

Notes to the Financial Statements

For The Year Ended 31st March, 2001



1. GENERAL

The Company is 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 the principal activities of its subsidiaries are marketing, installation and maintenance of lifts and escalators, air-conditioning systems, electrical and mechanical systems, power equipment and industrial equipment and environmental engineering equipment; supply and installation of building materials and equipment; sale, servicing and leasing of motor vehicles; sale of computer and office equipment; trading of general merchandise; provision of telecommunication services, IT and network solutions, technical and maintenance services and paging services; insurance business, building management, hotel and travel agency services; property investment and trading; leasing of office equipment and securities trading.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and securities and in accordance with the accounting principles generally accepted in Hong Kong. The principal accounting policies adopted 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 in (d) and (e) below.

The results of subsidiaries, associates or jointly controlled entities acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

(b) Goodwill on consolidation

Goodwill, which represents the excess of purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of subsidiaries, associates or jointly controlled entities, is written off to reserve immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of subsidiaries, associates or jointly controlled entities 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 previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiaries, associates or jointly controlled entities.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued equity share capital, controls more than half of the voting power or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any impairment losses recognised.

(d) Interests in 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 the 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 associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost, as reduced by any impairment losses recognised.

(e) Joint ventures

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

Jointly controlled assets

Where a group company undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant investing company and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of jointly controlled assets, together with its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Notes to the Financial Statements

For The Year Ended 31st March, 2001



2. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Joint ventures (continued)

Jointly controlled entities

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

The Group's 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 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 joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any impairment losses recognised.

(f) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost. Investments other than held-to-maturity debt securities are classified as investment securities and other investments. Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment losses recognised. Other investments are measured at fair value, with unrealised gains and losses included in income statement for the period.

(g) Other short-term investments

Options acquired for short-term investment purpose are carried at their market value at each balance sheet date, with unrealised gains and losses included in the income statement for the period.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value and are revalued by independent professional valuers. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance of the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

(i) Property, plant and equipment

(i) Hotel properties

Hotel properties are stated at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Any surplus arising on revaluation of such properties is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. A decrease in net carrying amount arising on revaluation of an asset is charged to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided on a straight-line basis on hotel properties over the remaining terms of the relevant land lease.

(ii) Other properties

Properties held for own use are stated at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Any increase arising on revaluation of such properties is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Notes to the Financial Statements

For The Year Ended 31st March, 2001



2. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

(ii) Other properties (continued)

No depreciation is provided on freehold land. Depreciation is provided on leasehold land over the remaining term of the respective leases. Depreciation is provided on the cost of the buildings on a straight-line basis over their estimated useful lives of 20 to 50 years or the remaining terms of the respective leases, whichever is the shorter.

(iii) Plant and equipment

Plant and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the 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 to write off the cost of the plant and equipment over their estimated useful lives after taking into account their estimated residual value, on the reducing balance basis, at the following rates per annum:

	Initial charge upon purchase	Annual charge
Computer equipment	20%	40%
Others	20%	20%

Assets held for leasing are depreciated over the term of the leases.

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

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

The gain or loss arising from 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 income statement.

(j) Properties for sale and under development

Properties held for sale are stated at the lower of cost and net realisable value. Properties under development are stated at cost less provision for loss where appropriate.

Cost comprises the cost of acquisition of properties, construction costs, other direct costs and borrowing costs capitalised. Net realisable value is estimated by management based on prevailing market conditions or where a binding sales agreement is executed, by reference to the agreed selling prices.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Installation contracts

When the outcome of a contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the value of work carried out during the year. When the outcome of a 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.

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), where applicable. Amounts received before the related work is performed are included in the balance sheet as a liability. Amounts billed for work performed on a contract but not yet paid by the customers are included in the balance sheet under "Debtors, deposits and prepayments".

(m) Revenue recognition

When the outcome of an installation contract can be estimated reliably, revenue is recognised using the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Income from properties developed for sale, where there are no pre-sales prior to completion of development, is recognised on the execution of a binding sales agreement or when the relevant occupation permit is issued by the Authorities, whichever is the later.

Income from properties pre-sold prior to completion of development is recognised according to the stage of completion and is calculated by reference to the development costs incurred to date as a proportion to the estimated total development costs.

Income from property trading is recognised on the execution of a binding sales agreement.

Income from sale of goods is recognised when goods are delivered and title to the goods has passed to the customer.

Income from rendering of services is recognised at the time when services are rendered. Receipts in advance of provision of services are accounted for as deferred income.

Insurance agency commission is recognised on the effective commencement or renewal dates of the related policies.

Notes to the Financial Statements

For The Year Ended 31st March, 2001



2. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Revenue recognition (continued)

Insurance premium is recognised as income when an insurance policy is accepted and the relevant debit note is issued by the Company.

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

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

Income from sale of securities is recognised on a trade date basis.

Rental income and other earnings under operating leases are recognised on a straight-line basis over the terms of the respective leases.

(n) Operating leases

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessors are accounted for as operating leases. Payments on assets leased by the Group and income on property, plant and equipment of the Group leased to third parties are dealt with in the income statement on a straight-line basis over the terms of the relevant lease.

(o) 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 value of the assets acquired, are charged to the income statement over the period of the relevant lease.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Foreign currencies

The accounting records of the Group, other than those subsidiaries not operating in Hong Kong, are maintained in Hong Kong dollars. Transactions denominated in foreign currencies during the year are translated into Hong Kong dollars at the rates of exchange ruling on the dates of transactions or on the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

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

(r) 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.

(s) Cash equivalents

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.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

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3. TURNOVER AND CONTRIBUTION

An analysis of the Group's turnover and contribution to profit from operations by business segment and geographical area are as follows:

	Turnover		Contribution to profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By business segment:				
Marketing, installation and maintenance of lifts and escalators, air-conditioning systems, electrical and mechanical systems, power equipment and industrial equipment and environmental engineering equipment	1,741,008	1,736,889	166,745	132,799
Supply and installation of building materials and equipment	271,633	565,024	97,837	89,846
Sale, servicing and leasing of motor vehicles	332,360	385,152	630	3,584
Sale of computer, office equipment and leasing of office equipment	534,941	563,828	8,639	14,367
Trading of general merchandises	121,081	95,670	(7,527)	(6,562)
Telecommunication, IT and network solutions, technical and maintenance services	408,324	478,716	19,448	33,588
Property investment and trading	59,851	244,576	(16,792)	31,482
Insurance business	125,206	16,498	(845)	(2,218)
Building management, hotel and travel agency services and others	180,253	203,194	(30,678)	80,827
	<u>3,774,657</u>	<u>4,289,547</u>	<u>237,457</u>	<u>377,713</u>
By geographical area:				
Hong Kong	2,563,990	2,736,334	140,878	289,525
The People's Republic of China, other than Hong Kong ("PRC")	372,501	648,269	51,506	46,746
Canada	349,136	402,780	2,623	2,840
Singapore	164,118	268,714	32,688	29,628
U.S.A.	90,681	83,572	334	(1,052)
Thailand	141,433	145,314	8,917	13,175
Others	92,798	4,564	511	(3,149)
	<u>3,774,657</u>	<u>4,289,547</u>	<u>237,457</u>	<u>377,713</u>

Notes to the Financial Statements

For The Year Ended 31st March, 2001

4. OTHER REVENUE

	2001 HK\$'000	2000 HK\$'000
Included in other revenue are:		
Gain on disposal of a property project	—	74,998
Interest from bank and other deposits	36,072	38,531
Interest earned on debt securities	5,311	4,225
Dividends received or receivable from listed securities	811	1,144
Provision for loss on interests in associates written back	3,000	—
Management fee	7,114	7,772
	<u>7,114</u>	<u>7,772</u>

5. OTHER OPERATING EXPENSES

	2001 HK\$'000	2000 HK\$'000
Included in other operating expenses are:		
Deficit on revaluation of properties for own use	1,510	4,445
Provision for bad and doubtful debts	3,039	22,227
Loss on disposal of property, plant and equipment	4,291	1,002
Exchange loss	23,441	—
	<u>23,441</u>	<u>—</u>

Notes to the Financial Statements

For The Year Ended 31st March, 2001



6. PROFIT FROM OPERATIONS BEFORE FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Profit from operations before finance costs is arrived at after charging:		
Depreciation on property, plant and equipment		
Own assets	55,344	46,346
Assets held under finance leases	43	63
	55,387	46,409
Less: Amount capitalised to contract work	(71)	(99)
	55,316	46,310
Auditors' remuneration	4,876	4,429
Staff costs including directors' emoluments (Note a)	536,092	546,714
Operating lease payments in respect of leasing of		
Premises	31,805	99,876
Others	687	696
	32,492	100,572
Net realised and unrealised holding loss on investments in securities	30,165	—
and crediting:		
Gross rental income of HK\$58,781,000 (2000: HK\$29,261,000)		
less outgoings from properties (Note b)	46,139	14,884
Gross earnings of HK\$434,000 (2000: HK\$544,000)		
less outgoings from leasing of equipment	253	395
Exchange gain	—	8,611
Net realised and unrealised holding gain on investments in securities	—	21,247

Notes:

- (a) Included in staff costs is an amount of HK\$4,826,000 (2000: HK\$3,239,000) in respect of redundancy payments made to staff.
- (b) Included in rental income is an amount of HK\$2,303,000 (2000: HK\$630,000) less outgoings of HK\$943,000 (2000: HK\$306,000) received from jointly controlled assets.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

7. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans, overdrafts and other borrowings		
wholly repayable within 5 years	85,270	57,018
Interest on other borrowings	2,636	493
Finance lease charges	11	16
	87,917	57,527
Less: Amount capitalised to contract work	(4,122)	(5,723)
	83,795	51,804

Borrowing costs capitalised are calculated by applying an average capitalisation rate of 8% (2000: 8%) to expenditures on qualifying assets.

8. TAXATION

	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Company and subsidiaries		
Current year profits tax		
Hong Kong	35,527	64,755
Overseas	13,088	10,176
Deferred taxation		
Hong Kong	(180)	(915)
	48,435	74,016
Associates		
Current year profits tax		
Hong Kong	805	4,607
Jointly controlled entities		
Current year profits tax		
Hong Kong	220	1,736
	49,460	80,359

Provision for Hong Kong profits tax is calculated at the rate of 16% (2000: 16%) on the estimated assessable profits less available tax relief for losses brought forward of each individual company.

Provision for overseas taxation is calculated based on the rate applicable to the relevant local legislation on the estimated assessable profits.

Details of the potential deferred tax credit (charge) not provided for in the year are set out in note 27.

Notes to the Financial Statements

For The Year Ended 31st March, 2001



9. PROFIT AVAILABLE FOR APPROPRIATION

Of the Group's profit available for appropriation, a profit of HK\$242,551,000 (2000: HK\$8,515,000) has been dealt with in the financial statements of the Company.

10. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Interim dividend paid		
HK\$0.025 per share on 1,202,859,743 shares (2000: HK\$0.030 per share on 1,119,451,648 shares)	30,071	33,584
Final dividend proposed		
HK\$0.035 per share on 1,230,904,366 shares (2000: HK\$0.050 per share on 1,165,654,152 shares)	43,082	58,283
Final dividend for prior year on additional shares issued before the closing of the register of members for the dividend	61	19
	<u>73,214</u>	<u>91,886</u>

The amount of final dividend payable for the year ended 31st March, 2001 has been computed on the assumption that no grantees of share options will subscribe for shares prior to the record date for payment of dividend. Dividends payable would increase by HK\$3,581,000 if all grantees of share options exercised their rights to subscribe for shares before the closing of register of members for the current year's final dividend.

Shareholders have an option to receive new shares of the Company in lieu of cash for the interim and final dividend.

11. EARNINGS PER SHARE

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

	2001 HK\$'000	2000 HK\$'000
Earnings for the purposes of basic earnings per share	171,759	274,689
Adjustments to the share of results of subsidiaries based on dilution of their earnings per share	(68)	(328)
Earnings for the purposes of diluted earnings per share	<u>171,691</u>	<u>274,361</u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,182,860	1,122,435
Effect of dilutive potential ordinary shares:		
Share options (<i>Note</i>)	11,093	9,387
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,193,953</u>	<u>1,131,822</u>

Note: The calculation of diluted earnings per share does not assume the exercise of certain outstanding share options as the exercise price was higher than the average market price per share during the two years ended 31st March, 2001.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

12. INVESTMENT PROPERTIES

	Hong Kong under medium-term leases HK\$'000	PRC under medium-term leases HK\$'000	Overseas on freehold land HK\$'000	Total HK\$'000
THE GROUP				
AT VALUATION				
At 1st April, 2000	194,750	11,250	204,958	410,958
Exchange adjustments	—	—	(8,752)	(8,752)
Deficit on revaluation	(8,667)	(1,650)	(13,985)	(24,302)
	<u>186,083</u>	<u>9,600</u>	<u>182,221</u>	<u>377,904</u>
At 31st March, 2001	<u>186,083</u>	<u>9,600</u>	<u>182,221</u>	<u>377,904</u>

Notes:

- (a) Included in investment properties in Hong Kong with a carrying value of HK\$23,333,000 (2000: HK\$26,000,000) represent the Group's share of interest in jointly controlled assets.
- (b) Properties were revalued on an open market existing use basis at 31st March, 2001 by independent professional valuers. Properties in Hong Kong and PRC were revalued by Knight Frank and DTZ Debenham Tie Leung Limited. Overseas properties were revalued by CB Richard Ellis (Pte) Ltd and DTZ Debenham Tie Leung Limited.
- (c) Charges were created on the investment properties with a total carrying value of HK\$170,972,000 (2000: HK\$182,980,000) to secure bank loans and other facilities extended to the Group as disclosed in notes 25 and 36.
- (d) Gross rental income derived from investment properties for the year amounted to HK\$19,154,000 (2000: HK\$14,302,000).

Notes to the Financial Statements

For The Year Ended 31st March, 2001

13. PROPERTY, PLANT AND EQUIPMENT

	Properties for own use									Hotel properties		Machinery, tools, and telecommunication equipment	Furniture, fixtures, other equipment, yacht and motor vehicles		Total
	Hong Kong			PRC			Overseas			PRC	Overseas		held for own use	held for leasing	
	under long-term leases	under medium-term leases	under long-term leases	under medium-term leases	under short-term leases	on freehold land	under long-term leases	under medium-term leases	under medium-term leases	on freehold land					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000		
THE GROUP															
AT COST OR VALUATION															
At 1st April, 2000	81,700	447,050	12,818	19,370	645	59,772	18,584	6,251	26,000	80,250	88,984	175,914	1,102	1,018,440	
Exchange adjustments	—	—	—	—	—	(4,256)	(794)	(999)	—	(6,000)	(941)	(2,233)	(65)	(15,288)	
Additions	105,988	—	—	—	—	—	—	—	849	—	12,589	20,681	706	140,813	
Disposals	—	—	—	—	—	—	—	—	(203)	—	(16,563)	(24,595)	(637)	(41,998)	
Reclassification	—	—	—	—	—	—	—	—	11,850	—	(5,083)	(6,767)	—	—	
(Deficit) surplus on revaluation	(1,888)	(10,670)	(706)	(1,000)	(55)	5,794	(1,169)	(110)	(1,312)	(3,712)	—	—	—	(14,828)	
At 31st March, 2001	185,800	436,380	12,112	18,370	590	61,310	16,621	5,142	37,184	70,538	78,986	163,000	1,106	1,087,139	
ACCUMULATED DEPRECIATION															
At 1st April, 2000	—	—	—	—	—	—	—	—	—	—	43,020	94,606	414	138,040	
Exchange adjustments	—	—	—	—	—	—	—	—	—	—	(634)	(1,560)	(23)	(2,217)	
Charge for the year	1,738	9,481	240	806	55	1,642	415	375	4,053	1,638	10,770	23,941	233	55,387	
Eliminated upon disposals	—	—	—	—	—	—	—	—	(84)	—	(14,556)	(21,376)	(334)	(36,350)	
Reclassification	—	—	—	—	—	—	—	—	370	—	(160)	(210)	—	—	
Eliminated upon revaluation	(1,738)	(9,481)	(240)	(806)	(55)	(1,642)	(415)	(375)	(4,339)	(1,638)	—	—	—	(20,729)	
At 31st March, 2001	—	—	—	—	—	—	—	—	—	—	38,440	95,401	290	134,131	
NET BOOK VALUES															
At 31st March, 2001	185,800	436,380	12,112	18,370	590	61,310	16,621	5,142	37,184	70,538	40,546	67,599	816	953,008	
At 31st March, 2000	81,700	447,050	12,818	19,370	645	59,772	18,584	6,251	26,000	80,250	45,964	81,308	688	880,400	
An analysis of the cost and valuation of the Group's property, plant and equipment is as follows:															
At cost	—	—	—	—	—	—	—	—	—	—	78,986	163,000	1,106	243,092	
At 2001 professional valuation	185,800	436,380	9,500	18,370	—	61,310	16,621	5,142	26,000	70,538	—	—	—	829,661	
At 2001 directors' valuation	—	—	2,612	—	590	—	—	—	11,184	—	—	—	—	14,386	
	185,800	436,380	12,112	18,370	590	61,310	16,621	5,142	37,184	70,538	78,986	163,000	1,106	1,087,139	

Notes:

- Certain properties in PRC and overseas were revalued on 31st March, 2001 by the directors on an open market existing use basis. Properties in Hong Kong, overseas and PRC other than the above-mentioned were revalued on 31st March, 2001 by independent professional valuers, Knight Frank, DTZ Debenham Tie Leung Limited, CKS Property Consultants Pte Ltd, Brooke International (Thailand) Limited and CIBI Information, Inc. on an open market existing use basis.
- Had the properties been carried at cost less accumulated depreciation, the carrying value as at 31st March, 2001 would have been HK\$827,355,000 (2000: HK\$744,249,000).
- Charges were created on the properties with a total carrying value of HK\$547,054,000 (2000: HK\$517,033,000) to secure bank loan and other facilities extended to the Group as disclosed in notes 25 and 36.
- The net book value of machinery, tools and equipment held under finance leases amounted to HK\$160,000 (2000: HK\$203,000).

Notes to the Financial Statements

For The Year Ended 31st March, 2001

14. PROPERTIES UNDER DEVELOPMENT

	PRC Hotel property under medium-term lease HK\$'000	Overseas properties on freehold land HK\$'000	Total HK\$'000
THE GROUP			
AT COST			
At 1st April, 1999	—	—	—
Exchange adjustments	—	104	104
Arising from acquisition of subsidiaries	—	6,175	6,175
At 31st March, 2000	—	6,279	6,279
Exchange adjustments	—	(560)	(560)
Additions	29,833	—	29,833
At 31st March, 2001	<u>29,833</u>	<u>5,719</u>	<u>35,552</u>

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Cost less provision for impairment of shares listed in		
Hong Kong	171,225	129,868
Singapore	77,014	77,014
Unlisted shares, at cost less provision for impairment	985,165	1,061,751
Amounts due from subsidiaries	<u>249,522</u>	<u>319,815</u>
	<u>1,482,926</u>	<u>1,588,448</u>
Market value of listed shares		
Hong Kong	112,921	217,906
Singapore	<u>86,600</u>	<u>123,216</u>

Particulars regarding the principal subsidiaries as at 31st March, 2001 are set out on pages 75 to 79.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the subsidiaries as set out are those which principally affected the results or assets of the Group.

Notes to the Financial Statements

For The Year Ended 31st March, 2001



16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Share of net assets				
Associate listed in Hong Kong	21,796	32,099	—	—
Unlisted associates	51,900	50,138	—	—
Cost less provision for impairment				
Associate listed in Hong Kong	—	—	17,874	23,438
Amounts due from associates	8,807	—	—	—
	<u>82,503</u>	<u>82,237</u>	<u>17,874</u>	<u>23,438</u>
Market value of listed associate	<u>16,561</u>	<u>24,771</u>	<u>13,381</u>	<u>19,917</u>

Particulars regarding the principal associates as at 31st March, 2001 are set out on page 80.

The Directors are of the opinion that a complete list of the particulars of all associates would be of excessive length and therefore the associates as set out are those which principally affected the results or net assets of the Group.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	<u>2,881</u>	<u>3,452</u>

Particulars regarding the principal jointly controlled entities as at 31st March, 2001 are set out on page 81.

The Directors are of the opinion that a complete list of the particulars of all jointly controlled entities would be of excessive length and therefore, the jointly controlled entities as set out are those which principally affected the results or net assets of the Group.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

18. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Other investments:				
Equity securities				
Listed				
Hong Kong	11,413	28,175	5,750	13,178
Overseas	—	25,586	—	—
Debt securities				
Listed				
Overseas	38,728	77,115	—	54,939
Unlisted				
Overseas	4,448	30	—	—
	<u>54,589</u>	<u>130,906</u>	<u>5,750</u>	<u>68,117</u>
Market values of listed securities				
Equity securities				
Hong Kong	11,413	28,175	5,750	13,178
Overseas	—	25,586	—	—
Debt securities				
Overseas	38,728	77,115	—	54,939
	<u>50,141</u>	<u>130,876</u>	<u>5,750</u>	<u>68,117</u>
Carrying value analysed for reporting purposes are:				
Non-current	5,780	35,536	5,750	13,178
Current	48,809	95,370	—	54,939
	<u>54,589</u>	<u>130,906</u>	<u>5,750</u>	<u>68,117</u>

19. INVENTORIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Raw materials	34,235	27,144
Inventory held for resale	199,938	211,992
Consumable stores	10,359	25,006
	<u>244,532</u>	<u>264,142</u>

The cost of inventories recognised as an expense during the year was HK\$1,159,336,000 (2000: HK\$1,398,093,000).

At 31st March, 2001, inventories held for resale included an amount of HK\$86,114,000 (2000: HK\$120,046,000) carried at net realisable value.

Notes to the Financial Statements

For The Year Ended 31st March, 2001



20. PROPERTIES FOR SALE

The cost of properties sold during the year amounted to HK\$3,135,000 (2000: HK\$203,123,000).

At 31st March, 2001, properties included an amount of HK\$413,900,000 (2000: HK\$534,554,000) carried at net realisable value.

At 31st March, 2001, properties included the Group's share of interest in jointly controlled assets with an aggregate book value of HK\$17,151,000 (2000:HK\$17,151,000).

21. DEBTORS, DEPOSITS AND PREPAYMENTS

At 31st March, 2001, debtors, deposits and prepayments included the Group's share of debtors in relation to jointly controlled assets of HK\$790,000 (2000:HK\$238,000).

At 31st March, 2001, included in debtors, deposits and prepayments are trade debtors of HK\$706,231,000 (2000:HK\$653,625,000). The aged analysis of trade debtors is as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
0 - 60 days	578,204	517,722
61 - 90 days	34,553	31,336
Over 90 days	93,474	104,567
	<u>706,231</u>	<u>653,625</u>

The Group has established credit policies for customers in each of its core business. The average credit period granted for trade debtors was 60 days.

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

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred	4,209,048	3,848,664
Recognised profits less recognised losses	<u>408,560</u>	<u>310,612</u>
	4,617,608	4,159,276
Less: Progress billings	<u>(4,538,608)</u>	<u>(4,085,639)</u>
	<u>79,000</u>	<u>73,637</u>
Represented by:		
Amounts due from customers included in current assets	84,688	148,931
Amounts due to customers included in current liabilities	<u>(5,688)</u>	<u>(75,294)</u>
	<u>79,000</u>	<u>73,637</u>

At 31st March, 2001, retention monies held by customers for contract work amounted to HK\$119,571,000 (2000: HK\$131,164,000). Advances received from customers for contract work amounted to HK\$8,840,000 (2000: HK\$12,101,000).

Notes to the Financial Statements

For The Year Ended 31st March, 2001

23. CREDITORS, DEPOSITS AND ACCRUALS

At 31st March, 2001, creditors, deposits and accruals included the Group's share of liabilities incurred in relation to jointly controlled assets of HK\$653,000 (2000: HK\$319,000).

At 31st March, 2001, included in creditors, deposits and accruals are trade creditors of HK\$364,194,000 (2000: HK\$449,324,000). The aged analysis of the trade creditors is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 - 60 days	338,211	417,883
61 - 90 days	8,931	10,663
Over 90 days	<u>17,052</u>	<u>20,778</u>
	<u><u>364,194</u></u>	<u><u>449,324</u></u>

24. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The maturity of obligations under finance leases is as follows:				
within 1 year	45	116	—	—
more than 1 year but not exceeding 2 years	<u>—</u>	<u>45</u>	<u>—</u>	<u>—</u>
	45	161	—	—
Less: amount due within one year shown under current liabilities	<u>(45)</u>	<u>(116)</u>	<u>—</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>45</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

Notes to the Financial Statements

For The Year Ended 31st March, 2001



25. BANK LOANS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The maturity of the bank loan is as follows:				
Repayable within one year	110,325	263,646	—	7,920
Repayable within a period of:				
more than 1 year but not exceeding 2 years	174,520	83,017	100,000	7,920
more than 2 years but not exceeding 5 years	181,670	133,694	—	12,106
more than 5 years	249,774	16,753	—	—
	<u>716,289</u>	<u>497,110</u>	<u>100,000</u>	<u>27,946</u>
Less: amount due within one year shown under current liabilities	<u>(110,325)</u>	<u>(263,646)</u>	<u>—</u>	<u>(7,920)</u>
	<u>605,964</u>	<u>233,464</u>	<u>100,000</u>	<u>20,026</u>
Secured	598,789	497,110	—	27,946
Unsecured	117,500	—	100,000	—
	<u>716,289</u>	<u>497,110</u>	<u>100,000</u>	<u>27,946</u>

Bank loans are secured by fixed charges on certain properties and other assets of the Group with an aggregate carrying value of HK\$1,323,689,000 (2000: HK\$1,004,439,000). The bank loans carry interest at commercial rates and are repayable by monthly instalments, the last of which falls due in the year 2012.

26. OTHER SECURED LOANS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The maturity of the loans is as follows:				
Repayable within one year	3,382	3,278	—	—
Repayable within a period of:				
more than 1 year but not exceeding 2 years	3,508	3,382	—	—
more than 2 years but not exceeding 5 years	11,296	10,908	—	—
over 5 years	4,036	7,932	—	—
	<u>22,222</u>	<u>25,500</u>	<u>—</u>	<u>—</u>
Less: amount due within one year shown under current liabilities	<u>(3,382)</u>	<u>(3,278)</u>	<u>—</u>	<u>—</u>
	<u>18,840</u>	<u>22,222</u>	<u>—</u>	<u>—</u>

Other loans are secured by fixed charges on certain properties of the Group with an aggregate carrying value of HK\$12,613,000 (2000: HK\$12,613,000). These loans carry interest at commercial rates and are repayable by monthly instalments.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

27. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
At 1st April	180	1,095
Write back on reversal of timing difference	(180)	(915)
At 31st March	<u>—</u>	<u>180</u>

Deferred tax was provided in respect of the timing differences arising due to the excess of tax allowances over depreciation charged to the income statement.

At the balance sheet date, the major components of potential deferred tax assets not accounted for in the financial statements of the Group are as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Tax effect of timing difference because of:		
Excess of depreciation over tax allowances	2,623	5,567
Unutilised tax losses	116,894	97,151
Other timing differences	293	1,807
	<u>119,810</u>	<u>104,525</u>

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

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Tax effect of timing difference because of:		
Excess of depreciation over tax allowances	(2,944)	883
Unutilised tax losses	19,743	13,917
Other timing differences	(1,514)	1,360
	<u>15,285</u>	<u>16,160</u>

A deferred tax asset of the Group has not been recognised in the financial statements as it is not certain that the tax asset will be utilised in the foreseeable future.

Notes to the Financial Statements

For The Year Ended 31st March, 2001



27. DEFERRED TAXATION (continued)

Deferred tax has not been accounted for on the surplus or deficit arising on the revaluation of the Group's properties in Hong Kong, Singapore and Thailand as profits or losses arising on the disposal of these properties would not be subject to taxation. Accordingly, the surplus or deficit does not constitute a timing difference for deferred tax purposes.

Deferred tax has not been accounted for on the deficit arising on the revaluation of the Group's properties in PRC as loss on disposal of PRC properties would not be subject to taxation. Accordingly, the deficit does not constitute a timing difference for deferred tax purposes.

The potential deferred tax assets attributable to unutilised tax losses of foreign subsidiaries at the balance sheet date will expire in the following years:

	2001 HK\$'000	2000 HK\$'000
2001	328	48
2002	368	26
2003	2,361	2,386
2004	216	250
2005	512	560
2006	219	272
2007	319	340
2008	1,020	992
2009	1,665	1,663
2010	422	422
2012	24	11
2013	—	90
2018	214	—

There is no significant deferred tax for the Company provided or unprovided.

28. SHARE CAPITAL

	Number of ordinary shares of HK\$0.25 each	Nominal value HK\$'000
Authorised:	<u>1,700,000,000</u>	<u>425,000</u>
Issued and fully paid:		
At 31st March, 1999	1,115,181,107	278,795
Issue of shares in lieu of cash dividends	49,383,045	12,346
Issue of shares under share option scheme	<u>1,090,000</u>	<u>272</u>
At 31st March, 2000	1,165,654,152	291,413
Issue of shares in lieu of cash dividends	64,038,214	16,010
Issue of shares under share option scheme	<u>1,212,000</u>	<u>303</u>
At 31st March, 2001	<u>1,230,904,366</u>	<u>307,726</u>

Notes to the Financial Statements

For The Year Ended 31st March, 2001

28. SHARE CAPITAL (continued)

Notes:

(a) Authorised and issued share capital

There were no changes in the authorised share capital during the two years ended 31st March, 2001.

During the year, 35,993,591 and 28,044,623 (2000: 3,618,541 and 45,764,504) shares were issued in lieu of cash dividends payable to the shareholders at prices of HK\$0.5700 and HK\$0.5377 (2000: HK\$0.5558 and HK\$0.5795) per share, respectively, giving a total consideration of approximately HK\$35,596,000 (2000: HK\$28,531,000) and 512,000 (2000: 1,090,000) shares and 700,000 (2000: Nil) shares were issued on exercise of options under share option scheme at a price of HK\$0.6464 (2000: HK\$0.6464) and HK\$0.5376 (2000: HK\$0.5376) per share, respectively, giving a total consideration of approximately HK\$707,000 (2000: HK\$705,000).

(b) Share option scheme of the Company

A share option scheme for the benefit of full-time employees including the Directors of the Company and its subsidiaries was approved and adopted in 1991 under which 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 Stock Exchange of Hong Kong Limited 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 6th October, 2001 and 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 options are granted.

Particulars of the options granted and exercised during each of the two years ended 31st March, 2001 are as follows:

2000

Price per share payable on exercise of options HK\$	Period during which options are exercisable	Number of shares issuable under options				Outstanding at 31st March, 2000
		Outstanding at 1st April, 1999	Granted during the year	Exercised during the year	Cancelled	
0.5376	03/09/1998-03/09/2001	46,900,000	—	—	—	46,900,000
0.6464	07/10/1998-06/10/2001	26,200,000	—	(1,090,000)	(2,146,000)	22,964,000
0.4880	30/06/2000-29/06/2003	—	34,150,000	—	—	34,150,000
		<u>73,100,000</u>	<u>34,150,000</u>	<u>(1,090,000)</u>	<u>(2,146,000)</u>	<u>104,014,000</u>

2001

Price per share payable on exercise of options HK\$	Period during which options are exercisable	Number of shares issuable under options				Outstanding at 31st March, 2001
		Outstanding at 1st April, 2000	Granted during the year	Exercised during the year	Cancelled	
0.5376	03/09/1998-03/09/2001	46,900,000	—	(700,000)	—	46,200,000
0.6464	07/10/1998-06/10/2001	22,964,000	—	(512,000)	(482,000)	21,970,000
0.4880	30/06/2000-29/06/2003	34,150,000	—	—	—	34,150,000
		<u>104,014,000</u>	<u>—</u>	<u>(1,212,000)</u>	<u>(482,000)</u>	<u>102,320,000</u>

The consideration payable by each of the grantees for each lot of options granted was HK\$1. Exercise of the outstanding options in full would, under the present capital structure of the Company, result in the issue of 102,320,000 (2000: 104,014,000) additional shares of HK\$0.25 (2000: HK\$0.25) each and the receipt by the Company of approximately HK\$55,704,000 (2000: HK\$56,723,000) in cash.

Notes to the Financial Statements

For The Year Ended 31st March, 2001



28. SHARE CAPITAL (continued)

(c) Share option scheme of a Chevalier iTech Holdings Limited ("CiTL")

A share option scheme for the benefit of the full-time employees of a subsidiary of the Company, CiTL and its subsidiaries was approved and adopted in 1991 under which the directors of CiTL 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 CiTL's shares on The Stock Exchange of Hong Kong Limited on the five business days last preceding the offer date or the nominal value of the CiTL's 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 6th October, 2001 and 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 options are granted.

Particulars of the share options granted and exercised during each of the two years ended 31st March, 2001 are as follows:

2000

Price per share payable on exercise of options HK\$	Period during which options are exercisable	Number of shares issuable under options				Outstanding at 31st March, 2000
		Outstanding at 1st April, 1999	Granted during the year	Exercised during the year	Cancelled	
0.3376	03/09/1998-02/09/2001	40,900,000	—	(17,300,000)	—	23,600,000
0.3376	04/09/1998-03/09/2001	7,300,000	—	(2,300,000)	—	5,000,000
0.3920	07/10/1998-06/10/2001	9,076,000	—	(6,772,000)	(1,308,000)	996,000
0.4640	30/06/2000-29/06/2003	—	28,550,000	—	—	28,550,000
		<u>57,276,000</u>	<u>28,550,000</u>	<u>(26,372,000)</u>	<u>(1,308,000)</u>	<u>58,146,000</u>

2001

Price per share payable on exercise of options HK\$	Period during which options are exercisable	Number of shares issuable under options				Outstanding at 31st March, 2001
		Outstanding at 1st April, 2000	Granted during the year	Exercised during the year	Cancelled	
0.3376	03/09/1998-03/09/2001	23,600,000	—	—	—	23,600,000
0.3376	04/09/1998-03/09/2001	5,000,000	—	—	—	5,000,000
0.3920	07/10/1998-06/10/2001	996,000	—	(20,000)	—	976,000
0.4640	30/06/2000-29/06/2001	28,550,000	—	—	—	28,550,000
		<u>58,146,000</u>	<u>—</u>	<u>(20,000)</u>	<u>—</u>	<u>58,126,000</u>

Notes to the Financial Statements

For The Year Ended 31st March, 2001

28. SHARE CAPITAL (continued)

(d) Share option scheme of Chevalier Singapore Holdings Limited ("CSHL")

A share option scheme known as the Chevalier Employees' Share Option Scheme (the "Scheme") was approved and adopted by CSHL, a subsidiary of the Company which is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"), on 15th December, 1995. The Scheme was adopted for the benefit of full-time employees (including executive directors) of CSHL and its subsidiaries (the "CSHL Group"). Under the Scheme, offers for the grant of options may be made to full time employees (including executive directors) of the CSHL Group to subscribe for shares in the capital of CSHL. The subscription price for each share in CSHL in respect of which an option is exercisable is equal to the average of the last dealt price for the share, as determined by reference to the daily official list published by the SGX-ST for the three consecutive trading days immediately preceding the date of grant of the option, or the nominal amount of the share, whichever is higher. The maximum size of the Scheme is limited to 5% of the issued ordinary share capital of CSHL. No option may be exercised earlier than twelve months or later than sixty months from the date of grant of that option. Not more than 50% of the total number of shares which may be issued under the Scheme may be issued to employees of the rank of General Manager and above, and the maximum entitlement of any employee cannot exceed 25% of the total number of shares which may be issued under the Scheme.

No options under the scheme were granted, exercised or cancelled during the two years ended 31st March, 2001 and the 204,000 options exercisable during the period from 12th January, 1998 to 11th January, 2001 at a price of S\$0.59 per share outstanding at the beginning of the year were lapsed on 11th January, 2001.

Notes to the Financial Statements

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29. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve		Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
				Investment properties HK\$'000	properties for own use HK\$'000			
THE GROUP								
At 1st April, 1999	540,250	83,178	7,526	42,301	28,436	(13,677)	781,005	1,469,019
Dilution of interest in subsidiaries	—	(419)	—	—	—	—	(1,485)	(1,904)
Issue of new shares	16,618	—	—	—	—	—	—	16,618
Share issue expenses	(22)	—	—	—	—	—	—	(22)
Transfer (note b)	(206,619)	206,619	—	—	—	—	—	—
Net surplus on revaluation of properties	—	—	—	30,726	62,123	—	—	92,849
Profit for the year, retained	—	—	—	—	—	—	182,803	182,803
Exchange difference on translation of financial statements of overseas subsidiaries	—	—	—	—	—	2,449	—	2,449
Goodwill on acquisition of additional interests in subsidiaries and associates	—	(3,180)	—	—	—	—	—	(3,180)
Disposal of a subsidiary	—	—	—	—	—	(117)	—	(117)
Share of reserves in associates	—	—	—	(6,895)	—	(720)	—	(7,615)
At 31st March, 2000	350,227	286,198	7,526	66,132	90,559	(12,065)	962,323	1,750,900
Dilution of interests in subsidiaries and associates	—	(999)	—	—	3	(2)	338	(660)
Issue of new shares	19,990	—	—	—	—	—	—	19,990
Share issue expenses	(21)	—	—	—	—	—	—	(21)
Transfer (note c)	—	—	—	—	444	(444)	—	—
Net (deficit) surplus on revaluation of properties	—	—	—	(19,422)	7,598	—	—	(11,824)
Profit for the year, retained	—	—	—	—	—	—	98,545	98,545
Exchange difference on translation of financial statements of overseas subsidiaries	—	—	—	—	—	(9,160)	—	(9,160)
Goodwill on acquisition of additional interests in subsidiaries and associates	—	(17,315)	—	—	—	—	—	(17,315)
At 31st March, 2001	<u>370,196</u>	<u>267,884</u>	<u>7,526</u>	<u>46,710</u>	<u>98,604</u>	<u>(21,671)</u>	<u>1,061,206</u>	<u>1,830,455</u>

Notes:

- (a) Retained profits of the Group include loss of HK\$42,796,000 (2000: HK\$29,559,000) and loss of HK\$15,773,000 (2000: HK\$15,202,000) sustained by associates and jointly controlled entities respectively.
- (b) The amount disclosed as share premium in the financial statements of periods prior to 1999 has been re-analysed between share premium attributable to the holding company and share premium attributable to subsidiaries in 2000. The portion attributable to subsidiaries has been transferred to capital reserve.
- (c) The exchange difference on translation included in property revaluation reserve disclosed in the previous years' financial statements is re-analysed and reclassified to exchange fluctuation reserve.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

29. RESERVES (continued)

	Share Premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY					
At 1st April, 1999	333,631	95,185	7,526	622,672	1,059,014
Issue of new shares	16,618	—	—	—	16,618
Share issue expenses	(22)	—	—	—	(22)
Unclaimed dividends written back	—	140	—	—	140
Profit for the year	—	—	—	8,515	8,515
Dividends (<i>note 10</i>)	—	—	—	(91,886)	(91,886)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2000	350,227	95,325	7,526	539,301	992,379
Issue of new shares	19,990	—	—	—	19,990
Share issue expenses	(21)	—	—	—	(21)
Unclaimed dividends written back	—	59	—	—	59
Profit for the year	—	—	—	242,551	242,551
Dividends (<i>note 10</i>)	—	—	—	(73,214)	(73,214)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2001	<u>370,196</u>	<u>95,384</u>	<u>7,526</u>	<u>708,638</u>	<u>1,181,744</u>

Contributed surplus represents the difference arising between the value of net assets acquired and the nominal amount of the Company's shares issued upon reorganisation in 1989 less dividends paid out of the contributed surplus subsequently. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders.

At 31st March, 2001, the Company's reserves available for distribution to shareholders amounted to HK\$804,022,000 (2000: HK\$634,626,000).

Notes to the Financial Statements

For The Year Ended 31st March, 2001



30. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	233,679	378,711
Share of results of associates	9,752	(623)
Share of results of jointly controlled entities	(5,974)	(375)
Interest income	(41,383)	(42,756)
Interest expenses	83,784	51,788
Dividend income from investments in securities	(811)	(1,144)
Finance lease charges	11	16
Depreciation	55,316	46,310
Loss on disposal of property, plant and equipment	4,291	1,002
Deficit on revaluation of properties	1,510	4,445
Gain on disposal of a property project	—	(74,998)
Loss on disposal of subsidiaries	—	2
Gain on disposal of an associate	(13)	—
Loss on disposal of interests in jointly controlled entities	—	1
(Write back) provision for loss on interests in jointly controlled entities	(1,175)	326
(Write back) provision for loss on interest in associates	(3,000)	235
Decrease (increase) in investments in securities	76,317	(89,635)
Decrease in properties for sale	16,577	165,629
Decrease in inventories	7,860	17,064
Decrease in amounts due from customers for contract work	66,550	72,504
Decrease in debtors, deposits and prepayments	78,903	1,015,737
Decrease (increase) in other short-term unlisted investments	38,364	(38,068)
(Decrease) increase in amounts due to customers for contract work	(68,151)	8,539
Decrease in bills payable	(7,701)	(61,801)
Increase (decrease) in creditors, deposits and accruals	23,862	(173,285)
Decrease in construction costs payable	(73,114)	(58,824)
Increase in deferred service income	72,834	1,153
Exchange difference	18,871	(6,151)
	<u>353,480</u>	<u>837,091</u>
Net cash inflow from operating activities	<u>587,159</u>	<u>1,215,802</u>

Notes to the Financial Statements

For The Year Ended 31st March, 2001

31. PURCHASE OF SUBSIDIARIES

In the prior year, the Group acquired the remaining shares of an associate, Chevalier Development International Limited, not already held by the Group at a consideration of HK\$0.94 per share. The net assets acquired were as follows:

	HK\$'000
Investment properties	172,690
Property, plant and equipment	503,456
Properties under development	6,175
Interests in associates	25,465
Interests in jointly controlled entities	9,236
Properties for sale	448,626
Inventories	998
Debtors, deposits and prepayments	26,059
Investment in securities	770
Bank balances and cash	64,760
Creditors, deposits and accruals	(105,176)
Short-term bank loans	(52,792)
Provision for taxation	(13,986)
Long-term bank loans	(367,934)
Minority interest	(57,440)
	660,907
Less: share of net assets already taken up in prior years	(300,721)
	360,186
Satisfied by:	
Cash	360,186

Net cash outflow arising on acquisition:

	HK\$'000
Cash consideration	(360,186)
Privatisation expenses	(3,779)
Bank balances and cash acquired	64,760
Short-term bank loans acquired	(52,792)
	(351,997)

The subsidiaries acquired in the prior year contributed HK\$14,322,000 to the Group's net operating cash flows, paid HK\$17,530,000 in respect of the net returns on investments and servicing of finance, paid HK\$2,277,000 in respect of taxation, utilised HK\$2,164,000 for investing activities and paid HK\$38,953,000 in respect of financing activities. The subsidiaries also contributed HK\$8,943,000 to the Group's turnover and loss of HK\$3,086,000 to the Group's profit from operations in prior year.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

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32. DISPOSAL OF SUBSIDIARIES

	HK\$'000
Net assets of subsidiaries disposed of in the prior year were:	
Debtors, deposits and prepayments	34
Cash and bank balances	423
Advance to immediate holding company	(278)
Creditors, deposits and accruals	(124)
Minorities' share of net assets	(53)
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Loss on disposal	2
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Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	
Bank balances and cash disposed of	(423)
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The subsidiaries disposed of did not have any significant impact on the Group's cash flow or operating results for prior year.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

33. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank and other loans HK\$'000	Share capital and premium HK\$'000	Obligations under finance leases HK\$'000	Minority interests HK\$'000
At 1st April, 1999	1,724,372	819,045	268	294,950
Net cash inflow (outflow) from financing	(1,407,145)	683	(108)	9,520
Arising from acquisition of subsidiaries	367,934	—	—	57,440
Disposal of a subsidiary	—	—	—	(53)
Issue of shares in lieu of cash dividends	—	28,531	—	—
Transfer between share premium and capital reserve	—	(206,619)	—	—
Share of profits and reserves by minority shareholders of subsidiaries	—	—	—	23,078
Dividends paid to minority shareholders of subsidiaries	—	—	—	(20,553)
Effect of changes in foreign exchange rates	3,204	—	1	—
At 31st March, 2000	688,365	641,640	161	364,382
Net cash inflow (outflow) from financing	67,209	686	(116)	(24,316)
Issue of shares in lieu of cash dividends	—	35,596	—	—
Share of profits and reserves by minority shareholders of subsidiaries	—	—	—	4,572
Dividends paid to minority shareholders of subsidiaries	—	—	—	(19,227)
Effect of changes in foreign exchange rates	(7,663)	—	—	—
At 31st March, 2001	<u>747,911</u>	<u>677,922</u>	<u>45</u>	<u>325,411</u>

34. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	705,242	607,033
Short-term bank loans and overdrafts	(245,632)	(313,634)
	<u>459,610</u>	<u>293,399</u>

Notes to the Financial Statements

For The Year Ended 31st March, 2001

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35. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the emoluments paid to the Directors of the Company are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees	450	450
Salaries, allowances and benefits in kind	19,051	19,036
Contributions to retirement scheme	453	396
	<u>19,954</u>	<u>19,882</u>

Apart from the Directors' fees of HK\$450,000 (2000: HK\$450,000), no other emoluments were paid or are payable to the Independent Non-executive Directors.

Emoluments of the Directors fall within the following bands:

Bands	Number of Directors	
	2001	2000
Nil - HK\$1,000,000	3	3
HK\$1,000,001 - HK\$1,500,000	3	3
HK\$1,500,001 - HK\$2,000,000	2	2
HK\$2,500,001 - HK\$3,000,000	1	1
HK\$9,000,001 - HK\$9,500,000	1	1

The five highest paid individuals includes four (2000: three) directors and the total emoluments paid to the five highest paid individuals for both years are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries, allowances and benefits in kind	16,826	16,911
Contributions to retirement scheme	308	268
	<u>17,134</u>	<u>17,179</u>

The emoluments of the five highest paid individuals fall within the following bands:

Bands	Number of Individuals	
	2001	2000
HK\$1,500,001 - HK\$2,000,000	3	3
HK\$2,500,000 - HK\$3,000,000	1	1
HK\$9,000,000 - HK\$9,500,000	1	1

Notes to the Financial Statements

For The Year Ended 31st March, 2001

36. BANKING FACILITIES AND CHARGE OF ASSETS

Other than those disclosed in note 25, short-term bank loans and overdrafts of HK\$36,539,000 (2000: HK\$385,470,000) are secured by charges on certain properties and other assets of the Group with total carrying values of HK\$31,843,000 (2000: HK\$530,136,000).

37. COMMITMENTS AND CONTINGENT LIABILITIES

As at the balance sheet date, the Company and the Group had the following contingent liabilities and commitments:

- (a) The Company had contingent liabilities in respect of counter-indemnities given to bankers and insurance institutions for their guarantees amounting to approximately HK\$309,700,000 (2000: HK\$309,700,000) issued in respect of the Group's performance for maintenance and remedial work for Private Sector Participation Scheme projects completed by the Group.

- (b) The Group and the Company had issued guarantees in respect of:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Banking facilities:				
Subsidiaries	—	—	889,302	417,978
Associates	—	102,500	—	102,500
Performance bonds:				
Subsidiaries	—	—	423,636	272,129
Associates	5,984	3,000	5,984	3,000
	<u>5,984</u>	<u>105,500</u>	<u>1,318,922</u>	<u>795,607</u>

- (c) The Group had contingent liabilities of HK\$5,368,000 (2000: HK\$5,686,000) in respect of guarantees given to an associate for mortgage finance provided to the purchasers of the properties previously held by another associate.

- (d) The Group had contingent liabilities for long service payments to employees who have completed the required number of years of service and under the Employment Ordinance to be eligible for long service payments on termination of their employment under certain circumstances amounting to approximately HK\$37,000,000 (2000: HK\$32,000,000).

- (e) Annual commitments in respect of leasing of premises payable within the next year under non-cancellable operating leases are as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Leases which expire:				
Within one year	7,416	6,115	—	20,914
In the second to fifth years inclusive	27,648	15,662	20,213	—
Over five years	1,159	1,680	—	—
	<u>36,223</u>	<u>23,457</u>	<u>20,213</u>	<u>20,914</u>

Notes to the Financial Statements

For The Year Ended 31st March, 2001



38. RELATED PARTY TRANSACTIONS

The Company's associate, Chevalier Construction Holdings Limited ("CCHL") and their respective subsidiaries, associates and jointly controlled entities are regarded as related parties for the purpose of Statement of Standard Accounting Practice No. 20 issued by the Hong Kong Society of Accountants. Details of the material transactions with these companies are as follows:

- (a) On 1st April, 2000, the Company entered into an agreement with CCHL, under which the Company shall provide accounting, treasury, electronic data processing, company secretarial and personnel management services to CCHL Group for a term of one year ended on 31st March, 2001 at a management fee calculated at the rate of 0.3% of the aggregate annual turnover of the operating subsidiaries of CCHL. Management fee received from the CCHL group under this agreement for the year ended 31st March, 2001 amounted to HK\$3,679,000 (2000: HK\$7,172,000). The management agreement was expired on 1st April, 2001 and has been renewed for a further term of one year.
- (b) In August 2000, the Group acquire from CCHL its entire interest in Preussag Pipe Rehabilitation Hong Kong Limited ("PPRHK") together with a debt due to CCHL at a total consideration of HK\$21,248,000 as agreed by both parties.
- (c) During the year, the group received rental determined with reference to market rates amounting to HK\$2,835,000 (2000: HK\$2,889,000) from CCHL Group for the use of the Group's premises. The rental receivable as at the balance sheet date amounted to HK\$349,000 (2000: HK\$582,000).
- (d) An agreement was made between the Company and CCHL whereby CCHL Group may source supply of the lifts and escalators, air conditioning systems, electrical and mechanical systems, building materials and equipment and related installation services from the various subsidiaries of the Company from time to time at prices agreed by the parties concerned. The value of work done and supplies made to CCHL Group during the year and the amount receivable as at the balance sheet date amounted to HK\$4,158,000 (2000: HK\$6,899,000) and HK\$8,725,000 (2000: HK\$284,000) respectively.

Apart from the above, the Group made advances to associates and jointly controlled entities during the year. The advances with these companies are unsecured and without fixed terms of repayment. The outstanding balances at 31st March, 2001 due from/to these companies are disclosed in the consolidated balance sheet and note 16. At 31st March, 2001, except for an amount of HK\$5,000,000 (2000: Nil) bearing interest at commercial rates, all other balances are interest-free.

Notes to the Financial Statements

For The Year Ended 31st March, 2001

39. POST BALANCE SHEET EVENTS

- (a) Subsequent to 31st March, 2001, the Group has entered into an agreement to dispose of its paging business at a consideration of not less than its net current assets on date of completion plus the assessed income to be received for certain months after the year end date. The revenue from the paging business for the year and the contribution to the Group's results are as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover	<u>32,690</u>	<u>41,937</u>
Loss before taxation	(986)	(5,346)
Taxation	—	940
Minority interests	<u>489</u>	<u>2,198</u>
Operating loss attributable to the Group	<u>(497)</u>	<u>(2,208)</u>

- (b) In April 2001, the Group acquired 19% equity interest in NordiTube Technologies AB ("NordiTube") at a consideration of approximately HK\$5,600,000. NordiTube is a company listed on The Stockholm Stock Exchange and is principally engaged in the design and construction for rehabilitating water-supply system, gas-supply system and sewers.

In June 2001, the Company subscribed 6,482,000 shares at a consideration of HK\$39 million in PRS Rohrsanierung GmbH ("PRS"), one of the other shareholders of PPRHK. The Group's effective interest in PPRHK is increased from 45% to 58% through the Group's holding of 44% of the enlarged share capital of PRS.