

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 1. GENERAL

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 42, 16 and 17 respectively.

Share of turnover of jointly controlled entities is disclosed in the consolidated income statement so as to provide additional information in respect of the financial position and financial performance of the Group. The information provided are solely for internal purpose.

The financial statements for the current year cover the twelve-month period ended 31st December, 2003. The corresponding amounts shown for the consolidated income statement, consolidated cash flow statement and related notes cover the nine-month period from 1st April, 2002 to 31st December, 2002 and therefore may not be comparable with amounts shown for the current year.

## 2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants ("HKSA").

The principal effect of the adoption of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which 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 amount of assets and liabilities in the financial statements and the corresponding tax basis 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.

Opening retained profits at 1st April, 2002 have been increased by HK\$8,000,000, which is the cumulative effect of the change in policy on the results for the years prior to 31st March, 2002. This adjustment relates to the recognition of the deferred tax assets in respect of the unrealised gains on construction contract recognised by a former wholly owned subsidiary of the Company which was deconsolidated during the year ended 31st March, 2002. Details of these unrealised gains are set out in note 19 to the financial statements for the year ended 31st March, 2002.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for valuation of certain investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date each year/period.

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

The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the purchase consideration over the fair value of the Group's share of the identifiable assets and liabilities of subsidiaries, associates or jointly controlled entities at the date of acquisition. Goodwill is recognised as an asset in the consolidated balance sheet and amortised on a straight-line basis over its estimated useful life.

Goodwill arising on the acquisition of associates or jointly controlled entities is included within the carrying amount of the associates or jointly controlled entities. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

#### **Negative goodwill**

Negative goodwill represents the excess of the fair value of the Group's share of the identifiable assets and liabilities of subsidiaries, associates or jointly controlled entities at the date of acquisition over the cost of acquisition. Negative goodwill is presented as a deduction from assets in the consolidated balance sheet. Negative goodwill will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of associates or jointly controlled entities is deducted from the carrying amount of those associates or jointly controlled entities. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet as a deduction from assets.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year/period.

### Revenue recognition

Sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work performed during the year/period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

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

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

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant leases.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Property, plant and equipment (Cont'd)

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

|                                   |  |
|-----------------------------------|--|
| Leasehold land                    | Over the terms of the relevant leases  |
| Buildings                         | 4% or over the terms of the relevant leases,<br>whichever is shorter                 |
| Leasehold improvements            | 33 $\frac{1}{3}$ % or over the terms of the relevant leases,<br>whichever is shorter |
| Plant and machinery               | 10% - 25%  |
| Furniture, fixtures and equipment | 25%  |
| Motor vehicles                    | 25%  |
| Vessels                           | 10% - 15%  |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year/period. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill and less negative goodwill on acquisition in so far as it has not already been written off or amortised or released to income, and less any identified impairment loss.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Joint ventures

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

#### *Jointly controlled operations*

Where a group company undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the balance sheet of the relevant group company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations together with the expenses that it incurs are included in the income statement when it is probable that the economic benefits associated with the transactions will flow to or 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 share of post-acquisition results of jointly controlled entities is included in the consolidated income statement. The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of net assets of the jointly controlled entities plus goodwill and less negative goodwill on acquisition in so far as it has not already been written off or amortised or released to income, and less any identified impairment loss.

### Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as the contract revenue recognised.

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

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

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as "Amount due from customers for contract work" or "Amount due to customers for contract work", as appropriate. Amounts billed, but not yet paid by the customers, for work performed on contracts are included in the balance sheet under "Debtors, deposits and prepayments".

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 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 securities) are measured at amortised cost, less any identified impairment loss recognised to reflect irrecoverable amounts. 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 less any identified impairment loss.

Other investments are measured at fair value, with unrealised gains and losses included in the profit for the year/period.

#### Leased assets

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

### Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet 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 operations which are denominated in currencies other than Hong Kong dollars, are translated at exchange rates prevailing on the balance sheet date. Income and expense items, which are denominated in currencies other than Hong Kong dollars, are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. 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 excludes items that are never taxable or deductible.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Taxation (Cont'd)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount 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 tax 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 profit 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.

#### Retirement benefit schemes contributions

The contributions payable to the Group's Mandatory Provident Fund Schemes ("MPF Schemes") are charged as expenses.

#### 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.

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.



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 4. TURNOVER

|                    | 1.1.2003<br>to<br>31.12.2003<br>HK\$'000 | 1.4.2002<br>to<br>31.12.2002<br>HK\$'000 |
|--------------------|--|--|
| Revenue from:      |  |  |
| Civil construction | 640,755                                  | 528,584                                  |
| Quarrying          | 124,990                                  | 113,994                                  |
| Others             | 2,161                                    | 3,075                                    |
|                    | <u>767,906</u>                           | <u>645,653</u>                           |

## 5. SEGMENTAL INFORMATION

The Group's turnover and profit for the year ended 31st December, 2003 and the period from 1st April, 2002 to 31st December, 2002 by business and geographical segments are as follows:

### (a) Business segments

For management purposes, the Group classifies its businesses into four operating divisions - civil construction, building construction, quarrying, and highway and expressway operations which is operated through an associate of the Group. Those other than the four operating divisions are classified under other operations. These divisions are the basis on which the Group reports its primary segment information.

Principal activities of the four operating divisions are as follows:

Civil construction

- construction of civil engineering projects

Building construction

- construction of building projects

Quarrying

- production and sale of quarry products

Highway and expressway operations

- investment in, development, operation and management of highways and expressways

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 5. SEGMENTAL INFORMATION (Cont'd)

### (a) Business segments (Cont'd)

|  | Civil<br>construction<br>HK\$'000 | Building<br>construction<br>HK\$'000 | Quarrying<br>HK\$'000 | Highway and<br>expressway<br>operations<br>HK\$'000 | Other<br>operations<br>HK\$'000 | Elimination<br>on inter-<br>segment sales<br>HK\$'000 | Total<br>HK\$'000 |
|--|-----------------------------------|--------------------------------------|-----------------------|---|---------------------------------|---|-------------------|
| <b>Year ended 31st December, 2003</b>  |                                   |                                      |                       |   |                                 |   |                   |
| <b>Results</b>   |                                   |                                      |                       |   |                                 |   |                   |
| Group turnover   | 640,755                           | —                                    | 124,990               | —   | 2,161                           | —   | 767,906           |
| Add: Inter-segment sales   | —                                 | —                                    | 3,000                 | —   | 1,422                           | (4,422)   | —                 |
| Segment turnover   | 640,755                           | —                                    | 127,990               | —   | 3,583                           | (4,422)   | 767,906           |
| Share of turnover of jointly<br>controlled entities  | 566,500                           | —                                    | —                     | —   | —                               | —   | 566,500           |
| Group turnover and share of<br>turnover of jointly<br>controlled entities                                  | 1,207,255                         | —                                    | 127,990               | —   | 3,583                           | (4,422)   | 1,334,406         |
| The inter-segment sales were charged at cost plus a percentage of profit mark up.                          |                                   |                                      |                       |   |                                 |   |                   |
| Segment results  | (38,314)                          | —                                    | 9,123                 | —   | (1,811)                         | —   | (31,002)          |
| Share of profits less losses of<br>jointly controlled entities   | 101,102                           | —                                    | —                     | —   | (11,510)*                       | —   | 89,592            |
| Segment results and share of<br>profits less losses of jointly<br>controlled entities                      | 62,788                            | —                                    | 9,123                 | —   | (13,321)                        | —   | 58,590            |
| Unallocated corporate expenses   | —                                 | —                                    | —                     | —   | —                               | —   | (16,335)          |
| Profit from operations   | —                                 | —                                    | —                     | —   | —                               | —   | 42,255            |
| Finance costs  | —                                 | —                                    | —                     | —   | —                               | —   | (15,689)          |
| Share of profits less losses of<br>associates less goodwill amortised                                      | 546                               | —                                    | —                     | 158,815   | 2,630*                          | —   | 161,991           |
| Loss on deemed disposal of<br>partial interest in an associate   | —                                 | —                                    | —                     | (27,022)  | —                               | —   | (27,022)          |
| Negative goodwill arising from<br>acquisition of additional interest<br>in an associate released to income | —                                 | —                                    | —                     | 3,758   | —                               | —   | 3,758             |
| Profit before taxation   | —                                 | —                                    | —                     | —   | —                               | —   | 165,293           |
| Taxation   | —                                 | —                                    | —                     | —   | —                               | —   | (32,725)          |
| Profit before minority interests   | —                                 | —                                    | —                     | —   | —                               | —   | 132,568           |
| Minority interests   | —                                 | —                                    | —                     | —   | —                               | —   | (8,685)           |
| Profit for the year  | —                                 | —                                    | —                     | —   | —                               | —   | 123,883           |
| <b>At 31st December, 2003</b>  |                                   |                                      |                       |   |                                 |   |                   |
| <b>Assets</b>  |                                   |                                      |                       |   |                                 |   |                   |
| Segment assets   | 350,867                           | 12,784                               | 137,937               | —   | 44,159                          | —   | 545,747           |
| Interests in associates  | 3,631                             | —                                    | —                     | 2,055,270   | 10,643                          | —   | 2,069,544         |
| Interests in joint ventures  | 45,736                            | —                                    | —                     | —   | (33,999)                        | —   | 11,737            |
| Unallocated corporate assets   | —                                 | —                                    | —                     | —   | —                               | —   | 12,424            |
| Total consolidated assets  | —                                 | —                                    | —                     | —   | —                               | —   | 2,639,452         |
| <b>Liabilities</b>   |                                   |                                      |                       |   |                                 |   |                   |
| Segment liabilities  | 328,375                           | —                                    | 37,826                | —   | 16,896                          | —   | 383,097           |
| Unallocated corporate liabilities  | —                                 | —                                    | —                     | —   | —                               | —   | 188,654           |
| Total consolidated liabilities   | —                                 | —                                    | —                     | —   | —                               | —   | 571,751           |
| <b>Other information</b>   |                                   |                                      |                       |   |                                 |   |                   |
| Capital additions  | 355                               | —                                    | 6,615                 | —   | 9,286                           | —   | 16,256            |
| Depreciation   | 3,331                             | —                                    | 2,498                 | —   | 1,738                           | —   | 7,567             |

\* These results were related to the Group's interests in the property development projects with Government.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 5. SEGMENTAL INFORMATION (Cont'd)

### (a) Business segments (Cont'd)

|   | Civil<br>construction<br>HK\$'000 | Building<br>construction<br>HK\$'000 | Quarrying<br>HK\$'000 | Highway and<br>expressway<br>operations<br>HK\$'000 | Other<br>operations<br>HK\$'000 | Elimination<br>on inter-<br>segment sales<br>HK\$'000 | Total<br>HK\$'000 |
|---|-----------------------------------|--------------------------------------|-----------------------|---|---------------------------------|---|-------------------|
| Period from 1st April, 2002<br>to 31st December, 2002                                 |                                   |                                      |                       |   |                                 |   |                   |
| <b>Results</b>  |                                   |                                      |                       |   |                                 |   |                   |
| Group turnover  | 528,584                           | —                                    | 113,994               | —   | 3,075                           | —   | 645,653           |
| Add: Inter-segment sales  | —                                 | —                                    | 8,343                 | —   | —                               | (8,343)   | —                 |
| Segment turnover  | 528,584                           | —                                    | 122,337               | —   | 3,075                           | (8,343)   | 645,653           |
| Share of turnover of jointly<br>controlled entities                                   | 518,775                           | —                                    | —                     | —   | —                               | —   | 518,775           |
| Group turnover and share of<br>turnover of jointly controlled entities                | <u>1,047,359</u>                  | <u>—</u>                             | <u>122,337</u>        | <u>—</u>  | <u>3,075</u>                    | <u>(8,343)</u>  | <u>1,164,428</u>  |
| The inter-segment sales were charged at cost plus a percentage of profit mark up.     |                                   |                                      |                       |   |                                 |   |                   |
| Segment results   | (25,910)                          | 7,463                                | 21,729                | —   | (3,423)                         | —   | (141)             |
| Share of profits less losses of<br>jointly controlled entities                        | 33,167                            | —                                    | —                     | —   | (25,888)*                       | —   | 7,279             |
| Segment results and share of<br>profits less losses of jointly<br>controlled entities | <u>7,257</u>                      | <u>7,463</u>                         | <u>21,729</u>         | <u>—</u>  | <u>(29,311)</u>                 | <u>—</u>  | <u>7,138</u>      |
| Unallocated corporate expenses  |                                   |                                      |                       |   |                                 |   | (8,251)           |
| Loss from operations  |                                   |                                      |                       |   |                                 |   | (1,113)           |
| Finance costs   |                                   |                                      |                       |   |                                 |   | (16,446)          |
| Share of profits less losses of<br>associates   | 1,266                             | —                                    | —                     | 112,780   | (1,737)*                        | —   | 112,309           |
| Profit before taxation  |                                   |                                      |                       |   |                                 |   | 94,750            |
| Taxation  |                                   |                                      |                       |   |                                 |   | (5,329)           |
| Profit before minority interests  |                                   |                                      |                       |   |                                 |   | 89,421            |
| Minority interests  |                                   |                                      |                       |   |                                 |   | (2,593)           |
| Profit for the period   |                                   |                                      |                       |   |                                 |   | <u>86,828</u>     |
| <b>At 31st December, 2002</b>   |                                   |                                      |                       |   |                                 |   |                   |
| <b>Assets</b>   |                                   |                                      |                       |   |                                 |   |                   |
| Segment assets  | 362,507                           | 20,097                               | 123,672               | —   | 57,843                          | —   | 564,119           |
| Interests in associates   | 23,025                            | —                                    | —                     | 1,979,408   | 8,005                           | —   | 2,010,438         |
| Interests in joint ventures   | 50,936                            | —                                    | —                     | —   | (25,622)                        | —   | 25,314            |
| Unallocated corporate assets  |                                   |                                      |                       |   |                                 |   | 34,736            |
| Total consolidated assets   |                                   |                                      |                       |   |                                 |   | <u>2,634,607</u>  |
| <b>Liabilities</b>  |                                   |                                      |                       |   |                                 |   |                   |
| Segment liabilities   | 328,092                           | —                                    | 35,340                | —   | 40,244                          | —   | 403,676           |
| Unallocated corporate liabilities   |                                   |                                      |                       |   |                                 |   | 261,311           |
| Total consolidated liabilities  |                                   |                                      |                       |   |                                 |   | <u>664,987</u>    |
| <b>Other information</b>  |                                   |                                      |                       |   |                                 |   |                   |
| Capital additions   | 2,931                             | —                                    | —                     | —   | 5,038                           | —   | 7,969             |
| Depreciation  | 5,216                             | —                                    | 1,365                 | —   | 1,032                           | —   | 7,613             |

\* These losses were related to the Group's interests in the property development projects with Government.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 5. SEGMENTAL INFORMATION (Cont'd)

### (b) Geographical segments

|  | Hong Kong<br>HK\$'000 | Other regions<br>in the People's<br>Republic of China<br>(the "PRC")<br>HK\$'000 | Taiwan<br>HK\$'000 | Total<br>HK\$'000 |
|--|-----------------------|--|--------------------|-------------------|
| <b>Year ended 31st December, 2003</b>  |                       |  |                    |                   |
| <b>Results</b>   |                       |  |                    |                   |
| Segment turnover   | 626,593               | 71,238   | 70,075             | 767,906           |
| Share of turnover of jointly<br>controlled entities  | 548,393               | 105  | 18,002             | 566,500           |
| Segment turnover and share<br>of turnover of jointly<br>controlled entities                                    | <u>1,174,986</u>      | <u>71,343</u>  | <u>88,077</u>      | <u>1,334,406</u>  |
| Segment results  | (5,480)               | (2,181)  | (23,341)           | (31,002)          |
| Share of profits less losses of<br>jointly controlled entities   | 86,198                | (624)  | 4,018              | 89,592            |
| Segment results and share of<br>profits less losses of jointly<br>controlled entities                          | <u>80,718</u>         | <u>(2,805)</u>   | <u>(19,323)</u>    | 58,590            |
| Unallocated corporate expenses   |                       |  |                    | <u>(16,335)</u>   |
| Profit from operations   |                       |  |                    | 42,255            |
| Finance costs  |                       |  |                    | (15,689)          |
| Share of profits less losses of<br>associates less goodwill amortised  | 3,472                 | 158,815  | (296)              | 161,991           |
| Loss on deemed disposal of<br>partial interest in an associate   | —                     | (27,022)   | —                  | (27,022)          |
| Negative goodwill arising from<br>acquisition of additional<br>interest in an associated<br>released to income | —                     | 3,758  | —                  | 3,758             |
| Profit before taxation   |                       |  |                    | 165,293           |
| Taxation   |                       |  |                    | (32,725)          |
| Profit before minority interests   |                       |  |                    | 132,568           |
| Minority interests   |                       |  |                    | (8,685)           |
| Profit for the year  |                       |  |                    | <u>123,883</u>    |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 5. SEGMENTAL INFORMATION (Cont'd)

### (b) Geographical segments (Cont'd)

|   | Hong Kong<br>HK\$'000 | Other<br>regions<br>in the PRC<br>HK\$'000 | Taiwan<br>HK\$'000 | Total<br>HK\$'000 |
|---|-----------------------|--|--------------------|-------------------|
| Period from 1st April, 2002 to<br>31st December, 2002                                 |                       |  |                    |                   |
| <b>Results</b>  |                       |  |                    |                   |
| Segment turnover  | 526,392               | 56,382                                     | 62,879             | 645,653           |
| Share of turnover of jointly<br>controlled entities                                   | 495,967               | 22,808                                     | —                  | 518,775           |
| Segment turnover and share<br>of turnover of jointly<br>controlled entities           | <u>1,022,359</u>      | <u>79,190</u>                              | <u>62,879</u>      | <u>1,164,428</u>  |
| Segment results   | 11,966                | 1,596                                      | (13,703)           | (141)             |
| Share of profits less losses of<br>jointly controlled entities                        | 3,399                 | 3,880                                      | —                  | 7,279             |
| Segment results and share of<br>profits less losses of jointly<br>controlled entities | <u>15,365</u>         | <u>5,476</u>                               | <u>(13,703)</u>    | 7,138             |
| Unallocated corporate expenses  |                       |  |                    | <u>(8,251)</u>    |
| Loss from operations  |                       |  |                    | (1,113)           |
| Finance costs   |                       |  |                    | (16,446)          |
| Share of profits less losses of<br>associates   | (471)                 | 112,780                                    | —                  | <u>112,309</u>    |
| Profit before taxation  |                       |  |                    | 94,750            |
| Taxation  |                       |  |                    | <u>(5,329)</u>    |
| Profit before minority interests  |                       |  |                    | 89,421            |
| Minority interests  |                       |  |                    | <u>(2,593)</u>    |
| Profit for the period   |                       |  |                    | <u>86,828</u>     |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 5. SEGMENTAL INFORMATION (Cont'd)

### (b) Geographical segments (Cont'd)

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

|                              | Carrying amount<br>of total assets |                         | Additions to property,<br>plant and equipment |  |
|------------------------------|------------------------------------|-------------------------|---|--|
|                              | 2003<br>HK\$'000                   | 2002<br>HK\$'000        | 1.1.2003<br>to<br>31.12.2003<br>HK\$'000      | 1.4.2002<br>to<br>31.12.2002<br>HK\$'000 |
| Segment assets located in:   |                                    |                         |   |  |
| Hong Kong                    | 226,288                            | 334,512                 | 430   | 4,168                                    |
| Other regions in the PRC     | 183,234                            | 124,357                 | 15,826  | 3,798                                    |
| Taiwan                       | 136,225                            | 105,250                 | —   | 3  |
| Total segment assets         | <u>545,747</u>                     | <u>564,119</u>          | <u>16,256</u>                                 | <u>7,969</u>                             |
| Interests in associates      | 2,069,544                          | 2,010,438               |   |  |
| Interests in joint ventures  | 11,737                             | 25,314                  |   |  |
| Unallocated corporate assets | <u>12,424</u>                      | <u>34,736</u>           |   |  |
| Total consolidated assets    | <u><u>2,639,452</u></u>            | <u><u>2,634,607</u></u> |   |  |

## 6. OTHER OPERATING INCOME

|  | 1.1.2003<br>to<br>31.12.2003<br>HK\$'000 | 1.4.2002<br>to<br>31.12.2002<br>HK\$'000 |
|--|--|--|
| Other operating income includes the following:               |  |  |
| Unrealised gain on revaluation of other unlisted investments | 7,837                                    | 10,056                                   |
| Interest on bank deposits                                    | 337                                      | 666                                      |
| Interest on investments in securities                        | 190                                      | —  |
| Interest on other receivables                                | 289                                      | —  |
| Gain on disposal of property, plant and equipment            | 1,336                                    | 2,336                                    |
| Gain on disposal of investments in securities                | 3,267                                    | —  |
| Rental income from investment property                       | 144                                      | 111                                      |
| Rental income from sublease of rented premises               | —  | 1,712                                    |
|  | <u>14,090</u>                            | <u>15,681</u>                            |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 7. PROFIT (LOSS) FROM OPERATIONS

|   | 1.1.2003<br>to<br>31.12.2003<br>HK\$'000 | 1.4.2002<br>to<br>31.12.2002<br>HK\$'000 |
|---|--|--|
| Profit (loss) from operations has been arrived at after charging:   |  |  |
| Auditors' remuneration  |  |  |
| Provision for the current year/period   | 1,203                                    | 1,996                                    |
| Underprovision in prior years   | 280                                      | 551                                      |
|   | <u>1,483</u>                             | <u>2,547</u>                             |
| Depreciation:   |  |  |
| Owned assets  | 11,405                                   | 9,512                                    |
| Assets held under finance leases  | 278                                      | 199                                      |
|   | <u>11,683</u>                            | <u>9,711</u>                             |
| Less: Amount attributable to construction contracts   | <u>4,116</u>                             | <u>2,098</u>                             |
|   | <u>7,567</u>                             | <u>7,613</u>                             |
| Impairment loss on property, plant and equipment  | 5,010                                    | —  |
| Hire charges for plant and machinery  | 13,705                                   | 35,033                                   |
| Less: Amount attributable to construction contracts   | <u>13,705</u>                            | <u>35,033</u>                            |
|   | <u>—</u>                                 | <u>—</u>                                 |
| Loss on deemed disposal of partial interest in an associate   | 27,022                                   | —  |
| Staff costs:  |  |  |
| Directors' remuneration (note 9)  | 11,841                                   | 4,202                                    |
| Other staff costs   | 168,036                                  | 147,337                                  |
| Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK\$658,000 (period from 1st April, 2002 to 31st December, 2002: HK\$694,000) | 7,877                                    | 6,626                                    |
|   | <u>187,754</u>                           | <u>158,165</u>                           |
| Less: Amount attributable to construction contracts   | <u>109,985</u>                           | <u>87,530</u>                            |
|   | <u>77,769</u>                            | <u>70,635</u>                            |
| Operating lease rentals in respect of land and buildings  | 3,397                                    | 9,943                                    |
| Less: Amount attributable to construction contracts   | <u>60</u>                                | <u>72</u>                                |
|   | <u>3,337</u>                             | <u>9,871</u>                             |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 8. FINANCE COSTS

|  | 1.1.2003<br>to<br>31.12.2003<br>HK\$'000 | 1.4.2002<br>to<br>31.12.2002<br>HK\$'000 |
|--|--|--|
| Interest on:   |  |  |
| Bank and other borrowings wholly repayable within five years | 15,625                                   | 15,960                                   |
| Redeemable bond  | —  | 424                                      |
| Finance lease and sale and leaseback arrangement             | 64                                       | 62                                       |
|  | <u>15,689</u>                            | <u>16,446</u>                            |

## 9. DIRECTORS' REMUNERATION

|  | 1.1.2003<br>to<br>31.12.2003<br>HK\$'000 | 1.4.2002<br>to<br>31.12.2002<br>HK\$'000 |
|--|--|--|
| Directors' fees:                         |  |  |
| Executive                                | —  | —  |
| Non-executive                            | 290                                      | 290                                      |
| Independent non-executive                | 290                                      | 290                                      |
|  | <u>580</u>                               | <u>580</u>                               |
| Other emoluments - executive directors:  |  |  |
| Salary and other benefits                | 3,551                                    | 2,925                                    |
| Performance related incentive payments   | 7,052                                    | 250                                      |
| Retirement benefits scheme contributions | 658                                      | 447                                      |
|  | <u>11,261</u>                            | <u>3,622</u>                             |
|  | <u>11,841</u>                            | <u>4,202</u>                             |



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 9. DIRECTORS' REMUNERATION (Cont'd)

Remuneration of the directors were within the following bands:

|                                | Number of directors          |                              |
|--------------------------------|------------------------------|------------------------------|
|                                | 1.1.2003<br>to<br>31.12.2003 | 1.4.2002<br>to<br>31.12.2002 |
| Up to HK\$1,000,000            | 5                            | 6                            |
| HK\$1,000,001 to HK\$1,500,000 | —                            | 1                            |
| HK\$1,500,001 to HK\$2,000,000 | 1                            | 1                            |
| HK\$3,500,001 to HK\$4,000,000 | 1                            | —                            |
| HK\$5,000,001 to HK\$5,500,000 | 1                            | —                            |
|                                | 1                            | —                            |

## 10. EMPLOYEES' EMOLUMENTS

Details of the emoluments of five highest paid individuals included three directors (period from 1st April, 2002 to 31st December, 2002: one director) set out above. The emoluments of the remaining two (period from 1st April, 2002 to 31st December, 2002: four) highest paid individuals are as follows:

|  | 1.1.2003   | 1.4.2002   |
|--|------------|------------|
|  | to         | to         |
|  | 31.12.2003 | 31.12.2002 |
|  | HK\$'000   | HK\$'000   |
| Salary and other benefits                | 3,385      | 4,423      |
| Performance related incentive payments   | 812        | 971        |
| Retirement benefits scheme contributions | 203        | 220        |
|  | 4,400      | 5,614      |

The emoluments were within the following bands:

|                                | Number of employees          |                              |
|--------------------------------|------------------------------|------------------------------|
|                                | 1.1.2003<br>to<br>31.12.2003 | 1.4.2002<br>to<br>31.12.2002 |
| HK\$1,000,001 to HK\$1,500,000 | —                            | 3                            |
| HK\$1,500,001 to HK\$2,000,000 | 1                            | 1                            |
| HK\$2,500,001 to HK\$3,000,000 | 1                            | —                            |
|                                | 1                            | —                            |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 11. TAXATION

|  | 1.1.2003<br>to<br>31.12.2003<br>HK\$'000 | 1.4.2002<br>to<br>31.12.2002<br>HK\$'000 |
|--|--|--|
| Provision for the year/period                          |  |  |
| Hong Kong  | 7,599                                    | 3,466                                    |
| Other jurisdictions                                    | 454                                      | 278                                      |
| Overprovision in prior years                           |  |  |
| Hong Kong  | (1,358)                                  | (12,473)                                 |
| Other jurisdictions                                    | (562)                                    | —  |
| Deferred taxation                                      |  |  |
| For the year (note 20)                                 | (1,531)                                  | —  |
| Effect on change in tax rate (note 20)                 | 131                                      | —  |
| Share of tax on results of associates                  | 19,560                                   | 11,559                                   |
| Share of tax on results of jointly controlled entities | 8,432                                    | 2,499                                    |
|  | <u>32,725</u>                            | <u>5,329</u>                             |

Hong Kong Profits Tax is calculated at 17.5 per cent (period from 1st April, 2002 to 31st December, 2002: 16 per cent) on the estimated assessable profit for the year/period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 11. TAXATION (Cont'd)

Taxation for the year/period can be reconciled to the profit per the consolidated income statement as follows:

|  | 1.1.2003<br>to<br>31.12.2003<br>HK\$'000 | 1.4.2002<br>to<br>31.12.2002<br>HK\$'000 |
|--|--|--|
| Profit before taxation   | <u>165,293</u>                           | <u>94,750</u>                            |
| Taxation at the applicable rate of 17.5%<br>(period from 1st April, 2002 to 31st December, 2002: 16%)    | 28,926                                   | 15,160                                   |
| Tax effect of expenses that are not deductible in determining<br>taxable profit                          | 17,016                                   | 9,963                                    |
| Tax effect of losses not recognised  | 9,118                                    | 6,109                                    |
| Tax effect of income that is not taxable in determining<br>taxable profit                                | (4,315)                                  | (4,961)                                  |
| Overprovision in prior year/period   | (1,920)                                  | (12,473)                                 |
| Tax effect of utilisation of tax losses not previously recognised  | (2,251)                                  | (2,789)                                  |
| Increase in opening deferred tax liabilities resulting from<br>an increase in Hong Kong Profits Tax rate | 131                                      | —  |
| Effect of different rates for the Company operating in<br>other jurisdictions                            | 157                                      | (1,056)                                  |
| Tax effect of share of results of associates   | (8,788)                                  | (6,410)                                  |
| Tax effect of share of results of jointly controlled entities  | (7,247)                                  | 1,334                                    |
| Others   | 1,898                                    | 452                                      |
| Taxation for the year/period   | <u>32,725</u>                            | <u>5,329</u>                             |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 12. DIVIDENDS

|  | 1.1.2003<br>to<br>31.12.2003<br><i>HK\$'000</i> | 1.4.2002<br>to<br>31.12.2002<br><i>HK\$'000</i> |
|--|---|---|
| Final dividend paid for the period from 1st April, 2002 to 31st December, 2002: HK2 cents<br>(year ended 31st March, 2002: HK1 cent) per share       | 15,654  | 7,754   |
| Interim dividend paid for the year ended 31st December, 2003: HK2 cents<br>(period from 1st April, 2002 to 31st December, 2002: HK2 cents) per share | <u>15,697</u>                                   | <u>15,523</u>                                   |
|  | <u><b>31,351</b></u>                            | <u><b>23,277</b></u>                            |

The final dividend of HK5 cents (period from 1st April, 2002 to 31st December, 2002: HK2 cents) per ordinary share, amounting to HK\$39,273,000 (period from 1st April, 2002 to 31st December, 2002: HK\$15,654,000) and the special dividend of HK15 cents (period from 1st April, 2002 to 31st December, 2002: Nil) per ordinary share, amounting to HK\$117,817,000 (period from 1st April, 2002 to 31st December, 2002: Nil), have been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. These final and special dividends have not been included as a liability in these financial statements.

## 13. EARNINGS PER SHARE

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

|  | 1.1.2003<br>to<br>31.12.2003<br><i>HK\$'000</i> | 1.4.2002<br>to<br>31.12.2002<br><i>HK\$'000</i> |
|--|---|---|
| Earnings for the purpose of basic and diluted earnings per share                         | <u>123,883</u>                                  | <u>86,828</u>                                   |
|  | <b>Number of shares</b>                         |   |
| Weighted average number of ordinary shares for the purpose of basic earnings per share   | 783,770,884                                     | 775,131,161                                     |
| Effect of dilutive potential ordinary shares:<br>Options                                 | <u>5,503,864</u>                                | <u>9,477,456</u>                                |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u><b>789,274,748</b></u>                       | <u><b>784,608,617</b></u>                       |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 14. PROPERTY, PLANT AND EQUIPMENT

### THE GROUP

|                                    | Land and<br>buildings<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Plant and<br>machinery<br>HK\$'000 | Furniture,<br>fixtures<br>and<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Vessels<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------|-----------------------------------|---------------------------------------|------------------------------------|--|-------------------------------|---------------------|-------------------|
| <b>COST</b>                        |                                   |                                       |                                    |  |                               |                     |                   |
| At 1st January, 2003               | 69,366                            | 12,957                                | 233,064                            | 24,894   | 12,789                        | 96,200              | 449,270           |
| Additions                          | 3,512                             | 45                                    | 11,835                             | 726  | 138                           | —                   | 16,256            |
| Transfer                           | (8,493)                           | —                                     | 8,493                              | —  | —                             | —                   | —                 |
| Disposals                          | —                                 | (550)                                 | (15,629)                           | (1,024)  | (144)                         | —                   | (17,347)          |
| At 31st December, 2003             | <u>64,385</u>                     | <u>12,452</u>                         | <u>237,763</u>                     | <u>24,596</u>  | <u>12,783</u>                 | <u>96,200</u>       | <u>448,179</u>    |
| <b>DEPRECIATION AND IMPAIRMENT</b> |                                   |                                       |                                    |  |                               |                     |                   |
| At 1st January, 2003               | 57,531                            | 10,105                                | 224,449                            | 22,499   | 10,342                        | 73,329              | 398,255           |
| Provided for the year              | 529                               | 1,198                                 | 3,757                              | 895  | 875                           | 4,429               | 11,683            |
| Transfer                           | (2,755)                           | —                                     | 2,755                              | —  | —                             | —                   | —                 |
| Impairment loss recognised         | —                                 | —                                     | 5,010                              | —  | —                             | —                   | 5,010             |
| Eliminated on disposals            | —                                 | (46)                                  | (15,629)                           | (831)  | (119)                         | —                   | (16,625)          |
| At 31st December, 2003             | <u>55,305</u>                     | <u>11,257</u>                         | <u>220,342</u>                     | <u>22,563</u>  | <u>11,098</u>                 | <u>77,758</u>       | <u>398,323</u>    |
| <b>NET BOOK VALUES</b>             |                                   |                                       |                                    |  |                               |                     |                   |
| At 31st December, 2003             | <u>9,080</u>                      | <u>1,195</u>                          | <u>17,421</u>                      | <u>2,033</u>   | <u>1,685</u>                  | <u>18,442</u>       | <u>49,856</u>     |
| At 31st December, 2002             | <u>11,835</u>                     | <u>2,852</u>                          | <u>8,615</u>                       | <u>2,395</u>   | <u>2,447</u>                  | <u>22,871</u>       | <u>51,015</u>     |

During the year, the directors of the Group reviewed the carrying amounts of the assets and determined that certain plant and machinery of a subsidiary were fully impaired based on the expected cash flows generated to the Group from the assets. Accordingly, an impairment loss of HK\$5,010,000 was recognised during the year.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The net book value of leasehold land and buildings shown above comprise:

|                                      | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--------------------------------------|------------------|------------------|
| Medium-term leases in Hong Kong      | —                | 5,136            |
| Medium-term leases outside Hong Kong | 9,080            | 6,328            |
| Short leases outside Hong Kong       | —                | 371              |
|                                      | <u>9,080</u>     | <u>11,835</u>    |

The net book value of property, plant and equipment in respect of assets held under:

|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--|------------------|------------------|
| Finance lease and sale and leaseback arrangement | <u>376</u>       | <u>552</u>       |

## 15. INTERESTS IN SUBSIDIARIES

|                               | THE COMPANY      |                  |
|-------------------------------|------------------|------------------|
|                               | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Unlisted shares, at cost      | 124,144          | 124,144          |
| Amounts due from subsidiaries | <u>996,697</u>   | <u>930,428</u>   |
|                               | <u>1,120,841</u> | <u>1,054,572</u> |

The carrying amount of the unlisted shares is based on the book value of the underlying net tangible assets of the subsidiaries as at the date on which they were acquired by the Company at the time of the group reorganisation in 1992.

Amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. The Company will not demand repayment of the amounts within twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current assets.

Details of the Company's principal subsidiaries at 31st December, 2003 are set out in note 42.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 16. INTERESTS IN ASSOCIATES

|                                       | THE GROUP        |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Share of net assets of associates     | 2,059,886        | 1,979,959        |
| Goodwill (note a)                     | 9,658            | 10,584           |
| Amount due from an associate (note b) | —                | 19,895           |
|                                       | 2,069,544        | 2,010,438        |

Details of the associates of the Group as at 31st December, 2003 are as follows:

| Name of associate                              | Form of business structure | Place of incorporation/ registration/ operation | Proportion of nominal value of issued ordinary capital held indirectly by the Company % | Principal activities   |
|--|----------------------------|---|---|--|
| Elite United Property Management Limited       | Incorporated               | Hong Kong                                       | 50  | Inactive   |
| Grand Plan Development Limited                 | Incorporated               | Taiwan  | 25  | Property development   |
| Hong Kong Landfill Restoration Group Limited   | Incorporated               | Hong Kong                                       | 23  | Civil engineering  |
| Kong On Waste Management Limited               | Incorporated               | Hong Kong                                       | 50  | Environmental and waste management   |
| Oceanblue Holdings Limited                     | Incorporated               | British Virgin Islands                          | 40  | Not yet commenced business   |
| Road King Infrastructure Limited ("Road King") | Incorporated               | Bermuda   | 43.589<br>(note c)  | Investment in and the development, operation and management of toll highways and expressways |
| Supertime Holdings Limited                     | Incorporated               | Hong Kong                                       | 50  | Property development   |
| Kier Hong Kong Limited                         | Incorporated               | England/<br>Hong Kong                           | 49.5  | Civil engineering  |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 16. INTERESTS IN ASSOCIATES (Cont'd)

Notes:

(a) Movement in the goodwill included in interests in associates is as follows:

|  | <i>HK\$'000</i> |
|--|-----------------|
| GROSS AMOUNT                                 |                 |
| At 1st January, 2003 and 31st December, 2003 | 10,584          |
| AMORTISATION                                 |                 |
| At 1st January, 2003                         | —               |
| Charge for the year                          | 926             |
| At 31st December, 2003                       | 926             |
| CARRYING AMOUNT                              |                 |
| At 31st December, 2003                       | 9,658           |
| At 31st December, 2002                       | 10,584          |

(b) The amount due from an associate was unsecured, interest free and was repaid during the year.



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 16. INTERESTS IN ASSOCIATES (Cont'd)

Notes: (Cont'd)

- (c) Road King was incorporated in Bermuda with limited liability and is also a company listed on the Stock Exchange. Extracts from the published financial information of Road King are set out below.

|  | 1.1.2003<br>to<br>31.12.2003<br>HK\$'000<br>(audited) | 1.1.2002<br>to<br>31.12.2002<br>HK\$'000<br>(audited) |
|--|---|---|
| <b>Operating results:</b>  |   |   |
| Toll revenue   | 11,799  | 38,953  |
| Minimum income undertakings  | 14,688  | 44,652  |
| Sales of goods   | 92,857  | 80,135  |
| Turnover   | <u>119,344</u>  | <u>163,740</u>  |
| Profit from ordinary activities before taxation                              | 366,303   | 348,838   |
| Profit from ordinary activities before taxation<br>attributable to the Group | <u>158,815</u>  | <u>126,223</u>  |
| <b>Financial position:</b>   |   |   |
|  | 2003<br>HK\$'000<br>(audited)                         | 2002<br>HK\$'000<br>(audited)                         |
| Non-current assets   | 4,919,656   | 4,267,454   |
| Current assets   | 907,984   | 1,458,277   |
| Current liabilities  | (97,561)  | (258,623)   |
| Non-current liabilities  | (973,684)   | (945,168)   |
| Minority interests   | (41,261)  | (81,976)  |
| Net assets   | <u>4,715,134</u>                                      | <u>4,439,964</u>                                      |
| Net assets attributable to the Group   | <u>2,055,270</u>                                      | <u>1,979,408</u>                                      |

The market value of shares held in Road King at 31st December, 2003 amounted to HK\$1,527,713,000 (2002: HK\$904,714,000).

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 17. INTERESTS IN JOINT VENTURES

|  | THE GROUP     |               | THE COMPANY |               |
|--|---------------|---------------|-------------|---------------|
|  | 2003          | 2002          | 2003        | 2002          |
|  | HK\$'000      | HK\$'000      | HK\$'000    | HK\$'000      |
| Share of net assets of jointly controlled entities | 8,322         | 25,014        | —           | —             |
| Amount due from a jointly controlled entity        | 51,488        | 48,373        | —           | 48,373        |
| Unrealised gains of interest charged (note a)      | (2,367)       | (2,367)       | —           | —             |
| Unrealised gains of construction contract (note b) | (45,706)      | (45,706)      | —           | —             |
|  | <u>11,737</u> | <u>25,314</u> | <u>—</u>    | <u>48,373</u> |

The amount due from a jointly controlled entity is unsecured and interest free (2002: including an amount of HK\$10,939,000 which bore interest at prevailing market rates). The Company will not demand repayment within twelve months from the balance sheet date and accordingly the amount is shown as a non-current asset.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 17. INTERESTS IN JOINT VENTURES (Cont'd)

At 31st December, 2003, the Group had interests in the following principal jointly controlled entities:

| Name of jointly controlled entity                         | Form of business structure | Place of incorporation/ registration/ operation | Attributable interest to the Group % | Principal activities |
|---|----------------------------|---|--------------------------------------|----------------------|
| Balfour Beatty-Zen Pacific Joint Venture                  | Unincorporated             | Hong Kong                                       | 50                                   | Civil engineering    |
| Barclay Mowlem-Zen Pacific-China Civil Joint Venture      | Unincorporated             | Hong Kong                                       | 35                                   | Civil engineering    |
| China State-Zen Pacific Joint Venture                     | Unincorporated             | Hong Kong                                       | 30                                   | Civil engineering    |
| Dragages-Zen Pacific Joint Venture                        | Unincorporated             | Hong Kong                                       | 25                                   | Civil engineering    |
| Dragages (HK) Joint Venture                               | Unincorporated             | Hong Kong                                       | 14<br>(note d)                       | Civil engineering    |
| E & M 404 Joint Venture                                   | Unincorporated             | Hong Kong                                       | 12.5<br>(note d)                     | Civil engineering    |
| First Star Development Limited ("First Star")<br>(note c) | Incorporated               | Hong Kong                                       | 50                                   | Property development |
| Kier/Zen Pacific Joint Venture                            | Unincorporated             | Hong Kong                                       | 50                                   | Civil engineering    |
| Shanxi Jin-Ya Road and Bridge Construction Limited        | Incorporated               | PRC   | 51                                   | Road construction    |
| Taiwan Track Partners Joint Venture                       | Unincorporated             | Taiwan  | 8<br>(note d)                        | Civil engineering    |

The above table lists the jointly controlled entities of the Group which, in the opinion of the Directors, principally affect the results of the year/period or constitute a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 17. INTERESTS IN JOINT VENTURES (Cont'd)

Notes:

- (a) The interest charged by the Group to First Star in prior years was capitalised in the financial statements of First Star. On consolidation, unrealised interest income of approximately HK\$2,367,000 (2002: HK\$2,367,000), computed based on the percentage of the Group's interest in First Star, was eliminated from the consolidated income statement and was credited to the Group's interests in jointly controlled entities.
- (b) First Star subcontracted the construction work of a Private Sector Participation Scheme ("PSPS") project to a former wholly-owned subsidiary of the Company which has been deconsolidated during the year ended 31st March, 2002 as set out in note 42 to the financial statements for the year ended 31st March, 2002. All the construction profit recognised by this subsidiary is capitalised in the properties under development held for sale in First Star. As the Group retained an effective equity interest of 49 per cent. in First Star as at the date of deconsolidation, 49 per cent. of the construction profit recognised by that subsidiary up to the date of deconsolidation was unrealised and had been credited to the Group's interests in jointly controlled entities.
- (c) Pursuant to agreements dated 28th April, 2001 as set out in note 27(b), the Group bought back 50 per cent. of the equity interest in First Star on 28th July, 2003.
- (d) The Group holds less than 20% interests in the entities. However, under the joint venture agreements, the entities are jointly controlled by the Group and the other significant joint venture partners. Therefore, these entities are classified as jointly controlled entities.

In addition to the jointly controlled entities listed above, the Group has a 70% interest in a jointly controlled operation to produce precast concrete segments. The jointly controlled operation ceased during the period from 1st April, 2002 to 31st December, 2002.

The aggregate amount of assets, liabilities, income and profit recognised in the financial statements in relation to interests in a jointly controlled operation is as follows:

|   | THE GROUP  |            |
|---|------------|------------|
|   | 2003       | 2002       |
|   | HK\$'000   | HK\$'000   |
| Assets                                    | —          | 2,487      |
| Liabilities                               | —          | 212        |
|   | 1.1.2003   | 1.4.2002   |
|   | to         | to         |
|   | 31.12.2003 | 31.12.2002 |
|   | HK\$'000   | HK\$'000   |
| Turnover for the year/period              | —          | —          |
| Profit after taxation for the year/period | —          | 496        |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 18. INVESTMENTS IN SECURITIES

|  | THE GROUP        |                  |
|--|------------------|------------------|
|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Unlisted equity securities                 |                  |                  |
| Investment securities, at cost (note a)    | 29,102           | 800              |
| Less: Impairment loss recognised           | 800              | 800              |
|  | <u>28,302</u>    | <u>—</u>         |
| Other investments, at fair values (note b) | 13,913           | 61,771           |
|  | <u>42,215</u>    | <u>61,771</u>    |
| Represented by:                            |                  |                  |
| Non-current assets                         | 28,302           | —                |
| Current assets                             | 13,913           | 61,771           |
|  | <u>42,215</u>    | <u>61,771</u>    |

Notes:

- (a) The amount includes an 6.25% equity investment amounting to HK\$28,302,000 in the registered shares of Shanghai Environment Investment Company Limited ("SEICL"), a company incorporated in the PRC. SEICL is an investment holding company whose investment targets are companies undertaking waste management projects in the PRC, including incinerators and landfill.
- (b) The amount presented last year included an investment of HK\$36,891,000 which represents the Group's interest in Sundart, a former subsidiary of the Company, determined in accordance with SSAP 24 "Accounting for investments in securities". Pursuant to an agreement dated 15th October, 2001, 60% equity interest in Sundart held by the Group was disposed of to an independent third party for cash consideration of HK\$34,800,000 with a put option and a call option as specified in the agreement. The consideration has been settled by instalments. In addition, the remaining 5% equity interest in Sundart held by the Group was disposed of to an existing director of Sundart for cash consideration of HK\$3,190,000 and was received during the year. Accordingly, the net assets of Sundart were deconsolidated on 15th October, 2001 when the transaction was completed and the disposal will be accounted for upon the lapse of the put option which was not to be later than 15th January, 2004.

On 26th March, 2003, the independent third party and the Group agreed to cancel the put option and call option as specified in the agreement and a gain amounting to HK\$3,267,000, including the reversal of over-provided interest cost under the put option amounting to HK\$2,168,000, was recognised in respect of the disposal of Sundart.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 19. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

|   | THE GROUP            |                      |
|---|----------------------|----------------------|
|   | 2003                 | 2002                 |
|   | HK\$'000             | HK\$'000             |
| Within one year   | 6,525                | 6,073                |
| In the second to fifth year inclusive                                 | 45,054               | 52,030               |
|   | <u>51,579</u>        | <u>58,103</u>        |
| Less: Amount receivable within one year shown<br>under current assets | <u>6,525</u>         | <u>6,073</u>         |
| Amount receivable after one year                                      | <u><u>45,054</u></u> | <u><u>52,030</u></u> |

The amount represents advances to and the cost of construction work to be recoverable from the local government in Wanshan, the PRC, which will be settled by a waiver of royalty fees arising from the sale of quarry products from one quarry in the PRC. In the opinion of the Directors, a portion of these loans receivable amounted to HK\$6,525,000 (2002: HK\$6,073,000) will be settled within the next twelve months and accordingly, the remaining balance of HK\$45,054,000 (2002: HK\$52,030,000) is shown under non-current assets.

## 20. DEFERRED TAX ASSETS/LIABILITIES

The following are the deferred tax assets (liabilities) recognised by the Group and movements thereon during the year/period:

|  | Unrealised<br>gains on<br>construction<br>contract<br>HK\$'000 | Accelerated<br>tax<br>depreciation<br>HK\$'000 | Total<br>HK\$'000   |
|--|--|--|---------------------|
| At 1st April, 2002   |  |  |                     |
| -as previously reported                                    | —  | (1,400)  | (1,400)             |
| -adjustment on adoption of SSAP 12 (Revised)               | 8,000  | —  | 8,000               |
|  | <u>8,000</u>   | <u>(1,400)</u>                                 | <u>6,600</u>        |
| -as restated and at 31st December, 2002                    | 8,000  | (1,400)  | 6,600               |
| Credit to income for the year (note 11)                    | —  | 1,531  | 1,531               |
| Effect of change in tax rate credit<br>to income (note 11) | —  | (131)  | (131)               |
|  | <u>8,000</u>   | <u>(131)</u>                                   | <u>(131)</u>        |
| At 31st December, 2003                                     | <u><u>8,000</u></u>  | <u><u>(131)</u></u>                            | <u><u>7,869</u></u> |

## Notes to the Financial Statements

For the year ended 31st December, 2003

### 20. DEFERRED TAX ASSETS/LIABILITIES (Cont'd)

|                          | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--------------------------|------------------|------------------|
| Deferred tax assets      | 8,000            | 8,000            |
| Deferred tax liabilities | —                | (1,400)          |
|                          | <u>8,000</u>     | <u>6,600</u>     |

At the balance sheet date, the Group has unutilised tax losses carried forward to offset future profits, the utilisation of which will expire in the following years:

|                              | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|------------------------------|------------------|------------------|
| Tax losses:                  |                  |                  |
| To expire in 2003            | —                | 2,988            |
| To expire in 2004            | 1,584            | 1,584            |
| To expire in 2005            | 24,172           | 27,840           |
| To expire in 2006            | 15,365           | 15,365           |
| To expire in 2007            | 18,114           | 18,114           |
| To expire in 2008            | 24,559           | —                |
| Carried forward indefinitely | 155,079          | 136,730          |
|                              | <u>238,873</u>   | <u>202,621</u>   |

No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

The Company did not have any significant deferred tax assets or liabilities for the year/period or at the balance sheet date.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 21. INVENTORIES

|                  | THE GROUP        |                  |
|------------------|------------------|------------------|
|                  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Raw materials    | 2,832            | 262              |
| Work in progress | 1,645            | —                |
| Consumables      | 8,494            | 7,705            |
| Finished goods   | 3,863            | 134              |
|                  | <u>16,834</u>    | <u>8,101</u>     |

The cost of inventories recognised as an expense during the year is HK\$49,761,000 (period from 1st April, 2002 to 31st December, 2002: HK\$81,683,000).

Included above are work in progress of HK\$32,000 (2002: Nil), consumables of HK\$509,000 (2002: HK\$456,000) and finished goods of HK\$790,000 (2002: Nil) which are carried at net realisable values. Raw materials are carried at cost.

## 22. AMOUNT DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

|   | THE GROUP        |                  |
|---|------------------|------------------|
|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Contracts in progress at balance sheet date:                              |                  |                  |
| Contract costs incurred plus recognised profits less<br>recognised losses | 3,132,499        | 3,078,597        |
| Less: Progress billings   | 3,097,624        | 3,056,948        |
|   | <u>34,875</u>    | <u>21,649</u>    |
| Represented by:   |                  |                  |
| Due from customers included in current assets                             | 53,719           | 39,807           |
| Due to customers included in current liabilities                          | (18,844)         | (18,158)         |
|   | <u>34,875</u>    | <u>21,649</u>    |



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 23. DEBTORS, DEPOSITS AND PREPAYMENTS

|   | THE GROUP        |                  |
|---|------------------|------------------|
|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Trade debtors (aged analysis):          |                  |                  |
| 0 to 60 days                            | 103,852          | 131,872          |
| 61 to 90 days                           | 658              | 4,411            |
| Over 90 days                            | 295              | 390              |
|   | <u>104,805</u>   | <u>136,673</u>   |
| Retentions receivable                   | 58,627           | 53,060           |
| Other debtors, deposits and prepayments | 37,298           | 44,393           |
|   | <u>200,730</u>   | <u>234,126</u>   |

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

## 24. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, repayable on demand and interest free, except for an amount of HK\$11,978,000 (2002: Nil) which bears interest at HIBOR.

## 25. CREDITORS AND ACCRUED CHARGES

|                                     | THE GROUP        |                  |
|-------------------------------------|------------------|------------------|
|                                     | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Trade creditors (aged analysis):    |                  |                  |
| 0 to 60 days                        | 39,696           | 43,474           |
| 61 to 90 days                       | 2,129            | 1,891            |
| Over 90 days                        | 9,785            | 7,162            |
|                                     | <u>51,610</u>    | <u>52,527</u>    |
| Retentions payable                  | 25,057           | 27,617           |
| Accrued project costs               | 63,343           | 94,573           |
| Other creditors and accrued charges | 74,901           | 94,786           |
|                                     | <u>214,911</u>   | <u>269,503</u>   |

## Notes to the Financial Statements

For the year ended 31st December, 2003

### 26. PROVISION FOR PILING INCIDENT/OTHER PAYABLE

In respect of a claim made against Zen Pacific Civil Contractors Limited ("ZPCCL"), a wholly owned subsidiary of the Group, by the Housing Authority ("HA") in relation to a piling project which was discovered to be sub-standard in late 1999, both parties agreed to settle the claims through arbitration in 2001. An interim award ("Interim Award") in the arbitration proceedings was made against ZPCCL in favour of HA. Subsequent to the Interim Award, ZPCCL, the Company and HA entered into an agreement on 24th September, 2003 (the "Agreement"), pursuant to which ZPCCL will pay HK\$80,000,000 to HA for final settlement of the Interim Award and the Company guarantees to HA the performance of ZPCCL of its obligations under the Agreement.

In the audited financial statements for year ended 31st March, 2000, the Group made a provision of HK\$60,000,000, being the directors' estimate of the cost of carrying out remedial work and legal and consultants' cost. Therefore, an additional amount of HK\$20,000,000 was recognised in the financial statements for current year and the amount of HK\$80,000,000 in aggregate is reclassified as other payable, of which HK\$10,000,000 was settled during the year pursuant to the Agreement.

### 27. AMOUNTS DUE TO RELATED COMPANIES

|  | THE GROUP     |               | THE COMPANY   |               |
|--|---------------|---------------|---------------|---------------|
|  | 2003          | 2002          | 2003          | 2002          |
|  | HK\$'000      | HK\$'000      | HK\$'000      | HK\$'000      |
| Amounts due to:  |               |               |               |               |
| A subsidiary of one of the Company's substantial shareholders (note a) | 20,980        | 20,548        | 20,980        | 20,548        |
| Other related companies (note b)                                       | —             | 72,224        | —             | 37,400        |
|  | <u>20,980</u> | <u>92,772</u> | <u>20,980</u> | <u>57,948</u> |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 27. AMOUNTS DUE TO RELATED COMPANIES (Cont'd)

Notes:

- (a) The amount is unsecured, carries interest at prime rate and is repayable on demand.
- (b) On 28th April, 2001, the Group entered into agreements, which are financing in nature, with two subsidiaries of a substantial shareholder of one of the Company's substantial shareholders. Pursuant to the agreements, the Group agreed:
- (i) to dispose of (1) its equity interests in an associate and a jointly controlled entity and (2) the amount due from the jointly controlled entity to the related companies at an aggregate consideration of HK\$55,239,000; and
- (ii) to buy back all the assets disposed of in (i) at an aggregate consideration of HK\$81,920,000 at different dates specified in the agreements.

The Group recognised the consideration received as a liability and charged the finance costs, which represent the difference between the consideration received and the consideration to be paid, to the income statement over the period from the date of receipt of the consideration to the date of the buy back so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

The Group bought back its equity interests in the associate and the jointly controlled entity on 1st December, 2003 and 28th July, 2003 respectively. The amounts due to other related companies were repaid thereon.

## 28. BANK LOANS

|  | THE GROUP      |                | THE COMPANY    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2003           | 2002           | 2003           | 2002           |
|  | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000       |
| The maturity of bank loans is as follows:                        |                |                |                |                |
| Within one year  | 78,264         | 80,000         | 50,000         | 50,000         |
| In the second year   | 40,000         | 50,000         | 40,000         | 50,000         |
| In the third to fifth year inclusive                             | 40,000         | 25,000         | 40,000         | 25,000         |
|  | <u>158,264</u> | <u>155,000</u> | <u>130,000</u> | <u>125,000</u> |
| Less: Amount due within one year shown under current liabilities | <u>78,264</u>  | <u>80,000</u>  | <u>50,000</u>  | <u>50,000</u>  |
| Amount due after one year  | <u>80,000</u>  | <u>75,000</u>  | <u>80,000</u>  | <u>75,000</u>  |
| Secured  | 155,434        | 155,000        | 130,000        | 125,000        |
| Unsecured  | 2,830          | —              | —              | —              |
|  | <u>158,264</u> | <u>155,000</u> | <u>130,000</u> | <u>125,000</u> |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. OTHER BORROWINGS

Other borrowings comprise:

|  | THE GROUP |          |
|--|-----------|----------|
|  | 2003      | 2002     |
|  | HK\$'000  | HK\$'000 |
| Obligations under finance lease and sale and leaseback arrangement | 521       | 658      |

The maturity of obligations under finance lease and sale and leaseback arrangement is as follows:

|  | Minimum lease payments |          | Present value of minimum lease payments |          |
|--|------------------------|----------|---|----------|
|  | 2003                   | 2002     | 2003                                    | 2002     |
|  | HK\$'000               | HK\$'000 | HK\$'000                                | HK\$'000 |
| THE GROUP  |                        |          |   |          |
| Within one year  | 289                    | 271      | 248                                     | 208      |
| In the second year   | 243                    | 271      | 231                                     | 234      |
| In the third to fifth year inclusive                             | 44                     | 225      | 42                                      | 216      |
|  | 576                    | 767      | 521                                     | 658      |
| Less: Future finance charges                                     | 55                     | 109      | —                                       | —        |
| Present value of lease obligations                               | 521                    | 658      | 521                                     | 658      |
| Less: Amount due within one year shown under current liabilities |                        |          | 248                                     | 208      |
| Amount due after one year  |                        |          | 273                                     | 450      |

## 30. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest free and have no fixed repayment terms. The subsidiaries have agreed not to demand repayment within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

## 31. AMOUNTS DUE TO ASSOCIATES

The amounts are unsecured, interest free and have no fixed repayment terms. The associates have agreed not to demand repayment within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 32. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest free and have no fixed repayment terms. The amounts will not be repayable within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

## 33. SHARE CAPITAL

|                                  | Number of shares |                  | Share capital    |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | 2003<br>'000     | 2002<br>'000     | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Authorised:                      |                  |                  |                  |                  |
| Ordinary shares of HK\$0.10 each | <u>1,000,000</u> | <u>1,000,000</u> | <u>100,000</u>   | <u>100,000</u>   |
| Issued and fully paid:           |                  |                  |                  |                  |
| At beginning of the year/period  | 777,124          | 775,104          | 77,712           | 77,510           |
| Shares repurchased and cancelled | —                | (2,600)          | —                | (260)            |
| Exercise of share options        | <u>8,125</u>     | <u>4,620</u>     | <u>813</u>       | <u>462</u>       |
| At end of the year/period        | <u>785,249</u>   | <u>777,124</u>   | <u>78,525</u>    | <u>77,712</u>    |

During the period from 1st April, 2002 to 31st December, 2002, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

| Month/year   | Number of<br>ordinary<br>shares of<br>HK\$0.1 each | Price per share |                | Aggregate<br>consideration<br>paid<br>HK\$ |
|--------------|--|-----------------|----------------|--|
|              |  | Highest<br>HK\$ | Lowest<br>HK\$ |  |
| April 2002   | 2,030,000  | 0.68            | 0.65           | 1,356,900                                  |
| July 2002    | 100,000  | 0.61            | 0.61           | 61,000                                     |
| October 2002 | <u>470,000</u>                                     | 0.65            | 0.64           | <u>304,600</u>                             |
|              | <u>2,600,000</u>                                   |                 |                | <u>1,722,500</u>                           |

These repurchased shares were cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was paid out of the Company's share premium account.

## 34. SHARE OPTION SCHEME

The share option scheme of the Company adopted on 7th August, 1992 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted by the Company at the annual general meeting held on 18th September, 2002 to comply with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange. As a result, the Company may no longer grant further options under the Old Share Option Scheme. However, all options granted prior to the termination of the Old Share Option Scheme shall remain in full force and effect. No options were granted under the New Share Option Scheme during the year/period.

The purpose of the New Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries. The participants include any full-time employees, executives or officers and directors (executive and non-executive directors) of the Company and/or any of its subsidiaries.

Under the Old Share Option Scheme, the directors of the Company may, at their discretion, invite employees of the Company and its subsidiaries, including the directors of the Company, to take up options to subscribe for shares of the Company at a price not less than 80% of the average of the official closing prices of the shares stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the option or the nominal value of a share, whichever is the higher. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued capital of the Company, excluding any shares issued pursuant to the scheme from time to time. An option may be exercised at any time after one year from the date on which the option is deemed to be granted and accepted and prior to expiry of four years from that date.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 34. SHARE OPTION SCHEME (Cont'd)

Under the New Share Option Scheme and any other schemes of the Company, the total number of shares which may be issued must not in aggregate exceed 10% (the "10% Limit") of the shares in issue as at the date of adoption of the New Share Option Scheme less the aggregate of exercised, cancelled and outstanding options. The 10% Limit may be refreshed with the approval of shareholders of the Company. The maximum number of shares may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by shareholders of the Company.

The option period commences on the first anniversary of the commencement date (the date upon which the options are deemed to be granted and accepted) of such options and ends on the fourth anniversary of the commencement date. The option must be held by the participant for a year before it can be exercised. Each participant must pay HK\$1 as consideration for the grant of option within 30 days from the date of offer.

The exercise price shall be determined by the directors of the Company, being not less than the higher of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer; and (b) the average of the official closing prices of the shares stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer.

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 18th September, 2002.

The following tables disclose details of the Company's share options held by the employees (including directors) under the Old Share Option Scheme and movement in such holdings during the following specified periods.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 34. SHARE OPTION SCHEME (Cont'd)

From 1st April, 2002 to 31st December, 2002:

| Date granted        | Exercisable period                            | Exercise price<br>per share<br>HK\$ | Balance<br>at<br>1.4.2002 | Number of share options         |                                   |                                 |                                   | Balance<br>at<br>31.12.2002 |
|---------------------|---|-------------------------------------|---------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|-----------------------------|
|                     |   |                                     |                           | Granted<br>during the<br>period | Exercised<br>during the<br>period | Expired<br>during the<br>period | Cancelled<br>during the<br>period |                             |
| <b>Directors:</b>   |   |                                     |                           |                                 |                                   |                                 |                                   |                             |
| 29th November, 2000 | 29th November, 2001 to<br>28th November, 2004 | 0.34                                | 13,500,000                | —                               | (1,500,000)                       | —                               | —                                 | 12,000,000                  |
| <b>Employees:</b>   |   |                                     |                           |                                 |                                   |                                 |                                   |                             |
| 9th November, 1998  | 9th November, 1999 to<br>8th November, 2002   | 0.96                                | 50,000                    | —                               | —                                 | (50,000)                        | —                                 | —                           |
| 11th November, 1999 | 1st December, 2000 to<br>30th November, 2003  | 1.28                                | 700,000                   | —                               | —                                 | —                               | (200,000)                         | 500,000                     |
| 29th November, 2000 | 29th November, 2001 to<br>28th November, 2004 | 0.34                                | 7,670,000                 | —                               | (3,120,000)                       | —                               | (400,000)                         | 4,150,000                   |
|                     |   |                                     | <u>21,920,000</u>         | <u>—</u>                        | <u>(4,620,000)</u>                | <u>(50,000)</u>                 | <u>(600,000)</u>                  | <u>16,650,000</u>           |

From 1st January, 2003 to 31st December, 2003:

| Date granted        | Exercisable period                            | Exercise price<br>per share<br>HK\$ | Balance<br>at<br>1.1.2003 | Number of share options       |                                 |                               |                                 | Balance<br>at<br>31.12.2003 |
|---------------------|---|-------------------------------------|---------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-----------------------------|
|                     |   |                                     |                           | Granted<br>during the<br>year | Exercised<br>during the<br>year | Expired<br>during the<br>year | Cancelled<br>during the<br>year |                             |
| <b>Directors:</b>   |   |                                     |                           |                               |                                 |                               |                                 |                             |
| 29th November, 2000 | 29th November, 2001 to<br>28th November, 2004 | 0.34                                | 12,000,000                | —                             | (6,000,000)                     | —                             | —                               | 6,000,000                   |
| <b>Employees:</b>   |   |                                     |                           |                               |                                 |                               |                                 |                             |
| 11th November, 1999 | 1st December, 2000 to<br>30th November, 2003  | 1.28                                | 500,000                   | —                             | —                               | (450,000)                     | (50,000)                        | —                           |
| 29th November, 2000 | 29th November, 2001 to<br>28th November, 2004 | 0.34                                | 4,150,000                 | —                             | (2,125,000)                     | —                             | (150,000)                       | 1,875,000                   |
|                     |   |                                     | <u>16,650,000</u>         | <u>—</u>                      | <u>(8,125,000)</u>              | <u>(450,000)</u>              | <u>(200,000)</u>                | <u>7,875,000</u>            |

During the year, the fair value at the date of issue of the Company's ordinary shares issued to the directors and employees who exercised the share options are HK\$5,627,000 (period from 1st April, 2002 to 31st December, 2002: HK\$3,163,000).



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 35. RESERVES

Details of the movements on the Group's share premium and reserves are set out in the consolidated statement of changes in equity on page 39.

The retained profits of the Group included HK\$719,618,000 (2002: HK\$657,564,000) profits retained by associates of the Group and HK\$59,816,000 (2002: HK\$43,124,000) losses accumulated by its jointly controlled entities.

Details of the movements in the Company's reserves are as follows:

|                           | Share<br>premium<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------|------------------------------|------------------------------------|---------------------------------|-------------------|
| At 1st April, 2002        | 728,420                      | 93,994                             | 228,838                         | 1,051,252         |
| Exercise of share options | 1,109                        | —                                  | —                               | 1,109             |
| Shares repurchased        | (1,463)                      | —                                  | —                               | (1,463)           |
| Profit for the period     | —                            | —                                  | 6,534                           | 6,534             |
| Dividends paid            | —                            | —                                  | (23,277)                        | (23,277)          |
|                           | <hr/>                        | <hr/>                              | <hr/>                           | <hr/>             |
| At 31st December, 2002    | 728,066                      | 93,994                             | 212,095                         | 1,034,155         |
| Exercise of share options | 1,950                        | —                                  | —                               | 1,950             |
| Profit for the year       | —                            | —                                  | 35,291                          | 35,291            |
| Dividends paid            | —                            | —                                  | (31,351)                        | (31,351)          |
|                           | <hr/>                        | <hr/>                              | <hr/>                           | <hr/>             |
| At 31st December, 2003    | <u>730,016</u>               | <u>93,994</u>                      | <u>216,035</u>                  | <u>1,040,045</u>  |

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 35. RESERVES (Cont'd)

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

|                     | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---------------------|------------------|------------------|
| Contributed surplus | 93,994           | 93,994           |
| Retained profits    | 216,035          | 212,095          |
|                     | <u>310,029</u>   | <u>306,089</u>   |

## 36. COMMITMENTS

### (a) Joint venture commitments

At 31st December, 2003, the Group had committed to invest approximately HK\$18,820,000 (2002: HK\$32,434,000) into several joint ventures established in the PRC. These joint ventures are principally engaged in the research and development of bio-pesticide products and the production of construction materials in the PRC.

### (b) Operating lease commitments

#### Lessor

During the year, the Group earned income of HK\$144,000 (period from 1st April, 2002 to 31st December, 2002: HK\$111,000) from the lease of the Group's properties. During the period from 1st April, 2002 to 31st December, 2002 the Group earned income of HK\$1,712,000 from subletting of rented premises. The leased properties have committed the tenants for terms ranging from two to seven years.

At 31st December, 2003, the Group has leased the Group's properties and contracted with tenants for the following future minimum lease payments:

|                                       | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| Within one year                       | 141              | 148              |
| In the second to fifth year inclusive | 260              | 399              |
| Over five years                       | —                | 10               |
|                                       | <u>401</u>       | <u>557</u>       |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 36. COMMITMENTS (Cont'd)

### (b) Operating lease commitments (Cont'd)

Lessee

At 31st December, 2003, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

|                                       | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| Within one year                       | 2,837            | 3,315            |
| In the second to fifth year inclusive | 1,080            | 3,055            |
|                                       | <u>3,917</u>     | <u>6,370</u>     |

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms ranging from one to three years and rentals are fixed at the time of entering the respective leases.

At 31st December, 2003, the Company did not have any significant commitments.

## 37. PLEDGE OF ASSETS

As at 31st December, 2003, the following assets of the Group were pledged:

- Bank deposits amounting to HK\$54,494,000 (2002: HK\$41,042,000) of the Group were pledged to secure the banking facilities granted to the Group and jointly controlled entities. Of the bank deposits pledged, an aggregate amount of HK\$17,928,000 was released after the balance sheet date.
- 46,500,000 shares of Road King with a market value of HK\$279,000,000 were pledged as security for certain indemnities in favour of a substantial shareholder of one of the Company's substantial shareholders. After the balance sheet date, 40,000,000 shares of Road King were released upon the completion of disposal of the Group's interest in First Star as set in note 40(b).

As at 31st December, 2002, 46,500,000 shares of Road King with a market value of HK\$166,237,500 were pledged as security for the due performance of the sale and repurchase of an associate and a jointly controlled entity as set out in note 27(b).

- 180,000,000 (2002: 180,000,000) shares of Road King with a market value of HK\$1,080,000,000 (2002: HK\$643,500,000) were pledged to secure the banking facilities granted to the Group and an associate. The pledge was released after the balance sheet date.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 38. CONTINGENT LIABILITIES

|   | Note | THE GROUP         |                   | THE COMPANY       |                   |
|---|------|-------------------|-------------------|-------------------|-------------------|
|   |      | 2003<br>HK\$'000  | 2002<br>HK\$'000  | 2003<br>HK\$'000  | 2002<br>HK\$'000  |
| Guarantees given to financial institutions in respect of banking and other facilities granted to  |      |                   |                   |                   |                   |
| An associate  | (a)  | 187,998           | —                 | —                 | —                 |
| Subsidiaries and an associate   | (b)  | —                 | —                 | 249,508           | 84,083            |
|   |      | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Guarantee given to a substantial shareholder of one of the Company's substantial shareholders in respect of banking facilities granted to a jointly controlled entity | (c)  | 1,050,000         | —                 | 1,050,000         | —                 |
|   |      | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Guarantees given to an associate in respect of a loan granted to a subsidiary   |      | —                 | —                 | —                 | 50,000            |
|   |      | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Guarantees/counter indemnities given in respect of outstanding tender/performance/retention bonds for construction contracts  | (d)  | 385,223           | 578,941           | 390,077           | 579,129           |
|   |      | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 38. CONTINGENT LIABILITIES (Cont'd)

Notes:

- a) Guarantees given by the Group to financial institutions in respect of banking and other facilities granted to an associate amounting to HK\$142,497,000 were released after the balance sheet date.
- b) Guarantees given by the Company to financial institutions in respect of banking and other facilities granted to subsidiaries and an associate amounting to HK\$162,497,000 were released after the balance sheet date.
- c) Subsequent to the balance sheet date, the guarantee was released upon the completion of disposal of the Group's interest in First Star as set out in note 40(b).
- d) Subsequent to the balance sheet date, guarantees/counter indemnities in respect of tender/performance/retention bonds given by the Group and the Company amounting to HK\$100,450,000 and HK\$100,450,000 respectively were released upon the completion of the contracts or the tendering processes. Up to the date of approval of these financial statements, a counter indemnity in respect of a tender bond for construction works amounting to HK\$500,000 and HK\$500,000 were given by the Group and the Company respectively.

The extent of banking and other facilities utilised by an associate, subsidiaries and a jointly controlled entity at 31st December, 2003 amounted to HK\$1,020,257,000 (2002: HK\$30,658,000).

At 31st December, 2003 and 31st December, 2002, the Company has also given guarantees to indemnify all liabilities for certain construction contracts undertaken by its subsidiaries.

At 31st December, 2003, the Company has given a guarantee amounting to HK\$80,000,000 to HA in respect of the performance of ZPCCL of its obligations under the Agreement as set out in note 26.

## 39. RETIREMENT BENEFITS SCHEME

The Group operates two MPF Schemes for all eligible employees in Hong Kong. These MPF Schemes are registered with the Mandatory Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance").

The assets of the MPF Schemes are held separately from those of the Group under the control of independent trustees approved by the MPFA.

In addition to the mandatory contributions specified under the MPF Schemes Ordinance the Group provides additional contributions for certain qualifying employees as specified in the rules of the Group's MPF Schemes. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The amount charged to the consolidated income statement represents contributions payable to the retirement benefit schemes by the Group at the rates specified in the rules of the MPF Schemes reduced by the aforesaid amount of forfeited benefits outstanding at the commencement of the financial year/period.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement scheme is to make the specified contributions.

## 40. POST BALANCE SHEET EVENTS

- a. Pursuant to an agreement dated 20th November, 2003, the Company, subject to fulfillment of certain conditions by the contracted parties, agreed to subscribe 5,987,000,000 new ordinary shares of I-China Holdings Limited ("I-China") of HK\$0.01 each and 3,000,000,000 convertible preference shares of HK\$0.01 each at a total consideration of HK\$89,870,000 comprising HK\$29,870,000 in cash and HK\$60,000,000 by way of the injection of the civil construction division of the Group into I-China.

Upon the completion of the agreement, the Company will distribute to the shareholders of the Company whose names appear on the Register of the Members of the Company on 21st April, 2004 (the "Entitled Shareholders") on a pro rata basis 14 ordinary shares in I-China for every 5 ordinary shares in the Company held by the Entitled Shareholders on 21st April, 2004. The Company's interests in the ordinary shares in I-China will be 60% after this distribution. The completion date is expected to be on 22nd April, 2004.

- b. Pursuant to an agreement dated 3rd February, 2004, Main Success Investments Limited ("Main Success"), a wholly owned subsidiary of the Company agreed to dispose of the entire issued share capital of Asian Reward Development Limited ("Asian Reward"), a wholly owned subsidiary of the Company, through which the Group holds a 50% interest in the properties held for sale in First Star as set out in note 17(c), and the loan advanced by Main Success to Asian Reward outstanding as at 26th February, 2004 amounting to HK\$185,829,000, for an aggregate consideration of HK\$596,652,000. Completion of the agreement took place on 26th February, 2004.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 41. RELATED PARTY TRANSACTIONS

|   | Notes | Associates  |             | Jointly controlled entities |             | Related companies |             |
|---|-------|-------------|-------------|-----------------------------|-------------|-------------------|-------------|
|   |       | 1.1.2003    | 1.4.2002    | 1.1.2003                    | 1.4.2002    | 1.1.2003          | 1.4.2002    |
|   |       | to          | to          | to                          | to          | to                | to          |
|   |       | 31.12.2003  | 31.12.2002  | 31.12.2003                  | 31.12.2002  | 31.12.2003        | 31.12.2002  |
|   |       | HK\$'000    | HK\$'000    | HK\$'000                    | HK\$'000    | HK\$'000          | HK\$'000    |
| Revenue from General                        |       |             |             |                             |             |                   |             |
| Consultancy Services                        | a     | —           | —           | —                           | —           | 417               | 833         |
| Revenue from MIS services                   | a     | —           | —           | —                           | —           | 64                | 122         |
| Revenue from Office Licence                 | a     | —           | —           | —                           | —           | —                 | 1,128       |
| Revenue from technical consultancy services | b     | —           | —           | —                           | —           | 411               | —           |
| Sale of property plant and equipment        | b     | —           | —           | 909                         | —           | —                 | —           |
| Value of construction work certified        | b     | 970         | —           | —                           | —           | —                 | —           |
| Consultancy fee paid                        | b     | 8,339       | —           | —                           | —           | —                 | —           |
| Sale of project scrap                       | b     | 2,396       | —           | —                           | —           | —                 | —           |
| Interest income                             | c     | 2,333       | —           | —                           | —           | —                 | —           |
|   |       | <u>2003</u> | <u>2002</u> | <u>2003</u>                 | <u>2002</u> | <u>2003</u>       | <u>2002</u> |
|   |       | HK\$'000    | HK\$'000    | HK\$'000                    | HK\$'000    | HK\$'000          | HK\$'000    |
| Amounts due from related parties            |       | 12,322      | 21,714      | 62,049                      | 60,237      | —                 | —           |
| Amounts due to related parties              |       | 33,163      | 53,118      | 38,467                      | 4,282       | 20,980            | 92,772      |

The related companies are subsidiaries of a substantial shareholder of one of the Company's substantial shareholders and a subsidiary of one of the Company's substantial shareholders.

Notes:

- As disclosed in the circular dated 5th June, 2001 issued by the Company to the shareholders, these transactions have been continuing after the disposal of Ngo Kee Construction Company Limited ("Ngo Kee") to NWS CON Limited, a subsidiary of a substantial shareholder of the Company. The revenue was charged in accordance with respective agreements entered between Ngo Kee and the Group.
- The transactions were charged at the terms determined and agreed by both parties.
- Interest income were calculated at HIBOR as quoted by a financial institution.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 42. PRINCIPAL SUBSIDIARIES

| Name of subsidiary   | Place of incorporation/<br>registration/<br>operation | Issued and<br>fully paid<br>ordinary<br>share capital/<br>registered<br>capital*  | Proportion of<br>nominal value<br>of issued ordinary<br>share capital/<br>attributable interest<br>held by the Group<br>% | Principal<br>activities  |
|--|---|---|---|--|
| Hsin Lung Construction<br>Company Limited                                | Taiwan  | NT\$175,000,000   | 100   | Civil engineering  |
| Leader Civil<br>Engineering<br>Corporation Limited                       | Hong Kong   | HK\$25,200,000<br>Ordinary shares<br>HK\$24,000,000<br>Non-voting<br>deferred shares  | 100<br>100  | Civil engineering  |
| Leader Marine<br>Contractors Limited                                     | Hong Kong   | HK\$200,000   | 100   | Marine engineering<br>and provision of<br>transportation<br>services |
| Shengsi Dayangshan<br>Quarry Co., Ltd.#                                  | PRC   | US\$5,100,000 *   | 100   | Production of<br>construction<br>materials                           |
| Wai Hing Quarries<br>(China) Limited                                     | Hong Kong   | HK\$2<br>Ordinary shares<br>HK\$1,200,000<br>Non-voting<br>deferred shares  | 100<br>100  | Production of<br>construction<br>materials                           |
| Wai Kee Quarry<br>Asia Limited   | Hong Kong   | HK\$2   | 100   | Investment<br>holding  |
| Wai Kee (Zens)<br>Construction &<br>Transportation<br>Company<br>Limited | Hong Kong   | HK\$2<br>Ordinary shares<br>HK\$14,800,000<br>Non-voting<br>deferred shares<br>HK\$5,200,000<br>Non-voting<br>deferred shares<br>(note) | 100<br>100<br>—   | Civil engineering  |



# Notes to the Financial Statements

For the year ended 31st December, 2003

## 42. PRINCIPAL SUBSIDIARIES (Cont'd)

| Name of subsidiary                           | Place of incorporation/ registration/ operation | Issued and fully paid ordinary share capital/ registered capital*                       | Proportion of nominal value of issued ordinary share capital/ attributable interest held by the Group % | Principal activities  |
|--|---|---|---|---|
| Wai Kee (Zens) Holding Limited               | British Virgin Islands                          | US\$50,000  | 100   | Investment holding  |
| Wai Luen Stone Products Limited              | Hong Kong                                       | HK\$2,200,000<br>Ordinary shares<br>HK\$800,000<br>Non-voting deferred shares<br>(note) | 100<br>—  | Production of construction materials                          |
| Zen Pacific Civil Contractors Limited        | Hong Kong                                       | HK\$1,000<br>Ordinary shares<br>HK\$39,499,800<br>Non-voting deferred shares            | 100<br>100  | Civil engineering   |
| Zhuhai Guishan Seawall Construction Company# | PRC   | HK\$21,000,000*   | 80  | Seawall construction and production of construction materials |

Note: These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of respective companies. On winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.

# The company is a co-operative joint venture registered in the PRC.

Except for Wai Kee (Zens) Holding Limited, all subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the year/period or constituted a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year/period or at any time during the year/period.