1. CORPORATE INFORMATION

During the year, the Group was principally engaged in the following activities:

- the construction business, as a main contractor, as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and Mainland China; and

- property development and investment.

2. 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 adopting those HKSSAPs are summarised as follows:

HKSSAP 1 prescribes the basis for the presentation of financial statements and set 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 29 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 in the financial statements. The principal impact of the revision of this HKSSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised HKSSAP 11 has had no material effect on the financial statements.

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

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, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and 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 policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 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 no material effect on the amounts reported in the financial statements. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 28 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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, except for the remeasurement of certain fixed assets and investments, as further explained in the respective accounting policies below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not more than 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated balance sheet.

HKSSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKSSAP 30, the Group applied the transitional provision of HKSSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 April 2001 is treated according to the HKSSAP 30 goodwill accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Negative goodwill *(continued)*

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

HKSSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of HKSSAP 30, the Group applied the transitional provision of HKSSAP 30 that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill subsequent to 1 April 2001 is treated according to the HKSSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

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, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

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, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation 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 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.

In respect of fixed assets which are stated at valuation, the surplus or deficit on revaluation is taken to the fixed asset revaluation reserve. If this reserve, on an individual asset basis, is insufficient to cover a deficit, then the amount by which the deficit exceeds the amount in the reserve is charged to the profit and loss account. A subsequent surplus on revaluation is credited to the profit and loss account to the extent that it reverses a revaluation deficit of the same asset previously charged to the profit and loss account.

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. On the disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation *(continued)*

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

Leasehold land	Over the remaining lease terms
Buildings	2.5% on the straight-line basis
Leasehold improvements	Over the remaining lease terms
Furniture and fixtures	15% on the reducing balance basis
Office equipment	15% on the reducing balance basis
Tools and equipment	15% on the reducing balance basis
Motor vehicles	15% on the reducing balance basis

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Long term investments

Long term investments in listed and unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual investment basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Long term investments *(continued)*

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties held for sale

Properties under development which are intended for sale are included in properties held for sale and stated at the lower of cost and net realisable value, which is estimated by the directors based on the prevailing market conditions. Costs include all costs directly incurred in the properties under development, including development expenditure, borrowing costs and other direct costs.

Completed properties for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices on an individual property basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset which takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. The capitalisation rate for the period is based on the weighted average of the attributable costs of the borrowings. The capitalisation of such borrowing costs ceases when the asset is substantially ready for its intended use or sale. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

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

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(c) from the rendering of services, in the accounting period in which the services are rendered;

(d) from the sale of property interests, when all the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

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

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

(g) dividend income, when the shareholders' right to receive payment has been established.

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 immediately following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Prior to the adoption of HKSSAP 34 during the year, as explained in note 2 to the financial statements, the Group did not accrue for paid annual leave carried forward at the balance sheet date. The adoption of this HKSSAP has resulted in no material effect on the amounts reported in the financial statements.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Employee benefits *(continued)*

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. 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 MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution pension scheme (the "Prior Scheme") for those employees who were eligible to participate in this scheme. The Prior Scheme operated in a similar way to the MPF Scheme, except that when an employee left the Prior Scheme before his/her interest in the employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer's contributions. With effect from 1 December 2000, the Group has operated both schemes.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

3. 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.

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 currencies

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.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Prior to the adoption of the revised HKSSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised HKSSAP 11 has had no material effect on the financial statements. The adoption of the revised HKSSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

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.

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.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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 construction business segment is engaged in construction contract work as a main contractor as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services;

(b) the property development and investment segment is engaged in the development of residential properties and invests in prime office space for its rental income potential; and

(c) the "others" segment is engaged in the trading of medical equipment and the provision of related installation and maintenance services.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. **SEGMENT INFORMATION** *(continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

Group	Construction business		Property development and investment		Others		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	**395,561**	303,094	**127,782**	105,994	**5,930**	–	**529,273**	409,088
Other revenue	**4,038**	11,823	**1,828**	2,108	**221**	–	**6,087**	13,931
Total	**399,599**	314,917	**129,610**	108,102	**6,151**	–	**535,360**	423,019
Segment results	**3,555**	(7,842)	**15,290**	16,373	**773**	–	**19,618**	8,531
Interest income and dividend income							**2,177**	3,004
Unallocated expenses							**(12,957)**	(5,741)
Negative goodwill recognised as income							**–**	201
Gain on disposal of subsidiaries							**1,780**	–
Gain on deemed disposal of interest in a subsidiary							**–**	341
Gain on disposal of an associate							**–**	40
Gain on deemed disposal of interest in an associate							**–**	1,222
Impairment of goodwill							**(229)**	–
Profit from operating activities							**10,389**	7,598
Finance costs							**(3,118)**	(4,869)
Share of profits and losses of associates	**2,968**	1,288	**–**	(166)	**–**	–	**2,968**	1,122
Profit before tax							**10,239**	3,851
Tax							**(5,619)**	(817)
Profit before minority interests							**4,620**	3,034
Minority interests							**3,307**	4,770
Net profit attributable to shareholders							**7,927**	7,804

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group	Construction business		Property development and investment		Others		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	**137,110**	175,073	**417,752**	314,577	**3,667**	–	**558,529**	489,650
Interests in associates	**18,126**	18,762	**–**	6	**(223)**	–	**17,903**	18,768
Unallocated assets							**4,878**	11,260
Bank overdrafts included in segment assets	**54,468**	32,555	**–**	–	**–**	–	**54,468**	32,555
Total assets							**635,778**	552,233
Segment liabilities	**114,084**	153,097	**180,515**	39,458	**2,507**	–	**297,106**	192,555
Unallocated liabilities							**9,393**	40,643
Bank overdrafts included in segment assets	**54,468**	32,555	**–**	–	**–**	–	**54,468**	32,555
Total liabilities							**360,967**	265,753
Other segment information:								
Depreciation	**2,606**	3,307	**437**	31	**29**	–	**3,072**	3,338
Unallocated amounts							**20**	20
							3,092	3,358
Other non-cash expenses	**5,415**	12,097	**384**	–	**–**	–	**5,799**	12,097
Unallocated amounts							**3,965**	–
							9,764	12,097
Capital expenditure	**801**	1,378	**1,578**	7,254	**53**	–	**2,432**	8,632
Unallocated amounts							**236**	45
							2,668	8,677
Revaluation deficit on land and buildings recognised directly in equity	**(15,376)**	–	**324**	–	**–**	–	**(15,052)**	–

4. **SEGMENT INFORMATION** *(continued)*

(b) Geographical segments

The following tables present revenue, and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**252,481**	184,464	**276,792**	224,624	**529,273**	409,088
Other segment information:						
Segment assets	**98,624**	145,933	**482,686**	373,745	**581,310**	519,678
Bank overdrafts included in segment assets	**54,468**	32,555	**–**	–	**54,468**	32,555
					635,778	552,233
Capital expenditure	**542**	1,091	**2,126**	7,586	**2,668**	8,677

5. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the aggregate of gross revenue earned from construction work and the net amount of maintenance work invoiced, together with income from property development and investment.

An analysis of turnover, other revenue and gains is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Turnover		
Construction contracting and related businesses	**395,561**	303,094
Income from property development and investment	**127,782**	105,994
Others	**5,930**	–
	529,273	409,088
Other revenue and gains		
Interest income	**2,054**	2,829
Gross rental income	**2,955**	2,341
Management fee on construction projects	**1,306**	4,579
Management fee received from associates	**779**	2,700
Dividend income from long term investments	**123**	175
Others	**2,827**	6,115
	10,044	18,739

6. PROFIT FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

		Group	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Auditors' remuneration		**1,048**	1,133
Depreciation	*12*	**3,092**	3,358
Minimum lease payments under operating leases on land and buildings		**783**	1,135
Loss on disposal of fixed assets		**628**	200
Gain on disposal of subsidiaries	*30(b)*	**(1,780)**	–
Gain on deemed disposal of interest in a subsidiary		**–**	(341)
Gain on disposal of associates		**–**	(40)
Gain on deemed disposal of interest in an associate		**–**	(1,222)
Gain on disposal of short term investments		**–**	(1,311)
Gain on disposal of property interests		**–**	(668)
Negative goodwill recognised as income		**–**	(201)
Impairment of goodwill	*30(a)*	**229**	–
Impairment of deferred development costs	*13*	**3,938**	–
Rental income		**(2,955)**	(2,341)
Less: Outgoings		**67**	99
Net rental income		**(2,888)**	(2,242)
Provision for foreseeable losses of construction contracts		**1,388**	6,850
Provision for doubtful debts		**1,826**	1,490
Provision for other receivables		**2,612**	3,757
Exchange losses/(gains), net		**83**	(201)
Staff costs (including directors' emoluments – see note 8(a)):			
Wages and salaries		**27,367**	20,381
Pension scheme contributions		**840**	1,511
Less: Forfeited contributions*		**(109)**	(484)
Net pension scheme contributions		**731**	1,027
		28,098	21,408

* At 31 March 2003, there were no forfeited contributions available to the Group to reduce contributions to the pension scheme in future years (2002: Nil).

7. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Interest expense on bank loans, overdrafts and other borrowings wholly repayable within five years	**7,856**	5,653
Interest on convertible notes	**161**	166
Total finance costs	**8,017**	5,819
Less: Interest capitalised	**(4,899)**	(950)
	3,118	4,869

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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*
		(Restated)
Fees	**300**	336
Basic salaries and allowances	**4,295**	4,953
Pension scheme contributions	**113**	117
	4,708	5,406

The directors' fees of HK$300,000 (2002: HK$240,000) were paid to the independent non-executive directors of the Company during the year.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

The numbers of directors whose remuneration fell within the following bands are as follows:

	2003 Number of directors	2002 Number of directors
Nil – HK$1,000,000	**7**	9
HK$1,500,001 – HK$2,000,000	**1**	1
	8	10

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

(b) Employees' emoluments

The five highest paid employees during the year included three (2002: three) directors, details of whose remuneration are set out in note 8(a) above. Details of the emoluments of the remaining two (2002: two) non-director, highest paid individuals are set out below:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Basic salaries and allowances	**1,167**	1,484
Pension scheme contributions	**47**	83
	1,214	1,567

The emoluments of each of the above non-directors, highest paid individuals fell within the band of Nil to HK$1,000,000 in both the years ended 31 March 2003 and 2002.

9. TAX

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2003	2002
	HK$'000	*HK$'000*
Provision for tax:		
Hong Kong	**1,285**	354
Elsewhere	**4,227**	962
	5,512	1,316
Under/(over) provision in prior years:		
Hong Kong	**(355)**	31
Elsewhere	**–**	(736)
	(355)	(705)
Share of tax attributable to associates	**462**	206
Tax charge for the year	**5,619**	817

10. NET PROFIT 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 HK$125,000 (2002: net profit of HK$287,000).

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders of HK$7,927,000 (2002: HK$7,804,000) and the weighted average of 4,791,613,000 (2002: 4,789,896,000) shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders of HK$7,927,000 (2002: HK$7,804,000) and the weighted average of 4,803,559,000 (2002: 4,817,747,000) shares in issue during the year.

A reconciliation of the weighted average number of shares used in the basic earnings per share calculation to that used in the diluted earnings per share calculation is as follows:

	2003	2002
Weighted average number of shares used in the basic earnings per share calculation	**4,791,613,000**	4,789,896,000
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of the share options expiring on 22 January 2004, 21 February 2004 and 28 February 2004	**11,946,000**	27,851,000
Weighted average number of shares used in the diluted earnings per share calculation	**4,803,559,000**	4,817,747,000

The deemed exercise of the full conversion rights of the convertible notes of KEL Holdings Limited, a listed subsidiary of the Company, and of the options expiring on 22 April 2003 and 2 May 2003, had an anti-dilutive effect on the basic earnings per share and accordingly, has not been included in the diluted earnings per share calculation in the current or prior years.

12. FIXED ASSETS

Group	Leasehold land and buildings situated in Hong Kong	Leasehold land and buildings situated in Mainland China	Leasehold improvements	Furniture and fixtures	Office equipment	Tools and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost or valuation:								
At beginning of year	52,150	7,000	2,891	3,866	4,383	2,626	5,627	78,543
Additions	–	–	450	78	1,075	25	148	1,776
Acquisition of a subsidiary	–	–	–	–	14	201	–	215
Disposals	–	–	(1,587)	–	(643)	–	(148)	(2,378)
Revaluation	(17,950)	–	–	–	–	–	–	(17,950)
At 31 March 2003	34,200	7,000	1,754	3,944	4,829	2,852	5,627	60,206
Analysis of cost or valuation:								
At cost	–	–	1,754	3,944	4,829	2,852	5,627	19,006
At 2003 valuation	34,200	7,000	–	–	–	–	–	41,200
	34,200	7,000	1,754	3,944	4,829	2,852	5,627	60,206
Accumulated depreciation:								
At beginning of year	1,304	–	2,204	2,247	2,984	1,794	3,987	14,520
Provided during the year	1,270	324	362	253	422	184	277	3,092
Acquisition of a subsidiary	–	–	–	–	6	69	–	75
Disposals	–	–	(1,256)	–	(341)	–	(148)	(1,745)
Write back on revaluation	(2,574)	(324)	–	–	–	–	–	(2,898)
At 31 March 2003	–	–	1,310	2,500	3,071	2,047	4,116	13,044
Net book value:								
At 31 March 2003	34,200	7,000	444	1,444	1,758	805	1,511	47,162
At 31 March 2002	50,846	7,000	687	1,619	1,399	832	1,640	64,023

12. FIXED ASSETS *(continued)*

The Group's land and buildings were revalued at 31 March 2003 by B.I. Appraisals Limited, independent professionally qualified valuers, at an aggregate open market value of HK$41,200,000, based on their existing use. A revaluation deficit of HK$15,052,000 resulting from the revaluation has been charged to the fixed asset revaluation reserve.

Had the Group's land and buildings been carried at cost less accumulated depreciation and impairment losses, they would have been included in the financial statements at approximately HK$36,458,000 as at 31 March 2003.

The land and buildings at valuation included above are held under the following lease terms:

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Long term leases	13,000	–	13,000
Medium term leases	21,200	7,000	28,200
	34,200	7,000	41,200

Certain land and buildings of the Group are pledged to banks to secure banking facilities granted to the Group (note 24).

Certain fixed assets situated in Hong Kong with an aggregate carrying value of HK$32,000,000 (2002: HK$47,921,000) were leased to third parties and an associate of the Group under operating leases, further summary details of which are included in note 32(a) to the financial statements.

13. DEFERRED DEVELOPMENT COSTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
At beginning of the year	**3,706**	2,953
Additions	**232**	753
Impairment provided during the year	**(3,938)**	–
At end of the year	**–**	3,706

13. DEFERRED DEVELOPMENT COSTS *(continued)*

The deferred development costs represent expenditure incurred on a technology development project jointly developed by Deson-IES Engineering Limited, a wholly-owned subsidiary of the Group, and The City University of Hong Kong. The project was completed in September 2002. A full impairment loss of HK$3,938,000 was made against the Group's deferred development costs and was charged to the profit and loss account in the current year. The impairment loss has been provided by the directors based on the estimated recoverable amount of the Group's deferred development costs, determined by the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**156,031**	156,031
Due from subsidiaries	**152,745**	152,961
	308,776	308,992

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

In the prior year, the amounts due from subsidiaries were unsecured, interest-free and had no fixed terms of repayments except for an amount of HK$52,547,000 due from a subsidiary which was interest-bearing with interest charged at prevailing interest rates.

14. INTERESTS IN SUBSIDIARIES *(continued)*

Details of the principal subsidiaries are as follows:

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Chang De Architectural & Decoration Co., Ltd. (ii) *	People's Republic of China ("PRC")	RMB16,000,000	(iii)	–	60	Decoration engineering
Bless Honour Limited	Hong Kong/ PRC	HK$2	Ordinary	–	100	Property investment
Deson Development Holdings Limited	British Virgin Islands/ Hong Kong	US$200	Ordinary	100	–	Investment holding
Deson Development Limited	Hong Kong	HK$100 HK$20,000,000	Class A Class B(i)	–	100	Construction contracting and investment holding
Deson Ventures Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	–	100	Investment holding
Hua Sheng International Real Estate Development (Shanghai) Co., Ltd. (ii) **	PRC	US$6,400,000	(iii)	–	100	Property development

14. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
KEL Holdings Limited	Bermuda/ Hong Kong	HK$86,227,766	Ordinary	–	55.6	Investment holding
Kenworth Engineering Limited	Hong Kong	HK$4,274,140 HK$20,000,000	Ordinary Preference (v)	–	55.6	Provision of electrical and mechanical engineering services
Medical Technologies Limited	Hong Kong	HK$10,000	Ordinary	–	100	Trading of medical equipment
Penmark Limited	Hong Kong/ PRC	HK$30	Ordinary	–	100	Property holding
Super Sight Investments Inc. (iv)	British Virgin Islands/ PRC	US$1	Ordinary	–	100	Property development
Super Win Development Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	–	100	Investment holding
Wonderful Hope Limited	British Virgin Islands/ PRC	US$1	Ordinary	–	100	Property development

* Sino-foreign owned joint venture enterprise.

** Wholly foreign-owned enterprise.

14. INTERESTS IN SUBSIDIARIES *(continued)*

(i) These non-voting class B shares are not entitled to dividend distributions. Moreover, upon the winding-up of this company, the class B shareholders are not entitled to any return of assets if the assets of the Company are less than HK$100 trillion.

(ii) The remittance of dividends to the Group from these subsidiaries operating outside Hong Kong is subject to the availability of foreign currencies generated and retained by the subsidiaries.

(iii) The issued or paid-up capital of these subsidiaries is not classified.

(iv) The equity interest on the subsidiary is pledged to secure the Group's other borrowing (note 24(b)).

(v) The holders of the preference shares have a cumulative preferential right to the company's profits at 10% of the normal amount of share capital, but are not entitled to receive notice of or attend or vote at any meeting of members or meeting of directors.

During the year, the Group acquired Medical Technologies Limited from an associate of the Group. Further details of this acquisitions are set out in note 30(a) to the financial statements.

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.

15. INTERESTS IN ASSOCIATES

	Group 2003 HK$'000	Group 2002 HK$'000
Share of net assets	**7,113**	7,484
Due from associates	**11,190**	11,679
Due to associates	**(400)**	(395)
	17,903	18,768

The balances with associates are unsecured, interest-free and have no fixed terms of repayment, except for an amount due from an associate of HK$8,052,000 (2002: HK$9,200,000) which bears interest at prevailing market rates.

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

Name	Business structure	Place of incorporation or registration/ operations	Class of shares held	Percentage of ownership attributable to the Group	Principal activities
Asia Construction Holdings Limited (iii)	Corporate	Hong Kong	Ordinary	49	Investment holding
Deson Metals Company Limited	Corporate	Hong Kong/ PRC	Ordinary	40	Trading of construction materials
Fitness Concept Limited	Corporate	Hong Kong	Ordinary	44	Investment holding
Fitness Concept Leisure Supplies Limited	Corporate	Hong Kong	Ordinary	44	Trading and retailing of fitness and leisure equipment

15. INTERESTS IN ASSOCIATES *(continued)*

Name	Business structure	Place of incorporation or registration/ operations	Class of shares held	Percentage of ownership attributable to the Group	Principal activities
Fuzhou Jiandi Concrete Co., Ltd. (ii)	Corporate	PRC	(i)	40	Manufacture of concrete products
Visonic Deson Limited	Corporate	Hong Kong	Ordinary	50	Selling, distributing and marketing of home security and automation products
W & D Joint Venture Limited	Corporate	Hong Kong	Ordinary	45	Construction contracting
上海美格菲健身中心有限公司(ii)	Corporate	PRC	(i)	33	Fitness centre operation

(i) The issued or paid-up capital of these associates is not classified.

(ii) The remittance of dividends to the Group from these associates operating outside Hong Kong is subject to the availability of foreign currencies generated and retained by these associates.

(iii) This associate was reclassified from subsidiary due to disposal of the 6% equity interest in the subsidiary in current year, further details of which are set out in note 30(b) to the financial statements.

The above table lists the associates of the Group 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 associates would, in the opinion of the directors, result in particulars of excessive length.

16. LONG TERM INVESTMENTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Listed equity investment outside Hong Kong, at cost	**6,153**	6,153
Unlisted debt investment in Hong Kong, at cost	**2,000**	–
	8,153	6,153
Market value of listed equity investment outside Hong Kong at balance sheet date	**4,290**	4,699

17. PROPERTIES HELD FOR SALE

	Group	
	2003	2002
	HK$'000	*HK$'000*
Completed properties held for sale	**243,486**	92,856
Properties under development for sale	**108,611**	172,682
	352,097	265,538

The Group had no completed properties carried at net realisable value at the 31 March 2003 (2002: HK$18,728,000). Certain completed properties held for sale with an aggregate carrying value of HK$59,115,000 (2002: HK$59,115,000) were leased to third parties under operating leases, further summary details of which are included in note 32(a) to the financial statements.

Certain completed properties held for sale and properties under development for sale are pledged to banks to secure banking facilities granted to the Group (note 24).

The Group acquired a piece of land located in Shanghai (the "Lung Hua Land") in prior years. The Group intends to develop the Lung Hua Land into residential units. As at 31 March 2003, the total costs incurred on the development amounted to HK$169,396,000 (2002: HK$73,911,000). Pursuant to a supplementary agreement to the original land use rights agreement entered into between Hua Sheng International Real Estate Development (Shanghai) Co., Ltd., a subsidiary of the Group and the Shanghai Land Administration Bureau, 60% of the construction work needed to be completed by 31 December 2000. The Group has obtained approval from the government to commence construction work. In the opinion of the directors, the delay in completion of construction will not have a material impact on the Group's interest in the properties.

18. CONSTRUCTION CONTRACTS

		Group	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Gross amount due from contract customers	*(i)*	**19,568**	27,557
Gross amount due to contract customers	*(ii)*	**(47,773)**	(64,967)
		(28,205)	(37,410)
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	*(iii)*	**1,627,271**	3,168,946
Less: Progress billings	*(iii)*	**(1,655,476)**	(3,206,356)
		(28,205)	(37,410)

Notes:

(i) At 31 March 2003, retentions held by customers for contract work included in accounts receivable under current assets amounted to approximately HK$1,553,000 (2002: HK$3,060,000).

(ii) At 31 March 2003, there were no advances received from customers for contract work included in accounts payable under current liabilities (2002: Nil).

(iii) The amount of contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date include amounts of HK$964,690,000 (2002: HK$2,390,498,000), and the amount of progress billings includes amounts of HK$970,167,000 (2002: HK$2,392,159,000), which are mainly related to construction contracts under KEL Holdings Limited and its subsidiaries (the "KEL Group") which have either been terminated or which have ceased, or which have had insignificant activities during the year. Since there are numerous disputes and claims between the KEL 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.

19. INVENTORIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Trading goods	**996**	516

20. ACCOUNTS RECEIVABLE

An aged analysis of accounts receivable as at the balance sheet date is as follows:

	Group					
	2003			2002		
	Balance	**Provisions**	**Net Balance**	Balance	Provisions	Net Balance
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Current – 90 days	**63,522**	**–**	**63,522**	42,850	–	42,850
91 – 180 days	**13,432**	**(75)**	**13,357**	6,908	(1)	6,907
181 – 360 days	**4,954**	**(6)**	**4,948**	4,929	(119)	4,810
Over 360 days	**51,690**	**(40,437)**	**11,253**	49,478	(48,640)	838
	133,598	**(40,518)**	**93,080**	104,165	(48,760)	55,405
Retention money receivable	**30,957**	**(29,404)**	**1,553**	31,824	(28,764)	3,060
Total	**164,555**	**(69,922)**	**94,633**	135,989	(77,524)	58,465

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.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**34,605**	49,023	**165**	30
Time deposits	**34,830**	43,500	**–**	–
Cash and cash equivalents	**69,435**	92,523	**165**	30
Less: Pledged time deposits:				
Pledged for long term bank loans	**–**	(5,100)	**–**	–
Pledged for bank overdraft facilities	**(27,856)**	(27,954)	**–**	–
	41,579	59,469	**165**	30

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$22,121,000 (2002: HK$16,629,000).

22. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at the balance sheet date is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Current – 90 days	**79,619**	19,086
91 – 180 days	**841**	1,197
181 – 360 days	**388**	1,597
Over 360 days	**2,562**	7,604
	83,410	29,484

23. PROVISION FOR SCHEME DEBTS

The KEL Group made a scheme debt provision in prior years. The directors of the KEL Group have estimated and provided for the expected claims of the scheme debts on a case-by-case basis. Further details of the scheme of arrangement has been disclosed in note 26 to the financial statements.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Bank overdrafts, secured	**54,468**	32,555
Bank loans, secured	**41,554**	43,423
Trust receipt loans, secured	**8,309**	33,716
Other loan, secured	**36,944**	36,944
	141,275	146,638
Bank overdrafts repayable on demand	**54,468**	32,555
Bank loan repayable:		
Within one year or on demand	**38,654**	13,923
In the second year	**2,900**	19,636
In the third to fifth years, inclusive	**–**	9,864
	41,554	43,423
Trust receipt loans repayable within one year	**8,309**	33,716
Other loan repayable:		
Within one year or on demand	**36,944**	9,236
In the second year	**–**	27,708
	36,944	36,944
	141,275	146,638
Portion classified as current liabilities	**(138,375)**	(89,430)
Long term portion	**2,900**	57,208

24. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

(a) The bank loans and the Group's banking facilities are secured by:

(i) certain of the Group's completed properties held for sale situated in Mainland China, which had an aggregate carrying value at the balance sheet date of HK$121,861,000 (2002: HK$40,386,000);

(ii) certain of the Group's properties under development situated in Mainland China, which had an aggregate carrying value at the balance sheet date of HK$47,535,000 (2002: HK$73,911,000);

(iii) certain of the Group's land and buildings situated in Hong Kong, which had an aggregate net book value at the balance sheet date of approximately HK$34,200,000 (2002: HK$50,846,000); and

(iv) the pledge of certain of the Group's time deposits amounting to HK$27,856,000 (2002: HK$33,054,000).

(b) The Group's other loan is secured by the shares of a subsidiary, which held properties under development for sale with an aggregate carrying value at the balance sheet date of approximately HK$61,076,000 (2002: HK$59,026,000), and bears interest at 4% per annum, is repayable by instalments commencing on 31 March 2003, and will be fully settled by 31 December 2003.

25. DEFERRED TAX

The principal component of the Group's deferred tax asset not recognised in these financial statements is 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.

25. DEFERRED TAX *(continued)*

The revaluation of the Group's land and buildings does not constitute a timing difference and, consequently, the amount of tax thereon has not been quantified.

No provision has been made for taxes which would arise on the remittance to Hong Kong of the retained profits of overseas companies, as it is not anticipated that these amounts will be remitted in the near future.

As at 31 March 2003, the Company did not have any significant unprovided deferred tax.

26. CONVERTIBLE NOTES

	Group	
	2003	2002
	HK$'000	*HK$'000*
At beginning of year	**8,065**	10,251
Arising on exercise of convertible notes	**–**	(576)
Repurchase during the year	**–**	(1,610)
Exercise of put option by certain noteholders during the year	**(780)**	–
At 31 March	**7,285**	8,065

In prior years, the Company entered into a conditional debt restructuring and share subscription agreement ("DRA") with KEL Holdings Limited ("KEL") and certain of its subsidiaries. The DRA became unconditional on 10 August 2000. Three schemes of arrangement involving KEL and its two subsidiaries, Kenworth Engineering Limited and Kenworth Group Limited, were set up under Section 166 of the Hong Kong Companies Ordinance (collectively the "Schemes"), according to the terms of the restructuring proposal.

Under the Schemes, for every HK$10,000 of its Scheme debt, KEL issued convertible notes (the "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 KEL 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 Notes instrument. Unless previously repurchased and cancelled, or converted, the Notes were to repurchase at their principal amount plus accrued interest on 1 September 2003.

26. CONVERTIBLE NOTES *(continued)*

KEL has granted each noteholder a put option to require the Company to purchase or procure a third party to purchase the Notes from the noteholder at a price equal to the aggregate amount of the principal outstanding on the Notes plus accrued interest. The put option is exercisable only once, upon service of notice in writing on a date not earlier than the thirtieth day and not later than the fifteenth day preceding the second anniversary of the issue date of the Notes (the "Exercise Period"). During the year, certain noteholders exercised their put options during the Exercise Period to require the Company to purchase the Notes from the noteholders with an aggregate principal amount of HK$780,000. The put option has expired during the year.

27. SHARE CAPITAL

Shares

	2003	2002
	HK$'000	*HK$'000*
Authorised:		
15,000,000,000 ordinary shares of HK$0.01 each	**150,000**	150,000
Issued and fully paid:		
4,791,612,750 ordinary shares of HK$0.01 each	**47,916**	47,916

A summary of the transactions in prior year with reference to the above movements in the Company's issued ordinary share capital as follows:

	Number of share in issue	**Issued share capital**	**Share premium account**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 1 April 2001	4,797,248,500	47,972	103,863	151,835
Arising on exercise of share options (i)	18,500,000	185	526	711
Arising on exercise of warrants (ii)	4,250	–	–	–
Arising on repurchase of shares (iii)	(24,140,000)	(241)	(374)	(615)
At 31 March 2002 and 31 March 2003	4,791,612,750	47,916	104,015	151,931

27. SHARE CAPITAL *(continued)*

In prior year, the movements in share capital were as follows:

(i) 18,500,000 share options were exercised at the subscription price of HK$0.0384 per share resulting in the issue of 18,500,000 shares, for a total cash consideration, before expenses, of HK$710,400.

(ii) 4,250 shares were issued for cash at a subscription price of HK$0.08 per share, pursuant to the exercise of the Company's bonus warrants for a total cash consideration, before expenses, of HK$340.

(iii) The Company repurchased a total of 24,140,000 of its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at prices ranging from HK$0.023 to HK$0.028 per share, for a total consideration, before expenses, of HK$600,850. The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK$241,400 was transferred from the retained profits to the capital redemption reserve. The premium paid on the repurchased shares was charged against the share premium account (note 29).

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

Warrants

Pursuant to an ordinary resolution passed on 14 August 2002, a bonus issue of warrants was made in the proportion of one warrant for every five shares held by members on the register of members on 13 August 2002, resulting in 958,322,550 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.01 each at a subscription price of HK$0.033 per share, payable in cash and subject to adjustment, from the date of issue to 14 August 2004, both days inclusive.

No warrant was exercised during the year. At the balance sheet date, the Company had 958,322,550 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 958,322,550 additional shares of HK$0.01 each with gross issue proceeds of approximately HK$31,625,000.

28. SHARE OPTION SCHEME

HKSSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, these 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 particulars in relation to each share option scheme of the Company or any of its subsidiaries that are required under Rules 17.07 to 17.09 of Chapter 17 of the Listing Rules and HKSSAP 34 are disclosed below:

(a) Share option schemes of the Company

On 14 August 2002, the share option scheme of the Company adopted on 21 May 1997 ceased to operate and a new share option scheme (the "Deson Scheme") was adopted on the same date to comply with the new requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. The options granted under the old scheme will remain in force and effect.

The Company operates the Deson 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 Deson Scheme include the Company's directors, including independent non-executive directors and other employees of the Group. The Deson Scheme became on effective 14 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Deson Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 March 2003, the number of shares issuable under share options granted under the old scheme was 299,500,000, which represented approximately 6% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Deson Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

28. SHARE OPTION SCHEME *(continued)*

(a) Share option schemes of the Company *(continued)*

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the Deson Scheme at any time during a period not exceeding 10 years after the date when the option is granted and expiring on the last date of such period.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

No share options were granted, exercised, cancelled or lapsed under the old scheme or the Deson Scheme during the year.

28. SHARE OPTION SCHEME *(continued)*

(a) Share option schemes of the Company *(continued)*

The following share options were outstanding under the old scheme during the year:

Name or category of participant	Number of share options outstanding at 1 April 2002 and 31 March 2003	Date of grant of share options*	Exercise period of share options	Exercise price of share options**
				HK$
Directors				
Wang Ke Duan	2,000,000	23 Oct 00	23 Apr 01 to 22 Apr 03 #	0.0384
	3,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088
	5,000,000			
Tjia Boen Sien	26,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088
	35,000,000	29 Aug 01	28 Feb 02 to 28 Feb 04	0.02864
	61,000,000			
Wang Jing Ning	3,000,000	23 Oct 00	23 Apr 01 to 22 Apr 03 #	0.0384
	5,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088
	8,000,000			
Keung Kwok Cheung	5,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088
Kong Kwok Fai	5,000,000	23 Oct 00	23 Apr 01 to 22 Apr 03 #	0.0384
	4,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088
	9,000,000			
Sub-total	88,000,000			
Other employees				
In aggregate	11,500,000	23 Oct 00	23 Apr 01 to 22 Apr 03 #	0.0384
	3,000,000	3 Nov 00	3 May 01 to 2 May 03 #	0.04032
	67,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088
	35,000,000	22 Aug 01	22 Feb 02 to 21 Feb 04	0.02880
	95,000,000	29 Aug 01	28 Feb 02 to 28 Feb 04	0.02864
	211,500,000			
	299,500,000			

28. SHARE OPTION SCHEME *(continued)*

(a) Share option schemes of the Company *(continued)*

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\# All these share options were lapsed subsequent to year end.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

(b) Share option scheme of KEL

KEL operates a share option scheme (the "KEL Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the KEL Group's operations. Eligible participants of the KEL Scheme include full-time employees, including executive directors, of KEL. The KEL 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 KEL 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 KEL Scheme is limited to 25% of the aggregate number of KEL's shares for the time being issued and are issuable under the KEL 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 KEL Scheme, if earlier.

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 KEL.

28. SHARE OPTION SCHEME *(continued)*

(b) Share option scheme of KEL *(continued)*

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 KEL 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 KEL Scheme and none of the KEL's directors or the KEL Group's employees were granted share options during the year.

29. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Fixed asset revaluation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2001	103,863	15,262	9,792	5,753	545	–	78,958	214,173
Release of goodwill upon disposal of an associate	–	–	–	–	–	–	1,035	1,035
Release upon disposal of an associate	–	–	–	–	–	320	–	320
Exchange realignments of subsidiaries	–	–	–	–	–	(147)	–	(147)
Arising on exercise of share options	526	–	–	–	–	–	–	526
Transfer from retained profits	–	–	13,000	–	–	–	(13,000)	–
Repurchase of shares	(360)	–	–	–	241	–	(241)	(360)
Share repurchase expenses	(14)	–	–	–	–	–	–	(14)
Net profit for the year	–	–	–	–	–	–	7,804	7,804
At 31 March 2002 and 1 April 2002	104,015	15,262	22,792	5,753	786	173	74,556	223,337
Deficit on revaluation of land and buildings	–	–	(15,052)	–	–	–	–	(15,052)
Release upon disposal of subsidiaries	–	–	–	–	–	(206)	–	(206)
Net profit for the year	–	–	–	–	–	–	7,927	7,927
At 31 March 2003	104,015	15,262	7,740	5,753	786	(33)	82,483	216,006

29. RESERVES *(continued)*

Group

	Share premium account	Contributed surplus	Fixed asset revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reserves retained by:								
Company and subsidiaries	104,015	15,262	7,740	5,753	786	938	66,901	201,395
Associates	–	–	–	–	–	(971)	15,582	14,611
31 March 2003	104,015	15,262	7,740	5,753	786	(33)	82,483	216,006
Company and subsidiaries	104,015	15,262	22,792	5,753	786	1,144	61,480	211,232
Associates	–	–	–	–	–	(971)	13,076	12,105
31 March 2002	104,015	15,262	22,792	5,753	786	173	74,556	223,337

The amounts of goodwill and negative goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries, prior to 1 April 2001, are HK$13,380,000 and HK$8,082,000, respectively, as at 31 March 2002 and 31 March 2003. The amount of goodwill is stated at its cost of HK$80,921,000, less impairment of HK$67,541,000.

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange therefor, pursuant to the Group reorganisation on 21 May 1997.

29. RESERVES *(continued)*

Company

	Share premium account	Capital redemption reserve	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2001	103,863	545	155,531	431	260,370
Arising on exercise of share options	526	–	–	–	526
Arising on repurchase of shares	(360)	241	–	(241)	(360)
Share repurchase expenses	(14)	–	–	–	(14)
Net profit for the year	–	–	–	287	287
At 31 March 2002 and 1 April 2002	104,015	786	155,531	477	260,809
Net loss for the year	–	–	–	(125)	(125)
At 31 March 2003	104,015	786	155,531	352	260,684

The Company's contributed surplus represents the excess of the fair value of the subsidiaries' shares acquired pursuant to the Group reorganisation on 21 May 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a distribution may be made out of the contributed surplus provided that the Company will be able to pay its liabilities as they fall due and subsequent to the distribution, the aggregate amount of its total liabilities, as well as its issued share capital and premium, is less than the realisable value of its assets.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2003	2002
	HK$'000	*HK$'000*
Net assets acquired:		
Fixed assets	**140**	–
Properties held for sale	**–**	53,856
Inventories	**632**	–
Accounts receivable	**678**	–
Prepayments, deposits and other receivables	**34**	204
Prepaid tax	**84**	–
Cash and bank balances	**149**	–
Accounts payable	**(242)**	–
Other payables and accruals	**(991)**	(234)
Trust receipt loans, secured	**(713)**	–
	(229)	53,826
Goodwill on acquisition (note 6)	**229**	–
	–	53,826
Satisfied by:		
Cash	**–**	38,889
Other receivables	**–**	14,937
	–	53,826

An analysis of net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2003	2002
	HK$'000	*HK$'000*
Cash consideration	**–**	(38,889)
Cash and bank balances acquired	**149**	–
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	**149**	(38,889)

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(a) Acquisition of subsidiaries *(continued)*

On 31 August 2002, the Group acquired (i) the entire interest in Medical Technologies Limited ("MTL") and (ii) a shareholder loan of HK$1,652,000 from the associate of the Group. MTL is engaged in the trading of medical equipment and provision of related installation and maintenance services. The purchase consideration for the acquisition was in form of cash of HK$2 which was paid at the acquisition date.

The subsidiary acquired during the year contributed HK$5,930,000 to the Group's turnover and HK$754,000 to the consolidated profit after tax and before minority interests for the year ended 31 March 2003.

The subsidiaries acquired in the prior year made no significant contribution to the Group's turnover or consolidated profit after tax and before minority interests for the year ended 31 March 2002.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Disposal of subsidiaries

	2003	2002
	HK$'000	*HK$'000*
Net assets disposed of:		
Properties held for sale	**–**	7,484
Other receivables	**14**	30
Cash and bank balances	**3,473**	–
Gross amount due to contract customers	**(4,515)**	–
Other payables and accruals	**(1,722)**	–
Tax payable	**(22)**	–
Release of exchange fluctuation reserve	**(206)**	–
Minority interests	**(937)**	–
	(3,915)	7,514
Gain on disposal of property interests	**–**	668
Gain on disposal of subsidiaries (note 6)	**1,780**	–
Reclassified as interests in associates	**2,135**	–
	–	8,182
Satisfied by:		
Cash	**–**	2,483
Other receivables	**–**	5,699
	–	8,182

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Disposal of subsidiaries *(continued)*

An analysis of net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2003	2002
	HK$'000	*HK$'000*
Cash consideration	**–**	2,483
Cash and bank balances disposed of	**(3,473)**	–
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**(3,473)**	2,483

The subsidiaries disposed of during the year contributed HK$1,955,000 to the Group's turnover and incurred HK$1,850,000 to the consolidated loss after tax and before minority interests for the year.

The subsidiaries disposed of in the prior year made no significant contribution to the Group's turnover or consolidation profit after tax and before minority interests for the year ended 31 March 2002.

31. CONTINGENT LIABILITIES

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

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees of banking facilities granted to:				
Subsidiaries	**–**	–	**219,100**	215,700
Associates	**31,300**	31,300	**17,300**	17,300
A third party	**–**	1,045	**–**	–
	31,300	32,345	**236,400**	233,000
Guarantee of repayment of other loan granted to a subsidiary	**–**	–	**36,945**	36,945
Financial assistance to subsidiaries	**–**	–	**50,000**	50,000
	31,300	32,345	**323,345**	319,945

In respect of the guarantees granted to subsidiaries, banking facilities in the amount of HK$71,359,000 (2002: HK$100,478,000) were utilised by the subsidiaries as at 31 March 2003.

31. CONTINGENT LIABILITIES *(continued)*

(b) In October 2000, Kenworth Engineering Limited ("Kenworth"), a 55.6% owned subsidiary of the Group, 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 KEL 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.

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 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 KEL, KEL 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 KEL 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 KEL Group has valid defences against the claims and based on existing evidence believe that it is not probable that any material loss will be suffered by the KEL 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.

31. CONTINGENT LIABILITIES *(continued)*

Pursuant to the DRA, the Company has undertaken to procure that the KEL Group be granted credit facilities of up to HK$50 million. In addition to this credit facility amount, to the extent that any contingent liabilities of KEL, Kenworth and Kenworth Group Limited, a wholly-owned subsidiary of KEL, to be settled under the Schemes, are not met by the available cash of the KEL Group, the Company will procure that sufficient cash be made available to KEL Group to meet such contingent liabilities. As at 31 March 2003, no such facilities have been utilised by the KEL Group (2002: Nil).

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its fixed assets (note 12) and certain of its completed properties held for sale (note 17) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2003	2002
	HK$'000	*HK$'000*
Within one year	**2,439**	2,755
In the second to fifth years, inclusive	**1,641**	1,848
	4,080	4,603

32. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

Certain office properties leased by the Group are under operating lease arrangements, with leases negotiated for terms ranging from one to nine years.

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

	2003	2002
	HK$'000	*HK$'000*
Within one year	**875**	806
In the second to fifth years, inclusive	**2,976**	2,310
After five years	**340**	321
	4,191	3,437

The Company had no operating lease arrangements as at 31 March 2003 (2002: Nil).

33. COMMITMENTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Capital commitments contracted for	**1,413**	2,326

The Company had no material commitments as at 31 March 2003 (2002: Nil).

34. POST BALANCE SHEET EVENT

On 6 March 2003, the Company and KEL entered into a provisional sale and purchase agreement, pursuant to which the Group would dispose to KEL (i) entire issued share capital of Billion Treasure Holdings Limited, a wholly-owned subsidiary of the Group; and (ii) its shareholder's loan of HK$40,236,000 (collectively the "Disposals"), for an aggregate consideration of HK$46,000,000 according to the agreement. The consideration was satisfied by the issuance of 657,142,857 ordinary shares of KEL of HK$0.07 each, after the capital reorganisation exercise undertaken by KEL on 13 May 2003.

As at the agreement date, KEL was a connected person of the Company by virture of the Company being its controlling shareholder. Accordingly, the transaction constituted a disclosable transaction for the Group under the Listing Rules.

The Disposals were approved in a special general meeting of the Company's shareholders on 12 May 2003 and were completed on 14 May 2003. Immediately after the completion of the Disposals, the Group had a 74.8% equity interest in KEL.

35. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Management fees paid to associates	*(1)*	**140**	–
Management fees received from associates	*(1)*	**779**	2,700
Interest income from an associate	*(2)*	**117**	763
Rental income from an associate	*(3)*	**546**	273
Purchases of goods from an associate	*(4)*	**454**	–

Notes:

(1) The management fees were charged by reference to costs incurred for services provided by or to the Group.

(2) The interest income relates to advances to the associate, details of which are set out in note 15 to the financial statements.

(3) The rental income was calculated by reference to open market rentals.

(4) The purchases from the associate were made according to the published prices and conditions offered by the associate to its major customers.

36. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised HKSSAPs during the year, the 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.

37. APPROVAL OF THE FINANCIAL STATEMENTS

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