

Notes to the Financial Statements

For the Year Ended 31st March, 2001

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 principal activity of the Company is investment holding while its subsidiaries are engaged in building construction, building maintenance and civil engineering.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The principal accounting policies, which have been adopted by the Group in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong, are as follows:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year and also incorporate the Group's interests in associates and jointly controlled entities on the basis set out below.

The results of subsidiaries, associates or jointly controlled entities acquired or disposed of during the year are included in the consolidated income statement as from their respective dates of acquisition or up to the dates of disposal as the case may be.

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

(b) Goodwill on consolidation

Goodwill, which represents the excess of purchase consideration over the fair value ascribed to the separable net assets at the date of acquisition of subsidiaries, is written off to reserves in the year of acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the separable net assets at the date of acquisition over the purchase consideration is credited to reserves in the year of acquisition.

Any goodwill arising on the acquisition of interests in associates or jointly controlled entities, which represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associates or jointly controlled entities at the date of acquisition, is written off to reserves or amortised on a straight-line basis over their expected operating lives, where appropriate.

Any negative goodwill arising on the acquisition of interests in associates or jointly controlled entities, which represents the excess of fair value ascribed to the Group's share of the separable net assets of the associates or jointly controlled entities at the date of acquisition over the purchase consideration, is credited to reserves in the year of acquisition.

On the disposal of subsidiaries, associates or jointly controlled entities, the attributable amount of goodwill or negative goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of subsidiaries, associates or jointly controlled entities.

Notes to the Financial Statements

For the Year Ended 31st March, 2001



2. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of its issued equity share capital or controls more than half of its voting power or where the Company controls the composition of its board of directors or equivalent governing body. Investments in subsidiaries are carried in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary.

(d) Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

(e) Jointly controlled entities

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

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of the post-acquisition results of jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

(f) Construction contracts

When the outcome of a building construction, building maintenance or civil engineering contract can be estimated reliably, contract costs are recognised to the consolidated income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the value of work carried out during the year.

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

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

Notes to the Financial Statements

For the Year Ended 31st March, 2001

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Construction contracts (continued)

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 "Amounts due from customers for contract work" (as an asset) or "Amounts due to customers for contract work" (as a liability), as applicable. Amounts received before the related work is performed are included in the balance sheet as "Advances received". Amounts billed for work performed on a contract but not yet paid by the customers are included in the balance sheet under "Trade and other debtors, deposits and prepayments".

(g) Inventories

Inventories representing raw materials of rocks are stated at the lower of cost and net realisable value. Cost, which comprises all cost of purchases and other costs incurred in bringing the inventories to their present location, is calculated on the weighted average basis. Net realisable value represents the expected selling price less costs to be incurred in selling and distribution.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Depreciation is provided on the cost of property, plant and equipment on a reducing balance basis at the following rates per annum:

	Barges and dredgers	Tower cranes	Computer equipment	Others
Initial charge upon purchase	10%	20%	20%	20%
Annual charge	10%	15%	40%	20%

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is written down to its recoverable amount. In determining the recoverable amount of an asset, expected future cash flows are not discounted to their present values.

When assets are sold or retired, their costs and accumulated depreciation are removed from the financial statements. Gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Notes to the Financial Statements

For the Year Ended 31st March, 2001



2. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Revenue recognition

When the outcome of a building construction, building maintenance or civil engineering contract can be estimated reliably, revenue is recognised based on the percentage of completion, measured by reference to the value of work carried out during the year.

When the outcome of a building construction, building maintenance or civil engineering 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 proportion basis by reference to the principal outstanding and at the rates applicable.

(j) Finance leases

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 values of the assets acquired, are charged to the consolidated income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

(k) Foreign currency translation

The accounting records of the Group, its associates and jointly controlled entities are maintained in Hong Kong dollars. Transactions denominated in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Gains and losses arising on translation are dealt with in the consolidated income statement.

(l) Taxation

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

Notes to the Financial Statements

For the Year Ended 31st March, 2001

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Cash and cash equivalents

Cash and cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

3. TURNOVER AND SEGMENTAL INFORMATION

	Turnover		(Loss) profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover represents the aggregate of revenue recognised on:				
Building construction	978,430	2,022,173	(16,827)	3,291
Building maintenance	750	18,780	719	1,547
Civil engineering services	247,283	349,984	(15,174)	(536)
	<u>1,226,463</u>	<u>2,390,937</u>	<u>(31,282)</u>	<u>4,302</u>

All activities of the group were carried out in Hong Kong.

Notes to the Financial Statements

For the Year Ended 31st March, 2001

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4. (LOSS) PROFIT FROM OPERATIONS BEFORE FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
(Loss) profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	439	384
Depreciation:		
Owned assets	5,789	8,071
Assets held under finance leases	152	430
	<u>5,941</u>	<u>8,501</u>
Less: Amount capitalised to contract work	<u>(4,543)</u>	<u>(7,430)</u>
	1,398	1,071
(Gain) loss on disposal of property, plant and equipment	(142)	132
Operating lease charges:		
Premises	3,414	3,573
Plant and machinery	119,398	129,110
	<u>122,812</u>	<u>132,683</u>
Less: Amount capitalised to contract work	<u>(119,555)</u>	<u>(129,303)</u>
	3,257	3,380
Staff costs, including directors' emoluments (Note)	136,438	166,799
Less: Amount capitalised to contract work	<u>(99,714)</u>	<u>(127,668)</u>
	36,724	39,131
Interest income	<u>(1,511)</u>	<u>(1,702)</u>

Note: Included in staff costs is an amount of HK\$4,378,000 (2000: HK\$1,442,000) in respect of redundancy payments made to staff.

Notes to the Financial Statements

For the Year Ended 31st March, 2001

5. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdraft wholly repayable within five years	1,373	5,559
Finance leases charges	81	67
	<u>1,454</u>	<u>5,626</u>

6. TAXATION

	2001 HK\$'000	2000 HK\$'000
Provision for Hong Kong Profits Tax:		
The Company and subsidiaries, overprovision in prior years	—	(1,339)
Associates	558	754
Jointly controlled entities	(16)	38
	<u>542</u>	<u>(547)</u>

No provision for Hong Kong Profits Tax in the current year has been made as the Group did not have any assessable profit for the year.

No provision for Hong Kong Profits Tax in the prior year had been made as the assessable profit of the Company and its subsidiaries were wholly absorbed by tax losses brought forward.

Details of the potential deferred tax not accounted for in the year are set out in note 24.

7. NET (LOSS) PROFIT FOR THE YEAR

Of the net loss for the year of HK\$27,657,000 (2000: profit of HK\$7,818,000), a loss of HK\$17,809,000 (2000: a profit of HK\$5,865,000) was dealt with in the financial statements of the Company.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the net loss for the year of HK\$27,657,000 (2000: profit of HK\$7,818,000) and on weighted average of 237,219,178 (2000: 229,000,000) shares in issue during the year.

Diluted loss per share for the current year is not presented as the effect of exercise of the share options as referred to note 18 would be anti-dilutive in respect of the year.

Diluted earnings per share for 2000 was not presented as the exercise price of the outstanding share options was higher than the fair value per share and accordingly the computation of diluted profit per share did not assume their exercise.

Notes to the Financial Statements

For the Year Ended 31st March, 2001



9. PROPERTY, PLANT AND EQUIPMENT

	Barges and dredgers HK\$'000	Tower cranes HK\$'000	Furniture, fixtures, computer and office equipment HK\$'000	Motor vehicles HK\$'000	Plant, machinery, tools and equipment HK\$'000	Total HK\$'000
THE GROUP						
AT COST						
At 1st April, 2000	14,779	13,042	10,413	9,201	8,502	55,937
Additions	—	—	1,703	340	1,893	3,936
Disposals	—	—	(845)	(988)	(21)	(1,854)
At 31st March, 2001	14,779	13,042	11,271	8,553	10,374	58,019
ACCUMULATED DEPRECIATION						
At 1st April, 2000	6,878	7,591	7,589	5,514	6,775	34,347
Provided for the year	790	818	1,832	1,185	1,316	5,941
Eliminated on disposals	—	—	(726)	(850)	(11)	(1,587)
At 31st March, 2001	7,668	8,409	8,695	5,849	8,080	38,701
NET BOOK VALUES						
At 31st March, 2001	<u>7,111</u>	<u>4,633</u>	<u>2,576</u>	<u>2,704</u>	<u>2,294</u>	<u>19,318</u>
At 31st March, 2000	<u>7,901</u>	<u>5,451</u>	<u>2,824</u>	<u>3,687</u>	<u>1,727</u>	<u>21,590</u>

The carrying amount of the Group's motor vehicles includes HK\$611,000 (2000: HK\$763,000) in respect of assets held under finance leases.

10. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares	150,539	150,539
Loans to subsidiaries	164,564	237,564
Amounts due from subsidiaries	241,099	191,789
Provision for impairment	(69,800)	(53,800)
	<u>486,402</u>	<u>526,092</u>

Loans to subsidiaries and amounts due from subsidiaries are unsecured, interest free and will not be repaid within the next twelve months from the balance sheet date.

Particulars regarding the subsidiaries of the Company at 31st March, 2001 are set out in note 28.

Notes to the Financial Statements

For the Year Ended 31st March, 2001

11. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets of unlisted associates	6,790	9,494
Premium on acquisition of an unlisted associate	—	14,948
	<u>6,790</u>	<u>24,442</u>

No amortisation had been provided on the premium as commercial operation of the relevant associate had not yet commenced. The premium was realised upon disposal of the associate.

Particulars regarding the associate of the Group at 31st March, 2001 are as follows:

Name of company	Place of incorporation/ operation	Class of shares	Effective % of issued share capital held indirectly	Principal activities
Yue Xiu Concrete Company Limited	Hong Kong	Ordinary shares	25	Supply of ready-mixed concrete

During the year, Preussag Pipe Rehabilitation Hong Kong Limited, a company in which the Group had a 45% equity interest was disposed of for a consideration of HK\$19,448,000, resulting in a gain on disposal of HK\$2,284,000.

12. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets of jointly controlled entities	<u>9,688</u>	<u>10,190</u>

Particulars regarding the jointly controlled entities of the Group at 31st March, 2001 are set out in note 29.

Notes to the Financial Statements

For the Year Ended 31st March, 2001



13. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred to date plus recognised profits less recognised losses	1,853,649	2,866,846
Progress billings	<u>(1,878,149)</u>	<u>(2,934,947)</u>
	<u>(24,500)</u>	<u>(68,101)</u>
Represented by:		
Due from customers included in current assets	175,084	190,198
Due to customers included in current liabilities	<u>(199,584)</u>	<u>(258,299)</u>
	<u>(24,500)</u>	<u>(68,101)</u>

14. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

Interim application for progress payments in construction contracts are normally on a monthly basis and settled within one month.

Included in trade and other debtors, deposits and prepayments are trade receivables of HK\$316,109,000 (2000: HK\$364,394,000) with an aged analysis as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 — 60 days	152,321	249,746
61 — 90 days	727	4,230
More than 90 days	<u>163,061</u>	<u>110,418</u>
	<u>316,109</u>	<u>364,394</u>

Notes to the Financial Statements

For the Year Ended 31st March, 2001

15. CREDITORS, DEPOSITS AND ACCRUALS

Included in creditors, deposits and accruals are trade payables of HK\$160,844,000 (2000: HK\$253,605,000) with an aged analysis as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 — 60 days	109,458	212,879
61 — 90 days	8,293	—
More than 90 days	43,093	40,726
	<u>160,844</u>	<u>253,605</u>

16. OBLIGATIONS UNDER FINANCE LEASES

The maturity of obligations under finance leases is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Under one year	359	359
More than one year but not exceeding two years	60	359
More than two years but not exceeding five years	—	60
	<u>419</u>	<u>778</u>
Less: Amount due within one year shown under current liabilities	<u>(359)</u>	<u>(359)</u>
Amount due after one year	<u>60</u>	<u>419</u>

17. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest free and not repayable within twelve months from the balance sheet date.

Notes to the Financial Statements

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18. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value HK\$'000
Authorised:		
At the beginning and end of the year ended 31st March, 2001 and 2000	<u>600,000,000</u>	<u>60,000</u>
Issue and fully paid:		
At 1st April, 2000 and 1999	229,000,000	22,900
Issue of new shares	<u>20,000,000</u>	<u>2,000</u>
At 31st March, 2001	<u>249,000,000</u>	<u>24,900</u>

Pursuant to a subscription agreement on 24th August, 2000, Wealthy Town Investments Limited subscribed 20,000,000 new shares of HK\$0.1 each in the Company at a price of HK\$0.21 per share, representing a discount of approximately 16% to the closing market price of the Company's shares on 9th September, 2000. The proceeds were used to reduce borrowings and to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 22nd September, 2000, and rank pari passu with other shares in issue in all respects.

Share Option Scheme

A Share Option Scheme for the benefit of the full-time employees of the Company and its subsidiaries was approved and adopted on 28th December, 1995 under which the directors may invite full-time employees, including Executive Directors, to take up options to subscribe for an aggregate of not more than 10% of the total number of shares in issue at a subscription price of not less than 80% of the average last dealt prices of the Company's shares on the five business days last preceding the offer date or the nominal value of these shares, whichever is the greater. No option may be exercised earlier than six months or later than three and a half years after it has been accepted and no option may be granted after 27th December, 2005 nor to any one person when if exercised in full by that person would result in the total number of shares issued to that person exceeding 25% of the aggregate number of the shares in respect of which the options are granted.

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For the Year Ended 31st March, 2001

18. SHARE CAPITAL (continued)

Particulars of the options outstanding during the year are as follows:

Price per share payable on exercise of option	Period during which options are exercisable	Number of shares issuable under option		
		Outstanding at the beginning of the year	Cancelled	Outstanding at the end of the year
HK\$0.3248	03/09/1998 — 02/09/2001	11,400,000	3,000,000	8,400,000
HK\$0.3552	19/09/1998 — 06/10/2001	3,948,000	—	3,948,000
		<u>15,348,000</u>	<u>3,000,000</u>	<u>12,348,000</u>

The consideration payable by each of the grantees for each lot of options granted was HK\$1. Exercise of these options in full would, under the present capital structure of the Company, result in the issue of 12,348,000 additional shares of HK\$0.1 each and the receipt by the Company of approximately HK\$4,131,000 in cash.

19. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Retained profits (deficit) HK\$'000	Total HK\$'000
THE GROUP					
At 1st April, 1999	—	—	56,942	(1,602)	55,340
Net profit for the year	—	—	—	7,818	7,818
At 31st March, 2000	—	—	56,942	6,216	63,158
Net loss for the year	—	—	—	(27,657)	(27,657)
Shares issued at premium	1,856	—	—	—	1,856
At 31st March, 2001	<u>1,856</u>	<u>—</u>	<u>56,942</u>	<u>(21,441)</u>	<u>37,357</u>
THE COMPANY					
At 1st April, 1999	—	106,176	—	(58,758)	47,418
Net profit for the year	—	—	—	5,865	5,865
At 31st March, 2000	—	106,176	—	(52,893)	53,283
Net loss for the year	—	—	—	(17,809)	(17,809)
Share issued at premium	1,856	—	—	—	1,856
At 31st March, 2001	<u>1,856</u>	<u>106,176</u>	<u>—</u>	<u>(70,702)</u>	<u>37,330</u>

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19. RESERVES (continued)

Notes:

- (a) Contributed surplus represents the difference arising between the value of total net assets of subsidiaries, associates and jointly controlled entities acquired and the nominal amount of the Company's shares issued at the time of reorganisation in 1996, adjusted for dividends paid out of the contributed surplus subsequent to the reorganisation. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:
- (i) the company, or would, after the payment, be, unable to pay its liabilities as they become due, or
 - (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.
- (b) As at 31st March, 2001, the Company's reserves available for distribution to shareholders amounted to HK\$35,474,000 (2000: HK\$53,283,000).
- (c) Reserves of the Group at the balance sheet date include the Group's share of the post-acquisition profits of:

	2001 HK\$'000	2000 HK\$'000
Associates	4,290	2,543
Jointly controlled entities	5,188	5,690
	<u>9,478</u>	<u>8,233</u>

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20. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	HK\$'000	HK\$'000
(Loss) profit before taxation	(27,202)	7,276
Share of results of associates	(2,314)	(3,205)
Share of results of jointly controlled entities	518	231
Interest income	(1,511)	(1,702)
Interest expenses	1,454	5,626
Depreciation	1,398	1,071
(Gain) loss on disposal of property, plant and equipment	(142)	132
Gain on disposal of interest in an associate	(2,284)	—
Decrease in amounts due from customers for contract work	16,555	15,180
Decrease in inventories	5,104	2,862
Decrease (increase) in trade and other debtors, deposits and prepayments	24,201	(123,328)
Decrease (increase) in retention money receivable	18,402	(8,160)
(Decrease) increase in amounts due to customers for contract work	(56,150)	80,664
(Decrease) increase in creditors, deposits and accruals	(72,811)	51,599
Increase in bills payable	114	—
(Decrease) increase in retention money payable	(7,646)	19,799
	<u>(102,314)</u>	<u>48,045</u>
Net cash (outflow) inflow from operating activities	<u>(102,314)</u>	<u>48,045</u>

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21. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Bank loans HK\$'000	Obligations under finance leases HK\$'000	Minority interest HK\$'000	Loan from a jointly controlled entity HK\$'000
THE GROUP					
Balance at 1st April, 1999	22,900	53,000	—	447	20,000
Inception of finance leases	—	—	1,193	—	—
Cash outflow from financing	—	(53,000)	(415)	—	(20,000)
Minority's share of profit	—	—	—	5	—
	<u>22,900</u>	<u>—</u>	<u>778</u>	<u>452</u>	<u>—</u>
Balance at 31st March, 2000	22,900	—	778	452	—
Cash inflow (outflow) from financing	—	32,000	(359)	—	—
Issue of ordinary shares	3,856	—	—	—	—
Minority's share of loss	—	—	—	(87)	—
	<u>26,756</u>	<u>32,000</u>	<u>419</u>	<u>365</u>	<u>—</u>
Balance at 31st March, 2001	<u>26,756</u>	<u>32,000</u>	<u>419</u>	<u>365</u>	<u>—</u>

22. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	19,570	66,195
Bank overdraft	(2)	—
	<u>19,568</u>	<u>66,195</u>

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23. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	—	—
Independent non-executive directors	<u>240</u>	<u>240</u>
	<u>240</u>	<u>240</u>
Other emoluments paid to executive directors:		
Salaries and other benefits	2,227	4,430
Retirement benefit scheme contributions	<u>94</u>	<u>193</u>
	<u>2,321</u>	<u>4,623</u>
	<u><u>2,561</u></u>	<u><u>4,863</u></u>

Emoluments of the directors fall within the following bands:

	Number of directors	
	2001	2000
Bands		
Nil — HK\$1,000,000	5	5
HK\$1,500,001 — HK\$2,000,000	<u>1</u>	<u>3</u>

The five highest paid individuals included one (2000 : three) director(s) whose emoluments are disclosed above.

The emoluments of the remaining four (2000: two) individuals for the year were as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	4,296	2,457
Retirement benefit scheme contributions	<u>149</u>	<u>111</u>
	<u><u>4,445</u></u>	<u><u>2,568</u></u>

Notes to the Financial Statements

For the Year Ended 31st March, 2001

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23. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Their emoluments fall within the following bands:

Bands	Number of individuals	
	2001	2000
Nil — HK\$1,000,000	2	—
HK\$1,000,001 — HK\$1,500,000	2	1
HK\$1,500,001 — HK\$2,000,000	—	1
	—	1

24. DEFERRED TAXATION

At the balance sheet date, the major components of potential deferred tax assets (liabilities) of the Group not recognised in the financial statements were as follows:

	2001 HK\$'000	2000 HK\$'000
Tax effect of timing difference because of:		
Excess of tax allowances over depreciation	(1,974)	(1,970)
Unutilised tax losses	31,570	25,432
	29,596	23,462

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

	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:		
Difference between tax allowances and depreciation	4	1,151
Tax losses arising	(6,138)	(2,465)
	(6,134)	(1,314)

No deferred tax asset has been recognised in the financial statements as it is uncertain whether the asset will crystallise in the foreseeable future.

The Company had no material unprovided deferred taxation for the year or at the balance sheet date.

Notes to the Financial Statements

For the Year Ended 31st March, 2001

25. PLEDGE OF ASSETS

At 31st March, 2001, the Group's receivables of HK\$6,828,000 (2000: HK\$6,828,000) included under trade and other debtors, deposits and prepayments and the benefits under three construction contracts have been pledged to an insurance company and financial institutions as security in connection with performance bonds for construction contracts undertaken by certain subsidiaries and credit facilities granted to the Group.

26. COMMITMENTS AND CONTINGENT LIABILITIES

As at the balance sheet date, there were:

- (a) Rentals payable by the Group in the following year under non-cancellable operating leases which expire:

	Land and buildings		Plant, barges and dredgers	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	22	2,468	9,074	24,369
In the second to fifth year inclusive	2,724	—	—	153
	<u>2,746</u>	<u>2,468</u>	<u>9,074</u>	<u>24,522</u>

- (b) Capital commitments of the Group authorised but not contracted for in respect of:

	2001	2000
	HK\$'000	HK\$'000
Acquisition of property, plant and equipment	<u>43</u>	<u>44</u>

- (c) Guarantees issued by the Company to the extent of approximately HK\$164,735,000 (2000: HK\$200,760,000) to insurance companies and financial institutions as security in connection with performance bonds for construction contracts undertaken by certain subsidiaries and credit facilities granted to the Company's subsidiaries.
- (d) The Group had contingent liabilities for long services payments to employees who have completed the required number of years of service and under the Employment Ordinance are eligible for long service payments on termination of their employment under certain circumstances, amounting to approximately HK\$3,433,000 (2000: HK\$3,033,000).

27. RELATED PARTY TRANSACTIONS

Chevalier International Holdings Limited ("CIHL"), a substantial shareholder of the Company, and Lam Woo & Company Limited ("LWCL"), a jointly controlled entity of the Company, and their respective subsidiaries and associates are regarded as related parties for the purpose of Statement of Standard Accounting Practice 20 "Related Party Disclosures" issued by the Hong Kong Society of Accountants. Details of the material transactions between the Group and CIHL and LWCL groups are as follows:

- (a) The Company entered into an agreement with CIHL, under which CIHL shall provide accounting, treasury, electronic data processing, company secretarial and personnel management services to the Group for a term of one year ended on 31st March, 2001 at a management fee calculated at 0.3% of the aggregate turnover of the operating subsidiaries of the Company. The management fee paid to CIHL under this agreement for the year ended 31st March, 2001 amounted to HK\$3,679,000 (2000: HK\$7,172,000).

Notes to the Financial Statements

For the Year Ended 31st March, 2001



27. RELATED PARTY TRANSACTIONS (continued)

- (b) An agreement was made between CIHL and the Company whereby the Group may source electrical and mechanical equipment and building materials from time to time from CIHL group at consideration determined with reference to market prices. Purchases and value of work completed during the year amounted to HK\$4,158,000 (2000: HK\$6,899,000).
- (c) During the year ended 31st March, 2001, the Group paid rentals determined with reference to market rates of HK\$2,835,000 (2000: HK\$2,889,000) to CIHL group for premises occupied by the Group.
- (d) The Group entered into contracts for civil engineering work and building works with LWCL. A total amount of HK\$56,227,000 (2000: HK\$39,941,000) was received and receivable from LWCL for the work done during the year.
- (e) In August 2000, a wholly-owned subsidiary of the Company entered into an agreement with CIHL to dispose of its 45% interest in Preussag Pipe Rehabilitation Hong Kong Limited ("PPRHK") together with the receivable from PPRHK for a total consideration of HK\$21,248,000. The transaction was completed in October 2000.

At the balance sheet date, the Group has outstanding balances arising from business transactions with related parties which are unsecured, non-interest bearing and have no fixed terms of repayment, as follows:

	Amounts due from		Amount due to	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CIHL group	101,617	100,552	27,104	7,050
LWCL	16,137	8,640	—	4,117
	<u>117,754</u>	<u>109,192</u>	<u>27,104</u>	<u>11,167</u>

The above balances have been disclosed in the consolidated balance sheet under "Trade and other debtors, deposits and prepayments", "Retention money receivable", "Creditors, deposit and accruals" and "Retention money payable", as appropriate.

Apart from the above, the Group made advances to/from associates in prior year. The balances with these companies were unsecured, interest bearing or non-interest bearing and have no fixed terms of repayment and the outstanding balances are separately disclosed in the consolidated balance sheet.

Notes to the Financial Statements

For the Year Ended 31st March, 2001

28. SUBSIDIARIES

Name of company	Place or country of incorporation/ operation	Class of shares	Issued and paid up capital	No. of shares	Effective % of issued share capital held		Principal activities
					Directly	Indirectly	
Austin Assets Limited	The British Virgin Islands/ Hong Kong	Ordinary shares	US\$1	1	—	100	Investment holding
CCH (BVI) Limited	The British Virgin Islands/ Hong Kong	Ordinary shares	US\$50,000	50,000	100	—	Investment holding
Cherson Limited	Hong Kong	Ordinary shares	HK\$100	100	—	100	Investment holding
Chevalier (Construction) Company Limited	Hong Kong	Ordinary shares	HK\$60,500,000	60,500,000	—	99.67	Building construction
Chevalier Construction (Hong Kong) Limited	Hong Kong	Ordinary shares	HK\$1,000	100	—	100	Building construction
		Deferred shares (note)	HK\$10,000	1,000	—	—	
Chevalier (Civil Engineering) Limited	Hong Kong	Ordinary shares	HK\$45,837,002	45,837,002	—	100	Civil engineering
		Deferred shares (note)	HK\$24,964,002	24,964,002	—	—	
Chevalier Civil Engineering (Hong Kong) Limited	Hong Kong	Ordinary shares	HK\$100	100	—	100	Civil engineering
Smart Key Limited	Hong Kong	Ordinary shares	HK\$100	100	—	100	Investment holding

Notes: The deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

None of the subsidiaries had any loan capital outstanding at the balance sheet date or at any time during the year.

Notes to the Financial Statements

For the Year Ended 31st March, 2001



29. JOINTLY CONTROLLED ENTITIES

Name of company	Form of business structure	Place of incorporation/operation	Class of shares	Effective % of share capital/ownership held indirectly	Principal activities
Lam Woo & Company Limited	Incorporated	Hong Kong	Ordinary shares	50	Civil engineering
Lam Woo Construction Limited	Incorporated	Hong Kong	Ordinary shares	50	Building maintenance
Lam Woo/Chevalier Joint Venture	Joint Venture	Hong Kong	—	30	Civil engineering

The Group's entitlement to share in the results of its jointly controlled entities is in proportion to its ownership interest.