

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2003***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, 2003, except that the Group had adopted SSAP 12 (Revised) "Income taxes" which is effective for accounting periods commencing on or after January 1, 2003.

Income Taxes

SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the interim financial report and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly.

As a result of this change in policy, the opening balance on accumulated losses at April 1, 2003 has been decreased by HK\$6,291,000 (April 1, 2002: HK\$5,810,000). In addition, the Group's profit for the six months ended September 30, 2003 has been decreased by HK\$1,746,000 (September 30, 2002: decreased by HK\$1,048,000).



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

For the six months ended September 30, 2003

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Others HK\$'000	Group HK\$'000
Turnover				
External sales	<u>616,727</u>	<u>37,827</u>	<u>403</u>	<u>654,957</u>
Segment results	<u>15,670</u>	<u>23</u>	<u>(1,371)</u>	<u>14,322</u>
Unallocated other operating income				865
Unallocated corporate expenses				<u>(5,809)</u>
Profit from operations				<u>9,378</u>

For the six months ended September 30, 2002

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Others HK\$'000	Group HK\$'000
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>	<u>9,471</u>
Unallocated other operating income				2,614
Unallocated corporate expenses				<u>(4,110)</u>
Profit from operations				<u>7,975</u>



4. DISCONTINUING OPERATIONS

On October 13, 2003, the Group entered into a binding agreement for the sale of its 100% holding of the shares in a subsidiary, Roboshop International Limited, for a consideration of HK\$4,000,000. The turnover and results of the subsidiary were grouped into the segment of Manufacturing and Trading in note 3. The sale was completed on October 31, 2003 and the management does not anticipate any loss arising from the disposal.

The results of the discontinuing operations for the current and previous period were as follows :

Roboshop International Limited

	Manufacturing and Trading	
	Six months ended	
	September 30,	
	2003	2002
	HK\$'000	HK\$'000
Turnover	37,712	27,666
Cost of sales	(29,594)	(19,812)
Gross profit	8,118	7,854
Other operating income	766	422
Distribution costs	(3,666)	(1,889)
Administrative expenses	(4,737)	(2,651)
Profit from operations	481	3,736
Interest on bank borrowings wholly repayable within five years	(450)	(88)
Profit before taxation	31	3,648
Taxation	-	-
Profit from ordinary activities after taxation	31	3,648

The assets and liabilities of the discontinuing operations as at September 30, 2003, were as follows:

	Manufacturing and Trading	
	9.30.2003	
	HK\$'000	
	9.30.2003	3.31.2003
	HK\$'000	HK\$'000
Total assets	68,938	65,092
Total liabilities	(65,284)	(61,468)
Net assets	3,654	3,624
Consideration received	4,000	
Gain on disposal of discontinuing operations	346	



4. DISCONTINUING OPERATIONS *(Continued)*

The cash flows of the discontinuing operations were as follows:

	Manufacturing and Trading	
	Six months ended	
	September 30,	
	2003	2002
	HK\$'000	HK\$'000
Operating	10,556	10,256
Investing	(2,184)	(10,726)
Financing	(5,191)	7,224
	<u>3,181</u>	<u>6,754</u>
Net cash inflow		

5. PROFIT FROM OPERATIONS

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

	Six months ended	
	September 30,	
	2003	2002
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	4,718	4,583
Interest income	(109)	(290)
Loss on disposal of plant and equipment	805	–

6. 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\$245,640 (six months ended September 30, 2002: HK\$523,000).



7. TAXATION

	Six months ended September 30,	
	2003 HK\$'000	2002 HK\$'000
Current tax	–	(20)
Deferred tax in Hong Kong :		
Current period	2,227	1,048
Attributable to an increase in tax rate	(481)	–
	<u>1,746</u>	<u>1,028</u>

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 have not made any profit since incorporation.

The amount of current tax for the six months ended September 30, 2002 represents share of tax on results of an associate.

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

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the period ended September 30, 2003 (six months ended September 30, 2002: Nil). No dividend was paid during the period.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of HK\$4,115,000 (six months ended September 30, 2002: HK\$529,000) and on the weighted average of 567,645,023 (six months ended September 30, 2002: 523,876,717) shares in issue during the period.

The Company has no dilutive potential ordinary shares at September 30, 2003.



10. 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, 2003 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.

In addition, the Group incurred approximately HK\$3.6 million during the period on acquisition of plant and machinery in order to upgrade its manufacturing and construction capabilities.

During the period, the Group disposed of plant and equipment with a carrying amount of approximately HK\$1 million, resulting in a loss of HK\$0.8 million.

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 logistics management in the PRC. At September 30, 2003, the above acquisition has 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\$419,029,000 (3.31.2003: HK\$400,810,000) and the aged analysis is as follows:

	9.30.2003 HK\$'000	3.31.2003 HK\$'000
Aged:		
Current	410,195	394,453
1 – 30 days overdue	6,749	6,192
Over 30 days overdue	2,085	165
	<u>419,029</u>	<u>400,810</u>

13. MOVEMENTS IN INVESTMENTS IN SECURITIES

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 was redeemed in the year ended March 31, 2003 and the balance of HK\$7,000,000 was redeemed at par together with accrued interest during the period.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$428,712,000 (3.31.2003 : HK\$414,278,000) and the aged analysis is as follows:

	9.30.2003 HK\$'000	3.31.2003 HK\$'000
Aged:		
Current	422,261	412,050
1 – 30 days overdue	3,187	1,819
Over 30 days overdue	3,264	409
	428,712	414,278

15. SECURED BORROWINGS

During the period, the Group obtained new short-term bank loans of HK\$15,000,000. The loans bear interest at prevailing market rates. The proceeds were used for general working capital purposes. In addition, the Group also repaid bank loans of HK\$29,227,000 during the period.

16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorized</i>		
At April 1, 2003 and September 30, 2003	<u>2,000,000</u>	<u>200,000</u>
<i>Issued and fully paid</i>		
At April 1, 2003	561,962	56,196
Conversion of convertible bonds to shares	<u>40,000</u>	<u>4,000</u>
At September 30, 2003	<u>601,962</u>	<u>60,196</u>

On September 5, 2003, convertible bonds of HK\$4 million were converted into 40 million ordinary shares of HK\$0.10 each.



17. COMMITMENTS

At September 30, 2003, the Group was committed to the following acquisitions:

- (a) acquisition of an investment in securities amounting to HK\$8,000,000;
- (b) acquisition of investment properties amounting to HK\$12,184,000; and
- (c) acquisition of a construction company and its subsidiaries which are engaged in the construction business in both the private and public sectors in Hong Kong and the PRC at a consideration of HK\$21,200,000. Part of the consideration in the amount of HK\$13,200,000 will be satisfied by the issue and allotment of 110,000,000 ordinary shares of HK\$0.10 each in the capital of the Company and the remaining HK\$8,000,000 will be paid in cash. The finalization of the acquisition is subject to the results of a due diligence review.

18. CONTINGENT LIABILITIES

At September 30, 2003 the Group executed guarantees amounting to HK\$3,560,000 (3.31.2003: HK\$1,720,000) to secure the issuance of a performance bond for a property service contract undertaken by an associate and banking facilities granted to this associate.

19. PERFORMANCE BONDS

At September 30, 2003, the Group had outstanding performance bonds amounting to HK\$11,552,000 (3.31.2003: HK\$13,942,000) in respect of construction contracts.

20. DEPOSIT FOR CONVERTIBLE BONDS

On August 20, 2003, the Company entered into a conditional subscription agreement with Joybest Limited ("Joybest") pursuant to which Joybest will, upon the completion of the subscription agreement, become holder of a convertible note to be issued by the Company in the principal sum of HK\$6,000,000. A deposit of HK\$600,000 has been received by the Company as at September 30, 2003.

21. POST BALANCE SHEET EVENT

Subsequent to September 30, 2003, the Group disposed of a wholly owned subsidiary, which was engaged in manufacturing and trading of high precision machine parts, to an independent third party for a consideration of HK\$4,000,000 (*Note 4*).

