

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

1. GENERAL

The Company was originally incorporated in the Cayman Islands but re-domiciled to Bermuda on 11 February 2004. 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

In the current year, the Group has adopted for the following revised Statement of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants:

SSAP 12 (Revised) : Income taxes

The changes to accounting policies and the effects are as follows:

The principal effect of the implementation of the revised statement is in relation to deferred tax. In previous years partial provision was made for deferred tax using income statement liability method, that is, a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. The revised statement requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements, the new accounting policy has been adopted retrospectively. Comparative amounts for 2003 have been restated accordingly. Opening accumulated losses at 1 April 2003 have been reduced by HK\$6,291,000 (1 April 2002: HK\$5,810,000) which is the cumulative effect of the change in policy on the results for periods prior to 1 April 2003. The effect of the change is an increased charge to income taxes in the current year of HK\$5,080,000 (2003: decreased by HK\$481,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

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 31 March 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 is capitalised and amortised 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.

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 recognised 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 recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognised 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 recognised according to the value of individual work orders performed.

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

Sales of investments in securities are recognised 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 under operating leases, is recognised on a straight line basis over the period of the relevant lease.

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

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 amortised, less any identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

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

Investments in securities

Investments in securities are recognised 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 amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation 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 recognised 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.

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 unrealised gains and losses included in net profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and accumulated impairment losses.

The cost of leasehold land is amortised 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%
Motor vehicles	15%
Furniture, fixtures and equipment	15% - 25%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group.

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 recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contract

When the outcome of a construction contract can be estimated reliably, contract costs are recognised 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 recognised as an expense in the period in which they are incurred. Foreseeable losses are recognised as an expense as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised 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 recognised profits less recognised 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 recognised 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, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

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

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the cash flow statement, bank overdrafts which are repayable on demand and form an integral part of an enterprise's cash management are also included as a component of cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight line basis over the relevant lease term.

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 capitalised as part of the cost of those assets. Capitalisation 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 capitalised.

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

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing 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 prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

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 recognised as income or as expenses in the period in which the operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit schemes

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable. Hong Kong profits tax is provided at the rate prevailing for the year based on the assessable profit for the year less allowable losses, if any, brought forward.

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Discontinuing operations

A discontinuing operation is a clearly distinguishable component of the Group's business that is disposed of or abandoned pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

During the year ended 31 March 2004, the Group was organised into two operating divisions - construction and maintenance work and manufacturing and trading. These divisions form 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

On 31 October 2003, the Group disposed of its manufacturing and trading businesses (see note 5).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 31 March 2004

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Others HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	1,339,749	44,991	1,034	1,385,774
RESULTS				
Segment results	17,612	(127)	(2,163)	15,322
Unallocated other operating income				4,244
Unallocated corporate expenses				(455)
Profit from operations				19,111
Finance costs				(2,492)
Share of results of associates	–	–	(3,042)	(3,042)
Share of results of jointly controlled entities	209	–	–	209
Gain on disposal of subsidiaries	–	382	–	382
Loss on disposal of jointly controlled entities	–	–	(447)	(447)
Loss on disposal of associates	–	–	(362)	(362)
Profit before taxation				13,359
Taxation				4,774
Profit before minority interests				8,585

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

BALANCE SHEET

At 31 March 2004

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	661,799	56	21,161	683,016
Interest in an associate	–	–	9,515	9,515
Interest in a jointly controlled entity	–	–	1,988	1,988
Unallocated corporate assets				87,807
Consolidated total assets				782,326
LIABILITIES				
Segment liabilities	587,142	12	1,222	588,376
Unallocated corporate liabilities				48,193
Consolidated total liabilities				636,569

OTHER INFORMATION

For the year ended 31 March 2004

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Capital expenditure	2,128	3,249	24	5,401
Amortisation of goodwill	1,406	–	–	1,406
Depreciation of property, plant and equipment	1,598	5,033	33	6,664
Provision for bad and doubtful debts	493	–	–	493

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**INCOME STATEMENT**

For the year ended 31 March 2003

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Others HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	1,299,733	63,764	2,798	1,366,295
RESULTS				
Segment results	9,642	2,943	(5,907)	6,678
Unallocated other operating income				3,801
Unallocated corporate expenses				(12,261)
Loss from operations				(1,782)
Finance costs				(3,186)
Share of results of associates	–	–	(4,425)	(4,425)
Share of results of jointly controlled entities	(1,135)	–	(1,500)	(2,635)
Gain on disposal of subsidiaries	–	–	1,225	1,225
Loss on disposal of associates	–	(673)	–	(673)
Allowance for amount due from a jointly controlled entity	–	–	(57)	(57)
Loss before taxation				(11,533)
Taxation				(673)
Loss before minority interests				(10,860)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

BALANCE SHEET

At 31 March 2003

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	482,794	63,398	19,839	566,031
Interest in associates	–	–	13,144	13,144
Interest in jointly controlled entities	(582)	–	–	(582)
Unallocated corporate assets				83,383
Consolidated total assets				661,976
LIABILITIES				
Segment liabilities	457,878	15,709	621	474,208
Unallocated corporate liabilities				73,601
Consolidated total liabilities				547,809

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**OTHER INFORMATION**

For the year ended 31 March 2003

	Construction and maintenance work HK\$'000	Manufacturing and trading HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Capital expenditure	806	25,571	27	26,404
Amortisation of goodwill	–	–	60	60
Release of negative goodwill	–	–	(60)	(60)
Depreciation of property, plant and equipment	1,296	6,114	607	8,017
Provision for bad and doubtful debts	14,500	–	1,087	15,587
Inventory write down	–	1,578	–	1,578
Deficit arising on revaluation of investment properties	–	–	1,000	1,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

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 profit/(loss) from operations by geographical market, irrespective of the origin of the goods or services:

	Turnover		Contribution to profit/ (loss) from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	1,341,249	1,301,285	15,932	10,275
PRC	3,819	1,433	(610)	(5,787)
Other Asia Pacific countries	40,706	63,577	–	2,190
	1,385,774	1,366,295	15,322	6,678
Unallocated other operating income			4,244	3,801
Unallocated corporate expenses			(455)	(12,261)
Profit/(loss) from operations			19,111	(1,782)

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

	Carrying amount of segment assets		Capital expenditure	
	At 31 March 2004 HK\$'000	At 31 March 2003 HK\$'000	Year ended 31 March 2004 HK\$'000	Year ended 31 March 2003 HK\$'000
Hong Kong	676,364	494,830	2,153	803
PRC	6,652	56,137	3,248	25,601
Other Asia Pacific countries	–	15,064	–	–
	683,016	566,031	5,401	26,404

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

5. DISCONTINUED OPERATIONS

On 13 October 2003, the Group entered into an 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 sale was completed on 31 October 2003 and the control of the company effectively passed to the purchaser on the same day. The attributable profit on the gain was HK\$358,000.

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

Roboshop International Limited

	Manufacturing and trading	
	For the period/year ended	
	31.10.2003	31.03.2003
	HK\$'000	HK\$'000
Turnover	44,765	63,578
Cost of sales	(37,630)	(44,156)
Gross profit	7,135	19,422
Other operating income	960	770
Distribution costs	(3,201)	(4,241)
Administrative expenses	(4,294)	(12,991)
Profit from operations	600	2,960
Interest on bank borrowings wholly repayable within five years	(581)	(434)
Profit before taxation	19	2,526
Taxation	–	–
Profit from ordinary activities after taxation	19	2,526

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

5. DISCONTINUED OPERATIONS (continued)

The assets and liabilities of the discontinued operations as at 31 October 2003 were as follows:

	Manufacturing and trading	
	31.10.2003	31.03.2003
	HK\$'000	HK\$'000
Total assets	67,261	65,091
Total liabilities	(63,619)	(61,468)
Net assets	3,642	<u>3,623</u>
Consideration received	4,000	
Gain on disposal of discontinued operations	358	

The cash flows of the discontinued operations were as follows:

	Manufacturing and trading	
	For the period/year ended	
	31.10.2003	31.03.2003
	HK\$'000	HK\$'000
Operating	10,544	10,673
Investing	(2,184)	(8,513)
Financing	(5,191)	(2,034)
Net cash inflow	3,169	126

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

6. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations has been arrived at after (crediting) and charging the following:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Staff costs, including directors' emoluments		
– basic salaries and allowances	31,342	39,325
– retirement benefits scheme contributions, net of forfeited contributions of HK\$923,000 (2003: HK\$146,000)	135	744
	31,477	40,069
Amortisation of goodwill (included in administrative expenses)	1,406	60
Auditors' remuneration	663	859
Deficit arising on revaluation of investment properties	–	1,000
Depreciation of property, plant and equipment	6,664	8,017
Loss on disposal of property, plant and equipment	519	154
Provision for bad and doubtful debts	493	15,587
Release of negative goodwill to income (included in other operating income)	–	(60)
Dividend income from investments in unlisted equity securities	–	(48)
Interest income from loans receivable	(1,205)	–
Interest income from investments in unlisted debt securities	–	(319)
Other interest income	(1,088)	(268)
Rental income from investment properties under operating leases, less outgoings of HK\$91,000 (2003: HK\$122,000)	(648)	(625)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

7. 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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Fees:		
Executive directors	–	–
Non-executive director	133	240
Independent non-executive directors	193	120
	326	360
Other emoluments for executive directors:		
Salaries and other benefits	4,084	5,590
Retirement benefit scheme contributions	184	285
	4,268	5,875
	4,594	6,235

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

	Number of directors	
	2004	2003
Up to HK\$1,000,000	8	5
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)**(b) Employees' emoluments**

The five highest paid individuals in the Group included two directors (2003: three directors), details of whose emoluments are included in the disclosures in note 7 (a) above. The emoluments of the remaining three individuals (2003: two individuals) are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Salaries and other benefits	2,577	1,930
Retirement benefit scheme contributions	137	75
	2,714	2,005

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

	Number of individuals	
	2004	2003
Up to HK\$1,000,000	3	1
HK\$1,000,001 to HK\$1,500,000	–	1

8. FINANCE COSTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Interest on bank borrowings		
wholly repayable within five years	2,488	2,936
Interest on finance leases	4	250
	2,492	3,186

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

9. TAXATION

(a) Tax charge in consolidated income statement represents:

	2004	Group
	HK\$'000	2003
		HK\$'000
Current tax	–	–
Overprovision of Hong Kong profits tax in previous years	–	(31)
Share of tax on results of an associate	–	(161)
Share of tax on results of a jointly controlled entity	1	–
	1	(192)
Deferred tax		
Current	5,356	(481)
Attributable to an increase in tax rate	(583)	–
	4,774	(673)

Hong Kong profits tax is provided at 17.5% (2003: 16%) based on the assessable profit for the year. In 2003 the Hong Kong government enacted a change in the profits tax rate from 16% to 17.5% for the year of assessment 2003/2004.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

9. TAXATION (continued)**(b) Reconciliation between tax charge and accounting profit at applicable tax rates:**

	Group	
	2004	2003
	HK\$'000	HK\$'000
Profit/(loss) before taxation	13,359	(11,533)
Tax at domestic income tax of 17.5% (2003: 16%)	2,338	(1,845)
Tax effect of income that is not taxable in determining taxable profit	(463)	(1,046)
Tax effect of expenses that is not deductible in determining taxable profit	1,595	1,715
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(32)	1,318
Tax effect of unused tax losses not recognised	1,919	–
Tax effect of utilisation of tax losses not previously recognised	–	(815)
Increase in opening deferred tax resulting from an increase in tax rate	(583)	–
Tax expense/(credit) for the year	4,774	(673)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) attributable to shareholders for the year of HK\$8,587,000 (2003: restated loss HK\$10,762,000) and on the weighted average number of approximately 647,536,000 (2003: 542,867,000) shares in issue during the year.

There is no diluted earnings per share since the Company has no dilutive potential shares.

11. INVESTMENT PROPERTIES

Group
HK\$'000

At 1 April 2003 and 31 March 2004	12,000
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The Group's investment properties were revalued at 31 March 2004 on an open market value basis by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuers, at HK\$12,000,000.

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 31 March 2004

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
GROUP						
Cost						
At 1 April 2003	2,957	4,614	51,603	3,271	9,362	71,807
Additions	–	512	3,040	645	1,204	5,401
Acquisition of subsidiaries	–	265	–	–	839	1,104
Reclassification	–	(54)	–	–	54	–
Disposals	(1,135)	(313)	–	(668)	(596)	(2,712)
Disposals of subsidiaries	–	(1,865)	(54,643)	(984)	(2,185)	(59,677)
At 31 March 2004	1,822	3,159	–	2,264	8,678	15,923
Accumulated depreciation						
At 1 April 2003	483	3,575	14,549	1,599	5,307	25,513
Charge for the year	18	667	4,321	472	1,186	6,664
Acquisition of subsidiaries	–	26	–	–	240	266
Disposals	(501)	(313)	–	(369)	(596)	(1,779)
Disposals of subsidiaries	–	(1,323)	(18,870)	(784)	(1,692)	(22,669)
At 31 March 2004	–	2,632	–	918	4,445	7,995
Net book value						
At 31 March 2004	1,822	527	–	1,346	4,233	7,928
At 31 March 2003	2,474	1,039	37,054	1,672	4,055	46,294

The net book value of motor vehicles of the Group at 31 March 2004 includes an amount of HK\$379,000 (2003: plant and machinery HK\$15,853,000) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

12. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2004 HK\$'000	2003 HK\$'000
Leasehold land and buildings held under medium-term leases and situated:		
– in Hong Kong	1,822	1,840
– outside Hong Kong	–	634
	1,822	2,474

13. GOODWILL

	Group HK\$'000
Cost	
At 1 April 2003	292
Acquisition of subsidiaries	31,645
Disposal of a subsidiary	(292)
At 31 March 2004	31,645
Amortisation	
At 1 April 2003	60
Charge for the year	1,406
Disposals	(60)
At 31 March 2004	1,406
Net book value	
At 31 March 2004	30,239
At 31 March 2003	232

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

14. INTEREST IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	101,850	91,350
Loans to subsidiaries (note below)	237,210	219,114
Amounts due from subsidiaries, less allowance	57,324	44,217
	396,384	354,681

Note: Loans to subsidiaries include an amount of HK\$237,200,000 (2003: HK\$202,200,000) advanced to Dickson Construction Company, Limited ("DCCL"). Pursuant to two deeds (2003: two 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 assets.

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 31 March 2004 are set out in note 41.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

15. INTEREST IN ASSOCIATES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets	8,298	11,436
Goodwill (note below)	1,217	1,708
	9,515	13,144
Market value of listed securities in Hong Kong	4,672	4,946

Details of the Company's principal associates as at 31 March 2004 are set out in note 41.

Note:

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

	HK\$'000
Cost	
At 1 April 2003	2,654
Disposals	(198)
At 31 March 2004	2,456
Amortisation	
At 1 April 2003	946
Charge for the year	491
Disposals	(198)
At 31 March 2004	1,239
Net book value	
At 31 March 2004	1,217
At 31 March 2003	1,708

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

16. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets/(liabilities)	32	(848)
Amounts due from jointly controlled entities, less allowance	1,956	266
	1,988	(582)

Loan to a jointly controlled entity is unsecured and interest free and will not be repayable within the next twelve months.

Pursuant to a subordinated loan agreement, the repayment of the loan is subject to prior written consent from a bank.

Details of the Group's jointly controlled entity as at 31 March 2004 are set out in note 41.

17. DEPOSIT MADE FOR ACQUISITION OF INVESTMENT 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 custom duty consultancy services, provision of warehouse facilities and logistics management in the PRC. At 31 March 2004, the acquisition had not been completed.

18. DEPOSITS MADE FOR ACQUISITION OF INVESTMENT PROPERTIES

The amounts represent the partial payment of consideration in connection with the acquisition of two properties in the PRC. At 31 March 2004, the acquisition had not been completed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

19. DEFERRED TAX ASSETS

The movement for the year in the net deferred tax position of the Group is as follows:

	2004 HK\$'000	2003 HK\$'000
At 1 April	6,291	–
Adjustment on adoption of SSAP 12 (Revised)	–	5,810
As restated	6,291	5,810
Deferred tax assets of subsidiaries acquired during the year	2,100	–
(Charge)/Credit to the consolidated income statement	(5,080)	481
At 31 March	3,311	6,291

The major deferred tax assets recognised by the Group are as follows:

	2004 HK\$'000	2003 HK\$'000
Accelerated tax depreciation	(62)	(77)
Retirement benefit obligations	263	264
Tax losses	3,110	5,579
Others	–	525
	3,311	6,291

At the balance sheet date the Group has unused tax losses of HK\$44,800,000 (2003: HK\$52,200,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$17,800,000 (2003: HK\$31,900,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$27,000,000 (2003: HK\$20,300,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At the balance sheet date the Company has unused tax losses of HK\$262,000 (2003: HK\$233,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Temporary differences arising in connection with interests in subsidiaries, associates and jointly controlled entity are insignificant.

Company

No provision for deferred taxation has been made in the financial statements as the tax effect of temporary differences is immaterial to the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

20. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	Group	
	2004	2003
	HK\$'000	HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred to date	1,577,776	1,173,823
Recognised profits less recognised losses	67,141	41,629
	1,644,917	1,215,452
Less: Progress billings	(1,603,935)	(1,184,064)
	40,982	31,388
Represented by:		
Amounts due from customers included in current assets	58,983	32,838
Amounts due to customers included in current liabilities	(18,001)	(1,450)
	40,982	31,388

21. 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\$444,068,000 (2003: HK\$400,810,000) and their ageing analysis is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Aged:		
Current	438,214	394,453
1 – 30 days overdue	–	6,192
31 – 60 days overdue	5,854	165
	444,068	400,810

At 31 March 2004, retentions held by customers for contract work amounted to HK\$48,924,000 (2003: HK\$34,513,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

22. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount due is unsecured, interest free and with no fixed repayment terms.

23. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$472,428,000 (2003: HK\$414,278,000) and their ageing analysis is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Aged:		
Current	472,428	412,050
1 – 30 days overdue	–	1,819
Over 30 days overdue	–	409
	472,428	414,278

Included in trade and other payables is an amount due to a subcontractor of HK\$3,100,000 which is interest bearing at Hong Kong dollar prime rate plus 2% per annum and with no fixed repayment terms. The other balances are interest free.

24. AMOUNTS DUE TO ASSOCIATES AND A JOINTLY CONTROLLED ENTITY

The amounts due are unsecured, interest bearing at Hong Kong dollar prime rate and repayable within one year.

25. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due is unsecured, interest free and with no fixed repayment terms.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

26. BORROWINGS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Bank loans	24,908	60,720
Bank overdrafts	18,088	–
	42,996	60,720
Analysed as:		
Secured	42,650	57,998
Unsecured	346	2,722
	42,996	60,720
The borrowings are repayable as follows:		
Within one year or on demand	42,996	60,720

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

27. OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Amounts payable under finance leases:				
Within one year	205	4,910	185	4,377
In the second to fifth year inclusive	188	7,653	170	7,299
	393	12,563	355	11,676
Less: future finance charges	(38)	(887)	–	–
Present value of lease obligations	355	11,676	355	11,676
Less: Amount due within one year and shown under current liabilities			185	4,377
Amount due after one year			170	7,299

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is three years. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets (see note 12).

28. AMOUNTS DUE TO SUBSIDIARIES

The amounts due are unsecured, interest free and with 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

29. SHARE CAPITAL

	Company	
	2004 HK\$'000	2003 HK\$'000
Shares		
Authorised		
20,000,000,000 ordinary shares of HK\$0.01 each (2003: 2,000,000,000 ordinary shares of HK\$0.1 each)	200,000	200,000
Issued and fully paid		
771,961,963 ordinary shares of HK\$0.01 each (2003: 561,961,963 ordinary shares of HK\$0.1 each)	7,720	56,196

- (a) Pursuant to a placing agreement entered into on 14 June 2002, the Company issued 79,200,000 ordinary shares of HK\$0.10 each at a price of HK\$0.12 per share.
- (b) Pursuant to a sale and purchase of shares agreement dated 30 September 2003 entered into between a wholly-owned subsidiary and Mr. Mok Yu Hon (the “vendor”), the Group acquired from the vendor a 100% interest in the issued share capital of Joint Wealthy Holdings Limited (“Joint Wealthy”). The total consideration for the acquisition of the 100% interest in Joint Wealthy was HK\$21.2 million, which was satisfied by the Company’s issue of 110 million ordinary shares of HK\$0.1 each in the capital of the Company at a price of HK\$0.12 per share and by cash of HK\$8 million. The acquisition was completed on 31 October 2003.
- (c) On 5 September 2003 and 19 December 2003, convertible bonds of HK\$4 million and HK\$6 million respectively were converted into 40 million and 60 million ordinary shares of HK\$0.1 each respectively.
- (d) Pursuant to a special resolution passed on 20 January 2004 the nominal value of the issued shares of the Company was reduced from HK\$0.1 to HK\$0.01 by the cancellation of paid up capital of HK\$0.09 on each issued share. The credit arising from the capital reduction of approximately HK\$69,476,000 was credited to contributed surplus account of the Company.
- (e) On 20 January 2004, pursuant to the same resolution in (d) above, each of the unissued shares of HK\$0.1 each for the authorised share capital of the Company was subdivided into 10 new shares of HK\$0.01 each.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

29. SHARE CAPITAL (continued)

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

	<i>Note</i>	Number of shares in issue '000	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 April 2002		482,762	48,276	115,540	163,816
Issue of new shares on placement	(a)	79,200	7,920	1,531	9,451
At 31 March 2003		561,962	56,196	117,071	173,267
Issue of new shares for the acquisition of subsidiaries	(b)	110,000	11,000	2,200	13,200
Conversion of convertible bonds to new shares	(c)	100,000	10,000	–	10,000
Capital reduction	(d)	–	(69,476)	–	(69,476)
At 31 March 2004		771,962	7,720	119,271	126,991

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

30. RESERVES**Company**

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2002	115,540	–	109	(36,735)	78,914
Premium arising on issue of shares	1,584	–	–	–	1,584
Expenses incurred in connection with the issue of shares	(53)	–	–	–	(53)
Loss for the year	–	–	–	(30,313)	(30,313)
At 31 March 2003	117,071	–	109	(67,048)	50,132
Premium arising on conversion of convertible bonds to shares	2,200	–	–	–	2,200
Capital reduction	–	69,476	–	–	69,476
Loss for the year	–	–	–	(40)	(40)
At 31 March 2004	119,271	69,476	109	(67,088)	121,768

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

31. DISPOSAL OF SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Property, plant and equipment	37,008	—
Inventories	5,247	—
Trade and other receivables	24,470	—
Bank balances and cash	596	—
Trade and other payables	(46,863)	(23)
Bank loans	(16,840)	—
Translation reserves realised on disposal	—	(351)
	3,618	(374)
Gain on disposal of subsidiaries	382	1,225
	4,000	851
Satisfied by cash	4,000	851

Net cash inflow arising on disposal of these subsidiaries:

	2004 HK\$'000	2003 HK\$'000
Bank balances disposed of	(596)	—
Cash consideration	4,000	851
	3,404	851

The impact on the Group's results and cash flows is disclosed in note 5.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

32. PURCHASE OF SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Net assets acquired:		
Plant and equipment	838	—
Deferred tax assets	2,100	—
Amounts due from contract customers	6,738	—
Trade and other receivables	37,597	—
Bank balances and cash	135	—
Trade and other payables	(49,399)	—
Tax payable	(27)	—
Amounts due to group companies	(6,809)	—
Bank overdrafts	(1,618)	—
	(10,445)	—
Goodwill arising on acquisition	31,645	—
	21,200	—
Satisfied by:		
Cash paid on acquisition	8,000	—
Allotment of ordinary shares	13,200	—
	21,200	—

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

	2004 HK\$'000	2003 HK\$'000
Bank overdraft acquired	(1,618)	—
Bank balances and cash acquired	135	—
Cash paid on acquisition	(8,000)	—
Net outflow of cash and cash equivalents in connection with the purchase of the subsidiary	(9,483)	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

33. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 March 2004, the Group acquired 100% interest in the share capital of Joint Wealthy Holdings Limited at a consideration of HK\$21,200,000 which was satisfied by the issue of 110 million ordinary shares of HK\$0.1 each at a price of HK\$0.12 per share and by cash of HK\$8 million.
- (b) During the year ended 31 March 2004, the Group entered into finance leases in respect of the acquisition of motor vehicles. The total capital value at the inception of the leases was HK\$556,000.
- (c) During the year ended 31 March 2003, the Group acquired from the lessor certain machines which were previously held under an operating lease. The consideration payable was set off against the rental deposits amounting to HK\$7,316,000 paid to the lessor as at 31 March 2002.
- (d) During the year ended 31 March 2003, the Group entered into finance leases in respect of the acquisition of property, plant and equipment. The total capital value at the inception of the leases was HK\$9,055,000.

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2004 HK\$'000	Group 2003 HK\$'000
Minimum lease payments paid under operating leases during the year are as follows:		
Premises	2,807	4,005

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

34. OPERATING LEASE ARRANGEMENTS (continued)

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:

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	2,695	1,735	1,980	1,230
In the second to fifth year inclusive	1,131	3,580	750	1,722
	3,826	5,315	2,730	2,952

Leases are negotiated for an average term of two years (2003: three years) and the rentals are fixed during the relevant lease periods.

The Group as lessor

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Premises	739	747

At 31 March 2004, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	6	518
In the second to fifth year inclusive	285	285
	291	803

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

35. CAPITAL COMMITMENTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– acquisition of investment properties	9,275	12,184
– acquisition of investment securities	8,000	8,000
	17,275	20,184

The Company had no capital commitments at the balance sheet date.

36. RETIREMENT BENEFIT SCHEMES

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

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 benefit 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 31 March 2004, the Company executed guarantees amounting to HK\$92,920,000 (2003: HK\$141,571,000) in favour of certain banks and a financial institution to secure credit facilities granted to its subsidiaries and a jointly controlled entity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

38. PERFORMANCE BONDS

At 31 March 2004, the Group had outstanding performance bonds amounting to HK\$5,852,000 (2003: HK\$13,942,000) in respect of construction contracts.

39. PLEDGE OF ASSETS

Group

At 31 March 2004, the following items were used to secure credit facilities granted to the Group or to secure issuance of performance bonds in respect of construction contracts:

- (a) pledge of the Group's bank deposits of HK\$8,600,000 (2003: HK\$10,075,000);
- (b) pledge of certain of the Group's other deposits of HK\$2,926,000 included in trade and other receivables (2003: HK\$2,926,000);
- (c) pledge of the Group's investment properties and leasehold land and buildings situated in Hong Kong with net book value of HK\$12,000,000 (2003: HK\$12,000,000) and HK\$1,822,000 (2003: HK\$1,840,000), respectively;
- (d) assignment of trade receivables by the Group of HK\$nil (2003: HK\$3,000,000); and
- (e) assignment of rental income received and receivable from the above-mentioned investment properties.

Company

At 31 March 2004, the Company had pledged bank deposits of HK\$8,200,000 (2003: HK\$10,075,000) to certain banks to secure credit facilities granted by the banks to the Company and a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

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:

a. Transactions

Related parties	Nature of transactions	2004 HK\$'000	2003 HK\$'000
Jointly controlled entity of the Group	Loan interest paid by the Group (<i>note i</i>)	10	—
	Management fee income charged by the Group (<i>note ii</i>)	209	—
	Consultancy service fees charged by the Group (<i>note iii</i>)	1,700	—
	Service fee income charged by the Group (<i>note iv</i>)	243	—
	Rental income charged by the Group (<i>note v</i>)	185	—
International Taxation Advisory Services Limited and Corporate Advisory Services Limited	Professional fees paid by the Group in connection with taxation and advisory services (<i>note vi</i>)	—	375
ACons Technology Limited ("ACons")	Provision of tendering system services to the Group (<i>note vii</i>)	—	600
	Purchase of an electronic tendering software by the Group (<i>note vii</i>)	—	300

b. Balances

Details of balances with the Group's jointly controlled entities are set out in notes 16, 22 and 24.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

40. RELATED PARTY DISCLOSURES (continued)

Notes:

- i. Interest was charged at Hong Kong dollar prime lending rate.
- ii. Pursuant to a shareholders' agreement signed between the shareholders of the jointly controlled entity ("JCE") on 26 February 2003, the Group provides leader services to the JCE for a period of three years commencing from 1 June 2003. The Group charges the JCE at 1% on income generated from the JCE as leader fee income.
- iii. Pursuant to letters of acceptance signed between the Group and the JCE on 1 April 2003 and 1 December 2003, the Group provides contract consultancy works for the JCE. The fees were charged at comparable market prices.
- iv. Pursuant to a letter of acceptance signed between the Group and the JCE on 6 March 2003, the Group provides condition survey service and a safety officer to the JCE respectively. The fees were charged at comparable market prices.
- v. Pursuant to a facility letter signed between the Group and the JCE on 1 June 2003, the Group leases an office area to the JCE for a period of one year commencing from 1 June 2003. The monthly rental charge is HK\$18,000.
- vi. Mr. Wong Wai Kwong, David, a former independent non-executive director of the Company, is a director of International Taxation Advisory Services Limited and Corporate Advisory Services Limited. The transactions were carried out on terms determined and agreed by both parties. Mr. Wong Wai Kwong, David resigned as a director of the Company on 2 May 2003.
- vii. Mr. Chin Wai Keung, Richard, a director of the Company and of ACons, has an indirect controlling interest in ACons. ACons was an associate of the Group. The transactions were carried out on terms determined and agreed by both parties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

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

Details of the Company's principal subsidiaries at 31 March 2004 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 %	
Active Town Limited	Hong Kong	HK\$2 ordinary shares	–	100	Building maintenance
Bright Town Investment Limited	Hong Kong	HK\$10,000 ordinary shares	–	100	Property investment
Colour Paint Limited	Hong Kong	HK\$1,000,000 ordinary shares	–	100	General trading
Cosonic Inc.	British Virgin Islands	US\$1 ordinary share	–	100	Investment holding
Cosonic-Lun Ming Joint Venture	Hong Kong	(note below)	–	75	Building contractors
Dickson Civil Engineering Limited	Hong Kong	HK\$1,000,000 ordinary shares	100	–	Building contractors
Dickson Construction (China) Limited	British Virgin Islands	US\$1 ordinary share	100	–	Investment holding
Dickson Construction Company, Limited	Hong Kong	HK\$95,500,000 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

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 (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 Design Services Limited (Formerly known as Xinfa Technology Company Limited)	Hong Kong	HK\$ 2 ordinary shares	–	100	Provision of administrative services
Dickson (Pacific) Limited	British Virgin Islands	US\$1 ordinary share	100	–	Investment holding
Dickson Properties Limited	Hong Kong	HK\$10,000 ordinary shares	–	100	Investment holding
Henly Engineering Limited	Hong Kong	HK\$2 ordinary shares	–	100	Building contractors
i-Concepts Investment Limited	British Virgin Islands	US\$1 ordinary share	–	100	Investment holding
Joint Wealthy Holdings Limited	Hong Kong	HK\$2 ordinary shares	–	100	Investment holding
Longway Construction Engineering Limited	Hong Kong	HK\$10,000 ordinary shares	–	100	Building contractors
Pattern Logistic Limited	British Virgin Islands	US\$1 ordinary share	100	–	Investment holding

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For the year ended 31 March 2004

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	
			%	%	
Polywin Engineering Limited	Hong Kong	HK\$2 ordinary shares	–	100	Building contractors
Uni-Technic Company Limited	Hong Kong	HK\$100,000 ordinary shares	–	100	Computer products trading and provision of information technology services
Winshan Construction Company Limited	Hong Kong	HK\$60,000 ordinary shares	–	100	Building contractors

Note:

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. At 31 March 2004, the Group had contributed working capital of HK\$1,875,000 (2003: HK\$1,875,000) to Cosonic-Lun Ming.

All principal subsidiaries operate in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

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

Details of the Company's principal associate at 31 March 2004 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		Principal activities
			the Company		
			Directly	Indirectly	
			%	%	
Cardlink Technology Group Limited*	Cayman Islands	HK\$32,000,000 ordinary shares	–	18.3	Investment holding and provision of management services

* Not audited by RSM Nelson Wheeler.

The associate operates in Hong Kong.

Details of the Company's principal jointly controlled entity at 31 March 2004 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		Principal activities
			the Company		
			Directly	Indirectly	
			%	%	
Fullsky Management Limited	Hong Kong	HK\$10,000 ordinary shares	–	40	Provision of property management services

The jointly controlled entity operates in Hong Kong.

Note:

The above tables list the subsidiaries, associate and jointly controlled entity 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 31 March 2004

42. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of a revised SSAP during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

43. POST BALANCE SHEET EVENT

Subsequent to 31 March 2004, the Company has issued convertible notes of HK\$5,400,000. The notes are interest bearing at 5% per annum and to be redeemed two years after the issue date. The noteholders are entitled to convert the notes into the Company's ordinary shares at a conversion price of HK\$0.035 per share.