

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, short-term investments and investment property are stated at fair value.

In the current year, the Group adopted the Statement of Standard Accounting Practice No. 12 "Income Taxes" (revised) ("SSAP 12") issued by the HKSA, which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group's accounting policy and the effect of adopting this revised standard are set out in Note 1(p) below.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove a majority of the members of the board of directors; or to cast a majority of votes at the meetings of the board of directors.

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

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

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

(c) Associated companies

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

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(c) Associated companies** *(Continued)*

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

In the Company's balance sheet, the interests in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend income received and receivable.

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

(d) Fixed assets*(i) Investment property*

Investment property is an interest in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential.

Investment property is carried at fair value. Valuations are performed at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market value basis and separate values are not attributed to land and building. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the property revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are charged to operating profit. Any subsequent increases are credited to operating profit up to the amount previously charged.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the property revaluation reserve to the profit and loss account.

(ii) Other fixed assets and depreciation

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

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(d) Fixed assets** *(Continued)**(ii) Other fixed assets and depreciation (Continued)*

Land and buildings	2% – 5%
Leasehold improvements	25%
Plant and machinery	10%
Furniture, fixtures and office equipment	25%
Motor vehicles	25%
Motor launch	10%

(iii) Impairment of fixed assets

Both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised in the profit and loss account to reduce the asset to its recoverable amount.

(iv) Gain or loss on disposal of fixed assets

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

(e) Property under development

Property under development is carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(f) Assets under leases**

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in the long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods. Assets held under finance leases are depreciated over their estimated useful lives.

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

(g) Investments in securities*(i) Short-term investments*

Short-term investments are carried at fair value in the balance sheet. Any unrealised holding gain and loss on short-term investments is recognised in the profit and loss account in the period when it arises. Upon disposal or transfer of short-term investments, any profit or loss thereon is accounted for in the profit and loss account.

(ii) Other investments

Other investments intended to be held on a continuing basis are included in the balance sheet at cost less any provision for impairment in value.

The carrying amounts of other investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amounts are reduced and the reduction is recognised as an expense in the profit and loss account unless there is evidence that the decline is temporary.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(g) Investments in securities** *(Continued)***(ii) Other investments** *(Continued)*

Provisions against the carrying value of other investments are reversed to the profit and loss account when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Upon disposal of other investments, any profit and loss thereon is accounted for in the profit and loss account.

(h) Patents and trademarks

Patents and trademarks, which represent costs incurred in respect of the application for patents and trademarks for construction-related software and website hosting services, are capitalised and amortised on a straight-line basis over a period of four years.

When there is an indication of impairment, the carrying amount of patents and trademarks is assessed and written down immediately to their recoverable amount.

(i) Research and development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than four years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Research costs are expensed as incurred.

When there is an indication of impairment, the carrying amount of research and development costs is assessed and written down immediately to their recoverable amount.

(j) Inventories

Inventories comprise building materials and equipment for sale and are stated at the lower of cost and net realisable value.

Cost, calculated on the first-in, first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(k) Construction contracts in progress**

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are probable of recovery. Contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period; the stage of completion is measured by reference to contract revenue certified to date as a percentage of total contract value. When it is probable total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contracts, under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction contracts, under current liabilities.

(l) Trade debtors and receivables

Provision is made against trade debtors and receivables to the extent they are considered to be doubtful. Trade debtors and receivables in the balance sheet are stated net of such provision.

(m) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(n) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(o) Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(p) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

In previous years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of new SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(p) Deferred taxation** *(Continued)*

As a result of adoption of the revised SSAP 12, the opening retained profits at 1st April 2003 and 2002 have been increased by HK\$166,000 and reduced by HK\$888,000, respectively, which represent the unrecognised net deferred tax assets and liabilities, at the respective dates. The loss attributable to shareholders for the year ended 31st March 2003 has been decreased by HK\$1,054,000.

(q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(r) Employee benefits

Contributions to the defined contribution retirement scheme are charged to the profit and loss account in the year to which the contributions relate.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity are not recognised until the time of leave.

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when there is a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(s) Revenue recognition**(i) Contract revenue**

To the extent that the outcome of the contract can be estimated reliably, revenue from construction contracts is recognised using the percentage of completion method, measured by reference to the percentage of revenue certified to date to estimated total contract value. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(s) Revenue recognition** *(Continued)**(ii) Sale of building materials*

Sale of building materials is recognised when significant risks and rewards of ownership of the goods have been transferred to customers.

(iii) Rental income

Rental income is recognised on a straight-line accrual basis over the terms of the lease agreement.

(iv) Interest income

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

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

(t) Translation of foreign currencies

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

The balance sheets of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at weighted average rate for the year. Exchange differences arising are dealt with as movements in reserves.

(u) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(u) Segment reporting** *(Continued)*

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets, fixed assets, investment property and property under development.

2. TURNOVER, REVENUES AND SEGMENT INFORMATION

	2004 HK\$'000	2003 HK\$'000
Turnover		
Contracting of building construction, plumbing, maintenance and fitting-out projects	1,047,856	913,198
Property leasing	241	–
Others	21,061	20,794
	1,069,158	933,992
Other revenues		
Dividend income on listed short-term investments	173	41
Interest income	1,723	2,504
	1,896	2,545
Total revenues	1,071,054	936,537

2. TURNOVER, REVENUES AND SEGMENT INFORMATION *(Continued)***Primary reporting format – business segments**

The Group is principally engaged in contracting of building construction, plumbing, maintenance and fitting-out projects and property leasing. The Group is organised into two main business segments:

- Construction – Contracting of building construction, plumbing, maintenance and fitting-out projects in Hong Kong
- Property investment – Property leasing in Hong Kong

Other operations of the Group mainly comprise the manufacture and supply of building materials, which is not of a sufficient size to be reported separately.

Secondary reporting format – geographical segments

The Group's operation is primarily conducted in Hong Kong and over 90% of the Group's assets are located in Hong Kong. Therefore, no geographical segment information is presented.

2. TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)**Primary reporting format – business segments**

	Construction <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31st March 2004					
External sales	1,047,856	241	21,061	–	1,069,158
Inter-segment sales	92,506	–	81,920	(174,426)	–
Total sales	1,140,362	241	102,981	(174,426)	1,069,158
Segment results	15,044	(1,986)	8,065	(13,677)	7,446
Unallocated income					1,994
Operating profit					9,440
Finance costs					(8,808)
Share of profit of associated companies			71		71
Profit before taxation					703
Taxation					(1,491)
Loss after taxation					(788)
Minority interests			779		779
Loss attributable to shareholders					(9)
Segment assets	714,532	691,143	154,626	–	1,560,301
Associated companies			26,315		26,315
Unallocated assets					15,476
Total assets					1,602,092
Segment liabilities	(441,389)	(312,402)	(20,441)	–	(774,232)
Unallocated liabilities					(12,077)
Total liabilities					(786,309)
Capital expenditure	3,979	92,179	10,270	–	106,428
Depreciation	12,458	–	10,500	–	22,958
Amortisation of development costs	–	–	599	–	599
Other non-cash expenses/(income)	1,249	–	(384)	–	865

2. TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)**Primary reporting format – business segments (Continued)**

	Construction HK\$'000	Property development HK\$'000	Others HK\$'000	Elimination HK\$'000	As restated Total HK\$'000
Year ended 31st March 2003					
External sales	913,198	–	20,794	–	933,992
Inter-segment sales	49,075	–	61,577	(110,652)	–
Total sales	<u>962,273</u>	<u>–</u>	<u>82,371</u>	<u>(110,652)</u>	<u>933,992</u>
Segment results	<u>52,396</u>	<u>8</u>	<u>(3,669)</u>	<u>(33,002)</u>	15,733
Unallocated costs					<u>(2,839)</u>
Operating profit					12,894
Finance costs					(6,278)
Provision for patents, trademarks and development costs					(13,298)
Provision on amounts due from associated companies			(10,080)		(10,080)
Share of profit of associated companies			3,641		<u>3,641</u>
Loss before taxation					(13,121)
Taxation					<u>(4,541)</u>
Loss after taxation					(17,662)
Minority interests			(260)		<u>(260)</u>
Loss attributable to shareholders					<u>(17,922)</u>
Segment assets	664,401	381,212	152,280	–	1,197,893
Associated companies			26,569		26,569
Unallocated assets					<u>18,125</u>
Total assets					<u>1,242,587</u>
Segment liabilities	(409,639)	(210,908)	(17,389)	–	(637,936)
Unallocated liabilities					<u>(6,450)</u>
Total liabilities					<u>(644,386)</u>
Capital expenditure	6,633	50,253	8,191	–	65,077
Depreciation	14,163	–	10,857	–	25,020
Other non-cash expenses	1,399	–	14,796	–	<u>16,195</u>

3. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	2004 HK\$'000	2003 HK\$'000
Charging:		
Depreciation		
Owned assets	22,275	24,256
Leased fixed assets	683	764
	22,958	25,020
Operating lease rentals of		
Land and buildings	4,003	4,417
Other equipment	16,104	13,616
	20,107	18,033
Cost of inventories sold	68,909	49,982
Staff costs (excluding Directors' emoluments) (Note 10)	154,087	147,237
Amortisation of development costs (included in administrative expenses)	599	—
Provision for doubtful debts	—	645
Write-off of doubtful debts	282	119
Provision for other investments	—	247
Write-off of obsolete inventories	—	548
Auditors' remuneration	960	960
Unrealised loss on short-term investments	—	1,073
Loss on disposal of fixed assets	1,225	413
Crediting:		
Gross rental income from an investment property less outgoings	241	—
Unrealised gain on short-term investments	51	—
Realised gain on disposal of short-term investments	1,727	—
Gain on disposal of an associated company	848	—
Exchange gain, net	643	148

4. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid to the Directors of the Company during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Executive Directors:		
Fees	—	—
Salaries	8,843	8,562
Performance-related bonus	815	774
Retirement benefits	384	384
	<u>10,042</u>	<u>9,720</u>
Independent Non-Executive Directors:		
Fees	750	750
	<u>10,792</u>	<u>10,470</u>

The emoluments of the Directors fell within the following bands:

Emolument bands	Number of Directors	
	2004	2003
Nil – HK\$1,000,000	4	4
HK\$1,500,001 – HK\$2,000,000	1	2
HK\$2,000,001 – HK\$2,500,000	1	—
HK\$5,000,001 – HK\$5,500,000	<u>1</u>	<u>1</u>

4. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)***(b) Five highest-paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include three (2003: three) Directors whose emoluments are reflected in the analysis above. The emoluments paid to the remaining two (2003: two) highest paid individuals during the year were as follows:

	2004	2003
	HK\$'000	HK\$'000
Salaries	1,708	1,708
Performance-related bonus	506	505
Retirement benefits	79	79
	2,293	2,292

The emoluments fell within the following band:

	Number of individuals	
Emolument band	2004	2003
HK\$1,000,001 – HK\$1,500,000	2	2

5. FINANCE COSTS

	2004	2003
	HK\$'000	HK\$'000
Interest on overdrafts and short-term bank loans	7,242	6,272
Interest on long-term bank loans wholly repayable within five years	6,243	5,788
Interest element of finance lease contract payments	49	162
Total borrowing costs incurred	13,534	12,222
Less: Interest capitalised as cost of property under development	(4,689)	(5,788)
Classified under contract cost	(37)	(156)
	8,808	6,278

The capitalisation rate applied to funds borrowed and used for the property under development (Note 12) is between 1.58% and 3.06% (2003: 2.88% and 3.41%) per annum.

6. TAXATION

Hong Kong profits tax is calculated at 17.5% (2003: 16%) on the estimated assessable profits for the year. In 2003, the Hong Kong government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 HK\$'000	As restated 2003 HK\$'000
Current taxation		
Hong Kong profits tax	3,913	7,343
Over provisions in prior years	(711)	(1,673)
Deferred taxation relating to the origination and reversal of temporary differences (<i>Note 25</i>)	(1,729)	(1,797)
Deferred taxation resulting from an increase in tax rate	—	641
	<u>1,473</u>	<u>4,514</u>
Share of taxation attributable to associated companies	<u>18</u>	<u>27</u>
	<u>1,491</u>	<u>4,541</u>

6. TAXATION (Continued)

The tax charge on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

	2004 HK\$'000	2003 <i>HK\$'000</i>
Profit/(loss) before taxation	703	(13,121)
Calculated at a taxation rate of 17.5% (2003: 16%)	123	(2,099)
Effect of different tax rates in other countries	(608)	(540)
Income not subject to taxation	(293)	(690)
Expenses not deductible for taxation purposes	823	3,239
Temporary differences not recognised	1,662	3,341
Tax losses not recognised	2,439	4,016
Utilisation of previously unrecognised tax losses	(1,540)	(1,694)
Recognition of previously unrecognised tax losses	(404)	–
Over provisions in prior years	(711)	(1,673)
Increase in closing net deferred tax liabilities resulting from an increase in tax rate	–	641
Taxation charge	1,491	4,541

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of approximately HK\$61,000 (2003: loss of HK\$232,000).

8. DIVIDEND

	2004 HK\$'000	2003 <i>HK\$'000</i>
Final dividend proposed of HK\$0.01 (2003: Nil) per share	4,409	–

At a meeting held on 20th July 2004, the Directors proposed a final dividend of HK\$0.01 per share. This proposed dividend is not reflected as a dividend payable in these accounts but will be reflected as an appropriation of the retained profits for the year ending 31st March 2005.

9. LOSS PER SHARE

The calculation of loss per share is based on the Group's loss attributable to shareholders of approximately HK\$9,000 (2003: HK\$17,922,000) and on the 440,949,600 (2003: 440,949,600) shares in issue during the year.

Diluted earnings per share for the year ended 31st March 2004 and 2003 are not presented as there are no potential dilutive shares during the years.

10. STAFF COSTS

Staff costs, excluding Directors' emoluments, represent:

	2004	2003
	HK\$'000	HK\$'000
Salaries, wages and bonus	147,725	135,586
Unutilised annual leave	—	870
Long service payments	139	2,895
Termination benefits	233	1,358
Pension costs – defined contribution scheme	5,990	6,528
	154,087	147,237

The Group contributes to the Mandatory Provident Fund Scheme (the "MPF Scheme") which is provided to all the employees in Hong Kong. The Group and each of the employees make monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Employees' contributions are subject to a cap of monthly earnings of HK\$20,000. For those employees with monthly earnings less than HK\$5,000, the employees' contributions are voluntary. In addition to the mandatory contributions, the Group makes monthly voluntary contributions to the MPF scheme at 5% of certain employees' earnings in excess of HK\$20,000. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

11. FIXED ASSETS

	Investment property <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Motor launch <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group								
Cost or valuation								
Beginning of year	–	85,851	5,216	138,116	40,660	20,757	1,685	292,285
Transferred from property under development (Note 12)	472,409	–	–	–	–	–	–	472,409
Revaluation	217,591	–	–	–	–	–	–	217,591
Additions	–	2,511	–	7,334	3,088	1,214	–	14,147
Disposals	–	–	–	(6,308)	(2,564)	(2,488)	–	(11,360)
End of year	690,000	88,362	5,216	139,142	41,184	19,483	1,685	985,072
Accumulated depreciation								
Beginning of year	–	14,565	4,668	73,805	28,219	17,174	1,685	140,116
Charge for the year	–	2,260	217	12,458	5,914	2,109	–	22,958
Write-back on disposals	–	–	–	(4,386)	(2,469)	(2,289)	–	(9,144)
End of year	–	16,825	4,885	81,877	31,664	16,994	1,685	153,930
Net book value								
End of year	690,000	71,537	331	57,265	9,520	2,489	–	831,142
Beginning of year	–	71,286	548	64,311	12,441	3,583	–	152,169

11. FIXED ASSETS *(Continued)*

- (a) The Group's interests in investment property and land and buildings at their net book values are analysed as follows:

	Investment property		Land and buildings	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In Hong Kong, held on:				
Leases of over 50 years	690,000	—	—	—
Leases of between 10 to 50 years	—	—	52,477	53,782
Outside Hong Kong, held on:				
Leases of between 10 to 50 years	—	—	19,060	17,504
	690,000	—	71,537	71,286

The investment property is carried at valuation on 31st March 2004 on open market value basis by Chesterton Petty Limited, an independent professional property valuer. All the other fixed assets are carried at cost.

The investment property was pledged as security for a bank loan of the Group (Notes 23 and 29(e)).

- (b) The net book value of fixed assets held under finance lease contracts comprises:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Motor vehicles	2,152	2,510

12. PROPERTY UNDER DEVELOPMENT

	2004	Group
	HK\$'000	2003 HK\$'000
Land costs	299,800	299,800
Development costs	158,682	71,192
Interest capitalised	13,927	9,238
	472,409	380,230
Transferred to investment property (<i>Note 11</i>)	(472,409)	—
	—	380,230

13. DEVELOPMENT COSTS

	2004	Group
	HK\$'000	2003 HK\$'000
Cost		
Beginning of year	12,603	7,915
Additions	102	4,688
Write-off for the year	(10,308)	—
End of year	2,397	12,603
Accumulated amortisation and impairment losses		
Beginning of year	10,308	1,482
Amortisation for the year	599	—
Provision for impairment during the year	—	8,826
Write-off for the year	(10,308)	—
End of year	599	10,308
Net book value		
End of year	1,798	2,295
Beginning of year	2,295	6,433

14. PATENTS AND TRADEMARKS

	2004	Group
	2003	
	HK\$'000	HK\$'000
Cost		
Beginning of year	4,507	3,645
Additions	—	862
	<hr/>	<hr/>
End of year	4,507	4,507
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
Accumulated amortisation and impairment losses		
Beginning of year	4,507	35
Provision during the year	—	4,472
	<hr/>	<hr/>
End of year	4,507	4,507
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
Net book value		
End of year	—	—
	<hr/>	<hr/>
Beginning of year	—	3,610
	<hr/>	<hr/>

15. LOANS TO EMPLOYEES

The Group provides housing loans to certain employees and the loans are secured by second mortgages of the related properties of the employees. The repayment period ranges from two to twelve years with interest at one per cent below prime rate. Amounts receivable within one year of approximately HK\$509,000 (2003: HK\$543,000) are included in prepayments, deposits and other receivables.

16. SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	276,075	276,075
Advance to a subsidiary	85,000	85,000
	361,075	361,075
Due from subsidiaries	381,727	380,562
Due to subsidiaries	101,099	101,691

The advance to a subsidiary is unsecured, bears interest at two per cent below Hong Kong dollar prime rate (2003: 5%) per annum and not repayable within next twelve months from the balance sheet date.

The amounts due from and to subsidiaries are unsecured, have no fixed terms of repayment and are interest free except for a receivable of approximately HK\$21,795,000 (2003: Nil) which bears interest at two per cent below Hong Kong dollar prime rate (2003: Nil) per annum.

The following is a list of the principal subsidiaries at 31st March 2004:

Name	Place of incorporation/ operation	Particulars of issued capital	Principal activities	Percentage of issued share capital held by		Group
				Company	Subsidiaries	
Australian Development Holdings Pty. Limited	Australia	A\$2	Investment holding	–	100%	100%
Bellaglade Company Limited	Hong Kong	HK\$2	Property holding	–	100%	100%
Century Score Limited	Hong Kong	HK\$2	Property investment	–	100%	100%
Chapman Engineering Consultant Company Limited	Hong Kong	HK\$100	Building services engineering consultant	–	60%	60%

16. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Particulars of issued capital	Principal activities	Percentage of issued share capital held by		Group
				Company	Subsidiaries	
Koshen Engineering Limited	Hong Kong	HK\$10,000	Provision of design, consulting and project management services	–	100%	60%
Ming Hop Company Limited	Hong Kong	HK\$500,000	Sourcing of construction materials and execution of plumbing work	–	100%	100%
Nanjing Autocon Technology Company Limited (Note a)	Mainland China	US\$500,000	Development and sale of construction equipment and computer software	–	100%	100%
Nanjing Nanda VH Software Intelligence Company Limited (Note b)	Mainland China	RMB1,500,000	Development and sale of computer software	–	70%	70%
Right Motive Limited	Hong Kong	HK\$6,000	Property holding	–	100%	100%
Solid Star Company Limited	Hong Kong	HK\$2	Property holding	–	100%	100%
SPS Company Limited	Hong Kong	HK\$2	Manufacturing and trading of office partition	–	100%	100%
Trendplot Investments Limited	Hong Kong	HK\$2	Provision of management services	–	100%	100%
VHBuild Company Limited	Hong Kong	HK\$2	Provision of website hosting services	–	100%	100%

16. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Particulars of issued capital	Principal activities	Percentage of issued share capital held by		Group
				Company	Subsidiaries	
VHCOME Company Limited	Hong Kong	HK\$2	Business to business sale of construction materials	–	100%	100%
VHSoft Company Limited	Hong Kong	HK\$5,000,000	Computer software development	–	100%	100%
VHSoft I.P. Company Limited	Hong Kong	HK\$2	Patent holding	–	100%	100%
VHSoft Technologies Company Limited	Hong Kong	HK\$2	Computer software development	–	100%	100%
Yau Lee Building Construction and Decoration Company Limited	Hong Kong	HK\$100,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Company Limited	Hong Kong	HK\$100,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Materials & Technology Limited	Hong Kong	HK\$2	Sale of building materials and precast products	–	100%	100%
Yau Lee Construction Materials & Technology Limited	The British Virgin Islands/ Hong Kong	US\$2	Sale of precast products	–	100%	100%
Yau Lee Environmental Development Limited	Hong Kong	HK\$2	Investment holding	–	100%	100%
Yau Lee Equipment Leasing Limited	Hong Kong	HK\$2	Property investment	–	100%	100%

16. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Particulars of issued capital	Principal activities	Percentage of issued share capital held by		Group
				Company	Subsidiaries	
Yau Lee Hotel Management Limited	Hong Kong	HK\$2	Provision of hotel management services	–	100%	100%
Yau Lee Investment Limited	The Cook Islands/ Hong Kong	US\$100	Investment holding	100%	–	100%
Yau Lee Technology Limited	The British Virgin Islands/ Hong Kong	US\$1	Investment holding and trading of construction equipment and development of computer control software	–	100%	100%
Yau Lee Wah Concrete Precast Products Company Limited	Hong Kong	HK\$10,000,000	Sale of precast products	–	100%	100%
Yau Lee Wah Concrete Precast Products (Shenzhen) Company Limited <i>(Note a)</i>	Mainland China	RMB39,076,066	Manufacture of precast products	–	100%	100%
Yau Sing Building Materials Company Limited	Hong Kong	HK\$500,000	Investment holding	–	63%	63%
Yau Lee Property Management Limited	Hong Kong	HK\$2	Provision of property management services	–	100%	100%

(a) These subsidiaries are wholly foreign-owned enterprises established in Mainland China.

(b) The subsidiary is a contractual joint venture established in Mainland China.

17. ASSOCIATED COMPANIES

	2004		2003	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Share of net assets	7,412	–	6,501	–
Amounts due from associated companies	28,983	909	30,148	637
	36,395	909	36,649	637
Less: Provision on amounts due from associated companies	(10,080)	–	(10,080)	–
	26,315	909	26,569	637

(a) The following is a list of the principal associated companies at 31st March 2004:

Name	Place of incorporation/ operation	Particulars of issued share capital	Principal activities	Percentage of issued share capital held by subsidiaries	Group
Shunde Yau Lee Building Components Company Limited ("Shunde Yau Lee") (Note b)	Mainland China	US\$1,707,714	Manufacture of building materials	52.7%	33.2%
Yau Lee Development Company Limited ("YLDC") (Note c)	Hong Kong	HK\$100	Property development	50%	50%
Yau Lee Property Development (China) Company Limited	Hong Kong	HK\$200	Investment holding	46%	46%

17. ASSOCIATED COMPANIES *(Continued)*

- (b) One of the subsidiaries of the Group has a 52.7% interest in Shunde Yau Lee. However, the subsidiary can only appoint the same number of members to the Board of Directors of Shunde Yau Lee as the other shareholder. Consequently, the Group does not have control over the operational and financial matters of Shunde Yau Lee. The Directors believe that the Group exercises significant influence over Shunde Yau Lee which is therefore accounted for as an associated company.
- (c) The Company has an indirect interest of 25% in Fuli Building, a residential and commercial property project in Shunde, Mainland China, which was jointly developed by YLDC and a Chinese party.
- (d) The amounts due from associated companies are unsecured, interest free and have no fixed repayment terms.

18. OTHER INVESTMENTS

	2004		2003	
	Group	Company	Group	Company
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed shares in Hong Kong, at cost less provision	23	–	23	–
Guaranteed unit trust fund	5,461	5,461	5,461	5,461
	5,484	5,461	5,484	5,461
Market value of listed shares	23	–	23	–

The investment in the guaranteed unit trust fund is pledged to secure the banking facilities of the Group (Note 29(c)).

19. RESTRICTED DEPOSITS

Restricted deposits are funds which are pledged to secure the bank overdrafts and short-term bank loans (Note 29(a)).

20. TRADE DEBTORS, NET

	2004	Group
	2003	
	HK\$'000	HK\$'000
Trade debtors	161,363	149,085
Provision for doubtful debts	(1,675)	(2,319)
	159,688	146,766

The trade debtors are due 21 days to one year after invoicing depending on the nature of services or products.

The aging analysis of the trade debtors of the Group (state net of provision) is as follows:

	2004	2003
	2003	
	HK\$'000	HK\$'000
Not yet due	145,533	130,607
Overdue by:		
1-30 days	5,096	7,272
31-90 days	3,153	777
91-180 days	1,287	551
Over 180 days	4,619	7,559
	159,688	146,766

21. INVENTORIES

	2004	Group
	2003	
	HK\$'000	HK\$'000
Raw materials, at cost	9,481	6,377
Finished goods, at cost	2,617	2,507
	12,098	8,884

22. CONSTRUCTION CONTRACTS IN PROGRESS

	2004	Group
	HK\$'000	2003
		HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	10,057,617	9,178,083
Progress billings to date	(9,753,383)	(8,917,180)
	304,234	260,903
Included in current assets/(liabilities) under the following captions:		
Due from customers on construction contracts	316,219	277,570
Due to customers on construction contracts	(11,985)	(16,667)
	304,234	260,903

- (a) Retention receivables from customers in respect of construction contracts in progress amounting to approximately HK\$42,691,000 (2003: HK\$39,045,000) and HK\$12,728,000 (2003: HK\$8,767,000) is classified under long-term trade debtors and trade debtors respectively.
- (b) During the year, the Group instigated a mediation process with one of its customers in an attempt to reach a satisfactory commercial settlement on outstanding claims made by the Group relating to one of its completed construction contracts. Based on an external consultant's evaluation, the likely recoverable amount has been included in "Due from customers on construction contracts".

23. LONG-TERM LIABILITIES

	2004	Group
	HK\$'000	2003
		HK\$'000
Obligations under finance lease contracts		
Repayable within one year	612	1,567
Repayable in the second to fifth years	387	188
	999	1,755
Amounts due within one year included under current liabilities	(612)	(1,567)
	387	188
Long-term bank loans wholly repayable within five years	307,800	210,900
Amounts due within one year included under current liabilities	(307,800)	(210,900)
	—	—
	387	188

The bank loans are wholly repayable on 30th August 2004. Interest is charged on the outstanding balance at 1.5 per cent per annum above HIBOR. The bank loan is secured by the Group's investment property (Note 11).

On 13th July 2004, the Group obtained term loan facilities totaling HK\$352,800,000. The facilities are primarily for the re-financing of the Group's existing long-term bank loans of approximately HK\$307,800,000. Interest is charged on the outstanding balance at 1.05 per cent per annum above HIBOR. The bank loan shall be repaid by nine consecutive semi-annual instalments on a progress schedule, the first of which commences twelve months from the date of the loan agreement.

23. LONG-TERM LIABILITIES *(Continued)*

The Group's finance lease obligations were as follows:

	2004	Group
	HK\$'000	2003
		HK\$'000
Minimum lease payments:		
Within one year	640	1,580
In the second year	393	223
	1,033	1,803
Future finance charges on finance leases	(34)	(48)
Present value of finance lease obligations	999	1,755
The present value of finance lease obligations is as follows:		
Within one year	612	1,567
In the second year	387	188
	999	1,755

24. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

The aging analysis of the payables to suppliers and subcontractors is as follows:

	2004	Group
	HK\$'000	2003
		HK\$'000
Not yet due	94,935	95,342
Overdue by:		
1-30 days	6,051	6,784
31-90 days	—	—
91-180 days	—	—
Over 180 days	670	377
	101,656	102,503

25. DEFERRED TAXATION

The movement in net deferred tax liabilities are follows:

	2004	Group
	HK\$'000	As restated 2003 HK\$'000
Beginning of year	7,482	8,638
Credited to profit and loss account (<i>Note 6</i>)	(1,729)	(1,156)
End of year	5,753	7,482

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits are probable. The Group has unrecognised tax losses of approximately HK\$67.6 million (2003: HK\$70.2 million) to carry forward against future taxable income. These unrecognised tax losses are analysed according to their expiry dates as follows:

	2004	Group
	HK\$'000	2003 HK\$'000
With no expiry date	30,809	34,850
Expiring not later than one year	4,205	8,254
Expiring later than one year and not later than five years	32,607	27,108
	67,621	70,212

25. DEFERRED TAXATION (Continued)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax assets:

	Tax losses		Provisions		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of year	546	1,907	—	—	546	1,907
(Charged)/credited to profit and loss account	(114)	(1,361)	56	—	(58)	(1,361)
End of year	432	546	56	—	488	546

Deferred tax liabilities:

	Accelerated taxation depreciation	
	2004	2003
	HK\$'000	HK\$'000
Beginning of year	8,028	10,545
Credited to profit and loss account	(1,787)	(2,517)
End of year	6,241	8,028

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2004	2003
	HK\$'000	HK\$'000
Deferred tax assets	(111)	(1,139)
Deferred tax liabilities	5,864	8,621
	5,753	7,482

26. SHARE CAPITAL

	2004 HK\$'000	2003 HK\$'000
Authorised:		
1,000,000,000 shares of HK\$0.2 each	200,000	200,000
Issued and fully paid:		
440,949,600 shares of HK\$0.2 each	88,190	88,190

(a) Share option schemes

Since 17th October 2000, the Company has operated a share option scheme (the "Share Option Scheme") under which the Board of Directors of the Company may, at their absolute discretion, offer to any Director or employee of the Company or any of its subsidiaries options to subscribe for shares in the Company. Subject to adjustment as a result of any alteration in the capital structure of the Company, the subscription price is the higher of 80% of the average closing price of the shares of the Company on the Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the option or the nominal value of the shares, whichever is higher. The maximum number of shares in respect of which options may be granted under the Share Option Scheme is such number of shares, which, when aggregated with shares subject to any other similar scheme of the Company, represents 10% of the issued share capital of the Company from time to time. The Share Option Scheme remains in force for a period of 10 years. At 31st March 2004, no share options have been granted under the Share Option Scheme.

In addition, VHSoft Technologies Company Limited ("VHSoft"), a wholly owned subsidiary of the Group, adopted a share option scheme on 17th October 2000 (the "VHSoft Share Option Scheme"). Under the VHSoft Share Option Scheme, the board of directors of the VHSoft may, at their absolute discretion, offer to any director or employee of VHSoft options to subscribe for shares in VHSoft in accordance with the terms of the VHSoft Share Option Scheme. Subject to adjustment as a result of any alteration in the capital structure of VHSoft, the subscription price is not less than the nominal value of the shares of VHSoft. The maximum number of shares in respect of which options may be granted under the VHSoft Share Option Scheme is such number of shares, which, when aggregated with shares subject to any other similar scheme of VHSoft, represents 10% of the issued share capital of VHSoft from time to time. The VHSoft Share Option Scheme remains in force for a period of 5 years or expires on the date on which an application for the initial public offering of the shares of VHSoft on an internationally recognised stock exchange is submitted, whichever is earlier. At 31st March 2004, no share options have been granted under the VHSoft Share Option Scheme.

27. OTHER RESERVES AND RETAINED PROFITS

	Share premium <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group					
At 1st April 2003, as previously reported	415,430	—	359	94,056	509,845
Change in accounting policy for deferred taxation (Note 1(p))	—	—	—	166	166
At 1st April 2003, as restated	415,430	—	359	94,222	510,011
Loss attributable to shareholders	—	—	—	(9)	(9)
Revaluation of investment property	—	217,591	—	—	217,591
At 31st March 2004	415,430	217,591	359	94,213	727,593
Representing:					
2004 final dividend proposed				4,409	
Others				89,804	
At 31st March 2004				94,213	
Company and subsidiaries	415,430	217,591	359	93,753	727,133
Associated companies	—	—	—	460	460
At 31st March 2004	415,430	217,591	359	94,213	727,593

27. OTHER RESERVES AND RETAINED PROFITS *(Continued)*

	Share premium <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group					
At 1st April 2002, as previously reported	415,430	–	359	113,032	528,821
Change in accounting policy for deferred taxation (Note 1(p))	–	–	–	(888)	(888)
At 1st April 2002, as restated	415,430	–	359	112,144	527,933
Loss attributable to shareholders	–	–	–	(17,922)	(17,922)
At 31st March 2003	<u>415,430</u>	<u>–</u>	<u>359</u>	<u>94,222</u>	<u>510,011</u>
Representing:					
Company and subsidiaries	415,430	–	359	94,673	510,462
Associated companies	–	–	–	(451)	(451)
At 31st March 2003	<u>415,430</u>	<u>–</u>	<u>359</u>	<u>94,222</u>	<u>510,011</u>

27. OTHER RESERVES AND RETAINED PROFITS (Continued)

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company				
At 1st April 2003	415,430	359	151,429	567,218
Profit attributable to shareholders	—	—	61	61
At 31st March 2004	415,430	359	151,490	567,279
Representing:				
2004 final dividend proposed			4,409	
Others			147,081	
At 31st March 2004			151,490	
At 1st April 2002	415,430	359	151,661	567,450
Loss attributable to shareholders	—	—	(232)	(232)
At 31st March 2003	415,430	359	151,429	567,218

The entire amounts of retained profits of the Company at 31st March 2004 are distributable.

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of operating profit to net cash used in operations**

	2004 HK\$'000	2003 <i>HK\$'000</i>
Operating profit	9,440	12,894
Interest income	(1,723)	(2,504)
Dividend income	(173)	(41)
Loss on disposal of fixed assets	1,225	413
Gain on disposal of an associated company	(848)	–
Interest element of finance lease payments	37	156
Amortisation of development costs	599	–
Depreciation	22,958	25,020
Unrealised (gain)/loss on short-term investments	(51)	1,073
Realised gain on short-term investments	(1,727)	–
Provision for other investments	–	247
	<hr/>	<hr/>
Operating profit before working capital changes	29,737	37,258
Increase in long-term trade debtors	(3,646)	(21,530)
Decrease in loans to employees	819	213
Increase in trade debtors, net	(12,922)	(3,484)
Increase in inventories	(3,214)	(409)
Decrease/(increase) in prepayments, deposits and other receivables	5,523	(4,570)
Increase in due from customers on construction contracts	(38,649)	(62,288)
Increase in due from related parties	–	(1)
Decrease in due from associated companies	1,102	5,243
(Decrease)/increase in payables to suppliers and subcontractors	(847)	36,023
Decrease in accruals, retentions payable and other liabilities	(5,911)	(9,741)
(Decrease)/increase in due to customers on construction contracts	(4,682)	10,969
Decrease in due to related parties	–	(290)
Decrease in due to associated companies	–	(1,178)
	<hr/>	<hr/>
Net cash used in operations	(32,690)	(13,785)

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)***(b) Analysis of changes in financing**

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Finance lease obligations <i>HK\$'000</i>	Long-term bank loans <i>HK\$'000</i>	Short-term bank loans <i>HK\$'000</i>	Restricted deposits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2003	88,190	415,430	5,839	1,755	210,900	185,500	(142,708)	764,906
Net cash inflow/(outflow) from financing activities	–	–	16	(1,650)	96,900	43,870	(21,806)	117,330
Share of loss by minority shareholders	–	–	(779)	–	–	–	–	(779)
Inception of finance lease obligations (Note c)	–	–	–	894	–	–	–	894
At 31st March 2004	88,190	415,430	5,076	999	307,800	229,370	(164,514)	882,351
At 1st April 2002	88,190	415,430	5,579	3,983	164,900	132,500	(128,327)	682,255
Net cash inflow/(outflow) from financing activities	–	–	–	(5,086)	46,000	53,000	(14,381)	79,533
Share of profit by minority shareholders	–	–	260	–	–	–	–	260
Inception of finance lease obligations (Note c)	–	–	–	2,858	–	–	–	2,858
At 31st March 2003	88,190	415,430	5,839	1,755	210,900	185,500	(142,708)	764,906

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of approximately HK\$894,000 (2003: HK\$2,858,000).

29. BANKING FACILITIES

As at 31st March 2004, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of approximately HK\$748 million (2003: HK\$693 million), of which HK\$601 million (2003: HK\$432 million) had been utilised. These banking facilities are secured by the following:

- (a) Time deposits of approximately HK\$165 million (2003: HK\$143 million).
- (b) Guarantees of approximately HK\$764 million (2003: HK\$788 million) given by the Company.
- (c) Investment in the guaranteed unit trust fund of approximately HK\$5 million (2003: HK\$5 million).
- (d) Trade receivables of certain construction contracts.
- (e) Investment property of HK\$690 million (2003: property under development of approximately HK\$380 million) (Note 11).

30. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

- (a) In the normal course of its business, the Group is subject to various claims under its construction contracts. At 31st March 2004, the Group had various liquidated damages claims on certain contracts for which the Group has filed extension of time claims with the customers. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.
- (b) Commitments under various contracts entered into in the normal course of business to complete construction and other contracts with a total value of approximately HK\$1,712 million (2003: HK\$1,084 million) extending to various dates, the latest being March 2007.
- (c) Guarantees in respect of performance bonds that amount to approximately HK\$4 million (2003: HK\$3 million) in favour of the Group's customers.
- (d) Guarantees in respect of hire purchase amounting to HK\$3 million (2003: HK\$3 million) in favour of the lessors.
- (e) Guarantee in respect of the Group's performance of its obligations under a construction contract that amount to approximately HK\$9 million (2003: Nil) in favour of a customer.

30. COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

- (f) The future aggregate minimum lease rental payable under non-cancellable operating lease is as follows:

	2004	Group
	HK\$'000	2003
		HK\$'000
Land and buildings		
– Within one year	2,324	3,109
– One year to five years	7,143	7,660
– More than five years	45,857	41,242
	55,324	52,011
Other equipment		
– Within one year	19	238
– One year to five years	28	47
	47	285
	55,371	52,296

31. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment property as follows:

	2004	Group
	HK\$'000	2003
		HK\$'000
– Within one year	3,590	–
– One year to five years	10,643	–
	14,233	–

32. RELATED PARTY BALANCES

The balances due from and to related parties are unsecured, interest free and have no fixed repayment terms.

33. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 20th July 2004.