

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. Its shares and warrants are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of the Company’s principal subsidiaries, associates and jointly controlled entities are set out in note 37.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year.

The results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

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

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill which represents the excess of the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate or a jointly controlled entity, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets of the associate or jointly controlled entity at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of investments in subsidiaries, associates and jointly controlled entities, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary, associate or jointly controlled entity.

Notes to the Financial Statements

For the year ended March 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Turnover

Turnover represents the total value of work carried out and certified and maintenance work orders completed, and the gross amounts received and receivable for goods sold, less returns and allowances, during the year.

Revenue recognition

Revenue from fixed price construction contracts is recognized according to the stage of completion of the contract, measured by reference to the value of work carried out and certified during the year.

Revenue from maintenance contracts is recognized when individual work orders are completed.

Sales of goods are recognized when goods are delivered and title has passed.

Sales of investments in securities are recognized on a trade-date basis.

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

Rental income, including rental invoiced in advance, from letting of properties and grab dredgers under operating leases, is recognized on a straight line basis over the period of the respective leases.

Dividend income from investments is recognized when the Group's right to receive payment has been established.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued or registered share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence including participation in financial and operating policy decisions of the investee.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealized losses provide evidence of an impairment of the assets transferred.

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Joint ventures

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

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the relevant jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any decline in value of the jointly controlled entity that is other than temporary. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

Other joint venture arrangements

Investments made by means of joint venture structures which do not result in the Group having joint control with the other venturers are accounted for as subsidiaries (where the Group controls the board of directors or equivalent governing body), associates (where the Group is in a position to exercise significant influence) or investments in securities (where the Group exercises neither control nor significant influence).

Investments in securities

Investments in securities are recognized on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts. The annual amortization of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognized in each period represents a constant yield on the investment.

Notes to the Financial Statements

For the year ended March 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments in securities – Continued

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealized gains and losses included in net profit or loss for the year.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation or amortization. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 the asset, the expenditure is capitalized as an additional cost of the asset.

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

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Property, plant and equipment – Continued

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

The cost of leasehold land is amortized over the remaining period of the relevant leases or fifty years, whichever is the shorter, using the straight line method.

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

Buildings	5%
Leasehold improvements	25%
Plant and machinery	10% – 15%
Grab dredgers	3.5%
Motor vehicles	15%
Furniture, fixtures and equipment	15% – 25%

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense in the period in which they are incurred. Foreseeable losses are recognized as an expense as soon as they are anticipated by management.

Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amount due from a customer for contract work. Where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amount due to a customer for contract work.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which represent assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized.

All other borrowing costs are recognized as an expense in the year in which they are incurred.

Notes to the Financial Statements

For the year ended March 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognized in the financial statements. The tax effect of timing differences, computed under the liability method, is recognized as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallize in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas operations are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Retirement benefits schemes

The amounts of the contributions payable in respect of the current year to the Group's defined contribution retirement benefits schemes are charged to the income statement.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Notes to the Financial Statements

For the year ended March 31, 2001

3. (LOSS) PROFIT FROM OPERATIONS

	2001 HK\$	2000 HK\$
(Loss) profit from operations has been arrived at after charging:		
Staff costs, including directors' emoluments		
– basic salaries and allowances	38,440,141	35,616,776
– retirement benefits scheme contributions, net of forfeited contributions of HK\$754,308 (2000: HK\$433,758)	1,401,523	1,973,685
	39,841,664	37,590,461
Auditors' remuneration		
– Current year	627,400	605,750
– Overprovision in previous years	(31,550)	(5,750)
Depreciation and amortization	5,784,822	5,054,638
Rental payments under operating leases in respect of		
– premises	4,379,580	6,086,923
– machinery	1,969,470	3,458,188
Loss on disposal of other investments	–	124,802
Provision for bad and doubtful debts	3,607,686	1,400,000
Unrealized holding loss on other investments	–	260,000
and after crediting:		
Dividend income from investments in unlisted equity securities	60,164	46,786
Interest income from loans to associates	2,568,806	–
Interest income from investments in unlisted debt securities	1,087,397	–
Other interest income	1,949,258	560,829
Gain on disposal of property, plant and equipment	79,603	7,000
Rental income from grab dredgers under operating leases, less outgoings of HK\$249,946 (2000: HK\$289,921)	2,903,409	736,746
Rental income from investment properties under operating leases, less outgoings of HK\$102,930 (2000: HK\$177,600)	461,900	210,400

Notes to the Financial Statements

For the year ended March 31, 2001

4. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and five highest paid individuals for the year are as follows:

(a) Directors' emoluments

	2001 HK\$	2000 HK\$
Fees:		
Executive directors	—	—
Non-executive director	118,710	—
Independent non-executive directors	120,000	120,000
	<u>238,710</u>	<u>120,000</u>
Other emoluments for executive directors:		
Salaries and other benefits	5,982,971	4,286,204
Retirement benefits scheme contributions	334,996	224,686
	<u>6,317,967</u>	<u>4,510,890</u>
	<u>6,556,677</u>	<u>4,630,890</u>

The aggregate emoluments of each of the directors during the relevant periods are within the following bands:

	Number of directors	
	2001	2000
Up to HK\$1,000,000	4	5
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$1,500,001 to HK\$2,000,000	1	—
	<u>8</u>	<u>8</u>

Notes to the Financial Statements

For the year ended March 31, 2001

4. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – Continued

(b) Employees' emoluments

The five highest paid individuals in the Group included four directors (2000: three directors), details of whose emoluments are included in the disclosures in note 4 (a) above. The emoluments of the remaining one individual (2000: two individuals) are as follows:

	2001 HK\$	2000 HK\$
Salaries and other benefits	913,680	2,410,240
Retirement benefits scheme contributions	48,084	91,788
	<u>961,764</u>	<u>2,502,028</u>

The emoluments of the remaining individual for the year were less than HK\$1,000,000 whilst the emoluments of the two individuals in 2000 were within the range between HK\$1,000,001 to HK\$1,500,000.

5. TAXATION

	2001 HK\$	2000 HK\$
The charge comprises:		
Underprovision of Hong Kong Profits Tax in previous years	24,107	15,214
Share of tax on results of an associate	–	68,453
Share of tax on results of a jointly controlled entity	3,275	(154)
	<u>27,382</u>	<u>83,513</u>

No provision for Hong Kong Profits Tax has been made for the year as the Group did not have any assessable profit arising in Hong Kong.

Pursuant to relevant laws and regulations in the People's Republic of China, other than Hong Kong (the "PRC"), the Group's PRC subsidiaries are entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% tax reduction for the next three years. No provision for PRC income tax has been made for the year as the Group's PRC subsidiaries were still within the PRC income tax exemption period during the year or they have not made any profit since incorporation.

Details of unrecognized deferred taxation are set out in note 30.

Notes to the Financial Statements

For the year ended March 31, 2001

6. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The Group's loss attributable to shareholders for the year includes a loss of HK\$12,143,589 (2000: HK\$69,626,534) which has been dealt with in the financial statements of the Company.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of HK\$5,598,214 (2000: HK\$8,455,834) and on the weighted average of 482,761,415 (2000: 380,219,114) shares in issue during the year.

No diluted loss per share has been presented as the exercise and conversion of share options and warrants would result in a decrease in loss per share.

8. INVESTMENT PROPERTIES

THE GROUP

	<i>HK\$</i>
At April 1, 2000	15,200,000
Deficit arising on revaluation	<u>(200,000)</u>
At March 31, 2001	<u><u>15,000,000</u></u>

The Group's investment properties were revalued at March 31, 2001, on an open market value basis, by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuers. The deficit arising on revaluation has been charged to the investment property revaluation reserve.

All of the Group's investment properties, which are held for rental income under operating leases, are situated in Hong Kong and are held under medium-term leases.

Notes to the Financial Statements

For the year ended March 31, 2001

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$	Leasehold improvements HK\$	Plant and machinery HK\$	Grab dredgers HK\$	Motor vehicles HK\$	Furniture, fixtures and equipment HK\$	Total HK\$
THE GROUP							
COST							
At April 1, 2000	2,956,689	4,264,001	21,257,115	35,860,247	2,011,077	5,557,777	71,906,906
Additions	–	310,657	429,588	928,196	752,448	1,776,292	4,197,181
Disposals	–	(3,600)	–	–	(596,529)	(554,763)	(1,154,892)
At March 31, 2001	2,956,689	4,571,058	21,686,703	36,788,443	2,166,996	6,779,306	74,949,195
DEPRECIATION AND AMORTIZATION							
At April 1, 2000	312,124	1,995,257	5,427,314	23,095,293	968,094	2,277,854	34,075,936
Provided for the year	56,750	973,581	1,934,821	1,346,006	388,652	1,085,012	5,784,822
Eliminated on disposals	–	(3,600)	–	–	(453,503)	(286,344)	(743,447)
At March 31, 2001	368,874	2,965,238	7,362,135	24,441,299	903,243	3,076,522	39,117,311
NET BOOK VALUE							
At March 31, 2001	2,587,815	1,605,820	14,324,568	12,347,144	1,263,753	3,702,784	35,831,884
At March 31, 2000	2,644,565	2,268,744	15,829,801	12,764,954	1,042,983	3,279,923	37,830,970

The net book value of property interests held by the Group as at the balance sheet date comprises:

	2001 HK\$	2000 HK\$
Leasehold land and buildings held under medium-term leases and situated:		
– in Hong Kong	1,707,348	1,726,825
– outside Hong Kong	880,467	917,740
	2,587,815	2,644,565

The Group's grab dredgers are held for rental purposes under operating leases.

Notes to the Financial Statements

For the year ended March 31, 2001

10. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$	2000 HK\$
Unlisted shares, at cost	38,350,012	31,350,012
Loans to subsidiaries (note below)	179,114,244	179,114,244
Amounts due from subsidiaries	90,183,649	63,383,909
	<u>307,647,905</u>	<u>273,848,165</u>

Note: Loans to subsidiaries include an amount of HK\$122,210,000 (2000: HK\$147,210,000) advanced to Dickson Construction Company, Limited (“DCCL”). Pursuant to five (2000: six) deeds of agreement (the “Agreements”) signed amongst the Company, DCCL and The Government of the Hong Kong Special Administrative Region (the “Government”), the Company has agreed and undertaken to DCCL and the Government that it will not demand repayment of the loans to DCCL during the continuance of the Agreements. The Agreements can be terminated provided that any party to the Agreements gives to the other parties three months notice in writing. The Company is also required, from time to time as and when required by the Government, to provide additional capital to DCCL so as to maintain the level of DCCL’s working capital required by the Government for the performance of all Government contracts undertaken by DCCL.

The balances due from subsidiaries are unsecured, interest-free and have no fixed repayment terms other than the amount due from DCCL described above. In the opinion of the directors, the amounts will not be repaid within twelve months of the balance sheet date and they are therefore shown as non-current.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

Particulars of the Company’s principal subsidiaries as at March 31, 2001 are set out in note 37.

Notes to the Financial Statements

For the year ended March 31, 2001

11. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001 HK\$	2000 HK\$
Share of net assets	18,487,761	18,140,840
Amounts due from associates	14,052,217	16,493,914
	<u>32,539,978</u>	<u>34,634,754</u>

The amounts due from associates are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repaid within twelve months of the balance sheet date and are therefore shown as non-current.

Particulars of the Company's principal associates as at March 31, 2001 are set out in note 37.

12. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Unlisted investments, at cost	—	—	7,800	7,800
Share of net assets, less provision	2,718,686	2,030,356	—	—
	<u>2,718,686</u>	<u>2,030,356</u>	<u>7,800</u>	<u>7,800</u>
Amounts due from jointly controlled entities, less provision	1,003,357	6,967,207	803,357	1,066,707
	<u>3,722,043</u>	<u>8,997,563</u>	<u>811,157</u>	<u>1,074,507</u>

The amounts due from jointly controlled entities are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repaid within twelve months of the balance sheet date and are therefore shown as non-current.

Particulars of the Company's principal jointly controlled entities as at March 31, 2001 are set out in note 37.

Notes to the Financial Statements

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13. INVESTMENTS IN SECURITIES

	THE GROUP	
	2001 HK\$	2000 HK\$
Unlisted other investments:		
Equity securities (note a below)	544,232	544,232
Debt securities (note b below)	14,000,000	—
Carrying amounts analyzed for reporting purposes as:		
Non-current	9,294,232	544,232
Current	5,250,000	—
	14,544,232	544,232

In the opinion of the directors, the carrying amounts of the unlisted investments approximate to their fair value.

Notes:

- a. At March 31, 2001, the Group's unlisted equity securities represent the Group's 15% (2000: 20%) interest in the registered capital of 上海信達機械有限公司 (Shanghai Xinda Machinery Company Limited), a manufacturing company registered in the PRC.
- b. During the year, the Group entered into an agreement to subscribe for a convertible note (the "Note") with a principal amount of HK\$14,000,000, issued by a company (the "Issuer") which is engaged in the manufacturing and trading of PVC/ABS printed card, smartcard and contactless card and provision of related services.

The Note bore interest at Hong Kong prime rate, payable quarterly in arrears commencing on August 31, 2001. Subsequent to March 31, 2001, HK\$5,250,000 of the Note was redeemed at par together with accrued interest while the remaining HK\$8,750,000 of the Note was converted into 2,666,667 shares, representing 25% of the enlarged capital of the Issuer (see note 38).

Notes to the Financial Statements

For the year ended March 31, 2001

14. INVENTORIES

	THE GROUP	
	2001 HK\$	2000 HK\$
Raw materials	6,038,136	10,226,180
Work in progress	95,708	187,376
Finished goods	774,444	473,668
	<u>6,908,288</u>	<u>10,887,224</u>

Included above are raw materials of approximately HK\$1,952,000 (2000: Nil) which are carried at net realizable value. At March 31, 2000, work in progress and finished goods of approximately HK\$132,000 (2001: Nil) and HK\$118,000 (2001: Nil), respectively, were carried at net realizable value.

15. TRADE AND OTHER RECEIVABLES

The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days.

Included in trade and other receivables are trade receivables of HK\$299,601,000 (2000: HK\$266,710,000) and their aged analysis is as follows:

	THE GROUP	
	2001 HK\$	2000 HK\$
Within 30 days	98,315,000	190,806,000
More than 30 days and within 90 days	55,957,000	36,019,000
More than 90 days and within 180 days	96,229,000	6,280,000
Over 180 days	49,100,000	33,605,000
	<u>299,601,000</u>	<u>266,710,000</u>

Included above are trade receivables from an associate amounting to HK\$2,684,806 (2000: Nil).

16. LOANS TO ASSOCIATES

The amounts are unsecured, receivable within one year and bear interest at the rate of Hong Kong prime rate plus 1% to 2%.

The balance at March 31, 2001 represents the amount advanced of HK\$24,199,190 plus interest accrued during the period of HK\$696,362.

Notes to the Financial Statements

For the year ended March 31, 2001

17. AMOUNTS DUE TO CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2001 HK\$	2000 HK\$
Contracts in progress at the balance sheet date:		
Contract costs incurred to date	167,518,548	411,917,838
Recognized profits less recognized losses	7,937,721	26,501,729
	<u>175,456,269</u>	<u>438,419,567</u>
Less: Progress billings	(176,356,269)	(474,957,865)
	<u>(900,000)</u>	<u>(36,538,298)</u>
Represented by:		
Amounts due to customers included in current liabilities	<u>(900,000)</u>	<u>(36,538,298)</u>

At March 31, 2001, retentions held by customers for contract work amounted to approximately HK\$29,258,000 (2000: HK\$37,514,000).

18. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$315,786,000 (2000: HK\$250,980,000) and their aged analysis is as follows:

	THE GROUP	
	2001 HK\$	2000 HK\$
Within 30 days	92,707,000	175,577,000
More than 30 days and within 90 days	76,007,000	33,538,000
More than 90 days and within 180 days	93,942,000	13,216,000
Over 180 days	53,130,000	28,649,000
	<u>315,786,000</u>	<u>250,980,000</u>

Notes to the Financial Statements

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19. AMOUNTS DUE TO ASSOCIATES

The amounts were unsecured, interest-free and were fully repaid during the year.

20. SECURED BORROWINGS

	THE GROUP	
	2001 HK\$	2000 HK\$
Secured borrowings comprise:		
Bank import loans	13,664,819	13,824,460
Import loans from a financial institution	6,135,531	–
Short-term bank loans	–	20,000,000
	<u>19,800,350</u>	<u>33,824,460</u>

21. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repaid within twelve months of the balance sheet date and are therefore shown as non-current.

22. SHARE CAPITAL

	Number of shares		Amount	
	2001	2000	2001 HK\$	2000 HK\$
Ordinary shares of HK\$0.10 each				
Authorized:				
At beginning of the year	600,000,000	600,000,000	60,000,000	60,000,000
Increase during the year	1,400,000,000	–	140,000,000	–
At end of the year	<u>2,000,000,000</u>	<u>600,000,000</u>	<u>200,000,000</u>	<u>60,000,000</u>
Issued and fully paid:				
At beginning of the year	482,711,963	376,200,009	48,271,196	37,620,001
Issue of new shares on subscription	–	75,240,000	–	7,524,000
Exercise of warrants	50,000	31,271,954	5,000	3,127,195
At end of the year	<u>482,761,963</u>	<u>482,711,963</u>	<u>48,276,196</u>	<u>48,271,196</u>

Notes to the Financial Statements

For the year ended March 31, 2001

22. SHARE CAPITAL – Continued

During the year, the following changes to the share capital of the Company took place:

- (a) Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on September 25, 2000, the authorized capital of the Company was increased from HK\$600,000,000 to HK\$2,000,000,000 by the creation of an additional 1,400,000,000 shares of HK\$0.10 each. These shares rank pari passu with the then existing shares in all respects.
- (b) 50,000 shares of HK\$0.10 each were issued at HK\$0.22 per share upon the exercise of warrants by a warrant holder (see note 23). These shares rank pari passu with the then existing shares in all respects.

23. WARRANTS

At March 31, 2001, the Company had outstanding warrants conferring rights to subscribe for up to HK\$9,661,970 (2000: HK\$9,672,970) in cash for shares. Exercise in full of these outstanding warrants would, under the present share capital structure of the Company as of March 31, 2001, result in issue of 43,918,046 (2000: 43,968,046) additional shares of HK\$0.10 each. The warrants may be exercised at any time not later than September 30, 2001 at a subscription price (subject to adjustment) of HK\$0.22 per share.

24. SHARE OPTION SCHEME

Pursuant to the share option scheme (the “Scheme”) of the Company adopted by the Company on December 10, 1992, the directors of the Company may grant options to any executive directors or employees of the Company and its subsidiaries to subscribe for shares in the Company at a price (subject to adjustment) equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the Company’s shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the option. The maximum number of shares in respect of which options may be granted under the Scheme cannot exceed 10% of the issued share capital of the Company from time to time.

A summary of movements during the year in the share options granted under the Scheme is as follows:

Date of grant	Exercise price HK\$	Number of shares under option		
		Outstanding at April 1, 2000	Granted during the year	Outstanding at March 31, 2001
January 5, 2001	0.128	–	2,500,000	2,500,000

The outstanding share options can be exercised at any time during the period from January 5, 2001 to July 4, 2002.

No consideration was received by the Company for share options granted.

Notes to the Financial Statements

For the year ended March 31, 2001

25. RESERVES

	Investment property revaluation reserve HK\$	Share premium HK\$	Capital redemption reserve HK\$	Translation reserve HK\$	Merger reserve HK\$	Accumulated (losses) profits HK\$	Total HK\$
THE GROUP							
At April 1, 1999	231,356	90,209,588	109,400	390,319	1,650,000	7,653,621	100,244,284
Premium arising on issue of shares	–	26,324,634	–	–	–	–	26,324,634
Expenses incurred in connection with the issue of shares	–	(999,941)	–	–	–	–	(999,941)
Exchange differences arising on translation of financial statements of overseas operations	–	–	–	(1,023,896)	–	–	(1,023,896)
Loss for the year	–	–	–	–	–	(8,455,834)	(8,455,834)
At April 1, 2000	231,356	115,534,281	109,400	(633,577)	1,650,000	(802,213)	116,089,247
Deficit arising on revaluation	(200,000)	–	–	–	–	–	(200,000)
Premium arising on issue of shares	–	6,000	–	–	–	–	6,000
Exchange differences arising on translation of financial statements of overseas operations	–	–	–	(9,738)	–	–	(9,738)
Loss for the year	–	–	–	–	–	(5,598,214)	(5,598,214)
At March 31, 2001	31,356	115,540,281	109,400	(643,315)	1,650,000	(6,400,427)	110,287,295

Notes to the Financial Statements

For the year ended March 31, 2001

25. RESERVES – continued

The accumulated losses of the Group include accumulated losses of HK\$8,367,715 (2000: HK\$6,440,889) attributable to associates of the Group and accumulated losses of HK\$1,294,114 (2000: HK\$1,982,444) attributable to jointly controlled entities of the Group.

	Share premium HK\$	Capital redemption reserve HK\$	Accumulated (losses) profits HK\$	Total HK\$
THE COMPANY				
At April 1, 1999	90,209,588	109,400	69,730,067	160,049,055
Premium arising on issue of shares	26,324,634	–	–	26,324,634
Expenses incurred in connection with the issue of shares	(999,941)	–	–	(999,941)
Loss for the year	–	–	(69,626,534)	(69,626,534)
At April 1, 2000	115,534,281	109,400	103,533	115,747,214
Premium arising on issue of shares	6,000	–	–	6,000
Loss for the year	–	–	(12,143,589)	(12,143,589)
At March 31, 2001	115,540,281	109,400	(12,040,056)	103,609,625

The merger reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the group reorganisation in 1991.

Notes to the Financial Statements

For the year ended March 31, 2001

26. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	THE GROUP	
	2001 HK\$	2000 HK\$
Loss before taxation	(6,573,483)	(10,074,684)
Share of results of associates	1,926,826	3,858,163
Share of results of jointly controlled entities	(691,605)	208,879
Interest expenses	1,765,652	2,607,709
Interest income	(5,605,461)	(560,829)
Unrealized holding loss on other investments	–	260,000
Depreciation and amortization	5,784,822	5,054,638
Impairment loss recognized in respect of investment in a jointly controlled entity	–	3,000,000
Provision for amounts due from jointly controlled entities	2,939,000	7,000,000
Gain on disposal of property, plant and equipment	(79,603)	(7,000)
Gain on deemed disposal of subsidiaries	–	(3,007,866)
Loss on disposal of other investments	–	124,802
Dividend income	(60,164)	(46,786)
Decrease in inventories	3,978,936	1,884,976
Increase in trade and other receivables	(8,361,931)	(107,779,240)
(Decrease) increase in amounts due to customers for contract work	(35,638,298)	30,716,933
Increase in trade and other payables	55,656,304	116,251,846
Net cash inflow from operating activities	15,040,995	49,491,541

Notes to the Financial Statements

For the year ended March 31, 2001

27. DEEMED DISPOSAL OF SUBSIDIARIES

	2001 HK\$	2000 HK\$
Net assets disposed of:		
Property, plant and equipment	—	22,402,725
Trade and other receivables	—	1,691,776
Bank balances and cash	—	439,144
Trade and other payables	—	(6,896,522)
Amount due to a group company	—	(16,493,914)
Loan from a minority shareholder	—	(2,033,062)
Minority interests	—	173,521
	<hr/>	<hr/>
	—	(716,332)
Gain on deemed disposal of subsidiaries	—	3,007,866
	<hr/>	<hr/>
	—	2,291,534
	<hr/>	<hr/>
Satisfied by:		
Reclassification to interest in an associate	—	2,291,534
	<hr/>	<hr/>

The subsidiaries disposed of in 2000 did not have significant contribution to the Group's cash flows or operating results.

Analysis of the outflow of cash and cash equivalents in connection with the deemed disposal of subsidiaries:

	2001 HK\$	2000 HK\$
Bank balances and cash disposed of	—	(439,144)
	<hr/>	<hr/>

Notes to the Financial Statements

For the year ended March 31, 2001

28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$	Bank loans HK\$	Amounts due to associates HK\$	Amount due to a minority shareholder of a subsidiary HK\$	Minority interests HK\$
At April 1, 1999	127,829,589	49,900,000	–	2,000,000	1,577,303
Issue of shares for cash	36,975,829	–	–	–	–
Expenses incurred in connection with the issue of shares	(999,941)	–	–	–	–
New borrowings raised	–	20,000,000	968,046	–	–
Return of working capital previously contributed by a joint venture partner	–	–	–	(1,375,000)	–
Repayments during the year	–	(49,900,000)	–	–	–
On deemed disposal of subsidiaries	–	–	–	–	173,521
Minority share of results for the year	–	–	–	–	(1,702,363)
At April 1, 2000	163,805,477	20,000,000	968,046	625,000	48,461
Issue of shares for cash	11,000	–	–	–	–
Repayments during the year	–	(20,000,000)	(968,046)	(100,000)	–
Capital contributed by minority shareholders	–	–	–	–	1,000,000
Minority share of results for the year	–	–	–	–	(1,002,651)
At March 31, 2001	163,816,477	–	–	525,000	45,810

Notes to the Financial Statements

For the year ended March 31, 2001

29. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$	2000 HK\$
Bank balances, deposits and cash	44,989,876	82,042,888
Bank import loans	(13,664,819)	(13,824,460)
Import loans from a financial institution	(6,135,531)	—
	<u>25,189,526</u>	<u>68,218,428</u>

30. UNRECOGNIZED DEFERRED TAXATION

The components of deferred taxation credit (charge) not recognized for the year in the financial statements are as follows:

	THE GROUP	
	2001 HK\$	2000 HK\$
Tax effect of timing differences arising from:		
Difference between tax allowances and depreciation	(98,000)	35,000
Tax losses arising (utilized)	349,000	(973,000)
	<u>251,000</u>	<u>(938,000)</u>

The components of potential deferred tax asset (liability) at the balance sheet date not recognized in the financial statements are as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Tax effect of timing differences attributable to:				
Excess of tax allowances over depreciation	(1,978,000)	(1,880,000)	—	—
Tax losses	7,223,000	6,874,000	91,000	495,000
	<u>5,245,000</u>	<u>4,994,000</u>	<u>91,000</u>	<u>495,000</u>

The potential net deferred tax assets of the Group and the Company have not been recognized in the financial statements as it is uncertain whether the potential tax benefits will be realized in the foreseeable future.

31. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments in respect of rented premises under non-cancellable operating leases. The portion of these commitments which is payable in the following year is as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
Leases which expire:		
Within one year	1,534,142	289,240
In the second to fifth year inclusive	1,828,224	4,294,265
	3,362,366	4,583,505

32. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme for all qualifying employees. The assets of the scheme are separately held in funds under the control of an authorized insurer.

The cost charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, there were no significant forfeited contributions which arose upon employees leaving the scheme prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

In addition to the retirement benefits scheme operated by the Group, the Group is required to contribute respectively to Mandatory Provident Fund and central pension schemes for certain Group's employees in Hong Kong and the PRC based on applicable rates of monthly salary in accordance with government regulations.

33. CONTINGENT LIABILITIES

At March 31, 2001, the Company had executed guarantees amounting to HK\$78,100,000 (2000: HK\$131,540,000) in favour of certain banks to secure credit facilities granted to its subsidiaries.

34. PERFORMANCE BONDS

At March 31, 2001, the Group had outstanding performance bonds amounting to HK\$20,448,000 (2000: HK\$20,448,000) in respect of construction contracts.

Notes to the Financial Statements

For the year ended March 31, 2001

35. PLEDGE OF ASSETS

At March 31, 2001, the credit facilities granted by financial institutions to the Group were secured by the followings:

- (a) pledge of the Group's bank deposits of HK\$8,200,000 (2000: HK\$4,360,000);
- (b) pledge of the Group's investment properties and leasehold land and buildings situated in Hong Kong with net book value of HK\$15,000,000 (2000: HK\$15,200,000) and HK\$1,707,348 (2000: HK\$1,726,825), respectively;
- (c) pledge of all of the Group's grab dredgers with an aggregate net book value of HK\$12,347,144 (2000: HK\$12,764,954); and
- (d) assignment of rental income received and receivable from the above-mentioned investment properties.

In addition, as at March 31, 2000, the Group had pledged a bank deposit of HK\$2,518,899 to a financial institution to secure credit facilities granted to an associate. Such security was released during the current year.

At March 31, 2001, the Company had pledged bank deposits of HK\$8,200,000 (2000: Nil) to a bank to secure credit facilities granted by the bank to the Company and a subsidiary.

36. RELATED PARTY TRANSACTIONS AND BALANCES

The significant transactions with related parties during the year, and significant balances with them at the balance sheet date are as follows:

(I) Transactions

Related parties	Nature of transactions	THE GROUP	
		2001 HK\$	2000 HK\$
Associates of the Group	Loan interest charged by the Group (note i)	2,568,806	—
	Sales of finished goods by the Group (note ii)	2,684,806	—
Jointly controlled entity of the Group	Progress payments made by the Group for subcontracting a maintenance contract (note iii)	—	1,615,000
International Taxation Advisory Services Limited	Professional fees paid by the Group in connection with taxation and advisory services (note iv)	574,000	928,000
		<u> </u>	<u> </u>

36. RELATED PARTY TRANSACTIONS AND BALANCES – Continued

(II) Balances

Details of balances with the Group's associates are set out in note 11, 15, 16 and 19 whereas details of balances with the Group's jointly controlled entities are set out in note 12.

(III) Credit facilities

Details of a bank deposit as at March 31, 2000 pledged by the Group to a financial institution in respect of credit facilities granted to an associate are set out in note 35.

Notes:

- (i) The Group made loans to certain associates during the year. These loans bore interest at 1% - 2% over Hong Kong prime rate.
- (ii) The transactions were carried out with reference to market prices.
- (iii) The progress payments made were determined based on a fixed percentage on the contract sum as stipulated in the maintenance contract.
- (iv) Mr. Wong Wai Kwong, David, an independent non-executive director of the Company, is a director of the company. The transactions were carried out by reference to the value of work carried out.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Details of the Company's principal subsidiaries as at March 31, 2001 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Bright Town Investment Limited	Hong Kong	HK\$10,000 ordinary shares	–	100	Property investment
Conbill Limited	Hong Kong	HK\$2 ordinary shares	100	–	Property investment
Cosonic Inc.	British Virgin Islands	US\$1 ordinary share	–	100	Dredgers operations
Cosonic-Lun Ming Joint Venture	Hong Kong	(note 1 below)	–	75	Building contractors

Notes to the Financial Statements

For the year ended March 31, 2001

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES – Continued

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Dickson Civil Engineering Limited	Hong Kong	HK\$1,000,000 ordinary shares	100	–	Building contractors
Dickson Construction Company, Limited	Hong Kong	HK\$32,000,000 ordinary shares	100	–	Building contractors
Dickson Construction (Housing) Limited	Hong Kong	HK\$7,000,000 ordinary shares	100	–	Building contractors
Dickson Construction (Maintenance) Limited	Hong Kong	HK\$2 ordinary shares	100	–	Building maintenance
Dickson (China) Enterprises Limited	Hong Kong	HK\$1,000,000 ordinary shares	–	100	General trading
Dickson (China) Holdings Limited	Cook Islands	US\$1 ordinary share	–	100	Investment holding
Dickson (Pacific) Limited	British Virgin Islands	US\$1 ordinary share	100	–	Investment holding
Dongguan Sunlight Precision Steel Co., Ltd.	PRC	HK\$18,000,000 registered capital	–	100	Manufacturing and trading
Ever Rise Enterprises Limited	Cook Islands	US\$1 ordinary share	–	100	Investment holding
		HK\$5,000,000 redeemable preference shares (note 2 below)	–	100	
Grand Rise Company Limited	Cook Islands	US\$1 ordinary share	–	100	Investment holding

Notes to the Financial Statements

For the year ended March 31, 2001

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES – Continued

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
i-Concepts Investment Limited	British Virgin Islands	US\$1 ordinary share	–	100	Investment holding
i-LegalService Limited	Hong Kong	HK\$2,363,635 ordinary shares	–	64.62	Provision of e-commerce business
PCStore Promotion Company Limited	Hong Kong	HK\$1,500 ordinary shares	–	100	Provision of internet information and advertisement
Roboshop International Limited	Hong Kong	HK\$2 ordinary shares	–	100	General trading and investment holding
Uni-Technic Company Limited	Hong Kong	HK\$100,000 ordinary shares	–	100	Computer products trading and provision of information technology services
Xinfa (Overseas) Technology Company Limited	British Virgin Islands	US\$256,000 ordinary shares	–	100	General trading and investment holding
Xinfa Technology Company Limited	Hong Kong	HK\$2 ordinary shares	–	100	General trading and investment holding
鑫發科技(深圳)有限公司	PRC	HK\$527,307 registered capital	–	100	Provision of internet information and advertisement
珠海鑫發科技有限公司	PRC	HK\$1,600,000 registered capital	–	100	Provision of internet information and advertisement

Notes to the Financial Statements

For the year ended March 31, 2001

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES – Continued

Notes:

1. Cosonic-Lun Ming Joint Venture (“Cosonic-Lun Ming”) is an unincorporated entity established and held by Cosonic Inc., a subsidiary of the Company, and Lun Ming Construction Company Limited holding 75% and 25%, respectively. As at March 31, 2001, the Group had contributed working capital of HK\$1,875,000 (2000: HK\$1,875,000) to Cosonic-Lun Ming.
2. The redeemable preference shares shall have no voting rights and the holders are entitled to have:
 - a. the right in priority to a preferential dividend as determined by the directors provided always that no dividend shall be paid on any other class of shares unless or until a dividend of not less than 15% shall have been declared and paid on all issued preference shares;
 - b. the right on redemption to repayment of the amount paid up and all arrears of dividend; and
 - c. the right on a winding up in priority to any other class of shares to repayment of the amount paid up and all arrears of dividend up to the commencement of the winding up.

The issued preference shares may be redeemed at the request of the holders by either the issue of ordinary shares at par or by cash.

All principal subsidiaries operate in Hong Kong except Dickson (China) Enterprises Limited, Dongguan Sunlight Precision Steel Co., Ltd., 鑫發科技(深圳)有限公司 and 珠海鑫發科技有限公司 which operate in the PRC.

Details of the Company’s principal associates as at March 31, 2001 are as follows:

Name of associate	Place of incorporation/ registration	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
AssetsB2B.com Limited	Hong Kong	HK\$3,000,000 ordinary shares	–	41.67	Provision of internet based services
Kingtech PCB Limited	Hong Kong	HK\$1,000,000 ordinary shares	–	33	General trading and investment holding
Kingtech (Zhuhai) PCB Limited	PRC	US\$4,000,000 registered capital	–	33	Manufacturing and trading
Net Constructive Limited	British Virgin Islands	US\$10,000 ordinary shares	–	30	Investment holding
Scottsgold Investments Limited	British Virgin Islands	US\$1,707,545 ordinary shares	–	33	Investment holding
Shenzhen New Era Enterprises Company Limited	PRC	RMB32,760,000 registered capital	–	28.73	Investment holding

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES – Continued

All principal associates operate in Hong Kong except Kingtech (Zhuhai) PCB Limited and Shenzhen New Era Enterprises Company Limited which operate in the PRC.

Details of the Company's principal jointly controlled entities as at March 31, 2001 are as follows:

Name of jointly controlled entity	Place of incorporation/ registration	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Cannonball International Inc.	British Virgin Islands	US\$2,000 ordinary shares	50	–	Investment holding
Dickon Building Contractors Limited	Hong Kong	HK\$10,000 ordinary shares	–	50	Building maintenance
New Ocean Estate Limited	Hong Kong	HK\$10,000 ordinary shares	–	50	Property development
Pekai International Limited	Cook Islands	US\$3,076,922 ordinary shares	–	50	Investment holding and property development
Sun Fook Kong – Dickson Joint Venture	Hong Kong	(note below)	–	50	Building contractors

Note: Sun Fook Kong - Dickson Joint Venture ("SFKD JV") is a joint venture established and equally held by Sun Fook Kong (Civil) Limited and Dickson Construction Company, Limited, a subsidiary of the Company. As at March 31, 2001, the Group had contributed working capital of HK\$2,800,000 (2000: HK\$5,800,000) to SFKD JV.

All principal jointly controlled entities operate in Hong Kong except Pekai International Limited which operates in the PRC.

The above tables list the subsidiaries, associates and jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries, associates and jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Financial Statements

For the year ended March 31, 2001

38. POST BALANCE SHEET EVENTS

The following events have occurred subsequent to March 31, 2001:

- (a) On April 24, 2001, the Group entered into an agreement to subscribe for a convertible note (the “Note”) with a principal amount of HK\$12,000,000, issued by a company (the “Issuer”) which acts as an investment holding company with a portfolio of strategic investments in e-commerce business and broadband communications.

The Note bears interest at 4% per annum, payable semi-annually in arrears commencing on October 25, 2001 and is redeemable at par together with accrued interest not later than April 24, 2003. Prior to April 24, 2003, the Group is entitled to convert the Note into ordinary shares up to 25% of the enlarged capital of the Issuer.

- (b) On June 11, 2001, out of the entire principal amount of the convertible note of HK\$14,000,000, which was purchased by the Group during the year ended March 31, 2001, HK\$5,250,000 of the convertible note was redeemed at par together with accrued interest while the remaining HK\$8,750,000 of the convertible note was converted into 2,666,667 shares, representing 25% of the enlarged capital of the convertible note issuer.

Notes to the Financial Statements

For the year ended March 31, 2001

39. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to loss before taxation by principal activity is as follows:

	Turnover		Contribution to loss before taxation	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Construction and maintenance work and letting of construction equipment	1,011,289,158	1,071,009,653	(2,304,859)	7,184,463
Manufacturing and trading	55,015,308	70,311,905	(3,994,376)	(4,199,877)
	<u>1,066,304,466</u>	<u>1,141,321,558</u>	<u>(6,299,235)</u>	<u>2,984,586</u>
Interest income			5,605,461	560,829
Dividend income			60,164	46,786
Interest expenses			(1,765,652)	(2,607,709)
Share of results of associates			(1,926,826)	(3,858,163)
Share of results of jointly controlled entities			691,605	(208,879)
Gain on deemed disposal of subsidiaries			—	3,007,866
Impairment loss recognized in respect of investment in a jointly controlled entity			—	(3,000,000)
Provision for amounts due from jointly controlled entities			(2,939,000)	(7,000,000)
Loss before taxation			<u>(6,573,483)</u>	<u>(10,074,684)</u>

Notes to the Financial Statements

For the year ended March 31, 2001

39. SEGMENT INFORMATION – Continued

An analysis of the Group's turnover and contribution to loss before taxation by geographical market is as follows:

	Turnover		Contribution to loss before taxation	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Hong Kong	1,020,339,054	1,088,383,227	(1,843,949)	9,990,663
PRC	4,564,128	2,006,500	(7,926,319)	(1,548,897)
Other Asia Pacific countries	39,924,000	50,931,831	3,347,179	(5,457,180)
United States of America	1,477,284	–	123,854	–
	<u>1,066,304,466</u>	<u>1,141,321,558</u>	<u>(6,299,235)</u>	<u>2,984,586</u>
Interest income			5,605,461	560,829
Dividend income			60,164	46,786
Interest expenses			(1,765,652)	(2,607,709)
Share of results of associates			(1,926,826)	(3,858,163)
Share of results of jointly controlled entities			691,605	(208,879)
Gain on deemed disposal of subsidiaries			–	3,007,866
Impairment loss recognized in respect of investment in a jointly controlled entity			–	(3,000,000)
Provision for amounts due from jointly controlled entities			(2,939,000)	(7,000,000)
Loss before taxation			<u>(6,573,483)</u>	<u>(10,074,684)</u>