

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2004

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 25 (Revised) "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants 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 2004. During the interim period, the Group newly acquired a property for redevelopment and intended for re-sale. The accounting policy adopted for such property is as follows:

Property under redevelopment

A property that is in the course of redevelopment and held for re-sale is included as property under redevelopment under current assets in the balance sheet. Property under redevelopment is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling prices less estimated total costs of property redevelopment and estimated costs necessary to make the sale of the property. Costs of property redevelopment include acquisition costs, redevelopment costs, interest and other direct costs attributable to such property.

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		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Segment revenue								
External customers	<u>607,840</u>	<u>486,613</u>	<u>61,716</u>	<u>67,818</u>	<u>118,662</u>	<u>123,463</u>	<u>788,218</u>	<u>677,894</u>
Segment results	<u>24,750</u>	<u>23,885</u>	<u>4,555</u>	<u>4,771</u>	<u>5,574</u>	<u>5,526</u>	<u>34,879</u>	<u>34,182</u>
Interest income and unallocated revenue and gains							415	1,706
Unallocated corporate expenses							<u>(16,713)</u>	<u>(9,864)</u>
Profit from operating activities							18,581	26,024
Finance costs							(242)	(1,394)
Share of loss of a jointly-controlled entity							<u>(6)</u>	<u>(35)</u>
Profit before tax							18,333	24,595
Tax							<u>(3,311)</u>	<u>(4,399)</u>
Net profit attributable to shareholders							<u>15,022</u>	<u>20,196</u>

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, OTHER REVENUE AND GAINS

	Six months ended 30 September	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Turnover – contract revenue	<u>788,218</u>	<u>677,894</u>
Other revenue and gains		
Bank interest income	23	1,122
Gain on disposal of fixed assets	–	3
Exchange gain	–	350
Sundry income	<u>392</u>	<u>231</u>
	<u>415</u>	<u>1,706</u>

5. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 September	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Depreciation	800	844
Amortisation of goodwill	431	431
Exchange gains, net	–	(350)
Interest income	(23)	(1,122)
Loss/(Gain) on disposal of fixed assets	<u>63</u>	<u>(3)</u>

6. TAX

	Six months ended 30 September	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Hong Kong profits tax		
Provision for current period	<u>3,311</u>	<u>4,399</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimate assessable profits arising in Hong Kong during the period.

7. DIVIDEND

Dividend attributable to the interim period is as follows:

	Six months ended 30 September	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Interim dividend declared after the interim period end – HK0.5 cent (2003: HK0.5 cent)	4,704	4,224
	<u>4,704</u>	<u>4,224</u>

The interim dividend declared after the interim period end has not been recognised as a liability in the interim financial statements.

Dividend attributable to the previous financial year, approved and paid during the interim period is as follows:

	Six months ended 30 September	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period – HK0.5 cent (2003: HK0.5 cent)	4,704	4,224
	<u>4,704</u>	<u>4,224</u>

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's unaudited net profit attributable to shareholders for the period of approximately HK\$15,022,000 (2003: HK\$20,196,000) and on the actual weighted average number of 940,758,000 shares (2003: 844,800,000 shares) of the Company in issue during the period.

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

9. GOODWILL

	30 September 2004 (unaudited) HK\$'000	31 March 2004 (audited) HK\$'000
Cost	17,230	17,230
Less: Accumulated amortisation	<u>(2,944)</u>	<u>(2,513)</u>
Net book value	<u>14,286</u>	<u>14,717</u>

10. PROPERTY UNDER REDEVELOPMENT

At 30 September 2004, property under redevelopment was carried at cost.

11. ACCOUNTS RECEIVABLE

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

The following is the ageing analysis of accounts receivable at the balance sheet date:

	30 September 2004 (unaudited) HK\$'000	31 March 2004 (audited) HK\$'000
0 – 3 months	135,885	160,125
4 – 6 months	5,827	373
over 6 months	<u>12,754</u>	<u>8,162</u>
	<u>154,466</u>	<u>168,660</u>

At 30 September 2004, retentions receivable from customers for contract works included in the accounts receivable amounted to approximately HK\$44,222,000 (31 March 2003: HK\$25,915,000).

At 30 September 2004, accounts receivable of approximately HK\$82 million (31 March 2003: HK\$72 million) was assigned to banks to secure the banking facilities granted to the Group.

12. ACCOUNTS PAYABLE

The following is the ageing analysis of accounts payable at the balance sheet date:

	30 September 2004 (unaudited) HK\$'000	31 March 2004 (audited) HK\$'000
0 – 3 months	166,900	200,751
4 – 6 months	3,723	5,881
over 6 months	<u>9,565</u>	<u>8,058</u>
	<u>180,188</u>	<u>214,690</u>

At 30 September 2004, retentions payable to customers for contract works included in accounts payable amounted to approximately HK\$36,604,000 (31 March 2004: HK\$30,996,000).

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2004 (unaudited) HK\$'000	31 March 2004 (audited) HK\$'000
Secured bank loans – due within one year	20,006	80
Current portion of finance lease payable	<u>50</u>	<u>50</u>
	<u>20,056</u>	<u>130</u>

14. SHARE OPTIONS

Details of the share options outstanding at 30 September 2004 were as follows:

Exercise period	Exercise price per share	Number of ordinary shares underlying the share options outstanding at 30 September	
		2004	2003
29 April 2004 – 28 April 2007	HK\$0.8	95,958,000	–

All of the above options were granted by the Company on 29 April 2004 to several independent investors (“Placees”) who had subscribed to an aggregate of 95,958,000 shares of the Company at HK\$0.5 per share pursuant to the placing and top-up subscription agreements dated 10 February 2004. Pursuant to the terms under which such options were granted, the Placees may exercise the options to subscribe for a maximum total of 95,958,000 new shares of the Company at the price of HK\$0.8 per share within 36 months from the date of the grant of the options.

15. RESERVES

	30 September 2004 (unaudited) HK\$'000	31 March 2004 (audited) HK\$'000
Share premium	75,391	75,391
Contributed surplus	11,421	11,421
Goodwill reserve	(5,035)	(5,035)
Retained profits	98,632	88,314
	<u>180,409</u>	<u>170,091</u>

16. CONTINGENT LIABILITIES

At 30 September 2004, the Group had the following contingent liabilities:

- The Group had outstanding guarantees against performance bonds in favour of contract customers of approximately HK\$69 million.
- The Group had possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$1.6 million at 30 September 2004. This contingent liability has arisen because, at 30 September 2004, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances.

17. LITIGATION

At 30 September 2004, the Group had the following outstanding litigation:

- On 3 January 2003, a High Court action was brought by a subcontractor against the Group for a claim for subcontracting fee of approximately HK\$2.6 million. The Directors consider that, given the nature of the claim, it is not possible to estimate the eventual outcome of the claim with reasonable certainty. After consulting with the Group's lawyer, the Directors are of the opinion that the Group has valid defence, and consider that any resulting liability would not have material impact on the Group's financial position.

17. LITIGATION (*Continued*)

- (b) On 18 March 2004 and 23 August 2004, two District Court actions were brought by two employees of the Group's subcontractors against the Group and other respondents in respect of claims for employees' compensation under the Employees' Compensation Ordinance for personal injury sustained by those employees in two accidents respectively occurred in the course of their employment.
- (c) On 4 September 2004, a District Court action was commenced by an employee against the Group in respect of a claim for employees' compensation under the Employees' Compensation Ordinance for personal injury sustained by that employee in an accident arising in and out of the course of his employment.

No settlement has been reached for the above actions up to the date of this report and no judgement has been made against the Group in respect of the claims. The Directors are of the opinion that the claims will be covered by insurance and would not have material adverse impact on the Group's financial position.

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Subcontracting fees paid to close family members of Mr. Ngai Chun Hung, director of the Company	<u>2</u>	<u>9,154</u>

The terms for the subcontracting 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 costs.

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

19. POST BALANCE SHEET EVENTS

On 1 October 2004, the Group entered into a provisional sale and purchase agreement to acquire from an independent third party the properties at Shop Nos. G29A2, G28, G65, G64A, G64B, G27A, G27B, G26A and G26B on Ground Floor of Portion B, Argyle Centre Phase 1, No. 688 Nathan Road, Kowloon for a consideration of HK\$180 million. This transaction will be completed on or before 13 January 2005. The properties are valued at HK\$180,000,000 as at 30 September 2004 by the DTZ Debenham Tie Leung Limited, independent professional surveyors, on the open market value basis. As the Group intends to hold these properties for long-term investment purposes, these properties will be included as investment properties in the Group's consolidated balance sheet upon completion of the transaction.

On 1 December 2004, the Group entered into a provisional sale and purchase agreement to acquire from an independent third party a residential flat located in London, the United Kingdom for a consideration of one million pounds sterling (i.e. approximately HK\$15 million). This transaction will be completed on or before 31 May 2005. As the Group intends to hold this property for long-term investment purposes, this property will be included as investment properties in the Group's consolidated balance sheet upon completion of the transaction.