

Notes to the Financial Statements

FOR THE YEAR ENDED MARCH 31, 2002

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company 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 41.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts and disclosures reported for the current or prior periods.

Leases

SSAP 14 (Revised) “Leases” has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group’s leasing arrangements. These changes have not had any material effect on the results for the current year or prior accounting periods and, accordingly, no prior year adjustment has been required. Disclosures for all the Group’s leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative disclosures have been restated in order to achieve a consistent presentation.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment Reporting”. Segment disclosures for the year ended March 31, 2001 have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group has adopted SSAP 30 “Business Combinations” and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisitions prior to April 1, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after April 1, 2001 is capitalized and amortized over its estimated useful life.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

3. 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 arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions after April 1, 2001 is capitalized and amortized on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying value of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisitions prior to April 1, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of unamortized goodwill or goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognized as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognized in income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

Turnover

Turnover represents the total value of construction contract work carried out and certified and the total value of maintenance work orders performed, 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 according to the value of individual work orders performed.

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.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

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 plus the goodwill on acquisition in so far as it has not already been written off or amortized, less any identified impairment loss.

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 less any identified impairment loss. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

The Company's investments in jointly controlled entities are stated at cost less any identified impairment loss. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

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.

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

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in securities (continued)

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, amortization and accumulated impairment losses.

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 items 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%

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.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

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.

Inventories

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

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 using 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 currencies other than Hong Kong dollar are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollar 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 which are denominated in currencies other than Hong Kong dollar 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 retirement benefit costs charged to the income statement represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefits schemes.

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.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organized into two operating divisions - construction and maintenance work and manufacturing and trading. These divisions are the basis on which the Group reports its primary segment information:

- | | | |
|-----------------------------------|---|---|
| Construction and maintenance work | - | Building contractors and maintenance |
| Manufacturing and trading | - | Manufacturing and trading of high precision machine parts and electronic component products |

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended March 31, 2002

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Others HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	338,670	34,232	1,334	374,236
RESULT				
Segment results	(17,832)	(9,434)	(2,334)	(29,600)
Unallocated other revenue				10,095
Unallocated corporate expenses				(10,961)
Loss from operations				(30,466)
Interest expenses				(1,881)
Share of results of associates	-	(6,306)	(13,977)	(20,283)
Share of results of jointly controlled entities	234	-	(1,170)	(936)
Gain on deemed disposal of a subsidiary	-	-	2,141	2,141
Gain on deemed disposal of an associate	-	-	2,904	2,904
Allowance for amount due from an associate	-	-	(367)	(367)
Allowance for amount due from a jointly controlled entity	-	-	(393)	(393)
Loss before taxation				(49,281)
Taxation				789
Loss after taxation				(50,070)

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

BALANCE SHEET

At March 31, 2002

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	268,490	43,316	30,940	342,746
Interests in associates	–	6,787	17,497	24,284
Interests in jointly controlled entities	287	–	1,500	1,787
Unallocated corporate assets				71,944
Consolidated total assets				440,761
LIABILITIES				
Segment liabilities	254,923	4,405	199	259,527
Unallocated corporate liabilities				69,362
Consolidated total liabilities				328,889

OTHER INFORMATION

For the year ended March 31, 2002

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Capital additions	3,258	5,671	18,006	26,935
Amortization of goodwill	–	–	361	361
Depreciation and amortization of property, plant and equipment	1,206	3,036	1,841	6,083
Allowance for amount due from an associate	–	–	367	367
Allowance for amount due from a jointly controlled entity	–	–	393	393
Deficit arising on revaluation of investment properties	–	–	1,969	1,969

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

INCOME STATEMENT

For the year ended March 31, 2001

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Others HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	1,011,289	53,170	1,845	1,066,304
RESULT				
Segment results	9,022	(990)	(828)	7,204
Unallocated other revenue				6,770
Unallocated corporate expenses				(14,608)
Loss from operations				(634)
Interest expenses				(1,766)
Share of results of associates	–	(1,106)	(821)	(1,927)
Share of results of jointly controlled entities	364	–	328	692
Allowance for amounts due from jointly controlled entities	(2,600)	–	(339)	(2,939)
Loss before taxation				(6,574)
Taxation				27
Loss after taxation				(6,601)

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

BALANCE SHEET

At March 31, 2001

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	320,438	50,843	29,393	400,674
Interests in associates	–	13,542	18,998	32,540
Interests in jointly controlled entities	393	–	3,329	3,722
Unallocated corporate assets				93,822
Consolidated total assets				530,758
LIABILITIES				
Segment liabilities	346,214	4,679	931	351,824
Unallocated corporate liabilities				20,325
Consolidated total liabilities				372,149

OTHER INFORMATION

For the year ended March 31, 2001

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Capital additions	1,164	2,102	931	4,197
Depreciation and amortization of property, plant and equipment	1,371	3,021	1,393	5,785
Allowance for amounts due from jointly controlled entities	2,600	–	339	2,939

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (other than Hong Kong) (the "PRC").

The following table provides an analysis of the Group's turnover and loss from operations by geographical market, irrespective of the origin of the goods or services:

	Turnover		Contribution to loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	340,084	1,020,339	(23,574)	5,113
PRC	–	4,564	(2,874)	(1,380)
Other Asia Pacific countries	34,152	39,924	(3,152)	3,347
United States of America	–	1,477	–	124
	374,236	1,066,304	(29,600)	7,204
Unallocated other revenue			10,095	6,770
Unallocated corporate expenses			(10,961)	(14,608)
Loss from operations			(30,466)	(634)

The following is an analysis of the carrying amount of segment assets and capital additions, analyzed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	At March 31, 2002 HK\$'000	At March 31, 2001 HK\$'000	Year ended March 31, 2002 HK\$'000	Year ended March 31, 2001 HK\$'000
Hong Kong	282,474	350,083	3,272	2,092
PRC	42,545	26,443	23,663	2,105
Other Asia Pacific countries	17,727	24,148	–	–
	342,746	400,674	26,935	4,197

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

5. LOSS FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs, including directors' emoluments		
– basic salaries and allowances	31,717	38,440
– retirement benefits scheme contributions, net of forfeited contributions of HK\$464,000 (2001: HK\$754,000)	901	1,402
	32,618	39,842
Amortization of goodwill (included in other operating costs)	361	–
Auditors' remuneration		
Current year	658	627
Overprovision in previous years	–	(32)
Deficit arising on revaluation of investment properties	1,969	–
Depreciation and amortization of property, plant and equipment	6,083	5,785
Provision for bad and doubtful debts	–	3,608
and after crediting:		
Release of negative goodwill to income (included in other income)	11	–
Dividend income from investments in unlisted equity securities	61	60
Interest income from loans to associates	1,473	2,569
Interest income from investments in unlisted debt securities	657	1,087
Other interest income	321	1,949
Gain on disposal of property, plant and equipment	2,998	79
Rental income from grab dredgers under operating leases, less outgoings of HK\$768,000 (2001: HK\$250,000)	1,263	2,903
Rental income from investment properties under operating leases, less outgoings of HK\$129,000 (2001: HK\$103,000)	521	462

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

6. 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

	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive directors	–	–
Non-executive director	240	119
Independent non-executive directors	120	120
	360	239
Other emoluments for executive directors:		
Salaries and other benefits	5,053	5,983
Retirement benefits scheme contributions	282	335
	5,335	6,318
	5,695	6,557

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

	Number of directors	
	2002	2001
Up to HK\$1,000,000	5	4
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$1,500,001 to HK\$2,000,000	1	1

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid individuals in the Group included three directors (2001: four directors), details of whose emoluments are included in the disclosures in note 6 (a) above. The emoluments of the remaining two individuals (2001: one individual) are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	2,034	914
Retirement benefits scheme contributions	101	48
	2,135	962

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

	Number of individuals	
	2002	2001
Up to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	1	–

7. TAXATION

The charge comprises:

	2002 HK\$'000	2001 HK\$'000
Underprovision of Hong Kong Profits Tax in previous years	554	24
Share of tax on results of an associate	236	–
Share of tax on results of a jointly controlled entity	(1)	3
	789	27

No provision for Hong Kong Profits Tax has been made for the year as the group companies which are subject to Hong Kong Profits Tax incurred tax losses for the year.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

7. TAXATION (continued)

Pursuant to relevant laws and regulations in 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.

In the opinion of the directors, the Group is not subject to taxation in other jurisdictions in which it operates.

Details of unrecognized deferred taxation are set out in note 34.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of HK\$49,708,000 (2001: HK\$5,598,000) and on the 482,762,000 (2001: weighted average of approximately 482,761,000) shares in issue during the year.

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

9. INVESTMENT PROPERTIES

	HK\$'000
THE GROUP	
At April 1, 2001	15,000
Deficit arising on revaluation	(2,000)
At March 31, 2002	13,000

The Group's investment properties were revalued at March 31, 2002, on an open market value basis, by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuers. The revaluation resulted in a deficit of HK\$2,000,000, of which HK\$31,000 was charged to investment property revaluation reserve to the extent of the surplus previously credited and HK\$1,969,000 was charged to the income statement.

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 (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Grab dredgers HK\$000	Motor vehicles HK\$000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
THE GROUP							
COST							
At April 1, 2001	2,957	4,571	21,687	36,788	2,167	6,779	74,949
Acquired on acquisition of a subsidiary	–	48	17,871	–	–	84	18,003
Additions	–	168	5,234	–	696	2,834	8,932
Disposals	–	(32)	–	(36,788)	(175)	(510)	(37,505)
Eliminated on disposal of a subsidiary	–	–	–	–	–	(4)	(4)
At March 31, 2002	2,957	4,755	44,792	–	2,688	9,183	64,375
DEPRECIATION AND AMORTIZATION							
At April 1, 2001	369	2,965	7,363	24,441	903	3,076	39,117
Provided for the year	57	400	3,130	673	408	1,415	6,083
Eliminated on disposals	–	(3)	–	(25,114)	(147)	(105)	(25,369)
Eliminated on disposal of a subsidiary	–	–	–	–	–	(1)	(1)
At March 31, 2002	426	3,362	10,493	–	1,164	4,385	19,830
NET BOOK VALUE							
At March 31, 2002	2,531	1,393	34,299	–	1,524	4,798	44,545
At March 31, 2001	2,588	1,606	14,324	12,347	1,264	3,703	35,832

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

	2002 HK\$'000	2001 HK\$'000
Leasehold land and buildings held under medium-term leases and situated:		
– in Hong Kong	1,688	1,708
– outside Hong Kong	843	880
	2,531	2,588

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

11. NEGATIVE GOODWILL

THE GROUP
HK\$'000

GROSS AMOUNT

Arising on acquisition of a subsidiary during the year and balance at March 31, 2002	303
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RELEASED TO INCOME

Released during the year and balance at March 31, 2002	(11)
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CARRYING AMOUNT

At March 31, 2002	292
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The negative goodwill is released to income on a straight line basis of five years.

12. INTERESTS IN SUBSIDIARIES

THE COMPANY

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	38,350	38,350
Loans to subsidiaries (note below)	209,114	179,114
Amounts due from subsidiaries, less allowance	79,710	90,184
	327,174	307,648

Note: Loans to subsidiaries include an amount of HK\$177,200,000 (2001: HK\$122,210,000) advanced to Dickson Construction Company, Limited ("DCCL"). Pursuant to a deed (2001: five deeds) of agreement (the "Agreement") 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 Agreement. The Agreement can be terminated provided that any party to the Agreement 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, other than the amount due from DCCL described above, 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 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, 2002 are set out in note 41.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

13. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	15,022	18,488
Goodwill (note below)	2,386	–
Amounts due from associates, less allowance	6,876	14,052
	24,284	32,540
Market value of listed securities in Hong Kong (note 15)	32,120	–

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, 2002 are set out in note 41.

Note:

Movements during the year in goodwill arising on acquisition of associates are as follows:

	HK\$'000
Gross amount of goodwill	
Arising on acquisition of associates during the year	3,554
On deemed disposal of an associate (note 15)	(900)
At March 31, 2002	2,654
Amortization	
Charged for the year	361
On deemed disposal of an associate (note 15)	(93)
At March 31, 2002	268
Carrying value	
At March 31, 2002	2,386

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted investments, at cost	–	–	–	8
Share of net assets	1,783	2,718	–	–
	1,783	2,718	–	8
Amounts due from jointly controlled entities, less allowance	4	1,004	–	803
	1,787	3,722	–	811

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, 2002 are set out in note 41.

15. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Other investments		
Unlisted equity securities	583	544
Debt securities		
– HK\$14 million convertible note (note below)	–	14,000
– HK\$12 million convertible note	12,000	–
	12,000	14,000
	12,583	14,544
Carrying amounts analyzed for reporting purposes as:		
Non-current	12,583	9,294
Current	–	5,250
	12,583	14,544

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

15. INVESTMENTS IN SECURITIES (continued)

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

Note:

At March 31, 2001, the Group's debt securities represented an investment in a convertible note issued by InterCard Limited ("InterCard"), a company which is engaged in the manufacturing and trading of PVC/ABS printed card, smartcard and contactless card and provision of related services.

The convertible note bore interest at Hong Kong prime rate, payable quarterly in arrears commencing on August 31, 2000. On June 11, 2001, HK\$5,250,000 of the convertible note was agreed to be 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 share capital of InterCard. The investment in InterCard was then accounted for as an associate of the Group.

Pursuant to a group reorganization involving InterCard during the year, InterCard became a wholly owned subsidiary of Cardlink Technology Group Limited ("Cardlink") and the Group became interested in 25% of the issued share capital of Cardlink. Commencing on December 20, 2001, the shares of Cardlink were listed on the Growth Enterprise Market of the Stock Exchange by way of placing of 80,000,000 shares of HK\$0.10 each at a price of HK\$0.47 per share. Accordingly, the Group's interest in Cardlink was diluted from 25% to 18.3%. The gain on the deemed disposal amounting to HK\$2,904,000 was recognized in the income statement. The investment in Cardlink continues to be accounted for as an associate of the Group as the Group is able to exercise significant influence over Cardlink through its representation of board of directors of Cardlink.

16. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred to date	216,057	167,518
Recognized profits less recognized losses	3,393	7,938
	219,450	175,456
Less: Progress billings	(216,586)	(176,356)
	2,864	(900)
Represented by:		
Amounts due from customers included in current assets	7,336	—
Amounts due to customers included in current liabilities	(4,472)	(900)
	2,864	(900)

At March 31, 2002, retentions held by customers for contract work amounted to HK\$25,573,000 (2001: HK\$29,258,000).

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

17. INVENTORIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Raw materials	3,663	6,038
Work in progress	325	96
Finished goods	574	774
	4,562	6,908

At March 31, 2001, raw materials of HK\$1,952,000 (2002: Nil) were carried at net realizable value.

18. 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\$236,191,000 (2001: HK\$299,601,000) and their aged analysis is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Aged:		
Current	234,375	298,485
1-30 days overdue	1,816	1,116
	236,191	299,601

At March 31, 2001, trade receivables included an amount due from an associate amounting to HK\$2,685,000 (2002: Nil).

19. 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%.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

20. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$222,620,000 (2001: HK\$315,786,000) and their aged analysis is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Aged:		
Current	222,192	315,401
1-30 days overdue	428	385
	222,620	315,786

21. AMOUNTS DUE TO ASSOCIATES

The amounts were unsecured, interest-free and have no fixed repayment terms.

22. SECURED BORROWINGS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Bank loans	60,859	13,665
Loans from a financial institution	5,244	6,135
Bank overdrafts	2,507	–
	68,610	19,800
The secured borrowings are repayable as follows:		
Within one year or on demand	40,610	19,800
More than one year but not exceeding two years	28,000	–
	68,610	19,800
Less: Amount due within one year and shown under current liabilities	(40,610)	(19,800)
Amount due after one year	28,000	–

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

23. 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.

24. SHARE CAPITAL

	Number of shares		Amount	
	2002 '000	2001 '000	2002 HK\$'000	2001 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorized:				
At beginning of the year	2,000,000	600,000	200,000	60,000
Increase during the year	–	1,400,000	–	140,000
At end of the year	2,000,000	2,000,000	200,000	200,000
Issued and fully paid:				
At beginning of the year	482,762	482,712	48,276	48,271
Exercise of warrants	–	50	–	5
At end of the year	482,762	482,762	48,276	48,276

During the year ended March 31, 2001, the following changes to the share capital of the Company took place:

- Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on September 25, 2001, the authorized capital of the Company was increased from 600,000,000 to 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.
- 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 25). These shares rank pari passu with the then existing shares in all respects.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

25. WARRANTS

On August 17, 1999, the directors of the Company recommended a bonus issue of warrants to shareholders whose names appeared on the register of members on September 23, 1999 on the basis of one warrant for every five shares held. Each warrant will entitle the holder to subscribe for one new share of HK\$0.10 each in the Company at an initial subscription price of HK\$0.22 per share (subject to adjustment) during the period from the date of issue thereof but not later than September 30, 2001.

During the year ended March 31, 2002, no warrants were exercised. During the year ended March 31, 2001, a warrant holder exercised his right to subscribe for 50,000 ordinary shares in the Company at HK\$0.22 per share.

The right attached to the warrants to subscribe for ordinary shares of the Company expired on September 30, 2001.

26. SHARE OPTION SCHEME

At March 31, 2002, the options to subscribe for shares outstanding under the Company's share option scheme are as follows:

Date of grant	Exercise price HK\$	Number of shares under option		
		Outstanding at April 1, 2001	Cancelled during the year	Outstanding at March 31, 2002
January 5, 2001	0.128	2,500,000	(500,000)	2,000,000

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

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

27. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment property revaluation reserve HK\$'000	Translation reserve HK\$'000	Merger reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP							
At April 1, 2000	115,534	109	231	(633)	1,650	(802)	116,089
Deficit arising on revaluation	-	-	(200)	-	-	-	(200)
Premium arising on issue of shares	6	-	-	-	-	-	6
Exchange differences arising on translation of financial statements of overseas operations	-	-	-	(10)	-	-	(10)
Loss for the year	-	-	-	-	-	(5,598)	(5,598)
At April 1, 2001	115,540	109	31	(643)	1,650	(6,400)	110,287
Deficit arising on revaluation	-	-	(31)	-	-	-	(31)
Exchange differences arising on translation of financial statements of overseas operations	-	-	-	994	-	-	994
Loss for the year	-	-	-	-	-	(49,708)	(49,708)
At March 31, 2002	115,540	109	-	351	1,650	(56,108)	61,542

The accumulated losses of the Group include accumulated losses HK\$28,887,000 (2001: HK\$8,368,000) attributable to associates of the Group and accumulated losses of HK\$2,229,000 (2001: HK\$1,294,000) attributable to jointly controlled entities of the Group.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

27. RESERVES (continued)

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
THE COMPANY				
At April 1, 2000	115,534	109	104	115,747
Premium arising on issue of shares	6	–	–	6
Loss for the year	–	–	(12,143)	(12,143)
At April 1, 2001	115,540	109	(12,039)	103,610
Loss for the year	–	–	(24,696)	(24,696)
At March 31, 2002	115,540	109	(36,735)	78,914

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 reorganization in 1991.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

28. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(49,281)	(6,574)
Share of results of associates	20,283	1,927
Share of results of jointly controlled entities	936	(692)
Interest expenses	1,881	1,766
Interest income	(2,451)	(5,605)
Dividend income	(61)	(60)
Deficit arising on revaluation of investment properties	1,969	—
Gain on disposal of property, plant and equipment	(2,998)	(79)
Amortization of goodwill	361	—
Release of negative goodwill to income	(11)	—
Depreciation and amortization of property, plant and equipment	6,083	5,785
Gain on deemed disposal of a subsidiary	(2,141)	—
Gain on deemed disposal of an associate	(2,904)	—
Allowance for amount due from an associate	367	—
Allowance for amounts due from jointly controlled entities	393	2,939
Write back of allowance for amount due from a jointly controlled entity	(290)	—
Increase in amounts due from customers for contract works	(7,336)	—
Decrease in inventories	2,346	3,978
Decrease (increase) in trade and other receivables	70,194	(8,362)
Increase (decrease) in amounts due to customers for contract work	3,572	(35,638)
(Decrease) increase in trade and other payables	(95,938)	55,656
Net cash (outflow) inflow from operating activities	(55,026)	15,041

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

29. DEEMED DISPOSAL OF A SUBSIDIARY

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of:		
Property, plant and equipment	3	—
Trade and other receivables	266	—
Bank balances and cash	1,977	—
Trade and other payables	(282)	—
Amount due to a group company	(84)	—
Minority interests	(591)	—
	1,289	—
Gain on deemed disposal of a subsidiary	2,141	—
	3,430	—
Satisfied by:		
Reclassification to interest in an associate	3,430	—

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

	2002 HK\$'000	2001 HK\$'000
Bank balances and cash disposed of	(1,977)	—

The subsidiary disposed of during the year did not have significant contribution to the Group's cash flows or operating results.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

30. PURCHASE OF A SUBSIDIARY

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	18,003	—
Trade and other receivables	829	—
Bank balances and cash	97	—
Trade and other payables	(887)	—
Amounts due to group companies	(10,902)	—
Minority interests	(2,261)	—
	4,879	—
Negative goodwill arising on acquisition	(303)	—
	4,576	—
Satisfied by:		
Cash paid on acquisition	1,600	—
Share of net assets of an associate prior to acquisition reclassified on becoming a subsidiary	2,976	—
	4,576	—

Analysis of net outflow of cash and cash equivalents in connection with purchase of the subsidiary:

	2002 HK\$'000	2001 HK\$'000
Bank balances and cash acquired	97	—
Cash paid on acquisition	(1,600)	—
Net outflow of cash and cash equivalents in connection with the purchase of the subsidiary	(1,503)	—

The subsidiary acquired during the year did not have significant contribution to the Group's cash flows or operating results.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Borrowings HK\$'000	Amounts due to associates HK\$'000	Amount due to a minority shareholder of a subsidiary HK\$'000	Minority interests HK\$'000
At April 1, 2000	163,805	20,000	968	625	49
Issue of shares for cash	11	–	–	–	–
Repayments during the year	–	(20,000)	(968)	(100)	–
Capital contributed by minority shareholders of subsidiaries	–	–	–	–	1,000
Minority share of results for the year	–	–	–	–	(1,003)
At April 1, 2001	163,816	–	–	525	46
Acquired on acquisition of a subsidiary	–	–	–	–	2,261
Repayments during the year	–	–	–	(500)	–
Borrowings raised	–	61,616	199	–	–
Capital contributed by minority shareholders of subsidiaries	–	–	–	–	700
On deemed disposal of subsidiary	–	–	–	–	(591)
Minority share of results for the year	–	–	–	–	(362)
At March 31, 2002	163,816	61,616	199	25	2,054

32. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 HK\$'000	2001 HK\$'000
Bank balances, deposits and cash	29,125	44,990
Bank loans	(4,487)	(13,665)
Loans from a financial institution	–	(6,135)
Bank overdrafts	(2,507)	–
	22,131	25,190

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

33. MAJOR NON-CASH TRANSACTIONS

- a. During the year, the Group converted HK\$8,750,000 of the convertible note issued by InterCard into 25% of the issued share capital of InterCard.
- b. During the year, a portion of the loan to an associate in the sum of HK\$6,306,000 was capitalized as an additional capital in that associate.

34. UNRECOGNIZED DEFERRED TAXATION

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences arising from:		
Difference between tax allowances and depreciation	1,276	(98)
Tax losses arising	926	349
	2,202	251

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

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:				
Excess of tax allowances over depreciation	(702)	(1,978)	–	–
Tax losses	8,149	7,223	173	91
	7,447	5,245	173	91

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

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Minimum lease payments paid under operating leases during the year are as follows:		
Premises	4,353	4,380
Machinery	2,400	1,969
	6,753	6,349

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	3,214	3,362
In the second to fifth year inclusive	5,315	2,178
	8,529	5,540

Leases are negotiated for an average term of three years and the rentals are fixed during the relevant lease periods.

The Group has no non-cancellable operating lease commitments in respect of machinery at the balance sheet date.

The Company had no non-cancellable operating lease commitments at the balance sheet date.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

35. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

Rental income earned under operating leases during the year is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Premises	650	565
Grab dredgers	2,031	3,153
	2,681	3,718

At March 31, 2002, the Group had contracted with tenants for future minimum lease payments amounting to HK\$402,000 (2001: HK\$857,000) under non-cancellable operating leases in respect of rented premises which fall due within one year.

36. 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.

37. CONTINGENT LIABILITIES

At March 31, 2002, the Company executed guarantees amounting to HK\$129,100,000 (2001: HK\$78,100,000) in favour of certain banks and a financial institution to secure credit facilities granted to its subsidiaries.

38. PERFORMANCE BONDS

At March 31, 2002, the Group had outstanding performance bonds amounting to HK\$26,588,000 (2001: HK\$20,448,000) in respect of construction contracts.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

39. PLEDGE OF ASSETS

At March 31, 2002, the following items were used to secure credit facilities granted by certain banks or a financial institution to the Group:

- (a) pledge of the Group's bank deposits of HK\$10,075,000 (2001: HK\$8,200,000);
- (b) pledge of the Group's investment properties and leasehold land and buildings situated in Hong Kong with net book value of HK\$13,000,000 (2001: HK\$15,000,000) and HK\$1,688,000 (2001: HK\$1,708,000), respectively;
- (c) assignment of rental income received and receivable from the above-mentioned investment properties.

In addition, as at March 31, 2001, the Group had pledged all of the Group's grab dredgers with an aggregate net book value of HK\$12,347,000 to a bank to secure credit facilities granted to the Group. Such security was released upon the disposal of the relevant assets during the current year.

At March 31, 2002, the Company had pledged bank deposits of HK\$10,075,000 (2001: HK\$8,200,000) to certain banks to secure credit facilities granted by the banks to the Company and a subsidiary.

40. RELATED PARTY DISCLOSURES

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	
		2002 HK\$'000	2001 HK\$'000
Associates of the Group	Loan interest charged by the Group (note i)	1,489	2,569
	Sales of finished goods by the Group (note ii)	–	2,685
International Taxation Advisory Services Limited	Professional fees paid by the Group in connection with taxation and advisory services (note iii)	465	574

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

40. RELATED PARTY DISCLOSURES (continued)

(II) Balances

Details of balances with the Group's associates are set out in notes 13, 18, 19, and 21 whereas details of balances with the Group's jointly controlled entities are set out in note 14.

Notes:

- i. Interest was charged at 1%-2% above Hong Kong prime rate.
- ii. The transactions were carried out with reference to market prices.
- iii. Mr. Wong Wai Kwong, David, an independent non-executive director of the Company, is a director of International Taxation Advisory Services Limited. The transactions were carried out by reference to the value of work carried out.

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

Details of the Company's principal subsidiaries as at March 31, 2002 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 %	
AssetsB2B.com Limited	Hong Kong	HK\$3,000,000 ordinary shares	–	68.33	Provision of internet based services
Bright Town Investment Limited	Hong Kong	HK\$10,000 ordinary shares	–	100	Property investment
Cosonic-Lun Ming Joint Venture	Hong Kong	(note 1 below)	–	75	Building contractors
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

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

41. 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 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
i-Concepts Investment Limited	British Virgin Islands	US\$1 ordinary share	–	100	Investment holding
PCStore Promotion Company Limited	Hong Kong	HK\$1,500 ordinary shares	–	100	Provision of internet information and advertisement

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

41. 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 %	
Roboshop International Limited	Hong Kong	HK\$2 ordinary shares	–	100	General trading and investment holding
Rose Link Limited	British Virgin Islands	US\$1 ordinary share	–	100	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
德森建築科技(深圳)有限公司	PRC	HK\$1,000,000 registered capital	–	100	Consultancy services for construction projects

Notes:

- 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, 2002, the Group had contributed working capital of HK\$1,875,000 (2001: HK\$1,875,000) to Cosonic-Lun Ming.
- The redeemable preference shares shall have no voting rights and the holders are entitled to have:
 - 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;
 - the right on redemption to repayment of the amount paid up and all arrears of dividend; and
 - 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.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (continued)

All principal subsidiaries operate in Hong Kong except Dickson (China) Enterprises Limited, Dongguan Sunlight Precision Steel Co., Ltd. and 德森建築科技(深圳)有限公司 which operate in the PRC.

Details of the Company's principal associates as at March 31, 2002 are as follows:

Name of associates	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 %	
Acon Technology Limited	Hong Kong	HK\$1,000,000 ordinary shares	–	40	Computer software development
Cardlink Technology Group Limited	Cayman Islands	HK\$32,000,000 ordinary shares	–	18.3	Investment holding and provision of management services
i-LegalService Limited	Hong Kong	HK\$5,034,962 ordinary shares	–	44.78	Provision of e-commerce business
Kingtech PCB Limited	Hong Kong	HK\$1,000,000 ordinary shares	–	34.43	General trading and investment holding
Kingtech (Zhuhai) PCB Limited	PRC	US\$4,000,000 registered capital	–	34.43	Manufacturing and trading
Scottsgold Investments Limited	British Virgin Islands	US\$3,985,112 ordinary shares	–	34.43	Investment holding
Shenzhen New Era Enterprises Company Limited	PRC	RMB32,760,000 registered capital	–	28.73	Investment holding

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

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (continued)

Details of the Company's principal jointly controlled entities as at March 31, 2002 are as follows:

Name of jointly controlled entities	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 %	
Dickon Building Contractors Limited	Hong Kong	HK\$10,000 ordinary shares	–	50	Building maintenance
Dickson-Lap Kei Joint Venture	Hong Kong	(note i below)	–	50	Building contractors
Sun Fook Kong-Dickson Joint Venture	Hong Kong	(note ii below)	–	50	Building contractors

Notes:

- i. Dickson-Lap Kei Joint Venture is an unincorporated joint venture established and equally held by Lap Kei (Wing Yip) Engineering Company Limited and Dickson Construction Company, Limited, a subsidiary of the Company. As at March 31, 2002, the Group had contributed working capital of HK\$4,250 (2001: Nil) to this joint venture.
- ii. Sun Fook Kong-Dickson Joint Venture is an unincorporated joint venture established and equally held by Sun Fook Kong (Civil) Limited and Dickson Construction Company, Limited. As at March 31, 2001, the Group had contributed working capital of HK\$2,800,000 to this joint venture. As at March 31, 2002, the contributed capital was fully returned to the Group.

All principal jointly controlled entities operate in Hong Kong.

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 (Continued)

FOR THE YEAR ENDED MARCH 31, 2002

42. POST BALANCE SHEET EVENTS

The following events have occurred subsequent to March 31, 2002:

- (a) Pursuant to a placing agreement entered into on June 14, 2002, the Company issued 79,200,000 ordinary shares of HK\$0.10 each at a price of HK\$0.12 per share. The price of HK\$0.12 per share represents a discount of approximately 13% to the closing price of the Company's shares on June 14, 2002 as quoted on the Stock Exchange. The net proceeds of the placement of approximately HK\$9.4 million will be used for additional working capital of the Group.

These new shares were issued under the general mandate granted to the directors at annual general meeting of the Company held on August 31, 2001.

- (b) On June 11, 2002, out of the entire principal amount of the convertible note of HK\$12,000,000, which was purchased by the Group during the year ended March 31, 2002, HK\$5,000,000 of the convertible note was agreed to be redeemed at par together with accrued interest.
- (c) On July 12, 2002, the Group entered into an agreement with an independent third party to dispose of its entire interests in certain associates and the related shareholders' loans owed by these associates to the Group for a total consideration of approximately HK\$16 million.
- (d) On July 12, 2002, the Group entered into an agreement with an independent third party to dispose of certain machines for a consideration of approximately HK\$16 million.