

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 1. General

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

The principal activity of the Company is investment holding while the principal activities of its subsidiaries are set out on pages 71 to 74.

## 2. Adoption of Statements of Standard Accounting Practice

In the current year, the Group has adopted a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA"). The adoption of these standards has led to a number of changes in the Group's accounting policies as mentioned below but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### Presentation of financial statements

The adoption of SSAP 1 (Revised) "Presentation of financial statements" replaces the statement of recognised gains and losses with a statement of changes in equity.

### Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of overseas subsidiaries, associates and jointly controlled entities at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

### Cash flow statement

Under SSAP 15 (Revised) "Cash flow statements", cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividend received, interest paid and dividend paid, which were previously presented under a separate heading, are classified as investing, operating and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents resulted in a restatement of the comparative amounts shown in the cash flow statement.

### Discontinuing operations

Under SSAP 33 "Discontinuing operations", financial statement amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's retailing of telecommunication equipment and provision of telecommunication agency services as discontinuing operations in the current period, details of which are disclosed in note 9.

### Employee benefits

SSAP 34 "Employee benefits" introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements. Other changes in measuring employment benefits have not had any material effect on the results for the current or prior accounting periods.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 3. Principal Accounting Policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in 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 consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

### (b) Goodwill/negative goodwill on consolidation

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity. Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the consolidated income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life of 4 to 5 years. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be credited to consolidated income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Negative goodwill arising on acquisitions after 1st April 2001 is presented as deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to the consolidated income statement in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Negative goodwill arising on the acquisition of an associate and a jointly controlled entity is deducted from the carrying value of the associate and jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet as a deduction from assets.

### (c) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### (d) Interests in associates

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 plus the goodwill paid less any negative goodwill on acquisition in so far as it has not already been written off, amortised or released to the income statement, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 3. Principal Accounting Policies (continued)

### (e) Joint ventures

#### *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 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.

#### *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 plus the goodwill paid less any negative goodwill on acquisition in so far as it has not already been written off, amortised or released to the consolidated income statement, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any identified impairment loss. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

### (f) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in income statement for the period.

### (g) 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 annually 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.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 3. Principal Accounting Policies (continued)

### (g) Investment properties (continued)

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.

### (h) Property, plant and equipment

#### (i) Hotel properties

Hotel properties and their internal fixed plant and related fixtures 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 and impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value 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 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.

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

#### (ii) Other properties

Cold storage warehouses and other 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 and impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Any revaluation 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.

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 revalued amount 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 accumulated depreciation and impairment losses.

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 at the following rates per annum:

	<b>Basis</b>	<b>Initial charge upon purchase</b>	<b>Annual charge</b>
Pipe rehabilitation equipment	straight line	–	16.67%
Computer equipment	reducing balance	20%	40%
Others	reducing balance	20%	20%

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 3. Principal Accounting Policies (continued)

### (h) Property, plant and equipment (continued)

#### (iii) Plant and equipment (continued)

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 or, where shorter, the term of the relevant lease.

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.

### (i) Intangible assets

Intangible assets are measured initially at cost and amortised on a straight-line basis over their estimated useful lives as follows:

Cold store and public bonded warehouse and rice storage licences	10 years
Computer software licences	5 years

### (j) Properties for sale and for development

Properties held for sale are stated at the lower of cost and net realisable value. Properties for development are stated at cost less any identified impairment 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.

### (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 an installation 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 are recorded in the balance sheet at the contract 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) Unearned insurance premiums

Unearned insurance premiums represent the estimated portion of the premiums written which relate to periods of insurance subsequent to the balance sheet date. Unearned premiums are computed on the basis of net premiums written during the year, after deduction of net commissions and discounts given to customers, apportioned on a straight-line basis over the period insured.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 3. Principal Accounting Policies (continued)

### (n) Insurance claims

Claims paid and outstanding comprise claims paid, claims reported but not yet paid as at the balance sheet date and an estimate of claims incurred but not reported which is calculated with reference to foreseeable events, past experiences and trends.

### (o) 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. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. 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 sale of properties 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. Revenue is arrived at after deduction of any sales returns and discount.

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

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

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

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

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

### (p) 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 or 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.

### (q) Finance leases

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

### (r) 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, 2003

## 3. Principal Accounting Policies (continued)

### (s) 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 prevailing 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 prevailing on that date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas subsidiaries, associates and jointly controlled entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange fluctuation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### (t) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

### (u) Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

### (v) 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.

### (w) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 4. Turnover

An analysis of the Group's turnover are as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Continuing operations:		
Building services and engineering	<b>1,646,676</b>	1,640,517
IT equipment and business machines trading and servicing	<b>584,785</b>	574,463
Motor vehicles and other trading	<b>414,012</b>	398,176
Property and hotel operation	<b>204,325</b>	214,444
Insurance business and others	<b>394,447</b>	316,225
Discontinuing operations:		
Telecommunication retailing, services and general merchandise trading	<b>88,052</b>	195,053
	<b>3,332,297</b>	3,338,878

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 5. Other Operating Income

	2003 HK\$'000	2002 HK\$'000
Included in other operating income are:		
Interest from bank and other deposits	15,257	19,766
Interest earned on debt securities	10,702	3,916
Dividend income from listed securities	364	894
Management fee income	2,780	2,184
Exchange gain	4,669	532
Surplus on revaluation of other properties	–	5,463
Release of negative goodwill	78	–
	<u>78</u>	<u>–</u>

## 6. Impairment Loss on Assets

	2003 HK\$'000	2002 HK\$'000
Impairment loss on:		
Investments in securities	1,959	–
Goodwill	17,740	–
	<u>19,699</u>	<u>–</u>

## 7. Other Operating Expenses

	2003 HK\$'000	2002 HK\$'000
Included in other operating expenses are:		
Deficit on revaluation of investment properties	12,007	–
Deficit on revaluation of other non-current properties	16,532	–
Allowance for bad and doubtful debts	9,305	20,377
Amortisation of goodwill	1,859	1,830
Amortisation of intangible assets	680	84
	<u>680</u>	<u>84</u>

## 8. Finance Costs

	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts wholly repayable within 5 years	51,510	59,681
Interest on other borrowings	–	981
Finance lease charges	138	1
	<u>51,648</u>	<u>60,663</u>
Less: Amount capitalised to contract work	(945)	(2,770)
	<u>50,703</u>	<u>57,893</u>

Borrowing costs capitalised are based on actual interest cost incurred during the construction or for the acquisition of qualifying assets. The average interest rate during the year was 3% (2002: 4%).



# Notes to the Financial Statements

For the year ended 31st March, 2003

## 9. Discontinuing Operations

The loss arising from discontinuance of the Group's operations in the trading of general merchandise and retailing of telecommunication equipment and provision of telecommunication agency services during the current year are as follows:

	<i>HK\$'000</i>
Lease payments under non-cancellable operating leases and outgoings	1,927
Staff redundancy costs	3,264
Loss on disposal of property, plant and equipment	5,425
Impairment loss on property, plant and equipment	1,218
Inventories written off	259
	<u>12,093</u>

In December, 2002, the Group had ceased trading of general merchandise in Hong Kong by closing down all its retail outlets. In addition, the board of directors of the Group determined to cease its retailing of telecommunication equipment and provision of telecommunication agency services which were operated in Hong Kong in September 2002. The operation had been ceased in May 2003.

The results of the operations for the current year and prior year, and the carrying amounts of the assets and liabilities of the businesses which have been included in the consolidated financial statements, are as follows:

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	<b>88,052</b>	195,053
Other operating income	<b>10,084</b>	12,291
Operating costs	<b>(111,762)</b>	(227,579)
Loss from ordinary activities	<b>(13,626)</b>	(20,235)
Less: minority interests	<b>6,708</b>	10,024
Loss attributable to the Group	<b>(6,918)</b>	(10,211)
Total assets	<b>12,682</b>	38,741
Total liabilities	<b>(13,850)</b>	(21,645)
	<b>(1,168)</b>	17,096
Less: minority interests	<b>575</b>	(8,469)
Net (liabilities) assets attributable to the Group	<b>(593)</b>	8,627

During the year, the businesses used HK\$8,035,000 (2002: contributed HK\$169,000) of the Group's net operating cash flows, used HK\$1,089,000 (2002: HK\$5,037,000) in respect of investing activities and contributed HK\$8,805,000 (2002: HK\$2,699,000) in respect of financing activities.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 10. Profit Before Taxation

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
Profit before taxation is arrived at after charging:		
Depreciation on property, plant and equipment		
Own assets	<b>58,414</b>	57,489
Assets held under finance leases	<b>1,107</b>	2
	<b>59,521</b>	57,491
Less: Amount capitalised to contract work	<b>(1,638)</b>	(51)
	<b>57,883</b>	57,440
Auditors' remuneration	<b>5,178</b>	4,980
Staff costs ( <i>note a</i> )	<b>542,305</b>	583,769
Less: Amount capitalised to contract work	<b>(22,290)</b>	(26,110)
	<b>520,015</b>	557,659
Operating lease payments in respect of leasing of		
Premises	<b>27,156</b>	33,090
Others	<b>556</b>	695
	<b>27,712</b>	33,785
Net loss on disposal of property, plant and equipment	<b>11,524</b>	4,874
Net realised and unrealised holding loss on other investments	<b>9,464</b>	–
	<b>–</b>	–
and crediting:		
Gross rental income from properties of HK\$69,730,000 (2002 : HK\$76,698,000) less outgoings ( <i>note b</i> )	<b>56,483</b>	61,348
Gross earnings from leasing of equipment of HK\$1,999,000 (2002 : HK\$867,000) less outgoings	<b>1,260</b>	715
Net realised gain and unrealised holding gain on investments in securities	<b>–</b>	12,217

Notes:

- (a) Details of directors' emoluments included in staff costs are disclosed in note 37.

Staff costs include an amount of HK\$6,028,000 (2002: HK\$3,545,000) in respect of redundancy payments made to staff and an amount of HK\$20,194,000 (2002: HK\$21,894,000) in respect of retirement benefits scheme contributions, net of forfeited contributions.

- (b) Included in rental income is an amount of HK\$1,859,000 (2002: HK\$2,147,000) less outgoings of HK\$751,000 (2002: HK\$813,000) from jointly controlled assets.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 11. Taxation

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
The charge (credit) comprises:		
Company and subsidiaries		
Current year profits tax		
Hong Kong (Note a)	<b>33,723</b>	21,050
Overseas (Note b)	<b>12,697</b>	12,673
Overprovision for Hong Kong profits tax in prior year (Note c)	–	(12,000)
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	<b>46,420</b>	21,723
Deferred taxation	<b>1,487</b>	–
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	<b>47,907</b>	21,723
Share of taxation of associates	<b>4,514</b>	881
Share of taxation of jointly controlled entities	<b>(320)</b>	212
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	<b>52,101</b>	22,816
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### Notes

- (a) Provision for Hong Kong profits tax is calculated at the rate of 16% (2002: 16%) on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the Group.
- (b) Provision for overseas taxation is calculated at the rates applicable to the relevant local legislation on the estimated profits.
- (c) Last year's profits tax overprovision represents reversal of provision made on the capital gain on disposal of a subsidiary upon finalisation of assessment by the Inland Revenue Department.

Details of the potential deferred tax (credit) charge not provided for in the year are set out in note 31.

## 12. Dividends

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
Interim dividend paid		
HK\$0.075 (2002: HK\$0.100) per share	<b>19,591</b>	25,502
Final dividend proposed		
HK\$0.100 (2002: HK\$0.075) per share	<b>26,185</b>	19,127
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	<b>45,776</b>	44,629
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Dividend per share has been adjusted for the consolidation of the Company's ordinary shares in June 2003 as described in note 44.

The amount of final dividend payable for the year ended 31st March, 2003 has been increased by HK\$683,000 as all the grantees of share options had exercised their options to subscribe for shares subsequent to the balance sheet date.

Shareholders have an option to receive new shares of the Company in lieu of cash for the interim dividend for the year ended 31st March, 2003 and final dividend for both years.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 13. Earnings Per Share

The calculation of the basic and diluted earnings per share for both years, which have been adjusted for the consolidation of the Company's ordinary shares subsequent to the balance sheet date as described in note 44, is based on the following data:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<b>101,910</b>	111,462
	<b>Number of shares</b>	
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>257,323</b>	249,790
Effect of dilutive potential ordinary shares:		
Share options	<b>269</b>	1,088
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>257,592</b>	250,878

The calculation of diluted earnings per share for the year ended 31st March 2002 did not assume the exercise of certain outstanding share option as its exercise price was higher than the average market price per share during the year ended 31st March, 2002.

## 14. 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
<b>THE GROUP</b>				
AT VALUATION				
At 1st April, 2002	199,083	9,140	158,242	366,465
Exchange adjustments	–	–	6,390	6,390
Transfers from properties for own use	26,500	1,287	–	27,787
Net surplus (deficit) on revaluation	(32,666)	156	(6,773)	(39,283)
At 31st March, 2003	<b>192,917</b>	<b>10,583</b>	<b>157,859</b>	<b>361,359</b>

Notes:

- Investment properties in Hong Kong with a carrying value of HK\$18,667,000 (2002: HK\$21,333,000) represent the Group's share of interest in jointly controlled assets.
- Properties were revalued on an open market value based on existing use basis on 31st March, 2003 by independent professional valuers. Properties in Hong Kong and other regions in the People's Republic of China (the "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.
- Charges were created on the investment properties with a total carrying value of HK\$183,376,000 (2002: HK\$185,472,000).
- Gross rental income derived from investment properties for the year amounted to HK\$19,960,000 (2002: HK\$20,426,000).

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 15. Property, Plant and Equipment

	Properties for own use HK\$'000	Hotel properties HK\$'000	Cold storage warehouse HK\$'000	Machinery & tools HK\$'000	Furniture, fixtures, other equipment, yacht and motor vehicles held for own use HK\$'000	held for leasing HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
AT COST OR VALUATION							
At 1st April, 2002	673,928	164,571	270,000	70,019	194,198	2,371	1,375,087
Exchange adjustments	3,820	5,985	–	484	1,286	34	11,609
Acquisition of subsidiaries	–	–	–	26,896	1,673	–	28,569
Additions	–	2,237	–	14,019	15,014	4,909	36,179
Disposals	(795)	–	–	(19,792)	(16,809)	(273)	(37,669)
Transfers	(27,787)	–	–	2,153	(2,153)	–	(27,787)
Net deficit on revaluation	(51,746)	(13,516)	(20,000)	–	–	–	(85,262)
At 31st March, 2003	597,420	159,277	250,000	93,779	193,209	7,041	1,300,726
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1st April, 2002	–	–	–	39,044	119,008	406	158,458
Exchange adjustments	–	–	–	312	970	5	1,287
Charge for the year	14,248	5,601	6,537	12,297	19,846	992	59,521
Impairment loss	–	–	–	129	1,089	–	1,218
Eliminated upon disposals	(4)	–	–	(6,867)	(9,300)	(79)	(16,250)
Transfers	–	–	–	266	(266)	–	–
Eliminated upon revaluation	(14,244)	(5,601)	(6,537)	–	–	–	(26,382)
At 31st March, 2003	–	–	–	45,181	131,347	1,324	177,852
NET BOOK VALUES							
At 31st March, 2003	597,420	159,277	250,000	48,598	61,862	5,717	1,122,874
At 31st March, 2002	673,928	164,571	270,000	30,975	75,190	1,965	1,216,629
An analysis of the cost and valuation of the Group's property, plant and equipment is as follows:							
At cost	–	–	–	93,779	193,209	7,041	294,029
At 2003 professional valuation	594,938	148,686	250,000	–	–	–	993,624
At 2003 directors' valuation	2,482	10,591	–	–	–	–	13,073
	597,420	159,277	250,000	93,779	193,209	7,041	1,300,726

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 15. Property, Plant and Equipment (continued)

Notes:

- (a) The net book value of properties comprises:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
In Hong Kong under:		
Long lease	177,450	185,110
Medium-term lease	554,610	646,910
In PRC under:		
Long lease	64,402	69,967
Medium-term lease	49,828	54,518
Short-term lease	–	540
Overseas:		
On freehold land	139,272	130,863
Long lease	16,512	15,864
Medium-term lease	4,328	4,727
Short-term lease	295	–
	<b>1,006,697</b>	<b>1,108,499</b>

- (b) Properties were revalued on 31st March, 2003 on an open market value existing use basis. Certain properties in the PRC were revalued by the directors and the other properties were revalued by independent professional valuers, Knight Frank, DTZ Debenham Tie Leung Limited, CKS Property Consultants Pte Ltd, CIBI Information, Inc., CB Richard Ellis (Pte) Limited and Insignia Brooke (Thailand) Limited.
- (c) Had the properties been carried at cost less accumulated depreciation, the carrying value as at 31st March, 2003 would have been HK\$1,033,155,000 (2002: HK\$1,105,733,000).
- (d) Charges were created on the properties with a total carrying value of HK\$646,639,000 (2002: HK\$740,709,000).
- (e) The net book value of machinery, tools and equipment held under finance leases amounted to HK\$6,926,000 (2002: HK\$13,000).

## 16. Properties for Development

	THE GROUP HK\$'000
OVERSEAS PROPERTIES ON FREEHOLD LAND	
At 1st April, 2002	5,635
Exchange adjustments	588
Reversal of impairment loss recognised in prior years	930
	<hr/>
At 31st March, 2003	<b>7,153</b>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 17. Goodwill

	<b>THE GROUP</b> <i>HK\$'000</i>
<b>COST</b>	
Acquisition of subsidiaries	11,325
Transfer from interest in a jointly controlled entity	10,928
	<u>22,253</u>
At 31st March, 2003	<u>22,253</u>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>	
Charge for the year	893
Impairment loss recognised during the year	17,740
	<u>18,633</u>
At 31st March, 2003	<u>18,633</u>
<b>NET BOOK VALUE</b>	
At 31st March, 2003	<u>3,620</u>
At 31st March, 2002	<u>–</u>

## 18. Negative Goodwill

	<b>THE GROUP</b> <i>HK\$'000</i>
<b>COST</b>	
At 1st April, 2002	78
Released to income statement	(78)
	<u>–</u>
At 31st March, 2003	<u>–</u>

## 19. Intangible Assets

<b>THE GROUP</b>	<b>Cold store and public bonded warehouse and rice storage licences</b> <i>HK\$'000</i>	<b>Computer software licences</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>COST</b>			
At 1st April, 2002 and 31st March, 2003	3,000	1,900	4,900
	<u>3,000</u>	<u>1,900</u>	<u>4,900</u>
<b>ACCUMULATED AMORTISATION</b>			
At 1st April, 2002	37	47	84
Charge for the year	300	380	680
	<u>337</u>	<u>427</u>	<u>764</u>
At 31st March, 2003	<u>337</u>	<u>427</u>	<u>764</u>
<b>NET BOOK VALUES</b>			
At 31st March, 2003	<u>2,663</u>	<u>1,473</u>	<u>4,136</u>
At 31st March, 2002	<u>2,963</u>	<u>1,853</u>	<u>4,816</u>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 20. Interests in Subsidiaries

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Cost less impairment loss		
Shares listed in		
Hong Kong	171,990	171,463
Singapore	–	77,014
Unlisted shares	1,072,312	1,025,589
Amounts due from subsidiaries less allowances	399,898	264,021
	<b>1,644,200</b>	<b>1,538,087</b>
Market value of shares listed in		
Hong Kong	55,143	102,194
Singapore	–	150,944

Particulars regarding the principal subsidiaries at 31st March, 2003 are set out on pages 71 to 74. 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.

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

## 21. Interests in Associates

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Share of net assets				
Associate listed in Hong Kong	27,427	24,764	–	–
Associate listed overseas	7,785	–	–	–
Unlisted associates	15,900	69,714	–	–
Negative goodwill on acquisition of an associate	(309)	(309)	–	–
Goodwill on acquisition of an associate (note b)	2,435	–	–	–
Cost less impairment loss				
Associate listed in Hong Kong	–	–	18,108	18,108
Amounts due from associates	13,800	2,765	–	–
	<b>67,038</b>	<b>96,934</b>	<b>18,108</b>	<b>18,108</b>
Market value of Hong Kong listed associate	7,151	16,983	5,812	13,803
Market value of overseas listed associate	12,350	–	–	–
	<b>19,501</b>	<b>16,983</b>	<b>5,812</b>	<b>13,803</b>



# Notes to the Financial Statements

For the year ended 31st March, 2003

## 21. Interests in Associates (continued)

Notes:

- (a) Particulars regarding the principal associates at 31st March, 2003 are set out on page 75. 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.
- (b) Goodwill on acquisition of associate

	<b>THE GROUP</b> HK\$'000
<b>COST</b>	
Arising on acquisition and at 31st March, 2003	2,449
<b>ACCUMULATED AMORTISATION</b>	
Amortisation for the year and at 31st March, 2003	14
	<hr/>
<b>NET BOOK VALUE</b>	
At 31st March, 2003	<u>2,435</u>

## 22. Interests in Jointly Controlled Entities

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2003</b> HK\$'000	2002 HK\$'000	<b>2003</b> HK\$'000	2002 HK\$'000
Share of net (liabilities) assets	<b>(18,925)</b>	27,930	-	-
Goodwill on acquisition of jointly controlled entities ( <i>note b</i> )	-	11,880	-	-
Cost less impairment loss	-	-	-	54,563
Amounts due from jointly controlled entities	<b>34,390</b>	34,396	-	-
	<hr/> <b>15,465</b> <hr/>	<hr/> 74,206 <hr/>	<hr/> - <hr/>	<hr/> 54,563 <hr/>

Notes:

- (a) Particulars regarding the principal jointly controlled entities at 31st March, 2003 are set out on page 76. 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.
- (b) Goodwill on acquisition of jointly controlled entities

	<b>THE GROUP</b> HK\$'000
<b>COST</b>	
At 1st April, 2002	13,710
Transfer to goodwill of subsidiaries	(13,710)
	<hr/>
At 31st March, 2003	-
<b>ACCUMULATED AMORTISATION</b>	
At 1st April, 2002	1,830
Charge for the year	952
Transfer to goodwill of subsidiaries	(2,782)
	<hr/>
At 31st March, 2003	-
<b>NET BOOK VALUE</b>	
At 31st March, 2003	<u>-</u>
At 31st March, 2002	<u>11,880</u>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 23. Investments in Securities

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Held to maturity securities:				
Debt securities				
Unlisted	17,800	72,322	–	–
Listed overseas	4,179	–	–	–
Other investments:				
Equity securities				
Listed				
Hong Kong	9,384	8,574	3,488	4,134
Overseas	17,250	20,663	–	–
Unlisted	4,357	400	2,185	–
Debt securities				
Listed overseas	204,417	28,860	139,362	16,936
Unlisted	174,499	85,717	–	–
Unlisted unit trusts	38,548	90,535	–	–
	<b>470,434</b>	<b>307,071</b>	<b>145,035</b>	<b>21,070</b>
Market values of listed securities				
Debt securities				
Overseas	214,942	28,860	139,362	16,936
Equity securities				
Hong Kong	9,384	8,574	3,488	4,134
Overseas	17,250	20,663	–	–
	<b>241,576</b>	<b>58,097</b>	<b>142,850</b>	<b>21,070</b>
Carrying value analysed for reporting purposes are:				
Non-current	28,979	77,001	5,673	4,134
Current	441,455	230,070	139,362	16,936
	<b>470,434</b>	<b>307,071</b>	<b>145,035</b>	<b>21,070</b>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 24. Inventories

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	12,027	10,171
Inventories held for resale	149,211	151,848
Consumable stores	30,254	26,423
	<u>191,492</u>	<u>188,442</u>

The cost of inventories recognised as an expense during the year was HK\$951,258,000 (2002: HK\$977,600,000).

Inventories held for resale include an amount of HK\$25,571,000 (2002: HK\$85,643,000) carried at net realisable value.

## 25. Properties for Sale

The cost of properties sold during the year amounted to HK\$34,865,000 (2002: HK\$38,928,000).

Properties for sale include an amount of HK\$408,000,000 (2002: HK\$460,961,000) carried at net realisable value.

Properties for sale include the Group's share of interest in jointly controlled assets with an aggregate book value of HK\$17,151,000 (2002:HK\$17,151,000).

## 26. Debtors, Deposits and Prepayments

Included in debtors, deposits and prepayments are the Group's share of receivable of HK\$297,000 (2002: HK\$518,000) in relation to jointly controlled assets.

Included in debtors, deposits and prepayments are trade debtors of HK\$688,799,000 (2002: HK\$711,915,000). The aged analysis of trade debtors is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 60 days	628,833	611,329
61 – 90 days	28,492	38,764
Over 90 days	31,474	61,822
	<u>688,799</u>	<u>711,915</u>

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

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 27. Amounts due from (to) Customers for Contract Work

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred	3,448,568	3,911,554
Recognised profits less recognised losses	71,216	281,676
	<u>3,519,784</u>	<u>4,193,230</u>
Less: Progress billings	(3,359,705)	(4,149,270)
	<u>160,079</u>	<u>43,960</u>
Represented by:		
Amounts due from customers included in current assets	280,719	86,982
Amounts due to customers included in current liabilities	(120,640)	(43,022)
	<u>160,079</u>	<u>43,960</u>

At 31st March, 2003, retention monies held by customers for contract work amounted to HK\$81,772,000 (2002: HK\$77,389,000). Advances received from customers for contract work amounted to HK\$8,298,000 (2002: HK\$23,947,000).

## 28. Creditors, Deposits and Accruals

At 31st March, 2003, included in creditors, deposits and accruals are the Group's share of liabilities of HK\$386,000 (2002: HK\$623,000) incurred in relation to jointly controlled assets, which comprise investment properties, properties for sale and the related receivable totalling HK\$36,115,000 (2002: HK\$39,002,000) disclosed in note 14, 25 and 26 respectively.

At 31st March, 2003, included in creditors, deposits and accruals are trade creditors of HK\$216,657,000 (2002: HK\$174,732,000). The aged analysis of the trade creditors is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 60 days	134,560	135,170
61 – 90 days	8,825	6,291
Over 90 days	73,272	33,271
	<u>216,657</u>	<u>174,732</u>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 29. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>THE GROUP</b>				
Amounts payable under finance leases:				
Within one year	2,095	5	1,891	3
In the second to fifth year inclusive	2,549	12	2,281	8
	<u>4,644</u>	<u>17</u>	<u>4,172</u>	<u>11</u>
Less: future finance charges	(472)	(6)	N/A	N/A
	<u>4,172</u>	<u>11</u>	<u>4,172</u>	<u>11</u>
Less: amount due within one year shown under current liabilities			(1,891)	(3)
Amount due for settlement after twelve months			<u>2,281</u>	<u>8</u>

The Group leases certain equipment under finance leases. The average lease term is 4 years (2002: 4 years). For the year ended 31 March, 2003, the average effective borrowing rate was 6.2% (2002: 11.8%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

## 30. Bank Loans and Overdrafts

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The maturity of the bank loans and overdrafts is as follows:				
Repayable within one year	891,454	526,465	290,000	100,570
Repayable within a period of:				
more than 1 year but not exceeding 2 years	86,745	94,608	–	–
more than 2 years but not exceeding 5 years	243,153	253,417	–	–
more than 5 years	104,766	393,511	–	–
	<u>1,326,118</u>	<u>1,268,001</u>	<u>290,000</u>	<u>100,570</u>
Less: amount due within one year shown under current liabilities	(891,454)	(526,465)	(290,000)	(100,570)
Amount due after one year shown under non-current liabilities	<u>434,664</u>	<u>741,536</u>	<u>–</u>	<u>–</u>
Secured	912,718	879,557	–	–
Unsecured	413,400	388,444	290,000	100,570
	<u>1,326,118</u>	<u>1,268,001</u>	<u>290,000</u>	<u>100,570</u>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 31. Deferred Taxation

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
At 1st April	–	–
Charge for the year	<b>1,487</b>	–
At 31st March	<b>1,487</b>	–

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

	THE GROUP			
	Provided		Unprovided	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing difference because of:				
(Excess) shortfall of depreciation over tax allowances	<b>(1,509)</b>	–	<b>(7,200)</b>	509
Unutilised tax losses	<b>22</b>	–	<b>175,303</b>	134,196
Other timing differences	–	–	<b>(395)</b>	1,329
	<b>(1,487)</b>	–	<b>167,708</b>	136,034

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Tax effect of timing difference because of		
Difference between tax allowances and depreciation	<b>(7,709)</b>	(2,114)
Tax losses arising	<b>41,107</b>	17,302
Other timing differences	<b>(1,724)</b>	1,036
	<b>31,674</b>	16,224

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.

Deferred tax has not been accounted for on the surplus or deficit arising on the revaluation of 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, these revaluations do not constitute a timing difference for deferred tax purposes.

Deferred taxation has not been accounted for on the deficit arising on revaluation of the Group's properties in the PRC as loss on disposal of these properties would not be allowable as a deduction from other profit. Accordingly, the deficit would not constitute a timing difference for deferred tax purposes.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 31. Deferred Taxation (continued)

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

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
2004	<b>1,177</b>	620
2005	<b>655</b>	–
2008	–	686
2009	<b>2,015</b>	1,665
2010	<b>1,243</b>	422
2012	<b>71</b>	24
2018	<b>630</b>	214

The Company had no significant unprovided deferred tax for the year and at the balance sheet date.

## 32. Share Capital

	<b>Number of ordinary shares of HK\$0.25 each</b>	<b>Nominal value</b> <i>HK\$'000</i>
Authorised:		
At 31st March, 2002 and 2003	<u>1,700,000,000</u>	<u>425,000</u>
Issued and fully paid:		
At 1st April, 2001	1,230,904,366	307,726
Issue of shares in lieu of cash dividends	<u>44,207,659</u>	<u>11,052</u>
At 31st March, 2002	1,275,112,025	318,778
Issue of shares in lieu of cash dividends	<u>34,119,840</u>	<u>8,530</u>
At 31st March, 2003	<u>1,309,231,865</u>	<u>327,308</u>

There were no changes in the authorised share capital during the two years ended 31st March, 2003. During the year ended 31st March, 2003, 30,966,938 and 3,152,902 (2002: 44,207,659) shares were issued in lieu of cash dividends payable to the shareholders at a price of HK\$0.4361 and HK\$0.4551 respectively (2002: HK\$0.5016) per share, giving a total consideration of approximately HK\$14,938,000 (2002: HK\$22,175,000).

Pursuant to a special resolution passed at a special general meeting of the shareholders of the Company on 5th June, 2003, every five issued and unissued ordinary shares of HK\$0.25 each are consolidated into one ordinary share of HK\$1.25 each.

Details of the share option schemes of the Company and its subsidiaries are set out in note 41. No options under the share option schemes of the Company were exercised during the two years ended 31st March, 2003.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 33. Reserves

### THE GROUP

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve		Exchange fluctuation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
				Investment properties HK\$'000	Other properties HK\$'000				
At 1st April, 2001	370,196	268,558	7,526	46,710	98,604	(21,671)	43,082	1,060,532	1,873,537
Final dividend for 2001 paid	-	-	-	-	-	-	(43,082)	-	(43,082)
Issue of new shares	11,123	-	-	-	-	-	-	-	11,123
Share issue expenses	(34)	-	-	-	-	-	-	-	(34)
Released on disposal of properties	-	-	-	(741)	(158)	-	-	158	(741)
(Deficit) surplus on revaluation of properties	-	-	-	(30,300)	14,813	-	-	-	(15,487)
Released to income statement on liquidation of subsidiaries	-	735	-	-	-	-	-	-	735
Profit for the year	-	-	-	-	-	-	-	111,462	111,462
Dividends	-	-	-	-	-	-	19,127	(44,629)	(25,502)
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	(3,134)	-	-	(3,134)
At 31st March, 2002	381,285	269,293	7,526	15,669	113,259	(24,805)	19,127	1,127,523	1,908,877
Final dividend for 2002 paid	-	-	-	-	-	-	(19,127)	-	(19,127)
Issue of new shares	6,408	-	-	-	-	-	-	-	6,408
Share issue expenses	(16)	-	-	-	-	-	-	-	(16)
Deficit on revaluation of properties	-	-	-	(15,669)	(52,548)	-	-	-	(68,217)
Profit for the year	-	-	-	-	-	-	-	101,910	101,910
Dividends	-	-	-	-	-	-	26,185	(45,776)	(19,591)
Exchange difference on translation of financial statements of overseas subsidiaries, associates and jointly controlled entities	-	-	-	-	-	15,069	-	-	15,069
At 31st March, 2003	387,677	269,293	7,526	-	60,711	(9,736)	26,185	1,183,657	1,925,313

#### Notes:

- Retained profits of the Group include losses of approximately HK\$43,719,000 (2002: HK\$33,856,000) and HK\$18,925,000 (2002: HK\$31,952,000) sustained by associates and jointly controlled entities respectively.
- Capital reserve includes HK\$84,975,000 (2002: HK\$84,975,000) in respect of goodwill and HK\$26,459,000 (2002: HK\$26,459,000) in respect of negative goodwill. Goodwill of nil (2002: HK\$735,000) was released to income statement in the year upon dissolution of a subsidiary.



# Notes to the Financial Statements

For the year ended 31st March, 2003

## 33. Reserves (continued)

### THE COMPANY

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2001	370,196	95,384	7,526	43,082	701,595	1,217,783
Final dividend for 2001 paid	–	–	–	(43,082)	–	(43,082)
Issue of new shares	11,123	–	–	–	–	11,123
Share issue expenses	(34)	–	–	–	–	(34)
Unclaimed dividends written back	–	33	–	–	–	33
Profit for the year	–	–	–	–	129,946	129,946
Dividends	–	–	–	19,127	(44,629)	(25,502)
At 31st March, 2002	381,285	95,417	7,526	19,127	786,912	1,290,267
Final dividend for 2002 paid	–	–	–	(19,127)	–	(19,127)
Issue of new shares	6,408	–	–	–	–	6,408
Share issue expenses	(16)	–	–	–	–	(16)
Payment of unclaimed dividends written back previously	–	(4)	–	–	–	(4)
Profit for the year	–	–	–	–	213,054	213,054
Dividends	–	–	–	26,185	(45,776)	(19,591)
At 31st March, 2003	<u>387,677</u>	<u>95,413</u>	<u>7,526</u>	<u>26,185</u>	<u>954,190</u>	<u>1,470,991</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 the 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, 2003, the Company's reserves available for distribution to shareholders amounted to HK\$1,075,788,000 (2002: HK\$882,329,000).

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 34. Acquisition of Subsidiaries

During the year, the Group acquired an additional 37% interest in a jointly controlled entity, Chevalier-PRS Asia Holdings Limited ("PRS Asia") in exchange for the Group's 34% interest in another jointly controlled entity. Since then, PRS Asia became the Group's subsidiary. The net assets acquired are as follow:

	<i>HK\$'000</i>
Property, plant and equipment	28,569
Investments in securities	1,371
Goodwill	1,241
Inventories	3,913
Amounts due from customers for contract work	4,117
Debtors, deposits and prepayments	12,665
Cash and bank balances	3,155
Creditors, deposits and accruals	(13,604)
Bank loans and overdrafts	(25,320)
Obligations under finance leases	(5,419)
Minority interests	(2,597)
	<u>8,091</u>
Less: Interest already held by the Group	
Investment in an associate	(2,083)
Amount due from an associate	(1,800)
	<u>4,208</u>
Net assets acquired	4,208
Goodwill arising on acquisition	<u>17,740</u>
Purchase consideration	<u><u>21,948</u></u>
Satisfied by:	
Interest in a jointly controlled entity	<u><u>21,948</u></u>
Net cash inflow in respect of acquisition of subsidiaries	
Cash and bank balances acquired	3,155
Bank overdrafts acquired	(20)
	<u><u>3,135</u></u>

The subsidiaries acquired during the year contributed HK\$45,279,000 to the Group's turnover and reduced the Group's profit from operations by HK\$16,906,000.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 35. Segment Information

### Business segments

For management purposes, the Group is currently organised into six operating divisions. These divisions are the basis on which the Group reports its primary segment information. For reporting purpose, the Group re-defines the operating divisions and the comparative segment information for the corresponding period has been reclassified to conform with the current year's presentation.

During the year ended 31st March, 2003, the Group is in the process of discontinuing its retailing of telecommunication equipment and provision of telecommunication agency services business and has discontinued its trading of general merchandise business as disclosed in note 9.

Segment information about these businesses is presented below.

### TURNOVER AND RESULTS

Year ended 31st March, 2003

	Continuing				Discontinuing		Consolidated HK\$'000
	Building services and engineering HK\$'000	Motor vehicles and other trading HK\$'000	Property and hotel operation HK\$'000	IT and business machines trading and servicing HK\$'000	Insurance business and others HK\$'000	Telecom- munication services and general merchandise trading HK\$'000 (Note)	
TURNOVER	1,646,960	414,012	249,280	586,862	437,469	94,269	3,428,852
Inter-segment sales	(284)	-	(44,955)	(2,077)	(43,022)	(6,217)	(96,555)
External sales	<u>1,646,676</u>	<u>414,012</u>	<u>204,325</u>	<u>584,785</u>	<u>394,447</u>	<u>88,052</u>	<u>3,332,297</u>
Inter-segment sales are charged at prices determined by management with reference to market prices.							
RESULTS							
Segment results	<u>143,669</u>	<u>10,942</u>	<u>17,813</u>	<u>1,895</u>	<u>59,431</u>	<u>(13,665)</u>	220,085
Unallocated corporate expenses							(4,332)
Interest income							25,458
Dividend income							364
Impairment loss on assets	(19,699)	-	-	-	-	-	(19,699)
Profit from operations							221,876
Interest expenses							(50,703)
Share of results of associates	4,575	-	-	1,927	(4,326)	-	2,176
Share of results of jointly controlled entities	(7,812)	-	327	-	-	-	(7,485)
Loss on discontinuing operations	-	-	-	-	-	(12,093)	(12,093)
Profit before taxation							153,771
Taxation							(52,101)
Profit before minority interests							101,670
Minority Interests							240
Profit for the year							<u>101,910</u>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 35. Segment Information (continued)

Business segments (continued)

### BALANCE SHEET

As at 31st March, 2003

	Continuing					Discontinuing	Consolidated HK\$'000
	Building services and engineering HK\$'000	Motor vehicles and other trading HK\$'000	Property and hotel operation HK\$'000	IT and business machines trading and servicing HK\$'000	Insurance business and others HK\$'000	Telecom- munication services and general merchandise trading HK\$'000 (Note)	
<b>ASSETS</b>							
Segment assets	1,302,634	161,885	2,229,658	314,323	1,249,365	12,682	5,270,547
Interests in associates	26,161	–	(956)	9,618	32,215	–	67,038
Interests in jointly controlled entities	80	–	15,385	–	–	–	15,465
Unallocated corporate assets							33,889
Consolidated total assets							<u>5,386,939</u>
<b>LIABILITIES</b>							
Segment liabilities	696,492	33,032	155,027	74,033	515,222	13,850	1,487,656
Unallocated corporate liabilities							1,364,003
Consolidated total liabilities							<u>2,851,659</u>

### OTHER INFORMATION

Year ended 31st March, 2003

	Continuing					Discontinuing	Consolidated HK\$'000
	Building services and engineering HK\$'000	Motor vehicles and other trading HK\$'000	Property and hotel operation HK\$'000	IT and business machines trading and servicing HK\$'000	Insurance business and others HK\$'000	Telecom- munication services and general merchandise trading HK\$'000 (Note)	
Capital additions	59,456	3,953	6,351	6,415	2,167	180	78,522
Depreciation and amortisation	18,423	1,072	27,634	4,332	10,087	512	62,060
Impairment loss on property, plant and equipment	–	–	–	–	–	1,218	1,218
(Surplus) deficit on property revaluation recognised in income statement	(811)	–	29,272	78	–	–	28,539
Loss on disposal of property, plant and equipment	5,072	6	269	666	86	5,425	11,524

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 35. Segment Information (continued)

Business segments (continued)

### TURNOVER AND RESULTS

Year ended 31st March, 2002

	Continuing					Discontinuing	Consolidated HK\$'000
	Building services and engineering HK\$'000	Motor vehicles and other trading HK\$'000	Property and hotel operation HK\$'000	IT and business machines trading and servicing HK\$'000	Insurance business and others HK\$'000	Telecom- munication services and general merchandise trading HK\$'000 (Note)	
TURNOVER	1,647,364	398,176	259,433	578,376	352,071	205,226	3,440,646
Inter-segment sales	(6,847)	–	(44,989)	(3,913)	(35,846)	(10,173)	(101,768)
External sales	<u>1,640,517</u>	<u>398,176</u>	<u>214,444</u>	<u>574,463</u>	<u>316,225</u>	<u>195,053</u>	<u>3,338,878</u>
Inter-segment sales are charged at prices determined by management with reference to market prices.							
RESULTS							
Segment results	<u>120,745</u>	<u>6,458</u>	<u>49,282</u>	<u>(10,575)</u>	<u>29,246</u>	<u>(20,304)</u>	174,852
Unallocated corporate expenses							(3,727)
Interest income							23,682
Dividend income							894
Profit from operations							195,701
Interest expenses							(57,893)
Share of results of associates	682	–	10,000	5,135	803	–	16,620
Share of results of jointly controlled entities	(16,170)	–	203	–	–	–	(15,967)
Profit before taxation							138,461
Taxation							(22,816)
Profit before minority interests							115,645
Minority Interests							(4,183)
Profit for the year							<u>111,462</u>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 35. Segment Information (continued)

Business segments (continued)

### BALANCE SHEET

As at 31st March, 2002

	Continuing					Discontinuing	Consolidated HK\$'000
	Building services and engineering HK\$'000	Motor vehicles and other trading HK\$'000	Property and hotel operation HK\$'000	IT and business machines trading and servicing HK\$'000	Insurance business and others HK\$'000	Telecom- munication services and general merchandise trading HK\$'000 (Note)	
<b>ASSETS</b>							
Segment assets	1,121,682	134,654	2,442,324	313,696	916,629	38,741	4,967,726
Interests in associates	4,230	–	40,181	18,646	33,877	–	96,934
Interests in jointly controlled entities	39,699	–	34,507	–	–	–	74,206
Unallocated corporate assets							30,702
Consolidated total assets							<u>5,169,568</u>
<b>LIABILITIES</b>							
Segment liabilities	588,302	26,972	252,016	68,192	345,643	21,645	1,302,770
Unallocated corporate liabilities							1,304,260
Consolidated total liabilities							<u>2,607,030</u>

### OTHER INFORMATION

Year ended 31st March, 2002

	Continuing					Discontinuing	Consolidated HK\$'000
	Building services and engineering HK\$'000	Motor vehicles and other trading HK\$'000	Property and hotel operation HK\$'000	IT and business machines trading and servicing HK\$'000	Insurance business and others HK\$'000	Telecom- munication services and general merchandise trading HK\$'000 (Note)	
Capital additions	6,966	1,217	51,386	4,751	249,920	5,230	319,470
Depreciation and amortisation	11,979	1,268	34,098	3,991	4,751	3,318	59,405
(Surplus) deficit on property revaluation recognised in income statement	(322)	–	(5,450)	309	–	–	(5,463)
Loss (profit) on disposal of property, plant and equipment	<u>386</u>	<u>75</u>	<u>(621)</u>	<u>2,998</u>	<u>179</u>	<u>1,857</u>	<u>4,874</u>

Note: During the year, the Group had discontinued the retailing of general merchandise while the retailing of telecommunication equipment and agency service had been discontinued in May 2003.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 35. Segment Information (continued)

### Geographical Segments

The Group's operations in building services and engineering are located in Hong Kong, the PRC and Singapore. Trading of motor vehicles and others are carried out in Canada and USA respectively. Property investment and trading activities and hotel operations are mainly carried out in Hong Kong, the PRC and Canada. Sales and servicing of IT equipment and business machines are mainly carried out in Hong Kong, the PRC and Thailand. Retailing of general merchandise and telecommunication equipment and agency services was carried out in Hong Kong. Insurance business is conducted in Hong Kong.

	Turnover by geographical market	
	2003 HK\$'000	2002 HK\$'000
Hong Kong	2,313,984	2,289,551
The PRC	257,529	369,615
Singapore	197,418	135,259
Thailand	123,699	111,519
Canada	332,383	325,349
U.S.A.	96,080	86,995
Others	11,204	20,590
	<b>3,332,297</b>	<b>3,338,878</b>

The following is an analysis of the carrying amounts of segment assets and additions to investment properties, other properties, plant and equipment and intangible assets analysed by geographical area in which the assets are located:

	Carrying amounts of segment assets		Additions to investment properties, other properties, plant and equipment and intangible assets	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	3,502,002	3,415,847	31,701	265,605
The PRC	1,157,961	1,033,367	13,721	47,877
Singapore	299,940	330,091	22,911	470
Thailand	66,483	66,995	3,246	1,873
Canada	223,111	196,893	3,820	1,018
U.S.A.	77,052	62,243	131	189
Others	60,390	64,132	2,992	2,438
	<b>5,386,939</b>	<b>5,169,568</b>	<b>78,522</b>	<b>319,470</b>

## 36. Major Non-cash Transactions

During the year ended 31st March, 2003,

- 34,119,840 (2002: 44,207,659) shares were issued in lieu of cash dividends payable to the shareholders at a total consideration of approximately HK\$14,938,000 (2002: HK\$22,175,000).
- The Group acquired an additional 37% interest in PRS Asia in exchange for the Group's another investment as disclosed in note 34.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 37. Emoluments of Directors and Senior Management

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

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Fees	<b>426</b>	450
Salaries, allowances and benefits in kind	<b>17,998</b>	19,557
Contributions to retirement schemes	<b>558</b>	667
	<b>18,982</b>	20,674

Apart from the Directors' fees of HK\$426,000 (2002: HK\$450,000), no other emoluments were paid or are payable to the Independent Non-executive Directors.

The emoluments of the Directors fall within the following bands:

<b>Bands</b>	<b>Number of Directors</b>	
	<b>2003</b>	2002
Nil – HK\$1,000,000	<b>4</b>	3
HK\$1,000,001 – HK\$1,500,000	<b>2</b>	3
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	1
HK\$2,000,001 – HK\$2,500,000	<b>1</b>	1
HK\$3,000,001 – HK\$3,500,000	<b>1</b>	1
HK\$8,500,001 – HK\$9,000,000	<b>1</b>	1
	<b>10</b>	10

The five highest paid individuals include four (2002: four) directors and the total emoluments paid to the five highest paid individuals for both years are as follows:

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	<b>17,231</b>	17,202
Performance-based bonus	<b>1,200</b>	–
Contributions to retirement schemes	<b>556</b>	560
	<b>18,987</b>	17,762

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

<b>Bands</b>	<b>Number of individuals</b>	
	<b>2003</b>	2002
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	2
HK\$2,000,001 – HK\$2,500,000	<b>1</b>	1
HK\$2,500,001 – HK\$3,000,000	<b>1</b>	–
HK\$3,000,001 – HK\$3,500,000	<b>1</b>	1
HK\$8,500,001 – HK\$9,000,000	<b>1</b>	1
	<b>5</b>	5



# Notes to the Financial Statements

For the year ended 31st March, 2003

## 38. Charge on Assets

Bank loans and overdrafts of HK\$912,718,000 (2002: HK\$879,557,000) and other unutilised banking facilities are secured by charges on certain properties and other assets of the Group with an aggregate carrying value of HK\$1,773,145,000 (2002: HK\$1,897,661,000). In addition, fixed deposits of HK\$85,484,000 (2002: HK\$63,028,000) were pledged as a security for guarantees issued by bankers for the Group's performance for maintenance and remedial work for certain Private Sector Participation Scheme projects completed by the Group and as a security for a performance bond issued by a bank in favour of a customer.

## 39. Contingent Liabilities

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

- (a) The Company had contingent liabilities in respect of counter-indemnities given to bankers and insurance institutions amounting to approximately HK\$303,700,000 (2002: HK\$309,700,000) in respect of guarantees issued by them on 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 contingent liabilities in respect of guarantees issued for:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Banking facilities granted to:				
Subsidiaries	–	–	878,615	1,140,874
Associates	–	7,000	–	7,000
Jointly controlled entity	–	12,200	–	12,200
Performance bonds for:				
Subsidiaries	–	–	419,835	412,670
	<u>–</u>	<u>19,200</u>	<u>1,298,450</u>	<u>1,572,744</u>

- (c) The Company had contingent liabilities of HK\$3,349,000 (2002: HK\$2,157,000) in respect of guarantees given to lessors for the Group's equipment.
- (d) The Group had contingent liabilities of HK\$4,322,000 (2002: HK\$4,747,000) in respect of guarantees given to an associate for mortgage finance provided to the purchasers of the properties previously held by a former associate.

## 40. Operating Leases

### The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2003 HK\$'000	2002 HK\$'000
Within one year	4,993	20,878
In the second to fifth years inclusive	438	5,063
	<u>5,431</u>	<u>25,941</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for an average term of two years.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 40. Operating Leases (continued)

### The Group as lessor

At the balance sheet date, investment properties and completed properties for sale with a carrying value of HK\$286 million (2002: HK\$331 million) and HK\$474 million (2002: HK\$514 million) respectively were rented out under operating leases. All of the properties were leased out for periods ranging from one year to six years. The future minimum lease payments receivable by the Group under non-cancellable operating leases for each of the following periods are as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
Within one year	<b>48,869</b>	43,407
In the second to fifth years inclusive	<b>21,438</b>	22,288
	<b>70,307</b>	65,695

## 41. Share Option Schemes

### (a) Share Option Schemes – the Company

The share option scheme of the Company (the "Old Scheme") was adopted on 30th September, 1991 for the primary purpose of providing incentives to directors and eligible employees of the Company and its subsidiaries. Under the Old Scheme, the Board of Directors of the Company might grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Options are exercisable at any time during the forty-two months commencing on the expiry of six months after the date of acceptance of the share options. The exercise price was determined by the directors of the Company, and was not less than the higher of the nominal value of the Company's share and 80% of the average closing price of the Company's share on the Stock Exchange for the five trading days immediately preceding the date of grant and is subject to adjustment.

The Old Scheme expired on 29th September, 2001 but its term remain in full force and effect in respect of the outstanding options previously granted.

The movements of the outstanding options previously granted under the Old Scheme during the two years ended 31st March 2003 are as follows:

Granted to	Option	At 1/4/2001	Cancelled/ Lapsed	At 31/3/2002 and 31/3/2003
Directors	A	43,300,000	43,300,000	–
	B	34,150,000	–	34,150,000
		77,450,000	43,300,000	34,150,000
Employees	C	21,970,000	21,970,000	–
		<u>99,420,000</u>	<u>65,270,000</u>	<u>34,150,000</u>

Details of each lot of the share options granted are as follows:

Option	Date of grant	Vesting period		Exercise period		Exercise price
		From	To	From	To	
A	4/2/1998	4/2/1998	2/9/1998	3/9/1998	2/9/2001	0.5376
B	17/12/1999	17/12/1999	29/6/2000	30/6/2000	29/6/2003	0.4880
C	9/3/1998	9/3/1998	6/10/1998	7/10/1998	6/12/2001	0.6464

As a result of consolidation of the Company's ordinary shares as disclosed in note 44 (a), the remaining options will entitle the holders thereof to subscribe for 6,830,000 new shares of the Company at an adjusted price of HK\$2.44 per share.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 41. Share Option Schemes (continued)

### (a) Share Option Schemes – the Company (continued)

The Company's new share option scheme (the "New Scheme") was adopted by the shareholders pursuant to a resolution passed on 20th September, 2002 for the primary purpose of providing the participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The New Scheme will expire on 19th September, 2012.

The total number of shares in respect of which options may be granted under the New Scheme and any other schemes is not permitted to exceed 10% of the total shares of the Company in issue at the date of shareholders' approval of the New Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK\$5,000,000 in the 12-month period up to the date of grant must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days from the date of grant, upon payment of HK\$1 for each lot of options granted. An option may be exercised in accordance with the terms of the New Scheme at any time during the effective period of the New Scheme to be notified by the board of directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's share on the date of grant, the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant, and the nominal value.

During the year ended 31st March, 2003, no options were granted under the New Scheme.

### (b) Share Option Schemes of subsidiary

A subsidiary of the Company, Chevalier iTech Holdings Limited ("CiTL") adopted a share option scheme (the "CiTL Old Scheme") on 30th September 1991 for the primary purpose of providing incentives to directors and eligible employees. The terms of the CiTL Old Scheme are similar to the Company's Old Scheme. The CiTL Old Scheme expired on 29th September, 2001 but its terms remain in full force and effect in respect of the outstanding options previously granted.

The movements of the outstanding options previously granted under the CiTL Old Scheme during the two years ended 31st March, 2003 are as follows:

Granted to	Option	At 1/4/2001	Cancelled/ Lapsed	At 31/3/2002 and 31/3/2003
Directors	A	23,600,000	23,600,000	–
	B	23,550,000	–	23,550,000
		<u>47,150,000</u>	<u>23,600,000</u>	<u>23,550,000</u>
Employees	A	5,000,000	5,000,000	–
	B	5,000,000	–	5,000,000
	C	976,000	976,000	–
		<u>10,976,000</u>	<u>5,976,000</u>	<u>5,000,000</u>
		<u>58,126,000</u>	<u>29,576,000</u>	<u>28,550,000</u>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 41. Share Option Schemes (continued)

### (b) Share Option Schemes of subsidiary (continued)

Details of each lot of the share options granted are as follows:

Option	Date of grant	Vesting period		Exercise period		Exercise price
		From	To	From	To	
A	4/2/1998	4/2/1998	2/9/1998	3/9/1998	2/9/2001	0.3376
B	17/12/1999	17/12/1999	29/6/2000	30/6/2000	29/6/2003	0.4640
C	9/3/1998	9/3/1998	6/10/1998	7/10/1998	6/10/2001	0.3920

As a result of consolidation of CiTL's ordinary shares on 5th June, 2003, every five issued and unissued ordinary shares of HK\$0.1 each were consolidated into one ordinary share of HK\$0.5 each, the remaining options will entitle the holders thereof to subscribe for 5,710,000 new shares of CiTL at an adjusted price of HK\$2.32 per new share.

CiTL adopted a new share option scheme (the "CiTL New Scheme") on 20th September, 2002 and its terms are similar to the Company's New Scheme. During the year ended 31st March, 2003, no options were granted under the CiTL New Scheme.

## 42. Retirement Benefits

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs at a maximum of HK\$20,000 to the Scheme. The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7.5% of the employee's basic salary, depending on the length of service with the Group.

Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and customs.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was HK\$2,763,000 (2002: HK\$4,446,000). At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in future years, was HK\$49,000 (2002: HK\$340,000). As at 31st March 2003, contributions of HK\$1,760,000 (2002: HK\$1,858,000) due in respect of the reporting period had not been paid over to the scheme.

## 43. Related Party Transactions

Details of the material transactions with the Company's directors, associates and jointly controlled entities which are regarded as related parties for the purpose of SSAP 20 "Related party disclosures" are as follows:

### (a) Transactions with Chevalier Construction Holdings Limited ("CCHL") Group

- (i) On 1st April, 2002, the Company entered into an agreement with a major associate CCHL, under which a major associate 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, 2003 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 CCHL Group under this agreement for the year ended 31st March, 2003 amounted to HK\$676,000 (2002: HK\$1,584,000).

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 43. Related Party Transactions (continued)

- (a) Transactions with Chevalier Construction Holdings Limited ("CCHL") Group (continued)
- (ii) During the year, the Group received rental determined with reference to market rates amounting to HK\$1,896,000 (2002: HK\$2,242,000) from CCHL Group for the use of the Group's premises. The rental receivable as at the balance sheet date amounted to HK\$56,000 (2002: HK\$170,000).
  - (iii) An agreement was made between the Company and CCHL whereby CCHL Group may source the supply of 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. 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\$9,268,000 (2002: HK\$44,292,000) and HK\$5,100,000 (2002: HK\$1,067,000) respectively.
  - (iv) The Group maintained insurance policies with CCHL in respect of public liability insurance, employees compensation insurance and contractors all risk insurance. The insurance premium which are determined by the directors with reference to market prices received during the year amounted to HK\$1,057,000 (2002: HK\$5,221,000).
  - (v) An agreement was made between the Group and CCHL Group for drainage works during the year. A total amount of HK\$1,426,000 (2002: nil) was paid and payable to CCHL Group for work done during the year.
- (b) Transactions with other associates and jointly controlled entities
- (i) A 10-year license was granted by an associate to the Group for the rights of using the pipe rehabilitation technology. Royalty paid for the use of the technology during the year amounted to HK\$1,388,000 (2002: nil).
  - (ii) The Group purchased materials and equipment of HK\$18,965,000 (2002: nil) at agreed terms from associates. The amount payable as at the balance sheet date amounted to HK\$7,133,000 (2002:nil).
  - (iii) The Group made unsecured loans HK\$14,727,000 (2002: nil) to an associate during the year. The loans are unsecured and bear interest at EURIBOR plus 1.5% per annum. Interest income during the year on the loan and interest receivable at the balance sheet date amounted to HK\$501,000 (2002: nil).
  - (iv) Apart from the above, the Group made advances to its 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, 2003 are disclosed in the consolidated balance sheet and notes 21 and 22.
- (c) Pursuant to the offer to the public for the remaining shares of Chevalier Singapore Holdings Limited ("CSHL") not already held by the Group as disclosed in note 44(b), the Group acquired from a director, all his interest in CSHL, through acceptance of the offer, at a consideration of S\$1,968,750 equivalent to HK\$8,702,000.

## 44. Post Balance Sheet Events

- (a) Pursuant to a special resolution passed at a special general meeting of the shareholders of the Company on 5th June, 2003, every five issued and unissued ordinary shares of HK\$0.25 each of the Company are consolidated into one ordinary share of HK\$1.25 each.
- (b) On 6th February, 2003, the Group made an unconditional cash offer, through a wholly-owned subsidiary, to acquire all the remaining issued ordinary shares of CSHL not already held by the Group at a price of S\$0.38 per share. The offer was approved by the shareholders of CSHL on 2nd April, 2003.
- Subsequent to the closing date of the offer, the subsidiary exercised its statutory right to acquire the remaining shares at a price of S\$0.38 per share. As a result, CSHL became a wholly owned subsidiary of the Group and the shares of CSHL were delisted from The Singapore Exchange Securities Trading Limited.
- (c) On 17th June 2003, the Group made a proposal for an unconditional cash offer for Rib Loc Group Limited ("Rib Loc"), an associate of the Group. The consideration for acquiring all the issued shares of Rib Loc not already held by the Group and all the shares which would be issued assuming a full exercise of the outstanding options and a full conversion of the convertible notes of Rib Loc during the offer period, at a price of A\$0.7 per share is approximately A\$21,644,000, equivalent to HK\$101,934,000.