

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 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 whereas those of its subsidiaries are set out in appendix I.

## 2. Adoption of Statement of Standard Accounting Practice

In the current year, the Group has adopted Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly.

The financial effect on the adoption of SSAP 12 (Revised) is summarised below:

	Deferred tax assets HK\$'000	Deferred tax liabilities HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Minority interests HK\$'000
Balance at 1st April, 2002							
– As previously stated	–	–	15,669	113,259	(24,805)	1,127,523	334,883
– Arising from the adoption of SSAP 12 (Revised)	5,994	70,266	(2,892)	(46,745)	–	(11,434)	(3,201)
– As restated	5,994	70,266	12,777	66,514	(24,805)	1,116,089	331,682
Balance at 1st April, 2003							
– As previously stated	–	1,487	–	60,711	(9,736)	1,183,657	282,659
– Arising from the adoption of SSAP 12 (Revised)	5,464	61,950	–	(22,567)	(422)	(29,844)	(3,653)
– As restated	5,464	63,437	–	38,144	(10,158)	1,153,813	279,006

The adoption of SAAP 12 (Revised) resulted in an increase in the profit for the year by HK\$7,591,000 (2003: decrease in profit by HK\$18,410,000).

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 3. 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 consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

### (b) Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall 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 at the date 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. 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.

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 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 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 of 5 years. 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 less negative goodwill 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.

## 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 less negative goodwill in so far as it has not already been written off, amortised or released to the 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.

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.

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 3. Principal Accounting Policies (Continued)

### (h) Property, plant and equipment

#### (i) Hotel properties

Hotel properties and their internal fixed plant 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 any subsequent 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 any subsequent 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 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:

	Basis	Initial charge upon purchase	Annual charge
Pipe rehabilitation equipment	straight line	–	16.67%
Computer equipment	reducing balance	20%	40%
Barges and dredgers	reducing balance	10%	10%
Tower cranes	reducing balance	20%	15%
Others	reducing balance	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 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.

## 3. Principal Accounting Policies (Continued)

### (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, public bonded warehouse and rice storage licences	10 years
Computer software licences	5 years
Patents and licenses rights	16 years
Research and development expenditure	10 years

### (j) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### (k) 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.

### (l) 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.

### (m) 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.

### (n) Construction and Installation contracts

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

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 3. Principal Accounting Policies (Continued)

### (o) 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.

### (p) 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.

### (q) Revenue recognition

When the outcome of a construction and 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 sale of properties for sale is recognised on the execution of a binding sales and purchase 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 agency commission is recognised on the effective commencement or renewal dates of the related policies.

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.

Income from sale of securities is recognised on a trade date basis when the sales agreement becomes unconditional.

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

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

### (r) 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 are dealt with in the income statement on a straight-line basis over the terms of the relevant lease.

### (s) 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.

## 3. Principal Accounting Policies (Continued)

### (t) 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.

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

### (u) 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 respective overseas operation is disposed of.

### (v) Retirement benefits costs

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

### (w) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further exclude income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 4. Turnover

Turnover represents the net amount received and receivable for revenue arising from construction and installation contracts, hotel operations, renting of properties, sales of goods, provision of services, insurance business and investment income. An analysis of the Group's turnover by business and geographical segments is as set out in note 36.

## 5. Other Operating Income

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Included in other operating income are:		
Interest from bank and other deposits	<b>19,300</b>	14,756
Interest earned on debt securities	<b>19,697</b>	10,702
Interest from advance to associates	<b>820</b>	501
Dividend income from listed securities	<b>1,203</b>	364
Management fee income	<b>1,066</b>	2,780
Exchange gain	<b>25,551</b>	4,669
Release of negative goodwill	<b>473</b>	78
Surplus on revaluation of properties for own use	<b>431</b>	–

## 6. Impairment Loss on Assets

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Impairment loss on:		
Investments in securities	–	1,959
Goodwill	–	17,740
	<b>–</b>	<b>19,699</b>

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 7. Other Operating Expenses

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Included in other operating expenses are:		
Deficit on revaluation of investment properties	<b>9,257</b>	15,458
Deficit on revaluation of properties for own use	–	16,532
Allowance for bad and doubtful debts	<b>18,496</b>	9,305
Amortisation of goodwill	<b>3,573</b>	1,859
Amortisation of intangible assets	<b>1,311</b>	680

## 8. Finance Costs

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Interest on bank loans and overdrafts	<b>42,571</b>	51,510
Interest on other loan not wholly repayable within 5 years	<b>327</b>	–
Finance lease charges	<b>225</b>	138
	<b>43,123</b>	51,648
Less: Amount capitalised to contract work	<b>(91)</b>	(945)
	<b>43,032</b>	50,703

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 0.7% (2003: 3%).

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 9. Gain (Loss) on Discontinued Operations

The current year's credit mainly represents over-accrual of cost made in last year on termination of the Group's operations in trading of general merchandise and retailing of telecommunication equipment and provision of telecommunication agency services. Details of the overprovision and loss incurred in last year are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Over-accrual (accrual) for lease payments under non-cancellable operating leases and related outgoings	<b>645</b>	(1,927)
Over-accrual (accrual) of staff redundancy cost	<b>408</b>	(3,264)
Loss on disposal of property, plant and equipment	–	(5,425)
Impairment loss on property, plant and equipment	–	(1,218)
Loss in value of inventories	<b>(37)</b>	(259)
	<b>1,016</b>	(12,093)

In September, 2002, the Group determined to cease its retailing of telecommunication equipment and provision of telecommunication agency services which operated in Hong Kong. The operation was ceased in May 2003. During the last financial year, the Group had ceased trading of general merchandise in Hong Kong by closing down all its retail outlets. Total loss arising from the discontinuance of the operations amounted to HK\$11,077,000. An over-accrual of the retail outlet closure costs of HK\$1,016,000 made in prior year was credited to the current year's income statement (2003: loss of HK\$12,093,000).

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

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Turnover	<b>994</b>	88,052
Other operating income	<b>3,180</b>	10,084
Operating costs	<b>(1,394)</b>	(111,762)
Profit (loss) from operations	<b>2,780</b>	(13,626)
Less: minority interests	<b>(1,369)</b>	6,708
Gain (loss) attributable to the Group	<b>1,411</b>	(6,918)
Total assets	<b>2,519</b>	12,682
Total liabilities	<b>(3,845)</b>	(13,850)
	<b>(1,326)</b>	(1,168)
Less: minority interests	<b>653</b>	575
Net liabilities attributable to the Group	<b>(673)</b>	(593)

During the year, the business contributed HK\$3,301,000 (2003: used up HK\$8,035,000) of the Group's net operating cash flows, contributed HK\$159,000 (2003: used up HK\$1,089,000) in respect of investing activities and used up HK\$3,675,000 (2003: contributed HK\$8,805,000) in respect of financing activities.

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 10. Profit Before Taxation

	2004 HK\$'000	2003 HK\$'000
Profit before taxation is arrived at after charging:		
Depreciation on property, plant and equipment		
Own assets	53,229	58,414
Assets held under finance leases	1,477	1,107
	54,706	59,521
Less: Amount capitalised to contract work	(3,903)	(1,638)
	50,803	57,883
Auditors' remuneration	4,400	5,178
Staff costs (note a)	518,845	542,305
Less: Amount capitalised to contract work	(35,260)	(22,290)
	483,585	520,015
Operating lease payments in respect of leasing of		
Premises	22,051	27,156
Others	2,251	556
	24,302	27,712
Net loss on disposal of property, plant and equipment	4,516	11,524
Net realised and unrealised holding loss on investments in securities	-	9,464
and crediting:		
Gross rental income from properties of HK\$62,069,000 (2003: HK\$69,730,000) less outgoings (note b)	48,546	56,483
Gross earnings from leasing of equipment of HK\$4,051,000 (2003: HK\$1,999,000) less outgoings	1,778	1,260
Net realised and unrealised holding gain on investments in securities	25,402	-

### Notes:

- (a) Details of directors' emoluments included in staff costs are disclosed in note 38.

Staff costs include an amount of HK\$6,110,000 (2003: HK\$6,028,000) in respect of redundancy payments made to staff and an amount of HK\$22,436,000 (2003: HK\$20,194,000) in respect of retirement benefits scheme contributions, net of forfeited contributions.

- (b) Included in rental income is an amount of HK\$1,668,000 (2003: HK\$1,859,000) less outgoings of HK\$1,229,000 (2003: HK\$751,000) from jointly controlled assets.

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 11. Taxation

	2004 HK\$'000	2003 HK\$'000
The charge (credit) comprises:		
Company and subsidiaries		
Current year profits tax		
Hong Kong	35,889	33,723
Overseas	12,237	12,697
	<b>48,126</b>	46,420
Deferred taxation	<b>(9,130)</b>	18,228
	<b>38,996</b>	64,648
Share of taxation of associates	<b>(65)</b>	4,514
Share of taxation of jointly controlled entities	<b>1</b>	(320)
	<b>38,932</b>	68,842

Provision for Hong Kong profits tax is calculated at the rate of 17.5% (2003: 16%) on the estimated assessable profits less available tax relief for losses brought forward of each individual company. The Hong Kong profits tax rate was increased from 16% to 17.5% with effect during the year. The effect of this increase has been reflected in the calculation of current and deferred tax balance as at 31st March, 2004.

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

The charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	<b>255,855</b>	150,320
Tax at the domestic income tax rate of 17.5% (2003: 16%) (note)	<b>44,775</b>	24,051
Tax effect of non-deductible expenses	<b>11,376</b>	37,566
Tax effect of non-taxable income	<b>(26,695)</b>	(21,070)
Tax effect of current year's tax losses and deferred tax assets not recognised	<b>27,806</b>	23,194
Tax effect of utilisation of taxes losses not previously recognised	<b>(23,136)</b>	(2,712)
Effect of different tax rates of subsidiaries operating in other jurisdiction	<b>410</b>	3,733
Income tax on concessionary rate	<b>(88)</b>	(3)
Effect on opening deferred tax balances resulting from changes in tax rate during the year	<b>1,042</b>	–
Effect of share of tax of associates and jointly controlled entities	<b>2,321</b>	5,044
Others	<b>1,121</b>	(961)
Tax expense of the Company and subsidiaries for the year	<b>38,932</b>	68,842

Note:

The domestic income tax rate in the jurisdiction where the operation of the Group is substantially based is used.

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's investment properties has been charged / credited directly to equity as disclosed in note 34.

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 12. Dividends

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Interim dividend paid HK\$0.10 (2003: HK\$0.075) per share	<b>27,571</b>	19,591
Final dividend proposed HK\$0.20 (2003: HK\$0.10) per share	<b>55,716</b>	26,185
Additional dividend paid	<b>683</b>	–
	<b>83,970</b>	45,776

Additional dividend paid represents the final dividend for the year ended 31st March, 2003 paid on shares allotted on exercise of options to subscribe for shares by the option holders subsequent to 31st March, 2003 before the closing of the members' register for such dividend.

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

Comparative amount of dividend per share has been adjusted for the consolidation of the Company's ordinary shares in June 2003.

## 13. Earnings Per Share

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<b>186,000</b>	83,500
	<b>Number of shares</b>	
	<b>2004</b> <b>'000</b>	2003 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share (note a)	<b>270,640</b>	257,323
Effect of dilutive potential ordinary shares: Share options (note b)	–	269
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>270,640</b>	257,592

Notes:

- (a) The weighted average number of shares for the year ended 31st March, 2003 has been adjusted for the consolidation of the Company's shares in June 2003.
- (b) The calculation of diluted earnings per share for the year ended 31st March, 2004 does not assume the exercise of outstanding share options as their exercise prices were higher than the average market prices per share.

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 14. Investment Properties

	Hong Kong under medium- term leases HK\$'000	Mainland China under long-term leases HK\$'000	Mainland China under medium- term leases HK\$'000	Overseas on freehold land HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
AT VALUATION					
At 1st April, 2003	192,917	–	10,583	157,859	361,359
Exchange adjustments	–	–	–	7,740	7,740
Transfer from properties for own use	22,050	1,890	–	–	23,940
Net surplus (deficit) on revaluation	5,760	–	17	(18,593)	(12,816)
At 31st March, 2004	<u>220,727</u>	<u>1,890</u>	<u>10,600</u>	<u>147,006</u>	<u>380,223</u>

Notes:

- Investment properties in Hong Kong with carrying value of HK\$18,667,000 (2003: HK\$18,667,000) 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, 2004 by independent professional valuers. Properties in Hong Kong and Mainland China were revalued by Knight Frank and DTZ Debenham Tie Leung Limited respectively. 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\$212,356,000 (2003: HK\$183,376,000).
- Gross rental income derived from investment properties for the year amounted to HK\$14,995,000 (2003: HK\$19,960,000).

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 15. Property, Plant and Equipment

	Cold storage warehouse HK\$'000	Hotel properties HK\$'000	Other properties for own use HK\$'000	Machinery and tools HK\$'000	Furniture, fixtures, other equipment, and motor vehicle for own use HK\$'000	for leasing HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
<b>AT COST OR VALUATION</b>							
At 1st April, 2003	250,000	159,277	597,420	93,779	193,209	7,041	1,300,726
Acquisition of subsidiaries	-	-	-	18,669	4,043	-	22,712
Additions	-	625	-	4,887	11,955	4,547	22,014
Disposals	-	-	-	(3,725)	(27,025)	(2,458)	(33,208)
Transfer to investment properties	-	-	(23,940)	-	-	-	(23,940)
Surplus (deficit) on revaluation	40,000	(19,649)	73,679	-	-	-	94,030
Exchange adjustments	-	9,045	6,100	3,492	2,390	499	21,526
At 31st March, 2004	290,000	149,298	653,259	117,102	184,572	9,629	1,403,860
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>							
At 1st April, 2003	-	-	-	45,181	131,347	1,324	177,852
Charge for the year	6,255	4,299	12,437	12,558	17,150	2,007	54,706
Eliminated upon disposals	-	-	-	(2,606)	(20,082)	(988)	(23,676)
Eliminated upon revaluation	(6,255)	(4,299)	(12,437)	-	-	-	(22,991)
Exchange adjustments	-	-	-	2,088	1,824	115	4,027
At 31st March, 2004	-	-	-	57,221	130,239	2,458	189,918
<b>NET BOOK VALUES</b>							
At 31st March, 2004	290,000	149,298	653,259	59,881	54,333	7,171	1,213,942
At 31st March, 2003	250,000	159,277	597,420	48,598	61,862	5,717	1,122,874
An analysis of the cost and valuation of the Group's property, plant and equipment is as follows:							
At cost	-	-	-	117,102	184,572	9,629	311,303
At 2004 professional valuation	290,000	139,003	650,843	-	-	-	1,079,846
At 2004 directors' valuation	-	10,295	2,416	-	-	-	12,711
	290,000	149,298	653,259	117,102	184,572	9,629	1,403,860

# Notes to the Financial Statements

For the year ended 31st March, 2004

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

Notes:

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
In Hong Kong under:		
Long lease	232,600	177,450
Medium-term lease	587,820	554,610
In Mainland China under:		
Long lease	52,446	64,402
Medium-term lease	45,875	49,828
Overseas:		
On freehold land	152,619	139,272
Long lease	16,549	16,512
Medium-term lease	4,211	4,328
Short-term lease	437	295
	<b>1,092,557</b>	<b>1,006,697</b>

- (b) Properties were revalued on 31st March, 2004 on an open market value existing use basis. Certain properties in Mainland China were revalued by the directors and the other properties were revalued by independent professional valuers. Properties in Hong Kong and Mainland China were revalued by Knight Frank and DTZ Debenham Tie Leung Limited respectively. Overseas properties were revalued by CKS Property Consultants Pte Ltd, CIBI Information, Inc., CB Richard Ellis (Pte) Limited and Brooke Real Estate Ltd.
- (c) Had the properties been carried at cost less accumulated depreciation, the carrying value as at 31st March, 2004 would have been HK\$936,662,000 (2003: HK\$1,033,155,000).
- (d) Charges were created on the properties with a total carrying value of HK\$701,464,000 (2003: HK\$646,639,000).
- (e) The net book value of machinery, tools and equipment held under finance leases amounted to HK\$5,479,000 (2003: HK\$6,926,000).

## 16. Properties for Development

	THE GROUP HK\$'000
Overseas properties on freehold land	
At cost less impairment loss	
At 1st April, 2003	7,153
Exchange adjustments	1,055
	<hr/>
At 31st March, 2004	<b>8,208</b>

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 17. Goodwill

	<b>THE GROUP</b> HK\$'000
<b>COST</b>	
At 1st April, 2003	22,253
Acquisition of subsidiaries	(1,119)
Acquisition of additional interest in subsidiaries	5,725
	<hr/>
At 31st March 2004	26,859
	<hr/>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>	
At 1st April, 2003	18,633
Charge for the year	1,920
	<hr/>
At 31st March, 2004	20,553
	<hr/>
<b>NET BOOK VALUE</b>	
At 31st March, 2004	6,306
	<hr/>
At 31st March, 2003	3,620
	<hr/>

## 18. Negative Goodwill

	<b>THE GROUP</b> HK\$'000
<b>COST</b>	
At 1st April, 2003	–
Transfer from interests in an associate	309
Acquisition of subsidiaries	12,828
	<hr/>
At 31st March, 2004	13,137
	<hr/>
<b>ACCUMULATED AMORTISATION</b>	
At 1st April, 2003	–
Release to income statement	219
	<hr/>
At 31st March, 2004	219
	<hr/>
<b>NET BOOK VALUE</b>	
At 31st March, 2004	12,918
	<hr/>
At 31st March, 2003	–
	<hr/>

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 19. Intangible Assets

THE GROUP	Cold store, public bonded warehouse and rice storage licences HK\$'000	Computer software licences HK\$'000	Research and development expenditure HK\$'000	Patents and licenses right HK\$'000	Total HK\$'000
<b>COST</b>					
At 1st April, 2003	3,000	1,900	–	–	4,900
Acquisition of subsidiaries	–	–	3,222	1,697	4,919
Additions	–	–	600	–	600
Exchange adjustments	–	–	255	132	387
At 31st March, 2004	3,000	1,900	4,077	1,829	10,806
<b>AMORTISATION</b>					
At 1st April, 2003	337	427	–	–	764
Charge for the year	300	380	413	218	1,311
Exchange adjustments	–	–	12	6	18
At 31st March, 2004	637	807	425	224	2,093
<b>NET BOOK VALUES</b>					
At 31st March, 2004	2,363	1,093	3,652	1,605	8,713
At 31st March, 2003	2,663	1,473	–	–	4,136

## 20. Interests in Subsidiaries

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Cost less impairment loss		
Shares listed in Hong Kong	171,990	171,990
Unlisted shares	989,273	1,072,312
Amounts due from subsidiaries less provision	250,109	399,898
	1,411,372	1,644,200
Market value of shares listed in Hong Kong	88,229	55,143

Particulars regarding the principal subsidiaries at 31st March, 2004 are set out in appendix I. A complete list 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.

The amounts due from the subsidiaries are unsecured and have no fixed terms of repayment.

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

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 21. Interests in Associates

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Share of net assets				
Associate listed in Hong Kong	–	27,427	–	–
Associate listed overseas	10,691	7,785	–	–
Unlisted associates	7,311	15,900	–	–
Negative goodwill on acquisition of associates (note b)	(2,178)	(309)	–	–
Goodwill on acquisition of associates (note c)	7,492	2,435	–	–
Cost less impairment loss				
Associate listed in Hong Kong	–	–	–	18,108
Unlisted convertible note (note d)	5,125	–	–	–
Amounts due from associates (note e)	14,829	13,800	–	–
	<b>43,270</b>	<b>67,038</b>	<b>–</b>	<b>18,108</b>
Market value of Hong Kong listed associate	–	7,151	–	5,812
Market value of overseas listed associate	37,667	12,350	–	–
	<b>37,667</b>	<b>19,501</b>	<b>–</b>	<b>5,812</b>

Notes:

- (a) Particulars regarding the principal associates at 31st March, 2004 are set out in appendix II. 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) Negative goodwill on acquisition of associates

	THE GROUP HK\$'000
<b>COST</b>	
At 1st April, 2003	309
Additions	2,432
Transfer to negative goodwill on acquisition of subsidiaries	(309)
At 31st March 2004	<b>2,432</b>
<b>AMORTISATION</b>	
At 1st April, 2003	–
Released to income statement	254
At 31st March, 2004	<b>254</b>
<b>NET BOOK VALUES</b>	
At 31st March, 2004	<b>2,178</b>
At 31st March, 2003	<b>309</b>

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 21. Interests in Associates (Continued)

(c)	Goodwill on acquisition of associates	
		<b>THE GROUP</b>
		HK\$'000
	<b>COST</b>	
	At 1st April, 2003	2,449
	Addition	6,710
		<hr/>
	At 31st March 2004	9,159
		<hr/>
	<b>ACCUMULATED AMORTISATION</b>	
	At 1st April, 2003	14
	Amortisation for the year	1,653
		<hr/>
	At 31st March, 2004	1,667
		<hr/>
	<b>NET BOOK VALUES</b>	
	At 31st March, 2004	7,492
		<hr/> <hr/>
	At 31st March, 2003	2,435
		<hr/> <hr/>
(d)	Convertible notes due from a listed associate are unsecured, bearing interest at 7.43% per annum and due on 14th August, 2005.	
(e)	The amounts due from associates include unsecured loans of HK\$14,156,000, bearing interest at HIBOR plus 1.5% per annum and without fixed terms of repayment. The remaining amounts are interest free, unsecured and without fixed terms of repayment.	

## 22. Interests in Jointly Controlled Entities

		<b>THE GROUP</b>	
		<b>2004</b>	2003
		<b>HK\$'000</b>	HK\$'000
	Share of net liabilities	<b>(12,698)</b>	(18,925)
	Amounts due from jointly controlled entities (note b)	<b>34,441</b>	34,390
		<hr/>	<hr/>
		<b>21,743</b>	15,465
		<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Particulars regarding the principal jointly controlled entities at 31st March, 2004 are set out in appendix III. A complete list 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) The amounts due from jointly controlled entities are interest-free, unsecured and without fixed terms of repayment.

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 23. Investments in Securities

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<i>Held to maturity securities:</i>				
Debt securities				
Listed overseas	4,563	4,179	–	–
Unlisted	–	17,800	–	–
<i>Investment securities:</i>				
Unlisted equity securities	5,000	–	–	–
<i>Other investments:</i>				
Equity securities				
Listed				
Hong Kong	69,558	9,384	6,872	3,488
Overseas	64,979	17,250	–	–
Unlisted	2,976	4,357	–	2,185
Debt securities				
Listed overseas	175,573	204,417	125,056	139,362
Unlisted	262,121	174,499	39,146	–
Unlisted unit trusts	–	38,548	–	–
Unlisted mutual funds	60,363	–	–	–
Unlisted money market funds	18,479	–	–	–
	<b>663,612</b>	<b>470,434</b>	<b>171,074</b>	<b>145,035</b>
<i>Market values of listed securities</i>				
Debt securities				
Overseas	186,124	214,942	125,056	139,362
Equity securities				
Hong Kong	69,558	9,384	6,872	3,488
Overseas	64,979	17,250	–	–
	<b>320,661</b>	<b>241,576</b>	<b>131,928</b>	<b>142,850</b>
<i>Carrying value analysed for reporting purposes are:</i>				
Non-current	12,026	28,979	6,872	5,673
Current	651,586	441,455	164,202	139,362
	<b>663,612</b>	<b>470,434</b>	<b>171,074</b>	<b>145,035</b>

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 24. Inventories

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	25,154	12,027
Inventories held for resale	166,144	149,211
Consumable stores	30,955	30,254
	<b>222,253</b>	<b>191,492</b>

Inventories held for resale include an amount of HK\$28,673,000 (2003: HK\$25,571,000) carried at net realisable value.

The cost of inventories recognised as an expense during the year was HK\$868,623,000 (2003: HK\$951,258,000).

## 25. Properties for Sale

Properties for sale include the Group's share of interest in jointly controlled assets with an aggregate book value of HK\$23,321,000 (2003: HK\$23,321,000).

Properties for sale of HK\$390,059,000 (2003: HK\$408,000,000) are carried at net realisable value.

The cost of properties sold during the year amounted to HK\$101,668,000 (2003: HK\$34,865,000).

## 26. Debtors, Deposits and Prepayments

Included in debtors, deposits and prepayments are the Group's share of receivable of HK\$190,000 (2003: HK\$297,000) in relation to jointly controlled assets.

Included in debtors, deposits and prepayments are trade debtors of HK\$670,862,000 (2003: HK\$688,799,000). The aged analysis of trade debtors is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 - 60 days	605,265	628,833
61 - 90 days	30,269	28,492
Over 90 days	35,328	31,474
	<b>670,862</b>	<b>688,799</b>

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

# Notes to the Financial Statements

For the year ended 31st March, 2004

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred	3,788,832	3,448,568
Recognised profits less recognised losses	(2,820)	71,216
	<b>3,786,012</b>	3,519,784
Less: Progress billings	<b>(3,632,706)</b>	(3,359,705)
	<b>153,306</b>	160,079
Represented by:		
Amounts due from customers included in current assets	<b>318,600</b>	280,719
Amounts due to customers included in current liabilities	<b>(165,294)</b>	(120,640)
	<b>153,306</b>	160,079

At 31st March, 2004, retention monies held by customers for contract work amounted to HK\$101,189,000 (2003: HK\$81,772,000). Advances received from customers for contract work amounted to HK\$3,588,000 (2003: HK\$8,298,000).

## 28. Creditors, Deposits and Accruals

Included in creditors, deposits and accruals are the Group's share of liabilities of HK\$256,000 (2003: HK\$386,000) incurred in relation to jointly controlled assets, which comprises investment properties, properties for sale and the related receivable totally HK\$42,178,000 (2003: HK\$36,115,000) disclosed in note 14, 25 and 26 respectively.

Included in creditors, deposits and accruals are trade creditors of HK\$283,779,000 (2003: HK\$216,657,000). The aged analysis of the trade creditors is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 - 60 days	176,528	134,560
61 - 90 days	8,418	8,825
Over 90 days	98,833	73,272
	<b>283,779</b>	216,657

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 29. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>THE GROUP</b>				
Amounts payable under finance leases:				
Within one year	<b>2,334</b>	2,095	<b>2,082</b>	1,891
In the second to fifth year inclusive	<b>1,426</b>	2,549	<b>1,275</b>	2,281
	<b>3,760</b>	4,644	<b>3,357</b>	4,172
Less: future finance charges	<b>(403)</b>	(472)	<b>–</b>	–
	<b>3,357</b>	4,172	<b>3,357</b>	4,172
Less: amount due within one year shown under current liabilities			<b>(2,082)</b>	(1,891)
Amount due for settlement after twelve months			<b>1,275</b>	2,281

The Group leases certain of its equipments under finance leases. The average lease term is 4 years (2003: 4 years). For the year ended 31st March, 2004, the average effective borrowing rate was 6.2% (2003: 6.2%). 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

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The maturity of the bank loans is as follows:				
Repayable within one year	<b>544,539</b>	889,314	<b>135,000</b>	290,000
Repayable within a period of:				
more than 1 year but not exceeding 2 years	<b>303,645</b>	86,745	<b>110,000</b>	–
more than 2 years but not exceeding 5 years	<b>353,893</b>	243,153	<b>–</b>	–
more than 5 years	<b>44,611</b>	104,766	<b>–</b>	–
	<b>1,246,688</b>	1,323,978	<b>245,000</b>	290,000
Less: amount due within one year shown under current liabilities	<b>(544,539)</b>	(889,314)	<b>(135,000)</b>	(290,000)
	<b>702,149</b>	434,664	<b>110,000</b>	–
Secured	<b>631,688</b>	912,718	<b>–</b>	–
Unsecured	<b>615,000</b>	411,260	<b>245,000</b>	290,000
	<b>1,246,688</b>	1,323,978	<b>245,000</b>	290,000

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 31. Other Loan

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
The maturity of the other loan is as follows:		
Repayable within one year	169	–
Repayable within a period of more than 2 years but not exceeding 5 years	1,064	–
more than 5 years	1,130	–
	<b>2,363</b>	–
Less: amount due within one year shown under current liabilities	<b>(169)</b>	–
	<b>2,194</b>	–

The loan is unsecured, bearing interest at market rate and repayable by 11 annual instalments, the last of which falls due in 2013.

## 32. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

THE GROUP	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Properties for sales HK\$'000	Allowance or doubtful debts HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1st April 2002							
– as previously reported	–	–	–	–	–	–	–
– adjustment on adoption of SSAP12 (Revised)	275	68,295	2,868	(2,095)	(5,257)	186	64,272
– as restated	275	68,295	2,868	(2,095)	(5,257)	186	64,272
Charge (credit) to income for the year	(281)	16,855	269	262	1,309	(186)	18,228
Credit to equity for the year	–	(24,948)	–	–	–	–	(24,948)
Exchange differences	–	421	–	–	–	–	421
At 31st March 2003	(6)	60,623	3,137	(1,833)	(3,948)	–	57,973
Charge (credit) to income for the year	1,167	5,808	(1,023)	(688)	(15,436)	–	(10,172)
Charge to equity for the year	–	15,708	–	–	–	–	15,708
Acquisition of subsidiary	37	–	–	–	–	–	37
Exchange differences	–	872	–	–	–	–	872
Effect on change in tax rate							
– charge (credit) to income statement	(86)	917	294	287	(370)	–	1,042
– charge to equity	–	3,351	–	–	–	–	3,351
At 31st March 2004	1,112	87,279	2,408	(2,234)	(19,754)	–	68,811

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 32. Deferred Taxation (Continued)

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Deferred tax liabilities	<b>74,854</b>	63,437
Deferred tax assets	<b>(6,043)</b>	(5,464)
	<b>68,811</b>	57,973

At the balance sheet date, the Group had unused tax losses of HK\$1,456 million (2003: HK\$1,140 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$109 million (2003: HK\$25 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$1,347 million (2003: HK\$1,115 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$65 million (2003: HK\$54 million) of subsidiaries in Mainland China that will gradually expire until 2008; tax losses of HK\$4 million (2003: HK\$5 million) of other overseas subsidiaries that will expire from 2004 to 2018. Other losses may be carried forward indefinitely.

At the balance sheet date, the Group had unrecognised deductible temporary differences of HK\$35 million (2003: HK\$34 million). A deferred tax asset has not been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 33. Share Capital

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Authorised:		
540,000,000 (2003: 1,700,000,000) ordinary shares of HK\$1.25 (2003: HK\$0.25) each	<b>675,000</b>	425,000
Issued and fully paid:		
278,582,090 (2003: 1,309,231,865) ordinary shares of HK\$1.25 (2003: HK\$0.25) each	<b>348,228</b>	327,308

At 1st April, 2002, the authorised and issued share capital of the Company were respectively 1,700,000,000 shares and 1,275,112,025 shares of HK\$0.25 each.

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 were consolidated into one ordinary share of HK\$1.25 each.

Pursuant to a special resolution passed on the same date, the authorised capital was increased from HK\$425,000,000 to HK\$675,000,000 by the creation of 200,000,000 shares of HK\$1.25 each. The new shares rank pari passu in all respects with the then existing shares.

During the year, 7,032,025 (2003: 30,966,938) and 2,873,692 (2003: 3,152,902) shares were issued in lieu of cash dividends payable to the shareholders at a price of HK\$3.24 (2003: HK\$ 0.4361) and HK\$4.17 (2003: HK\$0.4551) respectively per share, giving a total consideration of approximately HK\$34,767,000 (2003: HK\$14,938,000).

During the year, 6,830,000 shares (2003: nil) were issued at an exercise price of HK\$2.44 per share on exercise of 6,830,000 share options giving a total consideration of approximately HK\$16,665,000 (2003: nil).

Details of the share option schemes of the Company and its subsidiaries are set out in note 43.

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 34. Reserves

### THE GROUP

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve Investment properties HK\$'000	Properties for own use HK\$'000	Exchange fluctuation reserve HK\$'000	Dividend reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000
At 1st April, 2002									
– as originally stated	381,285	269,293	7,526	15,669	113,259	(24,805)	19,127	1,127,523	1,908,877
– prior period adjustments	–	–	–	(2,892)	(46,745)	–	–	(11,434)	(61,071)
– as restated	381,285	269,293	7,526	12,777	66,514	(24,805)	19,127	1,116,089	1,847,806
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	–	–	–	(12,248)	(29,504)	–	–	–	(41,752)
Deferred tax liabilities arising from revaluation of properties	–	–	–	(529)	1,134	–	–	–	605
Profit for the year	–	–	–	–	–	–	–	83,500	83,500
Dividends	–	–	–	–	–	–	26,185	(45,776)	(19,591)
Exchange difference on translation of financial statements of overseas subsidiaries, associates and jointly controlled entities	–	–	–	–	–	14,647	–	–	14,647
At 31st March, 2003	<u>387,677</u>	<u>269,293</u>	<u>7,526</u>	<u>–</u>	<u>38,144</u>	<u>(10,158)</u>	<u>26,185</u>	<u>1,153,813</u>	<u>1,872,480</u>
At 1st April, 2003									
– as originally stated	387,677	269,293	7,526	–	60,711	(9,736)	26,185	1,183,657	1,925,313
– prior period adjustments	–	–	–	–	(22,567)	(422)	–	(29,844)	(52,833)
– as restated	387,677	269,293	7,526	–	38,144	(10,158)	26,185	1,153,813	1,872,480
Final dividend for 2003 paid	–	–	–	–	–	–	(26,185)	(683)	(26,868)
Issue of new shares	30,512	–	–	–	–	–	–	–	30,512
Share issue expenses	(329)	–	–	–	–	–	–	–	(329)
Surplus on revaluation of properties	–	–	–	–	88,482	–	–	–	88,482
Deferred tax liabilities arising from revaluation of properties	–	–	–	–	(12,415)	–	–	–	(12,415)
Released on liquidation of subsidiaries	–	41	–	–	–	–	–	–	41
Share of associate's reserve	–	–	–	–	2,332	–	–	–	2,332
Profit for the year	–	–	–	–	–	–	–	186,000	186,000
Dividends	–	–	–	–	–	–	55,716	(83,287)	(27,571)
Exchange difference on translation of financial statements of overseas subsidiaries, associates and jointly controlled entities	–	–	–	–	–	12,957	–	–	12,957
At 31st March, 2004	<u>417,860</u>	<u>269,334</u>	<u>7,526</u>	<u>–</u>	<u>116,543</u>	<u>2,799</u>	<u>55,716</u>	<u>1,255,843</u>	<u>2,125,621</u>

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 34. Reserves (Continued)

Notes:

- (a) Retained profits of the Group include losses of approximately HK\$14,993,000 (2003: HK\$43,719,000) and HK\$21,393,000 (2003: HK\$18,925,000) sustained by associates and jointly controlled entities respectively.
- (b) Capital reserve includes HK\$84,934,000 (2003: HK\$84,975,000) in respect of goodwill and HK\$26,459,000 (2003: HK\$26,459,000) in respect of negative goodwill.

### THE COMPANY

	Share Premium HK\$'000	Contributed surplus HK\$'000 (Note a)	Capital redemption reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 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	387,677	95,413	7,526	26,185	954,190	1,470,991
Final dividend for 2003 paid	-	-	-	(26,185)	(683)	(26,868)
Issue of new shares	30,512	-	-	-	-	30,512
Share issue expenses	(329)	-	-	-	-	(329)
Profit for the year	-	-	-	-	130,709	130,709
Dividends	-	-	-	55,716	(83,287)	(27,571)
At 31st March, 2004	417,860	95,413	7,526	55,716	1,000,929	1,577,444

Notes:

- (a) 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.
- (b) At 31st March, 2004, the Company's reserves available for distribution to shareholders amounted to HK\$1,152,058,000 (2003: HK\$1,075,788,000).

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 35. Acquisition of Subsidiaries

During the year, the Group acquired an additional 64.1% interest in an associate, Chevalier Construction Holdings Limited ("CCHL") and an additional 11.82% interest in another associate, NordiTube Technologies AB ("NordiTube") at considerations of HK\$41,653,000 and HK\$5,770,000 respectively. The consideration for NordiTube was partially satisfied by conversion of loans due from NordiTube of HK\$5,462,000. Since then, CCHL and NordiTube became the Group's subsidiaries. The net assets acquired are stated below. The comparative amounts represent the Group's acquisition of additional 37% interest in another jointly controlled entity, Chevalier - PRS Asia Holdings Limited in exchange for the Group's interest in another jointly controlled entity.

	2004 HK\$'000	2003 HK\$'000
Property, plant and equipment	22,712	28,569
Intangible assets	4,919	1,241
Investments in securities	33,169	1,371
Interest in an associate	5,186	–
Interest in jointly controlled entities	8,695	–
Amount due from a jointly controlled entity	3,000	–
Inventories	10,636	3,913
Amount due from customers for contract work	136,407	4,117
Debtors, deposits and prepayments	178,571	12,665
Tax prepaid	4,747	–
Cash and bank balances	173,764	3,155
Creditors, deposits and accruals	(435,775)	(13,604)
Amounts due to customers for contract work	(31,368)	–
Deferred taxation	(37)	–
Bank loans and overdrafts	–	(25,320)
Other loan	(2,363)	–
Obligations under finances leases	–	(5,419)
Minority interests	(7,458)	(2,597)
	<b>104,805</b>	8,091
Less: Interest already held by the Group		
Interests in associates	(33,210)	(2,083)
Amount due from an associate	(9,916)	(1,800)
Net assets acquired	61,679	4,208
Goodwill on acquisition	–	17,740
Negative goodwill on acquisition	(14,256)	–
	<b>47,423</b>	21,948
Satisfied by:		
Cash	41,961	–
Capitalisation of loans to an associate	5,462	–
Interest in a jointly controlled entity	–	21,948
	<b>47,423</b>	21,948
Net cash inflow in respect of acquisition of a subsidiary		
Cash and bank balances acquired	173,764	3,155
less: cash consideration paid	(41,961)	(20)
	<b>131,803</b>	3,135

The subsidiaries acquired during the year contributed HK\$95,894,000 (2003: HK\$45,279,000) to the Group's turnover and HK\$3,649,148 to (2003: reduced HK\$16,906,000 from) the Group's profit from operations.

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 36. Business and Geographical Segments

### Business segments

For management purposes, the Group is currently organised into five 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. The Group's retailing of telecommunication equipment and the related agency service were terminated during the year.

Segment information about these businesses is presented below.

#### Turnover and Results

Year ended 31st March, 2004

	Continuing					Discontinued	Consolidated
	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property and hotel HK\$'000	IT HK\$'000	Others HK\$'000	Telecommunication service and general merchandise trading HK\$'000	
TURNOVER							
Turnover	1,636,785	308,230	384,715	546,107	399,673	1,818	3,277,328
Inter-segment sales	(918)	(25,223)	(44,805)	(4,593)	(2,024)	(824)	(78,387)
External sales	1,635,867	283,007	339,910	541,514	397,649	994	3,198,941

Inter-segment sales are charged at prices determined by management with reference to market prices.

#### RESULTS

Segment results	143,918	102,576	44,296	4,345	3,116	2,780	301,031
Unallocated corporate expenses							(3,108)
Interest income							13,581
Interest expenses							(43,032)
Profit from operations							268,472
Share of results of associates	(4,767)	-	-	(77)	(6,322)	-	(11,166)
Share of results of jointly controlled entities	60	-	(2,527)	-	-	-	(2,467)
Gain on discontinued operations	-	-	-	-	-	1,016	1,016
Profits before taxation							255,855
Taxation							(38,932)
Profit before minority interests							216,923
Minority Interests							(30,923)
Profit for the year							186,000

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 36. Business and Geographical Segments (Continued)

### Business segments (Continued)

#### Turnover and Results

Year ended 31st March, 2003

	Continuing					Discontinued	Consolidated
	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property and hotel HK\$'000	IT HK\$'000	Others HK\$'000	Telecommunication service and general merchandise trading HK\$'000	HK\$'000
<b>TURNOVER</b>							
Turnover	1,646,960	353,644	308,935	586,862	421,864	94,269	3,412,534
Inter-segment sales	(284)	(24,970)	(44,955)	(2,077)	(1,734)	(6,217)	(80,237)
External sales	<u>1,646,676</u>	<u>328,674</u>	<u>263,980</u>	<u>584,785</u>	<u>420,130</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.							
<b>RESULTS</b>							
Segment results	<u>144,535</u>	<u>47,848</u>	<u>35,676</u>	<u>1,895</u>	<u>15,829</u>	<u>(13,665)</u>	232,118
Unallocated corporate expenses							(4,332)
Interest income							10,338
Impairment loss on asset	(19,699)	-	-	-	-	-	(19,699)
Profit from operations							218,425
Interest expenses							(50,703)
Profit from operations							167,722
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 discontinued operations	-	-	-	-	-	(12,093)	(12,093)
Profits before taxation							150,320
Taxation							(68,842)
Profit before minority interests							81,478
Minority Interests							2,022
Profit for the year							<u>83,500</u>

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 36. Business and Geographical Segments (Continued)

### Business segments (Continued)

#### Balance Sheet

As at 31st March, 2004

	Continuing					Discontinued	Consolidated
	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property and hotel HK\$'000	IT HK\$'000	Others HK\$'000	Telecommunication service and general merchandise trading HK\$'000	
ASSETS							
Segment assets	1,842,558	1,156,401	2,452,874	288,699	167,876	2,519	5,910,927
Interests in associates	25,175	-	-	2,239	15,856	-	43,270
Interests in jointly controlled entities	8,835	-	12,908	-	-	-	21,743
Unallocated corporate assets							26,637
Consolidated total assets							6,002,577
LIABILITIES							
Segment liabilities	1,141,226	496,884	118,660	82,145	16,963	3,845	1,859,723
Unallocated corporate liabilities							1,346,226
Consolidated total liabilities							3,205,949

#### Balance Sheet

As at 31st March, 2003

	Continuing					Discontinued	Consolidated
	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property and hotel HK\$'000	IT HK\$'000	Others HK\$'000	Telecommunication service and general merchandise trading HK\$'000	
ASSETS							
Segment assets	1,327,151	960,844	2,494,520	314,323	161,027	12,682	5,270,547
Interests in associates	25,205	-	-	9,618	32,215	-	67,038
Interests in jointly controlled entities	80	-	15,385	-	-	-	15,465
Unallocated corporate assets							39,353
Consolidated total assets							5,392,403
LIABILITIES							
Segment liabilities	718,620	511,673	160,329	74,033	9,151	13,850	1,487,656
Unallocated corporate liabilities							1,425,953
Consolidated total liabilities							2,913,609

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 36. Business and Geographical Segments (Continued)

### Business segments (Continued)

#### Other Information

Year ended 31st March, 2004

	Continuing					Discontinued	Consolidated
	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property and hotel HK\$'000	IT HK\$'000	Others HK\$'000	Telecommunication service and general merchandise trading HK\$'000	
Capital additions	38,334	10	3,849	6,195	1,857	-	50,245
Depreciation and amortisation	20,385	165	31,329	4,803	2,435	-	59,117
(Surplus) deficit on property revaluation recognised in income statement	(233)	-	10,297	(828)	(410)	-	8,826
Loss (profit) on disposal of property, plant and equipment	329	-	4,192	-	(5)	-	4,516
Allowance for doubtful debt	13,299	(8)	609	4,214	382	-	18,496

Year ended 31st March, 2003

	Continuing					Discontinued	Consolidated
	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property and hotel HK\$'000	IT HK\$'000	Others HK\$'000	Telecommunication service and general merchandise trading HK\$'000	
Capital additions	59,892	130	7,834	6,415	4,071	180	78,522
Depreciation and amortisation	18,735	718	35,373	4,332	2,390	512	62,060
(Surplus) deficit on property revaluation recognised in income statement	(811)	-	32,723	78	-	-	31,990
Loss on disposal of property, plant and equipment	5,073	-	269	666	91	5,425	11,524
Impairment loss on property, plant and equipment	-	-	-	-	-	1,218	1,218
Allowance for doubtful debt	6,652	(170)	706	1,846	271	-	9,305

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 36. Business and Geographical Segments (Continued)

### Geographical Segments

The Group's operations in construction and engineering are located in Hong Kong, Mainland China, Singapore and Europe. Property investment and trading activities and hotel operations are mainly carried out in Hong Kong, Mainland China and Canada. Sales and servicing of IT equipment and business machines are mainly carried out in Hong Kong, Mainland China and Thailand. Motor vehicles trading and other trading are carried out in Canada and USA respectively. Insurance and investment business is conducted in Hong Kong. The discontinued operations, retailing of general merchandise and telecommunication equipment and agency services was carried out in Hong Kong. The following is an analysis of the Group's turnover by geographical market:

	2004		2003	
	HK\$'000	%	HK\$'000	%
Hong Kong	2,145,982	67	2,313,984	69
Mainland China	256,748	8	257,529	8
Singapore	180,491	5	197,418	6
Thailand	124,176	4	123,699	3
Europe	52,615	2	–	–
Canada	308,644	10	332,383	10
U.S.A.	102,602	3	96,080	3
Others	27,683	1	11,204	1
	<b>3,198,941</b>	<b>100</b>	<b>3,332,297</b>	<b>100</b>

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

	Carrying amounts of segment assets				Additions to other properties, plant and equipment and intangible assets			
	2004		2003		2004		2003	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	4,013,769	67	3,502,002	65	21,827	44	31,701	40
Mainland China	1,030,104	17	1,157,961	21	2,041	4	13,721	17
Singapore	310,436	5	299,940	6	2,109	4	22,911	29
Thailand	65,042	1	66,483	1	3,004	6	3,246	4
Europe	64,043	1	19,555	1	18,857	38	–	–
Canada	398,907	7	223,111	4	1,719	3	3,820	5
U.S.A.	82,223	1	77,052	1	135	–	131	1
Others	38,053	1	40,835	1	553	1	2,992	4
	<b>6,002,577</b>	<b>100</b>	<b>5,386,939</b>	<b>100</b>	<b>50,245</b>	<b>100</b>	<b>78,522</b>	<b>100</b>

## 37. Major Non-cash Transactions

During the year ended 31st March, 2004,

- 9,905,717 (2003:34,119,840) shares were issued in lieu of cash dividends payable to the shareholders at a total consideration of approximately HK\$34,767,000 (2003: HK\$14,938,000).
- The Group acquired an additional 11.82% interest in NordiTube satisfied partly by the conversion of loans due from NordiTube of HK\$5,462,000 as disclosed in note 35.

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 38. Emoluments of Directors and Senior Management

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

	2004 HK\$'000	2003 HK\$'000
Fees	375	426
Salaries, allowances and benefits in kind	16,495	17,998
Contributions to retirement schemes	540	558
	<b>17,410</b>	<b>18,982</b>

Apart from the Directors' fees of HK\$375,000 (2003: HK\$426,000), no other emoluments were paid or are payable to the Independent Non-executive Directors.

The emoluments of the Directors fall within the following bands:

Bands	Number of Directors	
	2004	2003
Nil – HK\$1,000,000	6	4
HK\$1,000,001 – HK\$1,500,000	1	2
HK\$1,500,001 – HK\$2,000,000	2	1
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$8,000,001 – HK\$8,500,000	1	–
HK\$8,500,001 – HK\$9,000,000	–	1
	<b>11</b>	<b>10</b>

The five highest paid individuals include four (2003: four) directors. The total emoluments paid to the five highest paid individuals for both years are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries, allowances and benefits in kind	16,331	17,231
Performance-based bonus	–	1,200
Contributions to retirement scheme	542	556
	<b>16,873</b>	<b>18,987</b>

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

Bands	Number of individuals	
	2004	2003
HK\$1,500,001 – HK\$2,000,000	3	1
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$8,000,001 – HK\$8,500,000	1	–
HK\$8,500,001 – HK\$9,000,000	–	1
	<b>5</b>	<b>5</b>

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 39. Charge on Assets

Bank loans of HK\$631,688,000 (2003: HK\$912,718,000) 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\$1,746,423,000 (2003: HK\$1,773,145,000). In addition, fixed deposits of HK\$89,386,000 (2003: HK\$85,484,000) 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 in prior years and as security for a performance bond issued by a bank in favour of a customer.

## 40. Contingent Liabilities

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

- (a) Contingent liabilities in respect of counter-indemnities given to bankers and insurance institutions by the Company amounting to approximately HK\$257,200,000 (2003: HK\$303,700,000) for the Group's performance for maintenance and remedial work for Private Sector Participation Scheme projects completed by the Group in prior years.
- (b) Contingent liabilities in respect of guarantees given for:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Banking facilities granted to:				
Subsidiaries	–	–	878,106	878,615
Associates	67,563	–	67,563	–
Mortgage finance provided to the purchasers of properties by an associate	1,821	4,322	–	–
Performance of subsidiaries under certain contracts	–	–	405,435	419,835
Leasing of the Group's equipment	–	–	1,753	3,349
	<b>69,384</b>	<b>4,322</b>	<b>1,352,857</b>	<b>1,301,799</b>

## 41. Capital Commitment

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of investment in partnership	19,667	–

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 42. 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:

	2004 HK\$'000	2003 HK\$'000
Within one year	5,906	4,993
In the second to fifth year inclusive	3,629	438
	<b>9,535</b>	<b>5,431</b>

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.

### The Group as lessor

At the balance sheet date, investment properties and completed properties for sale with a carrying value of HK\$348 million (2003: HK\$286 million) and HK\$389 million (2003: HK\$474 million) respectively were rented out under operating leases. All of the properties were leased out for periods ranging from one year to four years. The future minimum lease payments receivable by the Group under non-cancellable operating leases for each of the following periods are as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	35,845	48,869
In the second to fifth year inclusive	11,352	21,438
	<b>47,197</b>	<b>70,307</b>

## 43. Share Option Schemes

### (a) Share option scheme of the Company

The share option scheme of the Company which was adopted on 30th September, 1991 was expired on 29th September, 2001 but its term remain in full force and effect in respect of the outstanding options previously granted. At 1st April, 2002, there were options outstanding entitling the holders to subscribe for 34,150,000 shares at an exercise price of HK\$0.488 per share. These options were granted to the directors on 17th December, 1999 with vesting period from 17th December, 1999 to 29th June, 2000. As a result of the consolidation of the Company's ordinary shares as disclosed in note 33, the remaining options entitled the holders thereof to subscribe for 6,830,000 new shares of the Company at an adjusted price of HK2.44 per share. All outstanding options were exercised during the year ended 31st March, 2004.

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.

## 43. Share Option Schemes (Continued)

### (a) Share option scheme of the Company (Continued)

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 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 per option. 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.

No options were granted under the New Scheme during the two years ended 31st March, 2003 and 2004.

### (b) Share option scheme of Chevalier iTech Holdings Limited ("CiTL")

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

At 1st April, 2002, there were options outstanding entitling the holders to subscribe for 28,550,000 shares of CiTL at an exercise price of HK\$0.464 per share. These options were granted on 17th December, 1999 with vesting period from 17th December, 1999 to 29th June, 2000 and exercisable during the period from 30th June, 2000 to 29th June, 2003. During the year ended 31st March, 2004, 3 options were exercised. As a result of the consolidation of CiTL's ordinary shares as disclosed in the annual report of CiTL, the remaining options entitled the holders thereof to subscribe for 5,709,999 new shares of CiTL at an adjusted price of HK\$2.32 per share. These remaining options were lapsed on 29th June, 2003.

CiTL adopted a new share option scheme ("CiTL New Scheme") on 20th September, 2002 and its terms are similar to the Company's New Scheme. No options were granted under the CiTL New Scheme during the two years ended 31st March, 2003 and 2004.

## 44. 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. The 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.

# Notes to the Financial Statements

For the year ended 31st March, 2004

## 44. Retirement Benefits (Continued)

For members of the MPF Scheme, the Group contributes 5% of relevant monthly 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\$2,348,000 (2003: HK\$ 2,763,000). 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\$59,000 (2003: HK\$49,000). At 31st March, 2004, contributions of HK\$2,192,000 (2003: HK\$1,760,000) due in respect of the reporting period had not been paid over to the ORSO Scheme.

## 45. 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 ("CCHL group") for the period from 1st April, 2003 to 29th February, 2004, the date at which CCHL group became the subsidiary of the Group.
  - (i) On 1st April, 2003, 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, 2004 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 period amounted to HK\$894,000 (year ended 31st March, 2003: HK\$676,000).
  - (ii) The Group received rental determined with reference to market rates amounting to HK\$1,175,000 (year ended 31st March, 2003: HK\$1,896,000) from CCHL group for the use of the Group's premises.
  - (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 the CCHL group during the year ended 31st March, 2003 amounted to HK\$9,268,000 and no work was done nor supplies were made during the period. The amount receivable from CCHL Group at 31st March, 2003 amounted to HK\$5,100,000.
  - (iv) The Group underwrote insurance policies with CCHL in respect of public liability, employees compensation and contractors all risk. Insurance premium, which are determined by the directors with reference to market price, received and receivable prior to 29th February, 2004 amounted to HK\$23,948,000 (year ended 31st March, 2003: HK\$1,057,000).

## 45. Related Party Transactions (Continued)

- (b) Transactions with NordiTube for the period from 1st April, 2003 to 7th May, 2003, the date at which NordiTube became the subsidiary of the Group.
- (i) The Group made unsecured loans of HK\$14,727,000 to NordiTube in the prior year. The loans are unsecured and bear interest at EURIBOR plus 1.5% per annum. During the year, an amount of HK\$5,462,000 was converted into 14,329,821 ordinary shares of NordiTube as disclosed in note 35. Interest income received during the period amounted to HK\$104,000 (year ended 31st March, 2003: HK\$501,000).
  - (ii) The Group also purchased materials and equipment of HK\$2,434,000 (2003: HK\$11,023,000) from NordiTube at agreed terms.
- (c) 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 fee for the use of the technology during the year amounted to HK\$2,083,000 (2003: HK\$1,388,000) of which HK\$585,000 (2003: Nil) was outstanding at the balance sheet date.
  - (ii) The Group purchased materials and equipment of HK\$24,066,000 (2003: HK\$7,942,000) at agreed terms from an associate. The amount payable at the balance sheet date amounted to HK\$1,498,000 (2003: HK\$7,133,000).
  - (iii) The Group sold materials and equipment of HK\$14,029,000 (2003: HK\$4,128,000) at agreed terms to an associate. The amount receivable at the balance sheet date amounted to HK\$1,591,000 (2003: HK\$4,128,000).
  - (iv) CCHL group entered into a contract with reference to market rate for civil engineering work and building works with Lam Woo & Company Limited, a jointly controlled entity of CCHL prior to CCHL became the Company's subsidiary. Work done during the year amounted to HK\$2,289,000 of which HK\$517,000 was receivable by the Group at the balance sheet date.
  - (v) The Group made unsecured loans of HK\$14,156,000 (2003: nil) as disclosed in note 21(d) to an associate during the year. Interest income accrued on the loan amounted to HK\$649,000 (2003: nil).
  - (vi) Apart from (v) 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, 2004 are disclosed in the consolidated balance sheet and notes 21 and 22.
- (d) During the year, pursuant to an offer to the public for the remaining shares of CCHL not already held by the Group, the Group acquired from certain directors all their interests in CCHL, through acceptance of the offer, at a consideration of HK\$15,747,000. The Group had similar acquisition in last year, from a director, all his interest in Chevalier Singapore Holdings Limited, at a consideration of S\$1,968,750 equivalent to HK\$8,702,000.