Obligations under finance leases and sale and leaseback arrangement (note a)	799	6,319
Margin loan (note b)	—	9,590
Other (note c)	—	49,282
	<u>799</u>	<u>65,191</u>

The maturity of other borrowings is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Under one year	191	63,318
In the second year	214	881
In the third to fifth year inclusive	394	992
	<u>799</u>	<u>65,191</u>
Less: Amount due within one year shown under current liabilities	<u>191</u>	<u>63,318</u>
Amount due after one year	<u>608</u>	<u>1,873</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 30. OTHER BORROWINGS (Cont'd)

- (a) The maturity of obligations under finance leases and sale and leaseback arrangement is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>THE GROUP</b>				
Within one year	271	4,944	191	4,446
In the second year	271	1,058	214	881
In the third to fifth year inclusive	428	1,058	394	992
	<u>970</u>	<u>7,060</u>	<u>799</u>	<u>6,319</u>
Less: Future finance charges	<u>171</u>	<u>741</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>799</u>	<u>6,319</u>	<u>799</u>	<u>6,319</u>
Less: Amount due within one year shown under current liabilities			<u>191</u>	<u>4,446</u>
Amount due after one year			<u>608</u>	<u>1,873</u>

- (b) In 2001, the margin loan was secured by certain shares of Road King and carried interest at prevailing market rates. It was repaid during the year.
- (c) Pursuant to an agreement dated 28th July, 2000, the Group acquired 1,800 preference shares of a wholly-owned subsidiary for a cash consideration of HK\$229,844,000. The consideration was included in other borrowings and was settled by instalments. The remaining balance of the consideration payable at 31st March, 2001, amounting to HK\$49,282,000, was repaid during the year.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 31. REDEEMABLE BOND/REDEEMABLE EXCHANGEABLE BOND

The redeemable exchangeable bond ("Bond") was secured by 40,000,000 shares of Road King. The Bond carried interest at prime rate and was redeemable on 20th July, 2002. Starting from 20th July, 2001, the holder of the Bond ("Bondholder") had the right to exchange the Bond for the shares in Road King at an adjustable price of HK\$4.50 per share ("Exchange Right").

Pursuant to a supplemental agreement dated 20th March, 2002 the bondholder agreed to waive the Exchange Right on the Bond and the Company agreed to repay the Bond by instalments. The Bond was repaid in full on 16th May, 2002.

### 32. AMOUNTS DUE TO SUBSIDIARIES

In 2001, other than HK\$114,531,000 which bears interest at prime rate per annum, the remaining balances are interest free. All amounts are unsecured and have no fixed repayment terms. The subsidiaries have agreed not to demand repayment within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

### 33. LOANS FROM MINORITY SHAREHOLDERS

The loans from minority shareholders are unsecured, interest free and have no fixed repayment terms.

### 34. AMOUNTS DUE TO ASSOCIATES

The amounts are unsecured, interest free and have no fixed repayment terms. The associates have agreed not to demand repayment within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

### 35. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be repayable within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 36. AMOUNTS DUE TO RELATED COMPANIES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due to:				
A former subsidiary (Note a)	20,145	—	20,145	—
Other related companies (Note b)	63,132	—	37,400	—
	<u>83,277</u>	<u>—</u>	<u>57,545</u>	<u>—</u>

Notes:

- (a) The amount is unsecured, carries interest at prime rate and is repayable on 30th June, 2003. The former subsidiary became the subsidiary of one of the Company's substantial shareholders during the year.
- (b) On 28th April, 2001, the Group entered into agreements with two subsidiaries of a substantial shareholder of one of the Company's substantial shareholders. Pursuant to the agreements, the Group agreed:
- (i) to dispose of (1) its equity interests in an associate and a jointly controlled entity and (2) the amount due from the jointly controlled entity to the related companies at an aggregate consideration of HK\$55,239,000; and
- (ii) to buy back all the assets disposed of in (i) at an aggregate consideration of HK\$81,920,000 at different dates specified in the agreements.

As the transaction is financing nature in substance, the Group recognised the consideration received as a liability and charged the finance costs, which represent the difference between the consideration received and the consideration to be paid, in the income statement over the period from the date of receipt of the consideration to the date of the buy back so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 37. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of the year	—	—
Provided for the year (note 12)	1,400	—
Balance at end of the year	1,400	—

At the balance sheet date, the major components of the provided and unprovided deferred tax liabilities (assets) are as follows:

	Provided		Unprovided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>THE GROUP</b>				
Tax effect of timing differences due to:				
Excess (shortfall) of tax allowances over depreciation	1,400	—	(799)	2,447
Recognition of attributable profits on contract work in progress	—	—	—	(4,875)
Tax losses	—	—	(23,496)	(35,532)
	1,400	—	(24,295)	(37,960)

The amount of the unprovided deferred tax charge (credit) for the year is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences due to:		
Shortfall of tax allowances over depreciation	(3,246)	(726)
Recognition of attributable profits on contract work in progress	4,875	399
Tax losses utilised (arising)	12,036	(15,681)
	13,665	(16,008)

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 37. DEFERRED TAXATION (Cont'd)

A significant portion of the potential deferred tax asset (which principally represents the tax losses of certain subsidiaries available to set off future assessable profits) has not been recognised in the financial statements as it is uncertain whether the tax benefit will be realised in the foreseeable future.

The Company did not have any significant unprovided deferred taxation for the year or at the balance sheet date.

### 38. SHARE CAPITAL

	Number of shares		Share capital	
	2002 '000	2001 '000	2002 HK\$'000	2001 HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:				
At beginning of the year	773,994	654,752	77,399	65,475
Shares repurchased and cancelled	—	(8,758)	—	(876)
Exercise of share options	1,110	—	111	—
Placing of shares	—	128,000	—	12,800
At end of the year	<u>775,104</u>	<u>773,994</u>	<u>77,510</u>	<u>77,399</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 39. SHARE OPTION SCHEME

The Company has a share option scheme under which directors and employees of the Company and any of its subsidiaries may be granted options to subscribe for shares in the Company. Details of the share option scheme and a summary of the movement of previously granted option during the year are set out in the directors' report.

At 31st March, 2002, the following options to subscribe for shares were outstanding under the Company's share option scheme:

Date of grant	Exercisable period	Number of share options	Exercise price per share HK\$
9th November, 1998	9th November, 1999 to 8th November, 2002	50,000	0.96
11th November, 1999	1st December, 2000 to 30th November, 2003	700,000	1.28
29th November, 2000	29th November, 2001 to 28th November, 2004	21,170,000	0.34
		<hr/>	
		21,920,000	

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 40. RESERVES

	Share premium HK\$'000	Translation reserve HK\$'000	Goodwill held in reserves HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
At 1st April, 2000							
- as originally stated	656,737	10,475	(131,918)	(29,530)	—	932,398	1,438,162
- restatement as an asset of goodwill held in reserves	—	—	177,574	—	—	—	177,574
- retrospective recognition of impairment of goodwill held in reserves	—	—	—	—	—	(87,768)	(87,768)
- amortisation of goodwill for the first time	—	—	—	—	—	(70,819)	(70,819)
- restatement of negative goodwill held in reserves with retrospective release to income	—	—	(49,069)	—	—	49,069	—
- restatement of goodwill attributable to associates held in reserves with retrospective reclassification to interests in associates and recognition of goodwill for the first time	—	—	3,413	—	—	(466)	2,947
- as restated	656,737	10,475	—	(29,530)	—	822,414	1,460,096
Shares repurchased	(5,383)	—	—	—	—	—	(5,383)
Issue of shares	76,800	—	—	—	—	—	76,800
Exchange difference arising on translation of the financial statements of overseas operations	—	(234)	—	—	—	—	(234)
Profit for the year	—	—	—	—	—	180,151	180,151
At 31st March, 2001	728,154	10,241	—	(29,530)	—	1,002,565	1,711,430
Issue of shares	266	—	—	—	—	—	266
Exchange difference arising on translation of the financial statements of overseas operations	—	(5,672)	—	—	—	—	(5,672)
Profit for the year	—	—	—	—	—	100,680	100,680
At 31st March, 2002	728,420	4,569	—	(29,530)	—	1,103,245	1,806,704
<b>THE COMPANY</b>							
At 1st April, 2000	656,737	—	—	—	93,994	54,158	804,889
Shares repurchased	(5,383)	—	—	—	—	—	(5,383)
Issue of shares	76,800	—	—	—	—	—	76,800
Profit for the year	—	—	—	—	—	185,249	185,249
At 1st April, 2001	728,154	—	—	—	93,994	239,407	1,061,555
Issue of shares	266	—	—	—	—	—	266
Loss for the year	—	—	—	—	—	(10,569)	(10,569)
At 31st March, 2002	728,420	—	—	—	93,994	228,838	1,051,252

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 40. RESERVES (Cont'd)

The retained profits of the Group included HK\$621,857,000 (2001: HK\$680,040,000) retained by associates of the Group and HK\$81,610,000 (2001: HK\$126,223,000) retained by its jointly controlled entities.

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

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

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributed surplus	93,994	93,994
Retained profits	228,838	239,407
	<u>322,832</u>	<u>333,401</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 41. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	171,989	204,241
Share of profits less losses of jointly controlled entities	(140,731)	(77,774)
Share of profits less losses of associates	(65,521)	(195,289)
Dividend income from investment in securities	(48,853)	—
Gain on deconsolidation of subsidiaries	—	(2,655)
Gain on deemed disposal of partial interest in an associate	(4,230)	—
Depreciation	33,538	33,072
Amortisation of toll highway operation right	1,797	—
Amortisation of goodwill	3,186	6,372
Goodwill impaired	—	423
Negative goodwill released to income statement	(8,399)	(580)
Interest income	(8,351)	(8,980)
Interest expense	52,800	32,741
Interest on sales and leaseback arrangement	100	—
Finance leases charges	162	1,155
Finance costs on convertible redeemable preference shares issued by a subsidiary	12,829	10,900
Finance costs on redeemable exchangeable bond	10,928	11,592
Gain on disposal of property, plant and equipment	(154)	(3,717)
Impairment loss on property, plant and equipment	50,905	—
Loss (gain) on disposal of an associate	575	(331)
Loss on disposal of other investments	4,417	—
Unrealised gains of construction contract income	19,192	26,514
Unrealised gains on revaluation of other unlisted investments	(227)	—
Impairment loss arising on investment securities	800	—
Decrease (increase) in inventories	49,320	(35,781)
Increase in property under development held for sale	—	(205,777)
Decrease in amount due from customers for contract work	34,730	215,686
(Increase) decrease in debtors, deposits and prepayments	(125,643)	252,263
Increase in amounts due from jointly controlled entities	—	(49,510)
Decrease in amount due to customers for contract work	(68,890)	(248,652)
Decrease in creditors and accrued charges	(53,866)	(53,815)
Exchange realignment	(5,437)	(808)
Net cash outflow from operating activities	<u>(83,034)</u>	<u>(88,710)</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 42. DECONSOLIDATION OF SUBSIDIARIES

	Deconsolidation to		2002 HK\$'000	2001 HK\$'000
	Interests in associates HK\$'000	Investments in securities HK\$'000		
Property, plant and equipment	55,851	11,007	66,858	124
Toll highway operation right	69,570	—	69,570	—
Interests in joint ventures	3,924,766	—	3,924,766	—
Investments in securities	52,387	200	52,587	—
Goodwill	—	11,758	11,758	—
Negative goodwill	(11,102)	—	(11,102)	—
Properties under development held for sale	—	—	—	957,042
Amount due from customers for contract work	—	29,876	29,876	—
Inventories	133,470	50,848	184,318	—
Debtors, deposits and prepayments	396,145	315,334	711,479	469
Amounts due from group companies	173	76,987	77,160	—
Amount due from a related company	—	50,000	50,000	—
Tax recoverable	—	86	86	—
Bank deposits pledged	86,661	—	86,661	—
Bank balances and cash	953,257	83,463	1,036,720	228
Amount due to customers for contract work	—	(37,871)	(37,871)	—
Creditors and accrued charges	(36,334)	(325,937)	(362,271)	(39,013)
Taxation	(7,169)	(18,705)	(25,874)	—
Other borrowings	(1,702,071)	(2,275)	(1,704,346)	(838,087)
Amounts due to group companies	—	—	—	(86,263)
Loan from a related company	—	(50,000)	(50,000)	—
Trust receipt loans	—	(52,826)	(52,826)	—
Bank overdrafts	—	(1,423)	(1,423)	—
Minority interests	(1,994,497)	(21,945)	(2,016,442)	34
	1,921,107	118,577	2,039,684	(5,466)
Gain on deconsolidation of subsidiaries	—	—	—	2,655
	1,921,107	118,577	2,039,684	(2,811)

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 42. DECONSOLIDATION OF SUBSIDIARIES (Cont'd)

	Deconsolidation to		2002 HK\$'000	2001 HK\$'000
	Interests in associates HK\$'000	Investments in securities HK\$'000		
Transferred to:				
Interests in associates	(1,921,107)	—	(1,921,107)	450
Interests in jointly controlled entities	—	—	—	2,361
Investments in securities	—	(123,850)	(123,850)	—
Debtors, deposits and prepayments	—	(458)	(458)	—
Minority interests	—	5,731	5,731	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
<b>Analysis of net cash outflow in connection with deconsolidation of subsidiaries</b>				
Bank balances and cash	953,257	83,463	1,036,720	228
Bank overdrafts	—	(1,423)	(1,423)	—
	<u>—</u>	<u>(1,423)</u>	<u>(1,423)</u>	<u>—</u>
Net cash and cash equivalents disposed of	<u>953,257</u>	<u>82,040</u>	<u>1,035,297</u>	<u>228</u>

On 27th February, 2002, the shareholder of the 7.5% convertible preference shares ("CP Shares") of Road King exercised conversion rights attaching to 100,000 of the CP Shares in Road King held by it. Accordingly, the Group's shareholding in Road King was reduced to approximately 49.082% (on a fully diluted basis) upon the conversion of 100,000 CP Shares. Subsequent to the conversion, Road King has therefore ceased to be a subsidiary of the Group since 27th February, 2002. The contribution of Road King to the cash flows of the Group is set out in note 43.

The deconsolidated subsidiaries transferred to other investments during the year contributed HK\$104,371,000 to the Group's net operating cash flows, received HK\$914,000 in respect of the net returns on investment and servicing of finance, paid HK\$1,675,000 in respect of taxation, utilised HK\$52,666,000 for investing activities and utilised HK\$6,161,000 in respect of financing activities.

## Notes to the Financial Statements

*For the year ended 31st March, 2002*

### **42. DECONSOLIDATION OF SUBSIDIARIES** (Cont'd)

Pursuant to an agreement dated 14th May, 2001, the Group's interest in Ngo Kee Construction Company Limited ("Ngo Kee"), a former wholly-owned subsidiary, was disposed of to NWS CON Limited ("NWS CON"), a subsidiary of one of the Company's substantial shareholders ("NWS CON") for a cash consideration of HK\$43,000,000 with a put option as specified in the agreement which NWS CON is entitled at any time before 31st May, 2003 to require the Group to purchase the entire issued ordinary share capital of Ngo Kee. Accordingly, the net assets of Ngo Kee were deconsolidated on 27th September, 2001 when the transaction was completed.

Pursuant to an addendum to the agreement dated 26th March, 2002, NWS CON have undertaken not to exercise the put option. Accordingly, Ngo Kee is considered to have been disposed on 26th March, 2002 and the loss on disposal amounted to HK\$4,417,000.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 43. ACQUISITION OF A SUBSIDIARY

On 7th and 8th November, 2001, Road King repurchased some of its shares listed on The Stock Exchange of Hong Kong Limited. As a result of Road King's repurchase of these shares, the Company's shareholding in Road King was increased from 49.998% to 50.014% and accordingly Road King became a subsidiary of the Company from 7th November, 2001 to 26th February, 2002. It ceased to be a subsidiary of the Group as detailed in note 42.

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	61,237	—
Toll highway operation right	71,367	—
Interests in joint ventures	4,010,428	—
Investments in securities	52,387	—
Inventories	154,186	—
Debtors, deposits and prepayments	395,038	—
Bank deposits pledged	135,500	—
Bank balances and cash	779,061	—
Creditors and accrued charges	(66,535)	—
Taxation	(7,675)	—
Other borrowings	(1,695,406)	—
Amounts due to group companies	(456)	—
Minority interests	(1,980,733)	—
	<u>1,908,399</u>	<u>—</u>
Negative goodwill deducted from assets	(19,501)	—
	<u>1,888,898</u>	<u>—</u>
Re-classified from:		
Interests in associates	(1,888,898)	—
	<u>—</u>	<u>—</u>
Analysis of net cash inflow in connection with acquisition of a subsidiary:		
Bank balances and cash acquired	<u>779,061</u>	<u>—</u>

During the year, Road King contributed HK\$29,580,000 to the Group's net operating cash flows, paid HK\$73,091,000 in respect of the net returns on investment and servicing of finance, raised HK\$223,839,000 for investing activities and raised HK\$78,000 in respect of financing activities.

Road King contributed HK\$66,652,000 to the Group's turnover, and HK\$141,724,000 to the Group's profit from operations.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 44. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	2002 HK\$'000	2001 HK\$'000
<b>Share capital and share premium</b>		
At beginning of the year	805,553	722,212
Issue of shares	377	89,600
Repurchase of shares	—	(6,259)
At end of the year	<u>805,930</u>	<u>805,553</u>
<b>Amounts due to associates</b>		
At beginning of the year	42,243	52,862
Advance from (repayment to) associates	12,724	(10,619)
At end of the year	<u>54,967</u>	<u>42,243</u>
<b>Amounts due to jointly controlled entities</b>		
At beginning of the year	86,278	64,026
(Repayment to) advances from jointly controlled entities	(60,484)	22,252
At end of the year	<u>25,794</u>	<u>86,278</u>
<b>Bank loans</b>		
At beginning of the year	64,463	213,358
New bank loans raised	—	33,485
Repayment of bank loans	(49,574)	(182,500)
Exchange realignment	—	120
At end of the year	<u>14,889</u>	<u>64,463</u>
<b>Other borrowings</b>		
At beginning of the year	65,191	877,718
Other borrowings raised	7,748	216,947
Repayment of other borrowings	(63,200)	(191,387)
Acquisition of a subsidiary	1,695,406	—
Deconsolidation of subsidiaries	(1,704,346)	(838,087)
At end of the year	<u>799</u>	<u>65,191</u>
<b>Redeemable bond/redeemable exchangeable bond</b>		
At beginning of the year	180,000	—
Issue of redeemable exchangeable bond	—	180,000
Redemption	(45,000)	—
At end of the year	<u>135,000</u>	<u>180,000</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 44. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR (Cont'd)

	2002 HK\$'000	2001 HK\$'000
<b>Trust receipt loans</b>		
At beginning of the year	52,782	51,112
Advance from trust receipt loans, net	44	1,670
Deconsolidation of subsidiaries	(52,826)	—
	<u>—</u>	<u>—</u>
At end of the year	<u>—</u>	<u>52,782</u>
<b>Amount due to related companies</b>		
At beginning of the year	—	—
Advances from related companies	125,239	—
Repayment to related companies	(50,000)	—
Accrued interest	8,038	—
	<u>83,277</u>	<u>—</u>
At end of the year	<u>83,277</u>	<u>—</u>
<b>Minority interests</b>		
At beginning of the year	43,852	35,937
Contribution from minority shareholders of a subsidiary	—	930
Acquisition of a subsidiary	1,980,733	—
Share of exchange reserves	(10,997)	—
Repurchase of shares from minority shareholders	(6,640)	—
Deconsolidation of subsidiaries	(2,010,711)	34
Minority interests' share of profit	11,676	6,951
	<u>7,913</u>	<u>43,852</u>
At end of the year	<u>7,913</u>	<u>43,852</u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 45. COMMITMENTS

### (a) Joint venture commitments

At 31st March, 2002, the Group had committed to invest approximately HK\$153,027,000 (2001: HK\$194,800,000) into several joint ventures established in the PRC. These joint ventures are principally engaged in research and development of bio-pesticide products and the production of construction and building materials in the PRC.

### (b) Operating lease commitments

#### Lessor

During the year, the Group earned income of HK\$14,000 (2001: HK\$8,000) and HK\$3,866,000 (2001: HK\$1,353,000) from lease of Group's properties and subletting of rented premises. All the leased or subletting properties have committed the tenants from one to six years.

At 31st March, 2002, the Group had leased and subleased the rented premises and contracted with tenants for the following future minimum lease payments:

	2002 HK\$'000	2001 HK\$'000
Within one year	1,783	3,153
In the second to fifth year inclusive	464	1,960
Over five years	55	146
	<u>2,302</u>	<u>5,259</u>

#### Lessee

At 31st March, 2002, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Operating leases which expire:		
Within one year	9,643	28,895
In the second to fifth year inclusive	146	13,067
	<u>9,789</u>	<u>41,962</u>

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 45. COMMITMENTS (Cont'd)

#### (b) Operating lease commitments (Cont'd)

Operating lease payments represent rental payable by the Group for certain of its office premises and carparks. Leases are negotiated for terms ranging from one to four years and rentals are fixed at the time of entering the respective leases.

At 31st March, 2002, the Company did not have any other significant commitments.

### 46. PLEDGE OF ASSETS

As at 31st March, 2002, the following assets of the Group were pledged:

- (a) Bank deposits amounting to HK\$40,933,000 (2001: HK\$35,752,000) of the Group were pledged to secure the banking facilities granted to the Group and a jointly controlled entity.
- (b) 40,000,000 (2001: 40,000,000) shares of Road King with a market value of HK\$127,000,000 (2001: HK\$116,000,000) were pledged to secure the redeemable exchangeable bond issued by the Company as mentioned in note 31. The pledge was released after repayment of the redeemable bond on 16th May, 2002.
- (c) 46,500,000 (2001: Nil) shares of Road King with a market value of HK\$147,637,500 (2001: Nil) were pledged as security for the due performance of the sale and repurchase of an associate and a jointly controlled entity as set out in note 36.
- (d) 80,000,000 (2001: Nil) shares of Road King with a market value of HK\$254,000,000 (2001: Nil) were pledged to secure the banking facilities granted to the Group.

As at 31st March, 2001, the Company pledged bank deposit amounting to HK\$24,955,000 to secure the banking facilities granted to the Company. This was released during the year.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 47. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees given to financial institutions in respect of banking and other facilities granted to:				
Subsidiaries	—	—	55,702	165,260
Jointly controlled entities	—	1,749,952	—	1,749,952
	<u>—</u>	<u>1,749,952</u>	<u>55,702</u>	<u>1,749,952</u>
Guarantees given to an associate in respect of a loan granted to a subsidiary	—	—	50,000	50,000
	<u>—</u>	<u>—</u>	<u>50,000</u>	<u>50,000</u>
Outstanding performance/retention bonds in respect of construction contracts	593,689	693,170	578,308	692,170
	<u>593,689</u>	<u>693,170</u>	<u>578,308</u>	<u>692,170</u>

The extent of banking and other facilities utilised by subsidiaries and jointly controlled entities at 31st March, 2002 amounted to HK\$16,819,000 and HK\$Nil (2001: HK\$91,857,000 and HK\$973,284,000) respectively.

At 31st March, 2002, the Company has also given guarantees to indemnify all liabilities for certain construction contracts undertaken by its subsidiaries.

At 31st March, 2002, the Company has an outstanding guarantee to a subsidiary of one of the Company's substantial shareholders that the net accumulated profit before taxation of First Star Development Limited ("First Star") derived from a Private Sector Participation Scheme ("PSPS") property development project should not be less than HK\$70,000,000. First Star is a jointly controlled entity of the Group.

## Notes to the Financial Statements

*For the year ended 31st March, 2002*

### **48. RETIREMENT BENEFITS SCHEME**

The Group operates two MPF Schemes for all eligible employees in Hong Kong. These MPF Schemes are registered with the Mandatory Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance").

The assets of the MPF Schemes are held separately from those of the Group under the control of independent trustees approved by MPFA.

In addition to the mandatory contributions specified under the MPF Schemes Ordinances the Group provides additional contributions for certain qualifying employees as specified in the rules of the Group's MPF Schemes. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The amount charged to the consolidated income statement represents contributions payable to the retirement benefit schemes by the Group at the rates specified in the rules of the MPF Schemes reduced by the aforesaid amount of forfeited benefits outstanding at the commencement of the financial year.

As at 31st March, 2002, the total amount of forfeited benefits available to reduce the contributions payable in future years by the Group amounted to HK\$Nil (2001: HK\$515,000).

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 49. RELATED PARTY TRANSACTIONS

	Notes	Associates		Jointly controlled entities		Related companies	
		2002	2001	2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses	a	—	—	2,039	—	—	—
Value of construction works certified	b	—	—	373,782	195,122	3,605	—
Revenue from General Consultancy							
Services	b	—	—	—	—	750	—
Revenue from MIS Services	b	—	—	—	—	66	—
Revenue from Office Licence	b	—	—	—	—	1,019	—
Revenue from sales of goods	c	—	—	21,082	48,376	—	—
		<u>21,255</u>	<u>5,361</u>	<u>40,806</u>	<u>91,242</u>	<u>—</u>	<u>—</u>
Amounts due from related parties		21,255	5,361	40,806	91,242	—	—
Amounts due to related parties		<u>54,967</u>	<u>42,243</u>	<u>25,794</u>	<u>86,278</u>	<u>83,277</u>	<u>—</u>

The related companies are subsidiaries of a substantial shareholder of one of the Company's substantial shareholders and a subsidiary of one of the Company's substantial shareholders.

Notes:

- Interest expenses were charged at prevailing market rates.
- As disclosed in the circular dated 5th June, 2001 issued by the Company to the shareholder, these transactions have been continuing after the disposal of Ngo Kee to NWS CON, a subsidiary of a substantial shareholder of the Company. The revenue was charged in accordance with respective agreements entered between Ngo Kee and the Group.
- The transactions were carried out at cost plus a percentage profit mark-up.

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 50. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital *	Proportion of nominal value of issued capital/ attributable interest held by the Group %	Principal activities
Elite United Group Limited	Hong Kong	HK\$2	100	Investment holding
Groove Trading Limited	Hong Kong	HK\$2	100	Investment holding
Leader Civil Engineering Corporation Limited	Hong Kong	HK\$25,200,000 Ordinary shares HK\$24,000,000 Non-voting deferred shares (note a)	100  100	Civil engineering
Leader Marine Contractors Limited	Hong Kong	HK\$200,000	100	Marine engineering and provision of transportation services
Wai Hing Quarries (China) Limited	Hong Kong	HK\$2 Ordinary shares HK\$1,200,000 Non-voting deferred shares (note a)	100  100	Production of construction materials
Wai Kee China Investments Company Limited	Hong Kong	HK\$2 Ordinary shares HK\$2 Non-voting deferred shares (note a)	100  100	Investment holding

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 50. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital *	Proportion of nominal value of issued capital/ attributable interest held by the Group %	Principal activities
Wai Kee China Investments (BVI) Company Limited	British Virgin Islands	HK\$30,000,000	100	Investment holding
Wai Kee Quarry Asia Limited	Hong Kong	HK\$2	100	Investment holding
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	HK\$2 Ordinary shares HK\$14,800,000 Non-voting deferred shares HK\$5,200,000 Non-voting deferred shares (note a)	100  100  —	Civil engineering
Wai Kee (Zens) Holding Limited	British Virgin Islands	US\$50,000	100	Investment holding
Wai Luen Stone Products Limited	Hong Kong	HK\$2,200,000 Ordinary shares HK\$800,000 Non-voting deferred shares (note a)	100  —	Production of construction materials
Zen Pacific Civil Contractors Limited	Hong Kong	HK\$1,000 Ordinary shares HK\$39,499,800 Non-voting deferred shares (note a)	100  100	Civil engineering

## Notes to the Financial Statements

For the year ended 31st March, 2002

### 50. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital *	Proportion of nominal value of issued capital/ attributable interest held by the Group %	Principal activities
Zen Pacific Construction Limited	British Virgin Islands/ Hong Kong	US\$1,000	100	Investment holding
Zen Pacific-Shui On Joint Venture C304	Hong Kong	Unincorporated (note b)	90	Civil engineering
Zhuhai Guishan Seawall Construction Company	PRC	HK\$21,000,000 *	80	Seawall construction and production of construction materials
ZWP Investments Limited	Hong Kong	HK\$2	100	Investment holding

Except for Wai Kee (Zens) Holding Limited, all subsidiaries are indirectly held by the Company.

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

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Notes:

- a. These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of respective companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.
- b. No capital has been contributed by the partners of the joint venture.