

NOTES TO FINANCIAL STATEMENTS

1. TURNOVER AND SEGMENTAL INFORMATION

The Group's turnover and contribution to profit/(loss) from operations analysed by principal activities and by geographic locations are as follows:

	Turnover HK\$'000		Contribution to profit/(loss) from operating activities HK\$'000	
	31st January 2001	30th September 1999	31st January 2001	30th September 1999
By principal activity:				
Continuing operations:				
Marine engineering	32,445	6,128	7,767	(28,171)
Discontinued operations:				
Contracting	-	3,119	-	1,081
Structural steel	-	4,259	-	(6,324)
Electrical and mechanical engineering	-	19,246	-	(10,037)
	<u>-</u>	<u>26,624</u>	<u>-</u>	<u>(15,280)</u>
	32,445	32,752	7,767	(43,451)
By geographical area of operation:				
The People's Republic of China:				
Hong Kong, S.A.R.	20,826	28,596	4,986	(32,599)
Elsewhere	-	2,123	-	(4,348)
Singapore	11,619	2,033	2,781	(6,504)
	<u>32,445</u>	<u>32,752</u>	<u>7,767</u>	<u>(43,451)</u>

2. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Six months ended 31st January 2001 HK\$'000	Six months ended 30th September 1999 HK\$'000
Depreciation		
Owned fixed assets	8,097	19,750
Leased fixed assets	48	23
Auditors' remuneration	328	548
Provision for doubtful receivables	816	-
(Profit)/loss on disposal of fixed assets	1,215	(4,642)
Interest Income	<u>(5)</u>	<u>(29)</u>

3. TAXATION

No provision has been provided for Hong Kong profits tax as the Group did not have any assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates. Over provision for taxation in previous year has been written back in this period.

4. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the period is based on the net profit from ordinary activities attributable to shareholders of approximately HK\$2,170,000 (1999: loss of 108,877,000) and the number of 504,612,390 shares (1999: 841,021,000 shares) during the period.

Diluted earnings per share for the period ended 31st January, 2001 is not presented as there is no outstanding options exercisable as at the balance sheet date and diluted loss per share for the period ended 30th September, 1999 is not shown because the share options outstanding during that period had an anti-dilutive effect on the basic loss per share for the period.

5. FIXED ASSETS

	Floating Craft	Motor Vehicles	Machinery and Workshop Equipment	Furniture, Fixture and office equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost					
As at 31st July, 2000	157,999	511	252	8	158,770
Additions	2,370	–	–	5	2,375
Disposal	(455)	–	–	–	(455)
Exchange Realignment	(1,016)	(4)	(2)	–	(1,022)
As at 31st January, 2001	<u>158,898</u>	<u>507</u>	<u>250</u>	<u>13</u>	<u>159,668</u>
Accumulated Depreciation					
As at 31st July, 2000	15,658	116	30	3	15,807
Written Back	(34)	–	–	–	(34)
Charge for the year	8,081	50	13	1	8,145
Exchange Realignment	(94)	(4)	–	–	(98)
As at 31st January, 2001	<u>23,611</u>	<u>162</u>	<u>43</u>	<u>4</u>	<u>23,820</u>
Net Book Value					
As at 31st January, 2001	<u>135,287</u>	<u>345</u>	<u>207</u>	<u>9</u>	<u>135,848</u>
As at 31st July, 2000	<u>142,341</u>	<u>395</u>	<u>222</u>	<u>5</u>	<u>142,963</u>

6. TRADE RECEIVABLES

The aged analysis of trade receivables net of provision for doubtful debts is as follows:

	31st January 2001		31st July 2000	
	Balance	Percentage	Balance	Percentage
	<i>HK\$'000</i>		<i>HK\$'000</i>	
Current	3,025	12	3,266	28
1 – 3 months	12,642	51	5,282	45
3 – 6 months	8,886	36	1,990	17
6 – 12 months	–	–	692	6
Over 1 year	244	1	496	4
	<u>24,797</u>	<u>100</u>	<u>11,726</u>	<u>100</u>

Trading terms with customers are largely on credit, where trade deposits, advances and payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended beyond 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

7. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	31st January 2001		31st July 2000	
	Balance <i>HK\$'000</i>	Percentage	Balance <i>HK\$'000</i>	Percentage
Current	95	9	4,964	60
1 – 3 months	32	3	1,179	14
3 – 6 months	218	21	672	8
6 – 12 months	438	41	1,263	15
Over 1 year	280	26	236	3
	<u>1,063</u>	<u>100</u>	<u>8,314</u>	<u>100</u>

8. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31st January 2001 <i>HK'000</i>	31st July 2000 <i>HK'000</i>
Bank Overdrafts:		
Unsecured	194	–
Secured	–	–
Bank Loans:		
Secured	90,809	92,893
Unsecured	–	–
Other Loans:		
Secured	36,386	38,485
Unsecured	3,375	1,380
Finance Leases:		
Secured	57	48
Unsecured	–	–
	<u>130,821</u>	<u>132,806</u>
Current portion of bank loans and overdrafts	74,993	52,356
Finance lease payable	57	48
Due to shareholders	3,375	–
	<u>78,425</u>	<u>52,404</u>
Portion due within one year	78,425	52,404
Long Term Portion	52,396	80,402
	<u>130,821</u>	<u>132,806</u>

9. RESERVES

Group	Capital redemption reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Scheme reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st July 2000	1,264	(1,352)	717	(1,131,695)	1,096,502	(34,564)
Exchange realignments:	-	(84)	-	-	-	(84)
Profit for the year	-	-	-	2,170	-	2,170
At 31st January 2001	<u>1,264</u>	<u>(1,436)</u>	<u>717</u>	<u>(1,129,525)</u>	<u>1,096,502</u>	<u>(32,478)</u>

10. NET CASH INFLOW FROM OPERATING ACTIVITIES

Reconciliation of profit from operating activities to net cash inflow from operating activities

	Six months ended 31st January 2001 <i>HK\$'000</i>
Profit from operating activities	7,767
Depreciation	8,145
Provision for doubtful debts	816
Loss on disposal of fixed assets	1,215
Interest income	(5)
Increase in trade receivables	(13,887)
Decrease in inventories	4
Increase in prepayments, deposits and other receivables	(2,770)
Decrease in amount due from related companies	11,229
Decrease in trade payables	(7,251)
Increase in other payables, deposits received and accruals	4,355
Increase in amount due to related companies	949
Increase in amount due to shareholders	3,375
Decrease in amount due to directors	637
Net cash inflow from operating activities	<u>14,579</u>