

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability on 21 June 2000.

On 17 August 2000 pursuant to the reorganisation to rationalise the structure of the Group in preparation for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. The shares of the Company have been listed on the Stock Exchange since 8 September 2000.

The condensed consolidated financial statements have been prepared using the merger basis of accounting. On this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group reorganisation on 17 August 2000. Accordingly, the condensed consolidated results of the Group for the six months ended 30 September 2000 include the results of the Company and its subsidiaries with effect from 1 April 2000 or since their respective dates of incorporation, where this is a shorter period, except for two subsidiaries which were acquired by the Group on 22 May 2000. The results of these two subsidiaries are included in the condensed consolidated profit and loss account from the effective date of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed unaudited interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The same accounting policies and methods of computation adopted in the annual accounts for the year ended 31 March 2001 are followed in these interim financial statements except for certain accounting policies which have been changed following the adoption of the following new or revised SSAPs issued by the Hong Kong Society of Accountants:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

In prior periods, dividends proposed or declared were recognised as a liability in the accounting period to which they were related. Following the requirements of SSAP 9 (revised), final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared they are recognised as a liability. Interim dividends are simultaneously proposed and declared, because the Company's Bye-laws grant the directors authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared by the directors.

This revised accounting policy for dividends has been applied retrospectively and comparative figures have been restated. The reserves as at 31 March 2001 have increased by HK\$11.44 million as a result of the reversal of the previous year's proposed final dividend. There is no impact on the Group's profit or loss attributable to shareholders for the periods presented.

In the current period, the Group adopted SSAP 30. Goodwill arising on acquisitions on or after 1 January 2001 is included under non-current assets and amortised using the straight-line method over its estimated useful life not exceeding 20 years. The Group has taken advantage of the transitional provisions in SSAP 30 not to restate the goodwill arising on acquisitions before 1 January 2001. Such goodwill was written off against reserves at the time of acquisition of the subsidiaries and will be charged to the profit and loss account at the time of disposal of the relevant subsidiary or at such time as the goodwill is determined to be impaired, following the requirements of SSAP 31.

3. SEGMENT INFORMATION

Segment revenue or result has not been presented as the Group's operations have all been carried out in Hong Kong and profit from operating activities has all been derived from construction, renovation and other contracting works.

4. TURNOVER

Turnover represents the appropriate proportion of contract revenue from construction, renovation and other contracts.

5. OTHER REVENUE

	Unaudited Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Bank interest income	540	1,052
Profit on disposal of investment securities	-	57
Profit on disposal of fixed assets	-	65
Dividend income	-	61
Sundry income	98	185
	<u>638</u>	<u>1,420</u>

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

During the period, profit/(loss) from operating activities is arrived at after charging depreciation of approximately HK\$407,000 (2000: HK\$501,000).

7. TAX

	Unaudited Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Provision for Hong Kong profits tax for the period	-	3,109

No provision has been made in respect of Hong Kong profits tax as the Group incurred loss for the period (2000: 16% on estimated assessable profits).

The Group did not have any significant unprovided deferred tax in respect of each of the period.

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the period (2000: nil).

Dividends approved and paid during the interim period are as follows:

	Unaudited Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Special dividend paid by a subsidiary of the Company to its then shareholders on 8 August 2000	–	10,000
Final dividend in respect of the previous financial year, approved and paid during the interim period – HK6.5 cents (2000: Nil) per ordinary share	<u>11,440</u>	<u>–</u>
	<u><u>11,440</u></u>	<u><u>10,000</u></u>

9. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the Group's unaudited net loss from ordinary activities attributable to shareholders for the period of approximately HK\$3,386,000 (2000: profit HK\$14,152,000) and on the actual weighted average number of 208,472,131 shares (2000: 160,918,033 shares) of the Company in issue during the period. The weighted average number of shares in issue for the six months ended 30 September 2000 has been retrospectively adjusted for the effect of the bonus issue on 27 July 2001 on the basis of one bonus share for every five ordinary shares held by members as recorded on the register on 20 July 2001.

Diluted earnings/(loss) per share is not presented for both periods as there has been no dilutive event.

10. GOODWILL ARISING ON ACQUISITIONS

During the period, goodwill of approximately HK\$15,829,000 arose on the acquisition of 48.55% interests in the issued capital of Excel Engineering Company Limited and Gadelly Construction Company Limited and is amortised over the estimated useful life of 20 years.

11. ACCOUNTS RECEIVABLE

The payment terms of contract works was stipulated in the relevant construction contracts.

The following is an aging analysis of accounts receivable at the reporting date:

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
0 – 3 months	46,344	43,880
4 – 6 months	4,947	12,820
over 6 months	<u>26,243</u>	<u>13,121</u>
	<u><u>77,534</u></u>	<u><u>69,821</u></u>

As at 30 September 2001, retention held by customers for contract works, included in accounts receivable under current assets, amounted to approximately HK\$11.9 millions (31 March 2001: HK\$11.8 millions).

12. ACCOUNTS PAYABLE

The following is an aging analysis of accounts payables at the reporting date:

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
0 – 3 months	25,613	40,354
4 – 6 months	2,721	3,899
over 6 months	14,076	16,226
	<u>42,410</u>	<u>60,479</u>

As at 30 September 2001, retention payable, included in accounts payable under current liabilities, amounted to approximately HK\$9.2 million (31 March 2001: HK\$12.1 million).

13. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each	<u>1,000,000</u>	<u>100,000</u>
Issue and fully paid:		
Ordinary shares of HK\$0.1 each		
At 31 March and 1 April 2001	160,000	16,000
Issue of new shares on 27 April 2001	16,000	1,600
Issue of bonus shares on 27 July 2001	<u>35,200</u>	<u>3,520</u>
At 30 September 2001	<u>211,200</u>	<u>21,120</u>

On 27 April 2001, the Company issued 16,000,000 new ordinary shares of HK\$0.1 each as the aggregate consideration paid for the acquisition from the then minority shareholders of 48.55% interests in the issued capital of two subsidiaries, namely Excel Engineering Company Limited (“Excel”) and Gadelly Construction Company Limited (“Gadelly”). Excel and Gadelly had become wholly owned subsidiaries of the Group since then.

On 27 July 2001, the Company issued bonus shares on the basis of one bonus share for every five ordinary shares held by members as recorded on the register on 20 July 2001.

14. RESERVES

	Share premium account HK\$'000	Contributed surplus HK\$'000	Goodwill reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2000	-	11,421	-	49,317	60,738
Issue of shares to the public	27,000	-	-	-	27,000
Share issue expenses	(7,358)	-	-	-	(7,358)
Capitalisation issue of shares	(12,800)	-	-	-	(12,800)
Goodwill arising on acquisition	-	-	(5,035)	-	(5,035)
Net profit for the year	-	-	-	33,115	33,115
Dividends	-	-	-	(21,440)	(21,440)
At 31 March 2001 as previously stated	6,842	11,421	(5,035)	60,992	74,220
Prior period adjustment in respect of proposed final dividend	-	-	-	11,440	11,440
At 31 March 2001 as restated	6,842	11,421	(5,035)	72,432	85,660
2001 final dividend paid during the period - note 8	-	-	-	(11,440)	(11,440)
Issue of new shares	26,880	-	-	-	26,880
Issue of bonus shares	(3,520)	-	-	-	(3,520)
Net loss for the period	-	-	-	(3,386)	(3,386)
At 30 September 2001	30,202	11,421	(5,035)	57,606	94,194

15. PLEDGE OF ASSETS

As at 30 September 2001, the Group's banking facilities were secured by (i) a registered all monies charge on the investment properties of the Group with carrying value of approximately HK\$2.7 million; (ii) charges over the Group's fixed deposits of approximately HK\$18.3 million plus any interest accrued thereon; and (iii) corporate guarantees granted by the Company to the total extent of HK\$21.8 million.

16. CONTINGENT LIABILITIES

As at 30 September 2001, the Group had contingent liabilities in respect of outstanding guarantees under several performance bonds amounting to HK\$4.3 million.

17. RELATED PARTY TRANSACTIONS

During the period, the Group had material transactions with the following related parties:

	Unaudited Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Subcontracting construction fees paid to close family members of Mr. Ngai Chun Hung, director	1,938	602

The terms for the subcontracting construction fees were determined in accordance with relevant agreements entered into between the Group and the relevant related parties, with reference to the Group's estimated cost.

The directors of the Company consider that the above transactions were carried out in the ordinary course of business.