

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 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 principal jointly controlled entities are set out in notes 46, 18 and 19 respectively.

The financial statements for the current period cover the nine-month period ended 31st December, 2002. The corresponding amounts shown for the consolidated income statement, consolidated cash flow statement and related notes cover the twelve-month period from 1st April, 2001 to 31st March, 2002 and therefore may not be comparable with amounts shown for the current period. The period covered by the current financial statements was less than twelve months because it is easier for the preparation of accounts of the Group as most of the Group's investments and business activities, except for the civil construction business, principally operate in the People's Republic of China (the "PRC") and the relevant subsidiaries and associates of the Company which carry on the businesses in the PRC have a financial year end of 31st December. No further change to reporting date is anticipated.

## 2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current period, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practices ("SSAP(s)") issued by the Hong Kong Society of Accountants ("HKSA"):

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 33	Discontinuing operations
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and an introduction of the statement of changes in equity, but has had no effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required. Comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

Except for the above, the adoption of the new SSAPs has had no material effect on the Group's financial statements.

## 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 the balance sheet date each period/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 period/year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

### 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 those 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.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

### 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 period/year.

### Revenue recognition

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

Service income is recognised when services are provided.

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

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

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. No such revenue is recognised in the current period.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified 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 the 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:

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.

### Taxation

The charge for taxation is based on the results for the period/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 an asset will crystallise in the foreseeable future.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

### 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 period/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.

#### *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 in 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.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

### 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 that 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 "Amount due from customers for contract work" or "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".

### 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 the profit for the period/year.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

### 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 rentals for the period/year are charged to the income statement on a straight-line basis over the relevant lease terms.

### 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 prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

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

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

### 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

## 4. TURNOVER

	1.4.2002 to 31.12.2002 HK\$'000	1.4.2001 to 31.3.2002 HK\$'000
Revenue from:		
Civil construction	528,584	1,066,754
Building construction	—	648,231
Quarrying	113,994	142,090
Highway and expressway operations	—	50,282
Building materials	—	137,383
Others	3,075	26,998
	<u>645,653</u>	<u>2,071,738</u>

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

## 5. SEGMENTAL INFORMATION

The Group's turnover and profit for the period from 1st April, 2002 to 31st December, 2002 and the year ended 31st March, 2002 by business activity and geographical market are as follows:

### (a) Business segments

For management purposes, the Group is organised into four operating divisions - civil construction, building construction, quarrying, highway and expressway operations, 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 toll highways and expressways

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 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	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Nine months ended 31st December, 2002</b>							
<b>Results</b>							
Group turnover	528,584	—	113,994	—	3,075	—	645,653
Add: Inter-segment sales	—	—	8,343	—	—	(8,343)	—
Segment turnover	528,584	—	122,337	—	3,075	(8,343)	645,653
Share of turnover of jointly controlled entities	518,775	—	—	—	—	—	518,775
Segment turnover and share of turnover of jointly controlled entities	1,047,359	—	122,337	—	3,075	(8,343)	1,164,428
The inter-segment sales were charged at cost plus a percentage of profit mark up.							
Segment results	(25,910)	7,463	21,729	—	(3,423)	—	(141)
Share of profits less losses of jointly controlled entities	33,167	—	—	—	(25,888)*	—	7,279
Segment results and share of profits less losses of jointly controlled entities	7,257	7,463	21,729	—	(29,311)	—	7,138
Unallocated corporate expenses	—	—	—	—	—	—	(8,251)
Loss from operations	—	—	—	—	—	—	(1,113)
Finance costs	—	—	—	—	—	—	(16,446)
Share of profits less losses of associates	1,266	—	—	112,780	(1,737)*	—	112,309
Profit before taxation	—	—	—	—	—	—	94,750
Taxation	—	—	—	—	—	—	(5,329)
Profit before minority interests	—	—	—	—	—	—	89,421
Minority interests	—	—	—	—	—	—	(2,593)
Profit for the period	—	—	—	—	—	—	86,828
<b>At 31st December, 2002</b>							
<b>Assets</b>							
Segment assets	362,507	20,097	123,672	—	57,843	—	564,119
Interests in associates	23,025	—	—	1,979,408	8,005	—	2,010,438
Interests in joint ventures	50,936	—	—	—	(25,622)	—	25,314
Unallocated corporate assets	—	—	—	—	—	—	26,736
Total consolidated assets	—	—	—	—	—	—	2,626,607
<b>Liabilities</b>							
Segment liabilities	328,092	—	35,340	—	40,244	—	403,676
Unallocated corporate liabilities	—	—	—	—	—	—	261,311
Total consolidated liabilities	—	—	—	—	—	—	664,987
<b>Other information</b>							
Capital additions	2,931	—	—	—	5,038	—	7,969
Depreciation	5,216	—	1,365	—	1,032	—	7,613

\* These losses were related to the Group's interests in the property development projects with Government.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 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 (Note)	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Year ended 31st March, 2002								
<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 operation	—	—	—	—	—	—	—	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>At 31st March, 2002</b>								
<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

Note: The building materials segment mainly represented the results of its former subsidiary, Sundart Timber Products Company Limited ("Sundart"). Pursuant to an agreement dated 15th October 2001, the Group's interest in Sundart was disposed of to an independent third party. Accordingly, the segment of building materials operation has been discontinued since that date.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 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>Nine months ended</b>				
<b>31st December, 2002</b>				
<b>Results</b>				
Segment turnover	526,392	56,382	62,879	645,653
Share of turnover of jointly controlled entities	495,967	22,808	—	518,775
Segment turnover and share of turnover of jointly controlled entities	1,022,359	79,190	62,879	1,164,428
Segment results	11,966	1,596	(13,703)	(141)
Share of profits less losses of jointly controlled entities	3,399	3,880	—	7,279
Segment results and share of profits less losses of jointly controlled entities	15,365	5,476	(13,703)	7,138
Unallocated corporate expenses				(8,251)
Loss from operations				(1,113)
Finance costs				(16,446)
Share of profits less losses of associates	(471)	112,780	—	112,309
Profit before taxation				94,750
Taxation				(5,329)
Profit before minority interests				89,421
Minority interests				(2,593)
Profit for the period				86,828

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 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
<b>Year ended 31st March, 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 period from 1st April, 2002 to 31st December, 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	
	31.12.2002 HK\$'000	31.3.2002 HK\$'000	1.4.2002 to 31.12.2002 HK\$'000	1.4.2001 to 31.3.2002 HK\$'000
Segment assets located in:				
Hong Kong	334,512	481,362	4,168	595
Other regions in the PRC	124,357	65,094	3,798	9,196
Republic of China	105,250	114,948	3	2,535
Total segment assets	564,119	661,404	7,969	12,326
Interests in associates	2,010,438	1,971,283		
Interests in joint ventures	25,314	65,212		
Unallocated corporate assets	26,736	4,567		
Total consolidated assets	2,626,607	2,702,466		

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 6. OTHER OPERATING INCOME

	1.4.2002 to 31.12.2002 HK\$'000	1.4.2001 to 31.3.2002 HK\$'000
Other operating income includes the following:		
Dividend income from other unlisted investment	—	48,853
Unrealised gains on revaluation of other unlisted investments	10,056	227
Interest on other receivable	—	1,194
Interest on bank deposits	666	7,157
Gain on disposal of property, plant and equipment	2,336	154
Gain on deemed disposal of partial interest in an associate	—	4,230
Rental income from investment property	111	14
Rental income from sublease of rented premises	1,712	3,866

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

For the year ended 31st March, 2002, the directors of the Company reviewed the carrying amounts of the assets of the Group and determined that 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 was fully impaired with regards to the market situation of these businesses at that time. Accordingly, this amount was provided for.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

## 8. (LOSS) PROFIT FROM OPERATIONS

	1.4.2002 to 31.12.2002 HK\$'000	1.4.2001 to 31.3.2002 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Amortisation of goodwill included in administrative expenses	—	3,186
Amortisation of toll highway operation right included in cost of sales	—	1,797
Auditors' remuneration		
Provision for the current period/year	1,996	2,281
Underprovision in prior years	551	—
	<u>2,547</u>	<u>2,281</u>
Depreciation:		
Owned assets	9,512	38,872
Assets held under finance leases	199	1,827
	<u>9,711</u>	<u>40,699</u>
Less: Amount attributable to construction contracts, inventories and ginseng crops capitalised	<u>2,098</u>	<u>7,161</u>
	<u>7,613</u>	<u>33,538</u>
Hire charges for plant and machinery	35,033	47,821
Less: Amount attributable to construction contracts, inventories and ginseng crops capitalised	<u>35,033</u>	<u>47,776</u>
	<u>—</u>	<u>45</u>
Staff costs:		
Directors' remuneration (note 10)	4,202	10,635
Other staff costs	147,337	332,321
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK\$694,000 (year ended 31st March, 2002: HK\$1,536,000)	6,626	11,779
	<u>158,165</u>	<u>354,735</u>
Less: Amount attributable to construction contracts, inventories and ginseng crops capitalised	<u>87,530</u>	<u>245,663</u>
	<u>70,635</u>	<u>109,072</u>
Operating lease rentals in respect of land and buildings	9,943	20,450
Less: Amount attributable to construction contracts, inventories and ginseng crops capitalised	<u>72</u>	<u>581</u>
	<u>9,871</u>	<u>19,869</u>

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

## 9. FINANCE COSTS

	1.4.2002 to 31.12.2002 HK\$'000	1.4.2001 to 31.3.2002 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	15,960	52,800
Redeemable bond	424	10,928
Finance leases	—	162
Sale and leaseback arrangement	62	100
Finance costs arising on convertible redeemable preference shares issued by a subsidiary	—	12,829
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>16,446</u>	<u>79,148</u>

## 10. DIRECTORS' REMUNERATION

	1.4.2002 to 31.12.2002 HK\$'000	1.4.2001 to 31.3.2002 HK\$'000
Directors' fees:		
Executive	—	—
Non-executive	290	290
Independent non-executive	290	145
	<u>580</u>	<u>435</u>
Other emoluments - executive directors:		
Salary and other benefits	2,925	6,013
Performance related incentive payments	250	3,550
Retirement benefits scheme contributions	447	637
	<u>3,622</u>	<u>10,200</u>
	<u>4,202</u>	<u>10,635</u>

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

Remuneration of the directors were within the following bands:

	Number of directors	
	1.4.2002 to 31.12.2002	1.4.2001 to 31.3.2002
Up to HK\$1,000,000	6	7
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$4,000,001 to HK\$4,500,000	—	1
	6	10

## 11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included one director (year ended 31st March, 2002: three directors), details of whose emoluments are set out above. The emoluments of the remaining four (year ended 31st March, 2002: two) highest paid individuals are as follows:

	1.4.2002 to 31.12.2002 HK\$'000	1.4.2001 to 31.3.2002 HK\$'000
Salary and other benefits	4,423	5,747
Performance related incentive payments	971	408
Retirement benefits scheme contributions	220	194
	5,614	6,349

The emoluments were within the following bands:

	Number of employees	
	1.4.2002 to 31.12.2002	1.4.2001 to 31.3.2002
HK\$1,000,001 to HK\$1,500,000	3	—
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$2,500,001 to HK\$3,000,000	—	1
	4	2

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 12. DISCONTINUING OPERATION

Pursuant to an agreement dated 15th October, 2001, the Group's interest in Sundart was disposed of to an independent third party. The results of the operation for the period from 1st April, 2001 to 15th October, 2001 which have been included in the consolidated income statement for the year ended 31st March, 2002 were as follows:

	<i>HK\$'000</i>
Turnover	136,408
Cost of sales	<u>(119,577)</u>
Gross profit	16,831
Other operating income	17
Distribution costs	(1,143)
Administrative expenses	<u>(16,059)</u>
Loss from operations	(354)
Finance costs	<u>(4,542)</u>
Loss before minority interests	(4,896)
Minority interests	<u>1,713</u>
Loss for the period	<u><u>(3,183)</u></u>

During the year ended 31st March, 2002, Sundart contributed HK\$56,757,000 to the Group's net operating cash flows, utilised HK\$2,513,000 in respect of investing activities and utilised HK\$55,782,000 in respect of financing activities.

The carrying amounts of the assets and liabilities of Sundart at the date of disposal were as follows:

	<i>HK\$'000</i>
Total assets	238,190
Total liabilities	<u>(197,264)</u>
	<u><u>40,926</u></u>

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 13. TAXATION

	1.4.2002 to 31.12.2002 HK\$'000	1.4.2001 to 31.3.2002 HK\$'000
Provision for the period/year		
Hong Kong	3,466	7,720
Other jurisdictions	278	634
(Over) Under provision in prior years		
Hong Kong	(12,473)	4,167
Other jurisdictions	—	27
Deferred taxation (note 35)	—	1,400
Share of tax on results of associates	11,559	13,362
Share of tax on results of jointly controlled entities	2,499	32,323
	<u>5,329</u>	<u>59,633</u>

Hong Kong Profits Tax is calculated at 16 per cent. on the estimated assessable profit for the period/year.

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

### 14. DIVIDENDS

	1.4.2002 to 31.12.2002 HK\$'000	1.4.2001 to 31.3.2002 HK\$'000
Final dividend paid for the year ended 31st March, 2002:		
HK1 cent (year ended 31st March, 2001: Nil) per share	7,754	—
Interim dividend paid for the period from 1st April, 2002 to 31st December, 2002: HK2 cents (year ended 31st March, 2002: Nil) per share	15,523	—
	<u>23,277</u>	<u>—</u>

The final dividend of HK2 cents (year ended 31st March, 2002: HK1 cent) per ordinary share, amounting approximately to HK\$15,646,000 (year ended 31st March, 2002: HK\$7,754,000), has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. This final dividend has not been included as a liability in these financial statements.

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 15. EARNINGS PER SHARE

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

	1.4.2002 to 31.12.2002 HK\$'000	1.4.2001 to 31.3.2002 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<u>86,828</u>	<u>100,680</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	775,131,161	774,057,706
Effect of dilutive potential ordinary shares: Options	<u>9,477,456</u>	<u>2,305,239</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>784,608,617</u>	<u>776,362,945</u>

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 16. PROPERTY, PLANT AND EQUIPMENT

#### THE GROUP

	Land and buildings 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, 2002	66,018	11,009	246,766	24,392	12,947	96,200	457,332
Additions	3,348	3,421	276	707	217	—	7,969
Disposals	—	(1,473)	(13,978)	(205)	(375)	—	(16,031)
At 31st December, 2002	<u>69,366</u>	<u>12,957</u>	<u>233,064</u>	<u>24,894</u>	<u>12,789</u>	<u>96,200</u>	<u>449,270</u>
<b>DEPRECIATION AND IMPAIRMENT</b>							
At 1st April, 2002	57,090	10,981	235,382	21,648	9,862	68,623	403,586
Provided for the period	441	556	2,257	984	767	4,706	9,711
Eliminated on disposals	—	(1,432)	(13,190)	(133)	(287)	—	(15,042)
At 31st December, 2002	<u>57,531</u>	<u>10,105</u>	<u>224,449</u>	<u>22,499</u>	<u>10,342</u>	<u>73,329</u>	<u>398,255</u>
<b>NET BOOK VALUES</b>							
At 31st December, 2002	<u>11,835</u>	<u>2,852</u>	<u>8,615</u>	<u>2,395</u>	<u>2,447</u>	<u>22,871</u>	<u>51,015</u>
At 31st March, 2002	<u>8,928</u>	<u>28</u>	<u>11,384</u>	<u>2,744</u>	<u>3,085</u>	<u>27,577</u>	<u>53,746</u>

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

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

	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Medium-term leases in Hong Kong	5,136	5,327
Medium-term leases outside Hong Kong	6,328	3,147
Short leases outside Hong Kong	371	454
	<u>11,835</u>	<u>8,928</u>

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

	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Sale and leaseback arrangement	<u>552</u>	<u>751</u>

### 17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	124,144	124,144
Amounts due from subsidiaries	930,428	974,178
	<u>1,054,572</u>	<u>1,098,322</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\$Nil (31st March, 2002: 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 repayment 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 December, 2002 are set out in note 46.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

## 18. INTERESTS IN ASSOCIATES

	THE GROUP	
	31.12.2002 HK\$'000	31.3.2002 HK\$'000
Share of net assets of associates	1,990,543	1,962,383
Negative goodwill (note a)	—	(11,102)
Amount due from an associate (note b)	19,895	20,002
	<u>2,010,438</u>	<u>1,971,283</u>

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

Name of associate	Form of business structure	Place of incorporation/ registration/ operation	Proportion of nominal value of issued ordinary share capital/ attributable interest held by the Group %	Principal activities
Elite United Property Management Limited	Incorporated	Hong Kong	50	Inactive
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

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

Name of associate	Form of business structure	Place of incorporation/ registration/ operation	Proportion of nominal value of issued ordinary share capital/ attributable interest held by the Group %	Principal activities
Road King Infrastructure Limited ("Road King")	Incorporated	Bermuda	49.082 (note c)	Investment in, 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:

(a) Movement in the negative goodwill included in interests in associates is as follows:

	HK\$'000
GROSS AMOUNT	
At 1st April, 2002 and 31st December, 2002	19,501
RELEASE TO INCOME	
At 1st April, 2002	8,399
Accredited for the period	11,102
At 31st December, 2002	19,501
CARRYING AMOUNT	
At 31st December, 2002	—
At 31st March, 2002	11,102

(b) The amount due from an associate is unsecured, interest free and has 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 non-current asset.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

Notes: (Cont'd)

- (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.

	1.1.2002 to 31.12.2002 HK\$'000 (audited)	1.1.2001 to 31.12.2001 HK\$'000 (audited)
<b>Operating results:</b>		
Toll revenue	38,953	32,445
Minimum income undertakings	44,652	137,492
Sales of goods	80,135	75,564
Turnover	<u>163,740</u>	<u>245,501</u>
Gain on disposal of interests in infrastructure joint ventures	—	34,033
Profit from ordinary activities before taxation	348,838	297,663
Profit from ordinary activities before taxation attributable to the Group	<u>126,223</u>	<u>109,146</u>
<b>Financial position:</b>		
	31.12.2002 HK\$'000 (audited)	31.12.2001 HK\$'000 (audited)
Non-current assets	4,267,454	4,296,370
Current assets	1,458,277	1,329,363
Current liabilities	(258,623)	(157,793)
Non-current liabilities	(945,168)	(1,099,646)
Minority interests	(81,976)	(80,785)
Net assets	<u>4,439,964</u>	<u>4,287,509</u>
Net assets attributable to the Group	<u>1,979,408</u>	<u>1,896,303</u>

The market value of shares held in Road King at 31st December, 2002 amounted to HK\$904,714,000 (31st March, 2002: HK\$803,487,000).

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 19. INTERESTS IN JOINT VENTURES

	THE GROUP		THE COMPANY	
	31.12.2002	31.3.2002	31.12.2002	31.3.2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets of jointly controlled entities	25,014	75,868	—	—
Amount due from a jointly controlled entity	48,373	37,400	48,373	37,400
Unrealised gains of interest charged (note a)	(2,367)	(2,350)	—	—
Unrealised gains of construction contract (note b)	(45,706)	(45,706)	—	—
	<u>25,314</u>	<u>65,212</u>	<u>48,373</u>	<u>37,400</u>

The amount due from a jointly controlled entity is unsecured and interest free except for an amount of HK\$10,939,000 which bears interest at prevailing market rate. The Company will not demand the repayment with twelve months from the balance sheet date and accordingly the amount is shown as a non-current asset.

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

Name of jointly controlled entity	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group %	Principal activities
Balfour Beatty-Zen Pacific Joint Venture	Unincorporated	Hong Kong	50	Civil engineering
Barclay Mowlem-Zen Pacific-China Civil Joint Venture	Unincorporated	Hong Kong	35	Civil engineering
Barclay Mowlem-Zen Pacific Joint Venture	Unincorporated	Hong Kong	40	Civil engineering
China State-Zen Pacific Joint Venture	Unincorporated	Hong Kong	30	Civil engineering

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

Name of jointly controlled entity	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group %	Principal activities
Dragages-Zen Pacific Joint Venture	Unincorporated	Hong Kong	25	Civil engineering
E & M 404 Joint Venture	Unincorporated	Hong Kong	12.5 (note c)	Civil engineering
First Star Development Limited ("First Star")	Incorporated	Hong Kong	49 (note d)	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
Taiwan Track Partners Joint Venture	Unincorporated	Republic of China	8 (note c)	Civil engineering

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

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

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\$2,367,000 (31st March, 2002: 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.
- (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 ended 31st March, 2002 as set out in note 39. 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 that subsidiary up to the date of deconsolidation is unrealised and has been credited to the Group's interests in jointly controlled entities.
- (c) The Group holds less than 20% interests in the entities. However, under the joint venture agreements, the entities are jointly controlled by the Group and the other significant joint venture partners. Therefore, the entities are classified as jointly controlled entities.
- (d) Pursuant to the shareholders' agreement dated 13th June, 2000, First Star is subject to joint control of the Group and the other shareholder 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.

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 the interests in that jointly controlled operation is as follows:

	THE GROUP	
	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Assets	2,487	1,779
Liabilities	212	—
	1.4.2002	1.4.2001
	to	to
	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Turnover for the period/year	—	16,391
Profit after taxation for the period/year	496	958

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 20. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	THE GROUP	
	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Within one year	6,073	7,743
In the second to fifth year inclusive	52,030	33,697
	<u>58,103</u>	<u>41,440</u>
Less: Amount receivable within one year shown under current assets	<u>6,073</u>	<u>7,743</u>
Amount receivable after one year	<u><u>52,030</u></u>	<u><u>33,697</u></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 one quarry in the PRC. In the opinion of the Directors, a portion of these loans receivable amounted to HK\$6,073,000 (31st March, 2002: HK\$7,743,000) will be settled within the next twelve months and accordingly, the remaining balance of HK\$52,030,000 (31st March, 2002: HK\$33,697,000) is shown under non-current assets.

### 21. INVENTORIES

	THE GROUP	
	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Raw materials	262	83
Consumables	7,705	11,848
Finished goods	134	5,755
	<u>8,101</u>	<u>17,686</u>

The cost of inventories recognised as an expense during the period/year is HK\$81,683,000 (year ended 31st March, 2002: HK\$87,898,000).

Included above are raw materials of HK\$Nil (31st March, 2002: HK\$69,000) and consumables of HK\$456,000 (31st March, 2002: HK\$Nil) which are carried at net realisable values. Finished goods are carried at cost.

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

	THE GROUP	
	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Contracts in progress at balance sheet date:		
Contract costs incurred plus recognised profits		
less recognised losses	3,078,597	11,043,306
Less: Progress billings	3,056,948	11,036,887
	<u>21,649</u>	<u>6,419</u>
Represented by:		
Due from customers included in current assets	39,807	107,575
Due to customers included in current liabilities	(18,158)	(101,156)
	<u>21,649</u>	<u>6,419</u>

### 23. DEBTORS, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Trade debtors (aged analysis):		
0 to 60 days	131,872	107,423
61 to 90 days	4,411	3,642
Over 90 days	390	30,233
	<u>136,673</u>	<u>141,298</u>
Retentions receivable	53,060	108,402
Other debtors, deposits and prepayments	44,393	60,845
	<u>234,126</u>	<u>310,545</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 period from 1st April, 2002 to 31st December, 2002

### 24. INVESTMENTS IN SECURITIES

	THE GROUP	
	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Unlisted equity securities		
Investment securities, at cost	800	800
Other investments, at fair values	61,771	46,979
	<u>62,571</u>	<u>47,779</u>
Less: Impairment loss recognised	(800)	(800)
	<u>61,771</u>	<u>46,979</u>

Included in investments in securities is an amount of HK\$36,891,000 (31st March, 2002: HK\$36,891,000) which represents the Group's interest in Sundart, a former subsidiary of the Company, 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 has been 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.

On 26th March, 2003, the independent third party and the Group agreed to cancel the put option and call option as specified in the agreement.

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 25. CREDITORS AND ACCRUED CHARGES

	THE GROUP	
	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Trade creditors (aged analysis):		
0 to 60 days	43,474	44,064
61 to 90 days	1,891	3,194
Over 90 days	7,162	6,237
	<hr/>	<hr/>
	52,527	53,495
Retentions payable	27,617	48,341
Accrued project costs	94,573	114,602
Other creditors and accrued charges	94,786	103,788
	<hr/>	<hr/>
	269,503	320,226
	<hr/> <hr/>	<hr/> <hr/>

### 26. PROVISION FOR PILING INCIDENT

In preparing the financial statements, the directors have considered the likelihood of the success of a 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 Group made a provision of HK\$60 million in its audited consolidated financial statements for the year ended 31st March, 2000, being the directors' estimate of the costs of carrying out remedial work and of legal and consultants' costs. Details were disclosed in note 6 to the financial statements for the year ended 31st March, 2000.

The Hong Kong Housing Authority ("HA") has alleged the claims in respect of the sub-standard piling from an amount ranging from HK\$214 million to HK\$605 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 period from 1st April, 2002 to 31st December, 2002

## 27. AMOUNTS DUE TO RELATED COMPANIES

	THE GROUP		THE COMPANY	
	31.12.2002	31.3.2002	31.12.2002	31.3.2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due to:				
A former subsidiary (note a)	20,548	20,145	20,548	20,145
Other related companies (note b)	72,224	63,132	37,400	37,400
	<u>92,772</u>	<u>83,277</u>	<u>57,948</u>	<u>57,545</u>
Less: Amounts due within one year shown under current liabilities				
A former subsidiary (note a)	20,548	—	20,548	—
Other related companies (note b)	72,224	—	37,400	—
	<u>92,772</u>	<u>—</u>	<u>57,948</u>	<u>—</u>
Amounts due after one year	<u>—</u>	<u>83,277</u>	<u>—</u>	<u>57,545</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 ended 31st March, 2002.
- (b) On 28th April, 2001, the Group entered into agreements, which are financing in nature, 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.

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 period from 1st April, 2002 to 31st December, 2002

### 28. BANK LOANS

	THE GROUP		THE COMPANY	
	31.12.2002	31.3.2002	31.12.2002	31.3.2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The maturity of secured bank borrowings is as follows:				
Within one year	80,000	14,889	50,000	—
In the second year	50,000	—	50,000	—
In the third to fifth year inclusive	25,000	—	25,000	—
	<u>155,000</u>	<u>14,889</u>	<u>125,000</u>	<u>—</u>
Less: Amount due within one year shown under current liabilities	80,000	14,889	50,000	—
	<u>75,000</u>	<u>—</u>	<u>75,000</u>	<u>—</u>

### 29. OTHER BORROWINGS

Other borrowings comprise:

	THE GROUP	
	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Obligations under sale and leaseback arrangement	<u>658</u>	<u>799</u>

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

The maturity of obligations under sale and leaseback arrangement is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2002 HK\$'000	31.3.2002 HK\$'000	31.12.2002 HK\$'000	31.3.2002 HK\$'000
<b>THE GROUP</b>				
Within one year	271	271	208	191
In the second year	271	271	234	214
In the third to fifth year inclusive	225	428	216	394
	<u>767</u>	<u>970</u>	<u>658</u>	<u>799</u>
Less: Future finance charges	<u>109</u>	<u>171</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u><u>658</u></u>	<u><u>799</u></u>	<u><u>658</u></u>	<u><u>799</u></u>
Less: Amount due within one year shown under current liabilities			<u>208</u>	<u>191</u>
Amount due after one year			<u><u>450</u></u>	<u><u>608</u></u>

## Notes to the Financial Statements

*For the period from 1st April, 2002 to 31st December, 2002*

### **30. REDEEMABLE BOND**

The redeemable 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 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.

### **31. AMOUNTS DUE TO SUBSIDIARIES**

The amounts are unsecured, interest free 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.

### **32. LOANS FROM MINORITY SHAREHOLDERS**

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

### **33. 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.

### **34. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES**

The amounts are unsecured, interest free and have no fixed repayment terms. 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 period from 1st April, 2002 to 31st December, 2002

### 35. DEFERRED TAXATION

	THE GROUP	
	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Balance at beginning of the period/year	1,400	—
Provided for the period/year (note 13)	—	1,400
	<u>1,400</u>	<u>1,400</u>
Balance at end of the period/year	<u>1,400</u>	<u>1,400</u>

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

	Provided		Unprovided	
	31.12.2002	31.3.2002	31.12.2002	31.3.2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>				
Tax effect of timing differences due to:				
Excess (shortfall) of tax allowances				
over depreciation	1,400	1,400	(1,525)	(799)
Tax losses	—	—	(30,223)	(23,496)
	<u>1,400</u>	<u>1,400</u>	<u>(31,748)</u>	<u>(24,295)</u>

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

	THE GROUP	
	1.4.2002	1.4.2001
	to	to
	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Tax effect of timing differences due to:		
Shortfall of tax allowances over depreciation	(726)	(3,246)
Recognition of attributable profits on contract work in progress	—	4,875
Tax losses (arising) utilised	(6,727)	12,036
	<u>(7,453)</u>	<u>13,665</u>

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 35. 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 of those subsidiaries) 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 period/year or at the balance sheet date.

### 36. SHARE CAPITAL

	Number of shares		Share capital	
	31.12.2002 '000	31.3.2002 '000	31.12.2002 HK\$'000	31.3.2002 HK\$'000
<i>Authorised:</i>				
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>
<i>Issued and fully paid:</i>				
At beginning of the period/year	775,104	773,994	77,510	77,399
Exercise of share options	4,620	1,110	462	111
Shares repurchased and cancelled	<u>(2,600)</u>	<u>—</u>	<u>(260)</u>	<u>—</u>
At end of the period/year	<u>777,124</u>	<u>775,104</u>	<u>77,712</u>	<u>77,510</u>

During the period, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
April 2002	2,030,000	0.68	0.65	1,356,900
July 2002	100,000	0.61	0.61	61,000
October 2002	<u>470,000</u>	0.65	0.64	<u>304,600</u>
	<u>2,600,000</u>			<u>1,722,500</u>

These repurchased shares were cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was paid out of the Company's share premium account.

## Notes to the Financial Statements

*For the period from 1st April, 2002 to 31st December, 2002*

### 37. SHARE OPTION SCHEME

The share option scheme of the Company adopted on 7th August, 1992 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted by the Company at the annual general meeting held on 18th September, 2002 to comply with Chapter 17 of the Listing Rules. As a result, the Company may no longer grant further options under the Old Share Option Scheme. However, all options granted prior to the termination of the Old Share Option Scheme shall remain in full force and effect. During the period, 50,000 options expired, 600,000 options were cancelled and 4,620,000 options were exercised. As at 31st December, 2002, 16,650,000 options granted under the Old Share Option Scheme remained outstanding. No option was granted under the New Share Option Scheme during the period.

The purpose of the New Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries. The participants include any full-time employees, executives or officers and directors (executive and non-executive directors) of the Company or any of its subsidiaries.

The total number of shares which may be issued under the New Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% (the "10% Limit") of the shares in issue as at the date of adoption of the New Share Option Scheme less the aggregate of exercised, cancelled and outstanding options, i.e. 13,884,403 shares representing approximately 1.77% of the issued share capital as at the date of this annual report. The 10% Limit may be refreshed with the approval of shareholders of the Company. The maximum number of shares may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by shareholders.

The option period commences on the first anniversary of the commencement date (the date upon which the options are deemed to be granted and accepted) of such options and ends on the fourth anniversary of the commencement date. The option must be held by the participant for a year before it can be exercised. Each participant must pay HK\$1 as consideration for the grant of option within 30 days from the date of offer.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

## 37. SHARE OPTION SCHEME (Cont'd)

The exercise price shall be determined by the directors, being not less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of offer; and (b) the average of the official closing prices of the Shares stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer.

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 18th September, 2002.

At 31st December, 2002, the following tables disclose details of the Company's share options held by the employees (including directors) and movement in such holdings during the following specified periods.

From 1st April, 2001 to 31st March, 2002:

Date granted	Exercisable period	Exercise price per share HK\$	Number of share options					Balance at 31.3.2002
			Balance at 1.4.2001	Granted during the year	Exercised during the year	Expired during the year	Cancelled during the year	
<b>Directors:</b>								
29th November, 2000	29th November, 2001 to 28th November, 2004	0.34	14,000,000	—	—	—	(500,000)	13,500,000
<b>Employees:</b>								
12th November, 1997	12th November, 1998 to 11th November, 2001	1.30	100,000	—	—	(100,000)	—	—
1st December, 1997	12th November, 1998 to 11th November, 2001	1.30	800,000	—	—	(750,000)	(50,000)	—
9th November, 1998	9th November, 1999 to 8th November, 2002	0.96	150,000	—	—	—	(100,000)	50,000
11th November, 1999	1st December, 2000 to 30th November, 2003	1.28	750,000	—	—	—	(50,000)	700,000
29th November, 2000	29th November, 2001 to 28th November, 2004	0.34	12,290,000	—	(1,110,000)	—	(3,510,000)	7,670,000
			28,090,000	—	(1,110,000)	(850,000)	(4,210,000)	21,920,000

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 37. SHARE OPTION SCHEME (Cont'd)

From 1st April, 2002 to 31st December, 2002:

Date granted	Exercisable period	Exercise price per share HK\$	Balance at 1.4.2002	Number of share options					Balance at 31.12.2002
				Granted during the period	Exercised during the period	Expired during the period	Cancelled during the period		
<b>Directors:</b>									
29th November, 2000	29th November, 2001 to 28th November, 2004	0.34	13,500,000	—	(1,500,000)	—	—	12,000,000	
<b>Employees:</b>									
9th November, 1998	9th November, 1999 to 8th November, 2002	0.96	50,000	—	—	(50,000)	—	—	
11th November, 1999	1st December, 2000 to 30th November, 2003	1.28	700,000	—	—	—	(200,000)	500,000	
29th November, 2000	29th November, 2001 to 28th November, 2004	0.34	7,670,000	—	(3,120,000)	—	(400,000)	4,150,000	
			21,920,000	—	(4,620,000)	(50,000)	(600,000)	16,650,000	

During the period, the fair value of the Company's ordinary shares issued to the directors and employees who exercised the share options are HK\$3,163,000 (year ended 31st March, 2002: HK\$654,000).

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

## 38. RESERVES

The retained profits of the Group included HK\$660,934,000 (31st March, 2002: HK\$621,857,000) retained by associates of the Group and HK\$43,124,000 (31st March, 2002: HK\$81,610,000) 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:

	31.12.2002	31.3.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributed surplus	93,994	93,994
Retained profits	212,095	228,838
	<u>306,089</u>	<u>322,832</u>

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 39. DECONSOLIDATION OF SUBSIDIARIES

	Deconsolidation to		1.4.2001
	Interests in	Investments	to
	associates	in securities	31.3.2002
	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	55,851	11,007	66,858
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)
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
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
Amount due to customers for contract work	—	(37,871)	(37,871)
Creditors and accrued charges	(36,334)	(325,937)	(362,271)
Taxation	(7,169)	(18,705)	(25,874)
Other borrowings	(1,702,071)	(2,275)	(1,704,346)
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)
	<u>1,921,107</u>	<u>118,577</u>	<u>2,039,684</u>
Transferred to:			
Interests in associates	(1,921,107)	—	(1,921,107)
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>

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

	Deconsolidation to Interests in associates HK\$'000	Investments in securities HK\$'000	1.4.2001 to 31.3.2002 HK\$'000
Analysis of net cash outflow in connection with deconsolidation of subsidiaries			
Bank balances and cash	953,257	83,463	1,036,720
Bank overdrafts	—	(1,423)	(1,423)
Net cash and cash equivalents disposed of	<u>953,257</u>	<u>82,040</u>	<u>1,035,297</u>

On 27th February, 2002, the holder 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 40.

During the year ended 31st March, 2002 the deconsolidated subsidiaries being transferred to other investments contributed HK\$103,610,000 to the Group's net operating cash flows, utilised HK\$52,666,000 in respect of investing activities and utilised HK\$6,161,000 in respect of financing activities.

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, 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 has undertaken not to exercise the put option. Accordingly, Ngo Kee is considered to have been disposed of on 26th March, 2002 and the loss on disposal amounted to HK\$4,417,000.

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 40. ACQUISITION OF A SUBSIDIARY

On 7th and 8th November, 2001, Road King repurchased some of its shares listed on the Stock Exchange. 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. After 26th February, 2002, it ceased to be a subsidiary of the Group as detailed in note 39.

	1.4.2001
	to
	31.3.2002
	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>
Negative goodwill deducted from assets	(19,501)
	<u>1,888,898</u>
Re-classified from:	
Interests in associates	(1,888,898)
	<u>—</u>
Analysis of net cash inflow in connection with acquisition of a subsidiary:	
Bank balances and cash acquired	<u>779,061</u>

During the year ended 31st March, 2002, Road King utilised HK\$43,511,000 of the Group's net operating cash flows, raised HK\$223,839,000 in respect of investing activities and raised HK\$78,000 in respect of financing activities. In addition, 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 period from 1st April, 2002 to 31st December, 2002

## 41. COMMITMENTS

### (a) Joint venture commitments

At 31st December, 2002, the Group had committed to invest approximately HK\$32,434,000 (31st March, 2002: HK\$153,027,000) into several joint ventures established in the PRC. These joint ventures are principally engaged in the research and development of bio-pesticide products and the production of construction materials in the PRC.

### (b) Operating lease commitments

*Lessor*

During the period, the Group earned income of HK\$111,000 (year ended 31st March, 2002: HK\$14,000) and HK\$1,712,000 (year ended 31st March, 2002: HK\$3,866,000) from the lease of the Group's properties and subletting of rented premises respectively. The leased properties have committed the tenants for terms ranging from two to seven years.

At 31st December, 2002, the Group has leased the Group's properties and contracted with tenants for the following future minimum lease payments:

	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Within one year	148	1,783
In the second to fifth year inclusive	399	464
Over five years	10	55
	<u>557</u>	<u>2,302</u>

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

## 41. COMMITMENTS (Cont'd)

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

Lessee

At 31st December, 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:

	31.12.2002	31.3.2002
	HK\$'000	HK\$'000
Within one year	3,315	9,643
In the second to fifth year inclusive	3,055	146
	<u>6,370</u>	<u>9,789</u>

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

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

## 42. PLEDGE OF ASSETS

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

- Bank deposits amounting to HK\$41,042,000 (31st March, 2002: HK\$40,933,000) of the Group were pledged to secure the banking facilities granted to the Group and a jointly controlled entity.
- 46,500,000 (31st March, 2002: 46,500,000) shares of Road King with a market value of HK\$166,237,500 (31st March, 2002: HK\$147,637,500) 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 27.
- 180,000,000 (31st March, 2002: 80,000,000) shares of Road King with a market value of HK\$643,500,000 (31st March, 2002: HK\$254,000,000) were pledged to secure the banking facilities granted to the Group.

At 31st March, 2002, 40,000,000 shares of Road King with a market value of HK\$127,000,000 were pledged to secure the redeemable bond issued by the Company as mentioned in note 30 and the pledge was released during the period after the repayment of the redeemable bond on 16th May, 2002.

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

### 43. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	31.12.2002	31.3.2002	31.12.2002	31.3.2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to financial institutions in respect of banking and other facilities granted to subsidiaries	<u>—</u>	<u>—</u>	<u>84,083</u>	<u>55,702</u>
Guarantees given to an associate in respect of a loan granted to a subsidiary	<u>—</u>	<u>—</u>	<u>50,000</u>	<u>50,000</u>
Outstanding performance/retention bonds in respect of construction contracts	<u>578,941</u>	<u>593,689</u>	<u>579,129</u>	<u>578,308</u>

The extent of banking and other facilities utilised by subsidiaries at 31st December, 2002 amounted to HK\$30,658,000 (31st March, 2002: HK\$16,819,000).

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

At 31st December, 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 derived from a property development project under the Home Ownership Scheme ("HOS") should not be less than HK\$70,000,000. First Star is a jointly controlled entity of the Group. This property development project has been substantially completed. Following the Government's announcement on its housing policy in November 2002, HOS will cease indefinitely. Discussions have been held with the relevant Government authorities in respect of the ultimate usage of this property development project under HOS. Based on the information presently available, the directors have considered that the situation will be resolved in the next few months and the financial impact of this guarantee will be insignificant. Accordingly, no provision has been made in respect of this guarantee in the financial statements.

# Notes to the Financial Statements

*For the period from 1st April, 2002 to 31st December, 2002*

## **44. 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 the MPFA.

In addition to the mandatory contributions specified under the MPF Schemes Ordinance 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 period/year.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

## 45. RELATED PARTY TRANSACTIONS

	Notes	Associates		Jointly controlled entities		Related companies	
		1.4.2002	1.4.2001	1.4.2002	1.4.2001	1.4.2002	1.4.2001
		to	to	to	to	to	to
		31.12.2002	31.3.2002	31.12.2002	31.3.2002	31.12.2002	31.3.2002
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses	a	—	—	379	2,039	—	—
Value of construction works certified	b	—	—	—	373,782	—	3,605
Revenue from General							
Consultancy Services	b	—	—	—	—	833	750
Revenue from MIS Services	b	—	—	—	—	122	66
Revenue from Office Licence	b	—	—	—	—	1,128	1,019
Revenue from sales of goods	c	—	—	—	21,082	—	—
		<u>31.12.2002</u>	<u>31.3.2002</u>	<u>31.12.2002</u>	<u>31.3.2002</u>	<u>31.12.2002</u>	<u>31.3.2002</u>
		<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Amounts due from related parties		21,714	21,255	60,237	40,806	—	—
Amounts due to related parties		53,118	54,967	4,282	25,794	92,772	83,277

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 shareholders, 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 charged at cost plus a percentage of profit mark up.

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

## 46. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Proportion of nominal value of issued ordinary share capital/ attributable interest held by the Group %	Principal activities
Hsin Lung Construction Company Limited	Republic of China	NT\$175,000,000	100	Civil engineering
Leader Civil Engineering Corporation Limited	Hong Kong	HK\$25,200,000 Ordinary shares HK\$24,000,000 Non-voting deferred shares	100  100	Civil engineering
Leader Marine Contractors Limited	Hong Kong	HK\$200,000	100	Marine engineering and provision of transportation services
Shengsi Dayangshan Quarry Co., Ltd.	PRC	US\$5,100,000*	100	Production of construction materials
Wai Hing Quarries (China) Limited	Hong Kong	HK\$2 Ordinary shares HK\$1,200,000 Non-voting deferred shares	100  100	Production of construction materials
Wai Kee Quarry Asia Limited	Hong Kong	HK\$2	100	Investment holding

## Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

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

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Proportion of nominal value of issued ordinary share capital/ attributable interest held by the Group %	Principal activities
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)	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)	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	100  100	Civil engineering
Zhuhai Guishan Seawall Construction Company	PRC	HK\$21,000,000 *	80	Seawall construction and production of construction materials

# Notes to the Financial Statements

For the period from 1st April, 2002 to 31st December, 2002

## 46. PRINCIPAL SUBSIDIARIES (Cont'd)

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 period/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 period/year or at any time during the period/year.

Note:

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 a 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.