

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002***1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2002, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognized as income or as expenses in the period in which the operation is disposed of. This change in accounting policy has not had any significant effect on the results for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under separate headings, are classified as operating or investing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The re-definition of cash and cash equivalents has resulted in a restatement in the comparative amounts shown in the cash flow statement.

3. SEGMENT INFORMATION

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

For the six months ended September 30, 2002				
	Construction and maintenance work <i>HK\$'000</i>	Manufacturing and trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External sales	<u>594,420</u>	<u>27,835</u>	<u>830</u>	<u>623,085</u>
Segment results	<u>6,455</u>	<u>2,941</u>	<u>75</u>	9,471
Unallocated other operating income				2,614
Unallocated corporate expenses				<u>(4,110)</u>
Profit from operations				<u>7,975</u>

3. SEGMENT INFORMATION *(Continued)*

	For the six months ended September 30, 2001			
	Construction and maintenance work <i>HK\$'000</i>	Manufacturing and trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External sales	<u>199,172</u>	<u>17,429</u>	<u>496</u>	<u>217,097</u>
Segment results	<u>(6,760)</u>	<u>(1,024)</u>	<u>319</u>	<u>(7,465)</u>
Unallocated other operating income				7,844
Unallocated corporate expenses				<u>(5,802)</u>
Loss from operations				<u>(5,423)</u>

4. PROFIT (LOSS) FROM OPERATIONS

Profit (loss) from operations has been arrived at after charging (crediting):

	Six months ended September 30,	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Depreciation and amortization of property, plant and equipment	4,583	1,787
Interest income	<u>(290)</u>	<u>(2,213)</u>

5. SHARE OF RESULTS OF ASSOCIATES

Included in the share of results of associates in the condensed consolidated income statement are amortization charges in the current period amounting to HK\$523,000 (six months ended September 30, 2001: HK\$214,000).

6. TAXATION

The amounts for either period represents share of tax on results of an associate.

No provision for Hong Kong Profits Tax has been made for either period as the Group did not have any assessable profit arising in or derived from Hong Kong.

Pursuant to relevant laws and regulations in the People's Republic of China (excluding 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 either period as the Group's PRC subsidiaries were still within the PRC income tax exemption period or they have not made any profit since incorporation.

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

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the period ended September 30, 2002 (six months ended September 30, 2001: Nil). No dividend was paid during the period.

8. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit attributable to shareholders for the period of HK\$1,577,000 (six months ended September 30, 2001: loss of HK\$9,967,000) and on the weighted average of 523,876,717 (six months ended September 30, 2001: 482,761,963) shares in issue during the period.

The computation of diluted earnings per share for the period does not assume the exercise of the Company's outstanding share options for the six months ended September 30, 2002 as the exercise price was higher than the average market price for the shares for such period.

The computation of diluted loss per share for the six months ended September 30, 2001 does not assume the exercise of share options or conversion of warrants of the Company as the exercise or conversion would result in a decrease in loss per share.

9. **MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT**

The directors are of the opinion that the market value of the Group's investment properties as at September 30, 2002 is not materially different from the carrying value of the investment properties. Accordingly, no valuation movement has been recognized in respect of the Group's investment properties in the period.

During the period, the Group disposed of certain machines with a carrying value of HK\$16,114,000 for a consideration of HK\$16,200,000, resulting in a gain on disposal of HK\$86,000.

In addition, the Group incurred approximately HK\$19,728,000 during the period on acquisition of plant and machinery in order to upgrade its manufacturing capabilities.

10. **MOVEMENTS IN INVESTMENTS IN SECURITIES**

During the period, 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 redeemed at par together with accrued interest.

11. **DEPOSIT MADE FOR ACQUISITION OF AN INVESTMENT IN SECURITIES**

The amount represents the partial payment of consideration in connection with the acquisition of a 19% interest in an investment holding company, incorporated in the British Virgin Islands, which intends to invest in the businesses of forwarding, custom duty consultancy services, provision of warehouse facilities and logistic management in the PRC. At September 30, 2002, the above acquisition had not been completed.

12. **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\$328,667,000 (3.31.2002: HK\$236,191,000) and the aged analysis is as follows:

	9.30.2002 HK\$'000	3.31.2002 HK\$'000
Aged:		
Current	325,107	234,375
1 - 30 days overdue	3,560	1,816
	328,667	236,191

13. LOAN TO AN ASSOCIATE

During the period, the loan to an associate was partly settled in cash and the remaining balance of such loan was settled together with the disposal of the interest in the associate (see note 17).

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$333,659,000 (3.31.2002: HK\$222,620,000) and the aged analysis is as follows:

	9.30.2002 HK\$'000	3.31.2002 HK\$'000
Aged:		
Current	330,838	222,192
1 - 30 days overdue	—	428
31 - 90 days overdue	2,821	—
	<hr/> 333,659 <hr/>	<hr/> 222,620 <hr/>

15. SECURED BORROWINGS

During the period, the Group obtained new short-term bank loans of HK\$8,167,000 and an installment loan granted by a bank of approximately HK\$7,000,000, the final installment repayment of which is due in February 2004. The loans bear interest at prevailing market rate. The proceeds were used for general working capital purpose. In addition, the Group also repaid bank loans and overdrafts totaling HK\$28,318,000 during the period.

16. CAPITAL COMMITMENT

At September 30, 2002, the Group was committed to capital expenditures in respect of acquisition of an investment in securities amounting to HK\$8,000,000.

17. DISPOSAL OF ASSOCIATES

In July 2002, the Group entered into an agreement with an independent third party to dispose of its entire interests in certain associates and the related shareholder's loan owed by one of the associates to the Group for a total consideration of HK\$16,000,000.

18. POST BALANCE SHEET EVENT

Subsequent to September 30, 2002, the Group entered into a sales and purchase agreement with an independent third party to dispose of two wholly owned subsidiaries which are engaged in property investment for a consideration of HK\$6,561,000.