1. CORPORATE INFORMATION

During the year, the Group was engaged in the provision of electrical and mechanical engineering services and the leasing of construction machinery and equipment.

In the opinion of the directors, Deson Development International Holdings Limited ("Deson"), a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), is the Company's ultimate holding company.

2. BASIS OF PRESENTATION

The financial statements have been prepared on a going concern basis, notwithstanding that the Group had net current liabilities of HK$3,513,000 and a deficiency in assets of HK$3,829,000 as at 31 March 2003. In the opinion of the directors, the Group will have adequate working capital in the forthcoming year, after taking into consideration the following:

(i) Pursuant to the debt restructuring and share subscription agreement (the "DRA"), Deson, the ultimate holding company of the Company, undertook to procure that the Group be granted credit facilities of up to HK$50 million. In addition to this credit facility, to the extent that any contingent liabilities of the Company, Kenworth Engineering Limited and Kenworth Group Limited to be settled under the Schemes (as defined in note 3 to the financial statements), are not met by the available cash of the Group after completion of the DRA, Deson will procure that sufficient cash be made available to the Company to meet such contingent liabilities. Further details of the DRA are set out in note 3 to the financial statements and in the Company's circular dated 26 June 2000.

(ii) Subsequent to the balance sheet date, on 14 May 2003, the Company completed the acquisition of Billion Treasure Holdings Limited, a subsidiary of Deson, for a total consideration of HK$46,000,000. The total consideration was satisfied by way of issuing 657,142,857 shares of the Company to Deson.

The directors believe that the acquisition will strengthen the financial condition of the Group by providing a source of reliable recurring rental income and additional cash flow streams to the Group. Further details of the transaction are disclosed in note 31 to the financial statements.

The directors are satisfied that, in light of the above, the Group will have sufficient financial resources to satisfy its ongoing working capital and other financial requirements in the forthcoming year. Accordingly, the financial statements have been prepared on a going concern basis.

3. CORPORATE UPDATE

In the prior year, the Company and certain of its subsidiaries entered into the DRA with Wonderland Development Limited ("Wonderland"), the former holding company of the Company, Deson and certain of the Group's bank creditors. The DRA became unconditional on 10 August 2000. Three schemes of arrangement involving the Company and its two subsidiaries, Kenworth Engineering Limited ("Kenworth") and Kenworth Group Limited (the "Kenworth Group") were established under Section 166 of the Hong Kong Companies Ordinance (the "Schemes"), according to the terms of the restructuring proposal.

Under the Schemes, for every HK$10,000 of scheme debt, the Company, the Kenworth and the Kenworth Group, as appropriate, agreed to make a single cash payment to the scheme creditor in the amount of HK$312.50 and the Company agreed to issue to the scheme creditor 5,000 new shares of HK$0.10 each of the Company and convertible notes in the principal amount of HK$187.50. The convertible notes, would bear interest at a rate of 2% per annum, would be convertible into new shares of the Company at a conversion price of HK$0.10 per share at any time up to the third anniversary of the issue date. The settlement of any and all of the debts due to the scheme creditors under the Schemes would constitute a full discharge and satisfaction of such debts. Any creditors who may have initiated legal proceedings (including any winding-up petition) against the Group in connection with such debts were to pursue the termination of such proceedings.

The administrator of the Schemes (the "Scheme Administrator") is still in the process of assessing individual claims submitted and, where appropriate, the Scheme Administrator will, in writing, admit or reject such claims. If the proving creditors are dissatisfied with the decision of the Scheme Administrator in respect of the claims, they may refer such matter to the adjudicators who, in accordance with such procedures as the adjudicators may think fit, may reverse or vary the decision of the Scheme Administrator. Such determinations by the adjudicators are final, conclusive and binding on the Group and the proving creditors. The above process is in progress and has not been completed as at the date of approval of these financial statements.

In the opinion of the directors, adequate provision for scheme debts has been made and no additional provision is required.

4. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("HKSSAPs")

The following new and revised HKSSAPs are effective for the first time for the current year's financial statements:

- HKSSAP 1 (Revised): "Presentation of Financial Statements"
- HKSSAP 11 (Revised): "Foreign Currency Translation"
- HKSSAP 15 (Revised): "Cash Flow Statements"
- HKSSAP 34: "Employee Benefits"

These HKSSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of these HKSSAPs are summarised as follows:

HKSSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this HKSSAP is that a consolidated summary statement of changes in equity is now presented on page 26 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

HKSSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The adoption of the revised HKSSAP 11 has had no material effect on the financial statements.

HKSSAP 15 prescribes the format for the cash flow statement. The principal impact of the revision of this HKSSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes are included in the accounting policy for "Cash and cash equivalents" in note 5 and in note 27 to the financial statements.

HKSSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this HKSSAP has resulted in the recognition of an accrual for paid holiday carried forward by the Group's employees as at the balance sheet date. In addition, disclosures are now required in respect of the Company's share option scheme as detailed in note 25 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the HKSSAP.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or up to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction contracts and other long term contract work performed, on the percentage of completion basis when the outcome of contracts can be reasonably foreseen and after making due allowances for contingencies. Provision is made for any foreseeable losses as soon as losses are anticipated by management;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(d) from the rendering of services, in the accounting period in which the services are rendered.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of a fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the remaining lease terms
Furniture, fixtures and office equipment	20%
Plant, machinery and workshop equipment	20%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of assets which take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of the assets. The capitalisation rate for the period is based on the weighted average of the attributable borrowing costs of the borrowings. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Foreign currency transactions

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such annual leave earned during the year by the employees and carried forward.

Pension schemes

The Group operates defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance retirement benefits scheme (the "MPF Exempted ORSO Scheme") prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. With effect from 6 December 2002, the MPF Exempted ORSO Scheme was terminated. In respect of the Mandatory Provident Fund retirement benefits scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Prior to the adoption of the revised HKSSAP 15 during the year, as explained in note 4 to the financial statements, cash equivalents in the consolidated cash flow statement also included advances from banks repayable within three months from the date of the advance, in addition to bank overdrafts. This change in definition has resulted in a prior year adjustment relating to trust receipt loans, further details of which are included in note 27 to the financial statements.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

6. SEGMENT INFORMATION

Segment information is presented by way of the Group's business segments.

No further analysis of financial information by geographical segments is presented as over 90% of the Group's revenue, results, assets and liabilities are derived from operations carried out in Hong Kong.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the building services (single-trade) segment is engaged in the provision of electrical and mechanical services, air-conditioning and ventilation engineering services, fire services and hydraulic services on a single-trade basis under which the Group is responsible for providing one specified type of building service in a project while other types of engineering services, if any, are handled by other subcontractors;

(b) the packaged/design and build contracts segment provides a comprehensive range of building services and has substantially more scope for undertaking project co-ordination and design management to meet clients' basic concepts and requirements; and

(c) the environmental engineering services segment comprises the provision of waste water handling, water treatment and sewage treatment services.

6. SEGMENT INFORMATION (Continued)

Business segments

Group

	Building services (single-trade)		Packaged/ design and build contracts		Environmental engineering services		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**18,713**	12,750	**9,060**	3,781	**3,363**	2,586	**31,136**	19,117
Other revenue	**–**	137	**–**	7	**–**	64	**–**	208
	18,713	12,887	**9,060**	3,788	**3,363**	2,650	**31,136**	19,325
Segment results	**(4,682)**	(2,655)	**(3,731)**	(3,705)	**(1,104)**	(31)	**(9,517)**	(6,391)
Interest income and unallocated gains							**161**	332
Write-back of provision for doubtful debts	**3,086**	–	**–**	–	**–**	–	**3,086**	–
Unallocated expenses							**(2,323)**	(4,450)
Loss from operating activities							**(8,593)**	(10,509)
Finance costs							**(212)**	(365)
Loss before tax							**(8,805)**	(10,874)
Tax							**–**	–
Loss before minority interests							**(8,805)**	(10,874)
Minority interests							**45**	14
Net loss attributable to shareholders							**(8,760)**	(10,860)

6. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Group

	Building services (single-trade)		Packaged/ design and build contracts		Environmental engineering services		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**6,046**	5,575	**1,407**	639	**1,307**	235	**8,760**	6,449
Unallocated assets							**8,514**	16,010
Total assets							**17,274**	22,459
Segment liabilities	**5,872**	4,298	**1,873**	937	**275**	209	**8,020**	5,444
Unallocated liabilities							**12,400**	11,359
Total liabilities							**20,420**	16,803
Other segment information:								
Depreciation	**67**	85	**–**	–	**–**	–	**67**	85
Unallocated amounts							**96**	602
							163	687
Capital expenditure	**8**	14	**–**	–	**–**	–	**8**	14
Unallocated amounts							**134**	98
							142	112

7. TURNOVER, OTHER REVENUE AND GAINS

The Group's turnover represents an appropriate proportion of the contract revenue of construction contracts and the gross rental income from plant and machinery. An analysis of the Group's turnover, other revenue and gains is as follows:

	2003	2002
	HK$'000	*HK$'000*
Turnover		
Construction contracts	**31,136**	18,830
Rental income from plant and machinery	**–**	287
	31,136	19,117
Other revenue and gains		
Interest income	**109**	112
Service fee income	**–**	105
Other	**52**	323
	161	540

8. LOSS FROM OPERATING ACTIVITIES

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

	2003	2002
	HK$'000	*HK$'000*
Cost of construction contracts	**27,757**	17,814
Staff costs (including directors' remuneration – note 10):		
Wages and salaries	**9,519**	12,129
Pension scheme contributions	**228**	395
Less: Forfeited contributions	**(223)**	(282)
Net pension scheme contributions*	**5**	113
	9,524	12,242
Auditors' remuneration	**400**	410
Depreciation	**163**	687
Minimum lease payments under operating leases for land and buildings	**783**	1,261
Loss/(gain) on disposal of fixed assets	**(4)**	3

* *As at 31 March 2003, there were no material forfeited contributions available to offset future employer contributions to the pension scheme (2002: Nil).*

9. FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
Interest on convertible notes	**194**	198
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**18**	167
Total finance costs	**212**	365

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Executive directors:		
Fees	**–**	–
Salaries, allowances and benefits in kind	**1,603**	2,791
Pension scheme contributions	**12**	12
	1,615	2,803
Independent non-executive directors:		
Fees	**60**	80
Total directors' remuneration	**1,675**	2,883

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil to HK$1,000,000	**8**	9
HK$1,000,001 to HK$1,500,000	**–**	1
	8	10

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid employees during the year include three (2002: three) directors, details of whose remuneration are set out in (a) above. Details of the emoluments of the remaining two (2002: two) non-director, highest paid employees are as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,035**	1,171
Pension scheme contributions	**37**	123
	1,072	1,294

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2003	2002
Nil to HK$1,000,000	**2**	2

11. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the current and prior years.

12. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company is approximately HK$30,403,000 (2002: HK$7,083,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$8,760,000 (2002: HK$10,860,000) and the weighted average number of 862,268,000 (2002: 735,819,000) shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2003 and 2002 have not been disclosed, as the convertible notes and warrants outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

14. FIXED ASSETS

Group

	Leasehold improvements *HK$'000*	**Furniture, fixtures and office equipment** *HK$'000*	**Plant, machinery and workshop equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost:					
At beginning of year	854	1,887	1,644	191	4,576
Additions	16	118	8	–	142
Disposals	(288)	(71)	–	(148)	(507)
At 31 March 2003	**582**	**1,934**	**1,652**	**43**	**4,211**
Accumulated depreciation:					
At beginning of year	854	1,748	1,398	188	4,188
Provided during the year	7	89	64	3	163
Disposals	(288)	(71)	–	(148)	(507)
At 31 March 2003	**573**	**1,766**	**1,462**	**43**	**3,844**
Net book value:					
At 31 March 2003	**9**	**168**	**190**	**–**	**367**
At 31 March 2002	–	139	246	3	388

15. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**112,891**	121,888
Due from subsidiaries	**506,583**	498,081
Due to subsidiaries	**(11,167)**	(9,593)
	608,307	610,376
Less: Provision for impairment	**(619,474)**	(591,555)
	(11,167)	18,821

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries as at the balance sheet date are as follows:

Name	**Place of incorporation/ operations**	**Nominal value of issued and fully paid share capital**	**Percentage of equity attributable to the Company 2003**	**Percentage of equity attributable to the Company 2002**	**Principal activities**
Kenworth Group Limited	British Virgin Islands/ Hong Kong	US$3	100	100	Investment holding
Kenworth Engineering Limited	Hong Kong	HK$24,274,140	100 *	100 *	Provision of electrical and mechanical engineering services
Kingsly Corporation Limited	Hong Kong	HK$2,340,000	70 *	70 *	Trading of construction materials

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed 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.

* *Held indirectly through subsidiaries*

16. DUE FROM/(TO) FELLOW SUBSIDIARIES

The balances with fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

17. CONSTRUCTION CONTRACTS

	2003	2002
	HK$'000	*HK$'000*
Gross amounts due from contract customers – *note (a)*	**1,003**	1,353
Gross amounts due to contract customers – *note (b)*	**(6,480)**	(3,014)
	(5,477)	(1,661)
Contract costs incurred plus recognised profits less recognised losses to date – *note (c)*	**964,690**	2,390,498
Less: Progress billings received and receivable – *note (c)*	**(970,167)**	(2,392,159)
	(5,477)	(1,661)

Notes:

(a) At 31 March 2003, retentions held by customers for contract works included in trade receivables under current assets amounted to approximately HK$807,000 (2002: HK$905,000).

(b) At 31 March 2003, there were no advances received from customers for contract works included in trade payables under current liabilities (2002: Nil).

(c) These amounts are mainly related to construction contracts which have either been terminated or which have ceased, or had insignificant activities during the year. Since there are numerous disputes and claims between the Group and its contract employers, suppliers, subcontractors and subcontractors' employees, the directors have not been able to negotiate and agree final completion accounts for these terminated, ceased or inactive construction contracts.

18. TRADE RECEIVABLES

An aged analysis of trade receivables as at the balance sheet date is as follows:

Group

	2003			2002		
	Balance	**Provision**	**Net balance**	Balance	Provision	Net balance
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Current to 90 days	**4,631**	**–**	**4,631**	2,465	–	2,465
91 to 180 days	**904**	**(74)**	**830**	179	(1)	178
181 to 360 days	**237**	**(6)**	**231**	1,153	(119)	1,034
Over 360 days	**39,968**	**(39,933)**	**35**	44,909	(44,909)	–
	45,740	**(40,013)**	**5,727**	48,706	(45,029)	3,677
Retention money receivable	**26,768**	**(25,961)**	**807**	28,745	(27,840)	905
Total	**72,508**	**(65,974)**	**6,534**	77,451	(72,869)	4,582

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 60 days. For retention receivables in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

19. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**2,242**	9,319	**32**	102
Time deposits	**5,122**	5,500	**–**	–
	7,364	14,819	**32**	102
Less: Time deposits pledged for bank credit facilities	**(5,122)**	(5,500)	**–**	–
Cash and cash equivalents	**2,242**	9,319	**32**	102

20. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Current to 90 days	**1,149**	1,469

21. PROVISION FOR SCHEME DEBTS

The Group has made a scheme debt provision in prior years. The Company's directors have estimated and provided for the expected claims of the scheme debts on a case-by-case basis.

22. CONVERTIBLE NOTES

	Group and Company	
	2003	2002
	HK$'000	*HK$'000*
At beginning of year	**9,675**	10,251
Arising on exercise of convertible notes	**–**	(576)
At 31 March	**9,675**	9,675

22. CONVERTIBLE NOTES (Continued)

Under the Schemes, as further detailed in note 3 to the financial statements, for every HK$10,000 of scheme debt, the Company issued convertible notes in the principal amount of HK$187.50 to the scheme creditor on 30 August 2000. The notes bear interest at a rate of 2% per annum and are convertible into new shares of the Company at a conversion price of HK$0.10 per share (the "Conversion Price") at any time up to 1 September 2003, being the third anniversary of the date of the issue. The Conversion Price is subject to certain adjustments as defined in the note instrument. Unless previously repurchased and cancelled, or converted, the notes were to repurchase at their principal amount plus accrued interest on 1 September 2003.

23. DEFERRED TAX

The principal components of the Group's net deferred tax asset not recognised in the financial statements are as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Tax losses available for future relief	**87,721**	79,536

The benefit of any future tax relief, which may arise from past losses incurred by a subsidiary, has not been included as an asset in the balance sheet because the directors consider it prudent not to recognise the benefit thereof until it is assured beyond reasonable doubt.

As at 31 March 2003, the Company did not have any significant unprovided deferred tax (2002: Nil).

24. SHARE CAPITAL

Shares	**2003** **HK$'000**	2002 *HK$'000*
Authorised:		
1,800,000,000 shares of HK$0.10 each	**180,000**	180,000
Issued and fully paid:		
862,277,659 (2002: 862,251,459) ordinary shares of HK$0.10 each	**86,228**	86,225

Details of the movements in the issued share capital of the Company during the year are as follows:

	Number of shares	**Amount** *HK$'000*
At 1 April 2001	713,368,757	71,337
Issue of new shares	143,081,399	14,308
Arising on exercise of convertible notes	5,765,189	576
Arising on exercise of warrants	36,114	4
At 31 March 2002 and 1 April 2002	862,251,459	86,225
Arising on exercise of warrants	26,200	3
At 31 March 2003	862,277,659	86,228

The subscription rights attaching to 26,200 warrants were exercised at the subscription price of HK$0.10 per share, resulting in the issue of 26,200 new ordinary shares at HK$0.10 each for a total cash consideration, before expenses, of HK$2,620.

Share options

Details of the Company's share option scheme are included in note 25 to the financial statements.

At 31 March 2003, no share options were outstanding under the option scheme and none of the Company's directors or the Group's employees were granted share options during the year.

24. SHARE CAPITAL (Continued)

Warrants

The Company issued 40 million warrants to its shareholders on the basis of one warrant for every new share of HK$0.10 each then held by the existing shareholders prior to the completion of the DRA. Each warrant carried subscription rights to subscribe for one new share at a subscription price of HK$0.10 per share. The warrants were exercisable during the one-year period between 3 August 2001 and 2 August 2002.

During the year, 26,200 warrants were exercised for 26,200 new ordinary shares of HK$0.10 each at HK$0.10 per share.

All remaining unexercised warrants expired on 2 August 2002.

25. SHARE OPTION SCHEME

HKSSAP 34 was adopted during the year, as explained in note 4 and under the heading "Employee benefits" in note 5 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme (the "Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Option Scheme include full-time employees (including executive directors) of the Group. The Option Scheme became effective on 4 April 1997 and, unless otherwise amended or altered, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Option Scheme is limited to 25% of the aggregate number of shares for the time being issued and are issuable under the Option Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than three years from the date of the offer of the share options or the expiry date of the Option Scheme, if earlier.

25. SHARE OPTION SCHEME (Continued)

The exercise price of the share options is determinable by the directors at their discretion and will be the higher of a price being not less than 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the offer date, and the nominal value of the shares of the Company.

On 1 September 2001, the Stock Exchange amended Chapter 17 (Share Option Schemes) of the Listing Rules. In accordance with the revised rules, it is possible for the Company to grant further options from its existing scheme only if the options granted are in accordance with the requirements of the new rules of Chapter 17.

At 31 March 2003, no share options were outstanding under the Option Scheme and none of the Company's directors or the Group's employees were granted share options during the year.

26. RESERVES

	Contributed surplus	**Accumulated losses**	**General reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
At 1 April 2001	89,800	(650,896)	490,659	(70,437)
Net loss for the year	–	(10,860)	–	(10,860)
At 31 March 2002 and 1 April 2002	89,800	(661,756)	490,659	(81,297)
Net loss for the year	–	(8,760)	–	(8,760)
At 31 March 2003	**89,800**	**(670,516)**	**490,659**	**(90,057)**
Reserves retained by:				
Company and subsidiaries				
At 31 March 2003	**89,800**	**(670,516)**	**490,659**	**(90,057)**
Company and subsidiaries				
At 31 March 2002	89,800	(661,756)	490,659	(81,297)

26. RESERVES (Continued)

	Contributed surplus	Accumulated losses	General reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Company				
At 1 April 2001	101,689	(663,254)	490,659	(70,906)
Net loss for the year	–	(7,083)	–	(7,083)
At 31 March 2002 and 1 April 2002	101,689	(670,337)	490,659	(77,989)
Net loss for the year	–	(30,403)	–	(30,403)
At 31 March 2003	**101,689**	**(700,740)**	**490,659**	**(108,392)**

The contributed surplus of the Group represents the difference between the nominal value of the Company's share capital issued as consideration in exchange for the nominal value of the issued share capital of the subsidiaries acquired at the time of the Company's listing in 1997.

The contributed surplus of the Company represents the difference between the nominal value of the Company's share capital issued in exchange for the aggregate net asset value of the subsidiaries acquired at the date of the reorganisation at the time of the Company's listing in 1997. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to shareholders of the Company under certain circumstances which the Company cannot currently meet.

The general reserve of the Group and the Company represents the total discharged liabilities of the Company as at 3 August 2000 pursuant to the Schemes.

The directors, having considered, inter alia, the substance of the entire debt and capital restructuring exercise, the legal and practical effects of the Schemes, the time span required for the completion and termination of the Schemes and the requirements of Hong Kong Society of Accountants statement 2.01 "Framework for the preparation and presentation of financial statements" and statement 2.102 "Net profit or loss for the period, fundamental errors and changes in accounting policies", considered that the inclusion of the net liabilities discharged under the Schemes directly in the general reserve during the year ended 31 March 2001, instead of in the profit and loss account and hence in the accumulated losses account for that year, was more appropriate and fairer considering the financial effect of the Schemes as a whole.

27. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

HKSSAP 15 (Revised) was adopted during the current year, as detailed in note 4 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that interest received is now included in cash flows from investing activities, and interest paid is now included in cash flows from financing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

In addition, the definition of "cash equivalents" under the revised HKSSAP 15 has been revised from that under the previous HKSSAP 15, as explained under the heading "Cash and cash equivalents" in note 5 to the financial statements. This has resulted in trust receipt loans no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 31 March 2002 has been adjusted to remove trust receipt loans amounting to HK$482,000, previously included at that date. The year's movement in trust receipt loans is now included in cash flows from financing activities and the comparative cash flow statement has been changed accordingly.

28. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2003	2002
	HK$'000	*HK$'000*
Guarantees given to a bank in connection with facilities granted to a subsidiary	**8,000**	8,000

As at 31 March 2003, the bank facilities granted to a subsidiary subject to the guarantees given to a bank by the Company have not been utilised (2002: utilised to the extent of approximately HK$482,000).

28. CONTINGENT LIABILITIES (Continued)

(b) In October 2000 Kenworth received a claim of approximately HK$341 million from a main contractor of a construction project for the alleged breach of a subcontract which Kenworth has not admitted. The claim amount was revised to HK$141 million in 2002. A counterclaim was submitted by Kenworth against this main contractor for the outstanding contract sum in respect of the completed work and the loss due to the wrongful termination of the subcontract. Under the provisions of the subcontract, the disputed claim is subject to arbitration proceedings between Kenworth and the main contractor. The arbitration application was lodged before the commencement of the Schemes and the process commenced in August 2002 upon the appointment of the arbitrator. As at the date of these financial statements, a security deposit of HK$5 million has been paid by the Group to the arbitrator and both Kenworth and the main contractor are in the process of submitting information to the arbitrator for assessment. The Scheme Administrator is required to await the arbitrator's decision or, in the event that such decision is subject to appeal or further appeal(s) by either party thereto, to await the ultimate outcome and final decision to be made by the relevant appellate body. In any event, the claim, if awarded in favour of the main contractor, is still subject to the terms and conditions of the Schemes, as further detailed in note 3 to the financial statements.

In relation to the same construction project detailed above, in October 2000 Kenworth also received a claim of approximately HK$353 million from the contract employer in respect of damages for the alleged breach of the same subcontract. The claim amount was revised to HK$237 million in 2002. The Scheme Administrator is in the process of examining the grounds for the claim and the outcome of the assessment cannot be determined at this stage.

Pursuant to an agreement dated 18 October 2000 entered into between Kenworth and the Company, the Company agreed to discharge the liabilities of Kenworth under the Scheme by the allotment of certain redeemable cumulative preference shares by Kenworth.

During the year, the Group appointed an independent chartered surveyor to estimate its potential exposure under the above two claims. According to the report of the surveyor, the maximum exposure of the above claims amounted to HK$70 million. The directors consider that the Group has valid defences against the claim and based on existing evidence believe that it is not probable that any material loss will be suffered by the Group. In addition, as the arbitration proceedings are in a preliminary stage, it is not currently possible to estimate the eventual outcome of the claims but the directors currently consider that no provision needs to be made in the financial statements.

29. COMMITMENTS

Certain office properties leased by the Group are under operating lease arrangements. Leases for properties are negotiated for terms of two years.

As at 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Leases expiring:		
Within one year	**132**	144
In the second to fifth years, inclusive	**–**	132
	132	276

As at 31 March 2003, neither the Group, nor the Company had any significant commitments.

30. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with Deson and its subsidiaries during the year which also constitute connected transactions as defined in the Listing Rules:

		2003	2002
	Notes	***HK$'000***	*HK$'000*
Construction contracting income received from fellow subsidiaries	*(a)*	**7,808**	3,502
Rental expense paid to a fellow subsidiary	*(b)*	**580**	580
Tender service fees paid to a fellow subsidiary	*(c)*	**–**	936

Notes:

(a) The directors consider that the construction contracts were entered into according to conditions similar to those offered to the major customers of the Group.

(b) The rental expense was based on rates approximating those of the market at the time the initial lease was undertaken.

(c) The tender service fees were based on the actual costs incurred.

31. POST BALANCE SHEET EVENTS

On 6 March 2003, the Company entered into a provisional sale and purchase agreement (the "Acquisition") with Deson for the acquisition of the entire issue share capital of Billion Treasure Holdings Limited ("Billion Treasure") and its shareholder's loan of HK$40,236,066 for a total consideration of HK$46,000,000. The total consideration was satisfied by way of issuing 657,142,857 shares (the "Consideration Shares") of the Company to Super Win Development Limited, a wholly-owned subsidiary of Deson.

In order to facilitate the Acquisition by enabling the Company to issue and allot the Consideration Shares, the board proposed to reorganise the capital structure of the Company (the "Capital Reorganisation"). The implementation of the Capital Reorganisation involved the following principal procedures:

(i) A reduction of the nominal value of each of the shares in the issued share capital of the Company from HK$0.10 to HK$0.07;

(ii) The credit in the sum of HK$25,868,330 arising from the reduction of capital was applied to set off an equivalent amount of the accumulated losses of the Company; and

(iii) The authorised share capital of the Company was reduced to HK$126,000,000 divided into 1,800,000,000 share of HK$0.07 each and, following such reduction, the authorised share capital of the Company was increased to the amount of HK$180,000,000 by the creation of the requisite number of the Company's share capital.

As at the Acquisition date, Deson was a connected person of the Company by virtue of its being a controlling shareholder of the Company owning approximately 55.62% thereof by virtue of indirect shareholding interests therein as at the balance sheet date. Accordingly, the transaction constituted a major and connected transaction for the Company under the Listing Rules.

The Capital Reorganisation and the Acquisition were approved by the Company's independent shareholders at a special general meeting on 12 May 2003 and were completed on 13 May 2003 and 14 May 2003, respectively. Upon completion of the Acquisition, Deson then owned approximately 74.81% of the enlarged issued share capital of the Company.

31. POST BALANCE SHEET EVENTS (Continued)

A summary pro forma statement of combined assets and liabilities of the Group based on the audited consolidated balance sheet of the Group as at 31 March 2003 and the audited consolidated balance sheet of Billion Treasure and its subsidiary as at 31 December 2002, is presented below:

	The Group's audited consolidated net assets 31 March 2003	**Billion Treasure and its subsidiary 31 December 2002#**	**Adjustments**		**Summary pro forma combined net assets**
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
NON-CURRENT ASSETS	367	101			468
CURRENT ASSETS	16,907	56,991	4,680	*(1)*	78,578
CURRENT LIABILITIES	(20,420)	(48,864)	40,236	*(2)*	(29,402)
			(354)	*(3)*	
NET CURRENT ASSETS/ (LIABILITIES)	(3,513)	8,127			49,176
TOTAL ASSETS LESS CURRENT LIABILITIES	(3,146)	8,228			49,644
NON-CURRENT LIABILITIES	–	(7,144)			(7,144)
MINORITY INTERESTS	(683)	–			(683)
NET ASSETS/(LIABILITIES)	(3,829)	1,084			41,817

\# *There are no significant differences in the financial position of Billion Treasure and its subsidiary as at 31 December 2002 and 31 March 2003.*

Notes:

1. The amount represents a fair value acquisition accounting adjustment for the completed properties held for sale of Billion Treasure and its subsidiary prior to the Acquisition. The adjustment is based on the total consideration stated in the agreement of HK$46,000,000, including the acquisition of a loan from the immediate holding company of Billion Treasure of HK$40,236,000.

   The properties were revalued on 4 March 2003 by B.I. Appraisals Limited, an independent professional valuer, at an open market value of HK$48,000,000 based on their existing use.

2. The amount represents the acquisition of a loan from the immediate holding company of Billion Treasure.

3. The amount represents the estimated Acquisition expenses.

32. COMPARATIVE AMOUNTS

As further explained in note 4 to the financial statements, due to the adoption of certain new and revised HKSSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 July 2003.