

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2002

1. BASIS OF PREPARATION

These condensed interim consolidated financial statements have not been audited or reviewed by the Company's external auditors but have been reviewed by the Company's Audit Committee.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in these condensed interim consolidated financial statements are consistent with those set out in the Group's audited consolidated financial statements for the year ended 31 March 2002, except that the Group has changed certain of its accounting policies following the adoption of the following revised or new SSAPs which came into effect during the current accounting period:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 11 (Revised)	:	Foreign currency translation
SSAP 15 (Revised)	:	Cash flow statements
SSAP 25 (Revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

In accordance with SSAP 1 (Revised) and SSAP 25 (Revised), the condensed consolidated statement of changes in equity has been presented in place of the condensed consolidated statement of recognised gains and losses.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. This revised SSAP has had no material impact on the results of the current and prior accounting periods.

In accordance with SSAP 15 (Revised), cash flows are classified by operating, investing and financing activities. The presentation of the condensed consolidated cash flow statement has been changed to conform to the requirements of this revised SSAP.

SSAP 34 prescribes the accounting and disclosure for employee benefits. This new SSAP has had no material impact on the results of the current and prior accounting periods.

3. SEGMENT INFORMATION

Analysis of the Group's segment revenue and segment results by business segments, which is the Group's primary basis of segment reporting, is as follows:

	Building construction		Civil engineering works		Renovation, repairs and maintenance		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Segment revenue								
External customers	112,073	57,174	39,757	39,633	68,606	62,396	220,436	159,203
Segment results	7,944	1,271	2,664	1,270	5,778	5,930	16,386	8,471
Interest and dividend income and unallocated gains							582	638
Unallocated corporate expenses							(9,519)	(12,150)
Profit/(Loss) from operating activities							7,449	(3,041)
Finance costs							(320)	(257)
Share of profits less losses of jointly-controlled entities							34	27
Profit/(Loss) before tax							7,163	(3,271)
Tax							(1,133)	-
Profit/(Loss) before minority interests							6,030	(3,271)
Minority interest							-	(115)
Net profit/(loss) attributable to shareholders							6,030	(3,386)

During both current and prior periods, the Group primarily carried out all of its operations in Hong Kong. Accordingly, no geographical segment information is presented.

4. TURNOVER AND OTHER REVENUE

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Turnover – contract revenue	<u>220,436</u>	<u>159,203</u>
Other revenue		
Bank interest income	158	540
Sundry income	<u>424</u>	<u>98</u>
	<u>582</u>	<u>638</u>

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Profit/(Loss) from operating activities has been arrived at after charging/(crediting):

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Depreciation	684	407
Amortisation of goodwill	431	330
Exchange gains, net	(203)	(75)
Interest income	<u>(158)</u>	<u>(540)</u>

6. TAX

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Hong Kong profits tax		
Provision for current period	<u>1,133</u>	<u>–</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimate assessable profits arising in Hong Kong during the period.

The Group did not have any significant unprovided deferred tax for the period.

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend in respect of the period (2001: nil).

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

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period – nil (2001: HK6.5 cents)	–	11,440
	<u>–</u>	<u>11,440</u>

8. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the Group's unaudited net profit attributable to shareholders for the period of approximately HK\$6,030,000 (2001: loss of HK\$3,386,000) and on the actual weighted average number of 844,800,000 shares (2001: 833,888,524 shares) of the Company in issue during the period. The weighted average number of shares in issue for the six months ended 30 September 2001 has been retrospectively adjusted for the effect of the subdivision of every share of HK\$0.10 each in the issued and unissued share capital of the Company to four shares of HK\$0.025 each on 6 August 2002.

Diluted earnings/(loss) per share is not presented for both periods as the Company had no dilutive potential ordinary shares outstanding during both periods.

9. GOODWILL

	As of 30 September 2002 (unaudited) HK\$'000	As of 31 March 2002 (audited) HK\$'000
Cost	17,230	17,230
Less: Accumulated amortisation	(1,221)	(790)
Net book value	<u>16,009</u>	<u>16,440</u>

10. ACCOUNTS RECEIVABLE

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

The following is an ageing analysis of accounts receivable as of the reporting date:

	As of 30 September 2002 (unaudited) HK\$'000	As of 31 March 2002 (audited) HK\$'000
0 – 3 months	37,905	52,032
4 – 6 months	1,488	4,001
over 6 months	19,434	15,538
	<u>58,827</u>	<u>71,571</u>

As of 30 September 2002, retentions receivable from customers for contract works included in the accounts receivable amounted to approximately HK\$15.2 million (31 March 2002: HK\$16.0 million).

11. ACCOUNTS PAYABLE

The following is an ageing analysis of accounts payable as of the reporting date:

	As of 30 September 2002 (unaudited) HK\$'000	As of 31 March 2002 (audited) HK\$'000
0 – 3 months	47,222	46,677
4 – 6 months	4,079	4,330
over 6 months	14,516	18,440
	<u>65,817</u>	<u>69,447</u>

As of 30 September 2002, retentions payable to customers for contract works included in accounts payable amounted to approximately HK\$14.5 million (31 March 2002: HK\$12.2 million).

12. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised:		
As of 31 March 2002 and 1 April 2002 – ordinary shares of HK\$0.1 each	1,000,000	100,000
Subdivision of every share of HK\$0.10 each to four shares of HK\$0.025 each	<u>3,000,000</u>	<u>–</u>
As of 30 September 2002 – ordinary shares of HK\$0.025 each	<u>4,000,000</u>	<u>100,000</u>
Issued and fully paid:		
As of 31 March 2002 and 1 April 2002 – ordinary shares of HK\$0.1 each	211,200	21,120
Subdivision of every share of HK\$0.10 each to four shares of HK\$0.025 each	<u>633,600</u>	<u>–</u>
As of 30 September 2002 – ordinary shares of HK\$0.025 each	<u>844,800</u>	<u>21,120</u>

By an ordinary resolution passed on 5 August 2002, the shareholders of the Company approved the subdivision of every share of HK\$0.10 in the issued and unissued share capital of the Company into four shares of HK\$0.025 each with effect from 6 August 2002.

13. RESERVES

	As of 30 September 2002 (unaudited) HK\$'000	As of 31 March 2002 (audited) HK\$'000
Share premium	31,603	31,603
Contributed surplus	11,421	11,421
Goodwill reserve	(5,035)	(5,035)
Retained profits	<u>57,844</u>	<u>51,814</u>
	<u>95,833</u>	<u>89,803</u>

14. PLEDGE OF ASSETS

As of 30 September 2002, the Group's banking facilities were secured by (i) a registered all monies charge on the investment properties of the Group with a carrying value as of 30 September 2002 of HK\$2.3 million; (ii) charge over the Group's fixed deposits of approximately HK\$55.4 million plus any interest accrued thereon; (iii) assignment of certain contracts together with charge over the bank accounts maintained with the bank for purpose of receiving income from those contracts; and (iv) corporate guarantees given by the Company to the total extent of HK\$59.8 million.

15. CONTINGENT LIABILITIES

As of 30 September 2002, the Group had contingent liabilities in respect of outstanding guarantees provided by the Group against several performance bonds amounting to HK\$5,263,000.

16. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Subcontracting construction fees paid to close family members of Mr. Ngai Chun Hung, director of the Company	<u>1,611</u>	<u>1,938</u>

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

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