



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- UNAUDITED

For the six months ended 30th September 2003

1. Corporate information

The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

During the period ended 30th September 2003, the Group was principally involved in the undertaking of superstructure construction, foundation piling, substructure works, interior decoration works and special construction projects in Hong Kong SAR.

2. Basis of preparation and accounting policies

The unaudited consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA"). These interim financial statements should be read in conjunction with the 2003 annual financial statements. The accounting policies and basis of preparation used in the preparation of these interim financial statements are consistent with those used in the audited financial statements for the year ended 31st March 2003.

The Group also adopted the following SSAP issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

SSAP 12 (Revised): Income taxes

In prior years, deferred tax is provided, using liability method, for significant timing differences in the recognition of revenue and expenses for tax and financial reporting purposes, except that where it is considered to be probable that the tax effects for such deferrals will continue in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Under the SSAP 12 (Revised), deferred tax liabilities are provided in full on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases whilst deferred tax assets arising from unused tax losses and unused tax credits are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilized. The application of SSAP 12 (Revised) retrospectively has resulted in prior period adjustment to the opening balance of equity as at 1st April 2003 which has been restated and increased by HK\$15,995,000 (1st April 2002: HK\$14,044,000), representing the cumulative effect of this change in accounting policy on accumulated losses prior to 2003. As to the effect on the Group's results for the six months ended 30th September 2003, there is a decrease in profit before minority interests of HK\$1,621,000 (2002: an increase in profit before minority interests of HK\$1,094,000). Certain comparative figures for the corresponding period in 2002 have been restated accordingly.



3. Turnover

Turnover represents the aggregate of the gross value of work earned from superstructure construction, foundation piling, substructure works, interior decoration and special construction projects.

4. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the six months ended 30th September 2003 of HK\$8,298,000 (2002: profit of HK\$17,363,000, as restated) and the weighted average of 287,500,000 ordinary shares (2002: 287,500,000 ordinary shares) in issue during the period. The diluted earnings per share has not been presented as the Company had no potential ordinary shares outstanding during each of the periods presented which had a dilutive effect on the basic earnings per share for the period.

5. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30th September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of services provided	185,855	175,811
Depreciation	1,628	4,052
Less: Amounts capitalised in construction contracts	(997)	(2,008)
	631	2,044
Staff costs (excluding directors' remuneration)		
Wages and salaries	19,737	22,693
Pension scheme contributions	399	24
Less: Amounts capitalised in construction contracts	(11,148)	(14,309)
	8,988	8,408
Reversal of provision for non-recoverable amounts due from contract customers*	(2,200)	(12,137)
Reversal of provision for an amount due from a related company	-	(2,990)
Loss on disposal of a subsidiary*	83	-
Write off of an amount due from an associate*	420	-
Interest income	(152)	(156)

* These items are included in "Other operating expenses, net" on the face of the condensed consolidated profit and loss account.



6. Tax

- (a) For both current and prior periods, no Hong Kong profits tax has been provided as the Group had available tax losses brought forward to offset the assessable profits arising in Hong Kong. Deferred tax on deductible/taxable temporary differences reversed during the period has been charged/credited to the profit and loss account using the applicable rates of tax in Hong Kong.
- (b) The tax charge for the period is made up as follows:

	Six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Group		
Current Hong Kong tax	-	-
Deferred tax	1,621	(1,094)
	<u>1,621</u>	<u>(1,094)</u>

7. Accounts receivable

Included in accounts receivable are the following amounts related to construction contracts.

	30th September 2003 (Unaudited) HK\$'000	31st March 2003 (Audited) HK\$'000
Contract costs incurred plus recognised profits less recognised losses to date	1,103,892	1,003,191
Progress billings	<u>(1,065,518)</u>	<u>(978,810)</u>
Amounts due from contract customers	<u>38,374</u>	<u>24,381</u>

An aged analysis of the Group's other accounts receivable, inclusive of contract retention receivables classified as non-current assets, as at the balance sheet date and net of provisions is as follows:

	30th September 2003 (Unaudited) HK\$'000	31st March 2003 (Audited) HK\$'000
Current to 90 days	18,243	70,996
91 days to 180 days	13,157	3,519
181 days to 365 days	6,046	8,554
Over 365 days	<u>26,965</u>	<u>14,951</u>
	<u>64,411</u>	<u>98,020</u>

Retentions held by customers for contract works, included in accounts receivable, amount to HK\$16,736,000. Retentions held by customers that are recoverable after twelve months from the balance sheet date are classified as contract retention receivables in non-current assets as at the balance sheet date.

8. Accounts payable

Included in accounts payable are the following amounts related to construction contracts.

	30th September 2003 (Unaudited) HK\$'000	31st March 2003 (Audited) HK\$'000
Contract costs incurred plus recognized profits less recognized losses to date	687,810	531,851
Progress billings	(711,926)	(558,444)
Amounts due to contract customers	<u>24,116</u>	<u>26,593</u>

An aged analysis of the Group's other accounts payable as at the balance sheet date is as follows:

	30th September 2003 (Unaudited) HK\$'000	31st March 2003 (Audited) HK\$'000
Current to 90 days	8,457	31,282
91 days to 180 days	136	2,994
181 days to 365 days	1,113	4,535
Over 365 days	14,059	12,373
	<u>23,765</u>	<u>51,184</u>

9. Share capital

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

10. Contingent liabilities

As at the balance sheet date, the Group had the following contingent liabilities:

	30th September 2003 (Unaudited) HK\$'000	31st March 2003 (Audited) HK\$'000
Guarantees in respect of performance bonds in favour of contract customers	<u>31,434</u>	<u>25,454</u>



11. Segment information

The Group's operations are principally undertaken in Hong Kong SAR. An analysis of the Group's turnover and profit from operating activities by principal activity, in respect of the Group's operations for the six months ended 30th September 2003 is as follows:

2003

	Superstructure construction works (Unaudited) HK\$'000	Foundation piling and substructure works (Unaudited) HK\$'000	Special construction projects (Unaudited) HK\$'000	Corporation and others (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	165,327	17,915	7,207	8,944	-	199,393
Intersegment sales	-	-	13,674	31,680	(45,354)	-
Other revenue	1,028	4,612	56	160	-	5,856
Intersegment revenue	-	-	-	-	-	-
Total	166,355	22,527	20,937	40,784	(45,354)	205,249
Segment results	3,905	727	2,837	(1,230)		6,239
Interest income						152
Profit from operating activities						6,391

2002

	Superstructure construction works (Unaudited) HK\$'000	Foundation piling and substructure works (Unaudited) HK\$'000	Special construction projects (Unaudited) HK\$'000	Corporation and others (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	77,670	73,821	38,931	5,006	-	195,428
Intersegment sales	-	-	3,871	-	(3,871)	-
Other revenue	11,009	5,800	-	906	-	17,715
Intersegment revenue	-	-	-	7,155	(7,155)	-
Total	88,679	79,621	42,802	13,067	(11,026)	213,143
Segment results	17,887	257	1,977	(3,981)		16,140
Interest income						156
Profit from operating activities						16,296



12. Commitments

- (i) Operating lease commitments

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th September 2003 (Unaudited) HK\$'000	31st March 2003 (Audited) HK\$'000
Within one year	741	1,503
In the second to fifth years, inclusive	<u> -</u>	<u> 735</u>
	<u> 741</u>	<u> 2,238</u>

- (ii) Capital commitments contracted for

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Capital contribution to jointly-controlled entities	<u> 23,951</u>	<u> 23,951</u>

13. Pledge of Assets

As at 30th September 2003, the Group's assets were pledged as follows:

- (i) a pledged bank deposit amounted to HK\$39,361,000; and
- (ii) legal charges over the Group's leasehold land and buildings and an investment property, which are all situated in Hong Kong, with carrying values of HK\$1,760,000 and HK\$1,420,000, respectively.