

Hsin Chong Construction Group Ltd.

(Incorporated in Bermuda with Limited Liability)

2001/2002 INTERIM REPORT



QUALITY & SERVICE

SINCE 1939

CORPORATE INFORMATION

DIRECTORS

Meou-tsen Geoffrey YEH (*Chairman*)
V-nee YEH (*Deputy Chairman*)
Siu-lun CHEUNG (*Executive Director*)
Ming Joseph LAI (*Executive Director*)
Wai-tai LAW (*Executive Director*)
David Wylie GAIRNS*
Ho-ming Herbert HUI*
Brian ROBERTSON*
YAO Kang*
Mou-chong David YEH

* *Independent Non-Executive Director*

AUDIT COMMITTEE

David Wylie GAIRNS (*Chairman*)
Ho-ming Herbert HUI

COMPANY SECRETARY

Man-see Lisa MI

SOLICITORS

F. Zimmern & Company
Herbert Smith

AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

REFERENCE BANKS AND FINANCIAL INSTITUTIONS

Bank of China
Standard Chartered Bank
Hang Seng Bank Ltd
BNP Paribas
IntesaBci S.p.A.
CITIC Ka Wah Bank Ltd
The Sanwa Bank Ltd
Liu Chong Hing Bank Ltd
Dao Heng Bank Ltd
The Bank of East Asia, Ltd
HSBC Republic Bank (Suisse) SA

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton
Bermuda

PRINCIPAL PLACE OF BUSINESS

Hsin Chong Center
107–109 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong
Tel: 2579 8238

WEBSITES

<http://www.hsinchong.com>
<http://www.irasia.com/listco/hk/hsinchong>

SHARE REGISTRARS

Butterfield Corporate Services Ltd
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

BRANCH REGISTRARS IN HONG KONG

Central Registration Hong Kong Ltd
Rooms 1901–5
19th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

404



HSIN CHONG CONSTRUCTION GROUP LTD.

(Incorporated in Bermuda with Limited Liability)

The Directors of Hsin Chong Construction Group Ltd. ("Company") announce the results of your Company and its subsidiaries (together the "Group") for the six months ended 30th September, 2001. The consolidated results, consolidated cash flow statement and consolidated statement of recognised gains and losses of the Group for the six months ended 30th September, 2001, and the consolidated balance sheet as at 30th September, 2001 of the Group, all of which are unaudited, along with explanatory notes, (all of which have been reviewed by the Audit Committee pursuant to Listing Rules of The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and by the Company's auditors in accordance with Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants) are set out in this report.

OPERATING RESULTS

Operating results for the six months ended 30th September, 2001 disclose a loss of HK\$6.4 million after tax and minorities (2000: HK\$23.4 million). The loss per share was HK1.0 cents versus HK3.6 cents for last year.

Nevertheless, your Group's core businesses remained profitable. Operating margin had been substantially improved compared with last year. This is evidenced by a higher operating profit after finance costs of HK\$44.0 million against a loss of HK\$16.6 million in the corresponding period last year although consolidated turnover dropped by 23.2% to HK\$1,222.2 million. Though the construction division's turnover dropped by 20.1% to HK\$1,203.8 million, it managed to improve its margin with operating profit after finance costs increasing to HK\$81.5 million from HK\$30.1 million. However, the piling and foundation segment had minimal turnover after having substantially completed all jobs on hand the last year end. Accordingly, operating overhead of the foundation segment, together with provision for diminution in the value of stock of unsold properties (for which your Group shares a net loss of HK\$18.6 million) eroded a substantial portion of profit derived from the construction division.

Lower occupancy rates and lower rental at No. 3 Lockhart Road led to a 30.9% decline in rental income to HK\$10.3 million. Contribution from Hsin Chong Center was unable to cover its mortgage interest and accounted for the loss of HK\$2.2 million (2000: profit of HK\$1.3 million).

Results from the associated companies and the joint controlled entity were unsatisfactory though the overall deficits were reduced to HK\$0.3 million from last period's HK\$5.2 million. Profit generated from Hsin Chong Aster was insufficient to offset the loss sustained in Novotel Century Harbourview (formerly known as Century Harbour Hotel).

Overall, there was a loss of equity of 1.8% (2000: 6.9%) after deducting minorities' share of net profit of HK\$34.5 million.

INTERIM DIVIDEND

Your Board of Directors does not recommend payment of interim dividend for this year (2000: Nil).

FINANCIAL POSITION

The Group maintains its policy of conservative capital management with debt to capitalization of 24% at the balance sheet date, the same as at last year end. Interest cover is at 6.9x (2000: -1.0x) with debt to cashflow cover of 6.6x (2000: 2.5x). Total bank borrowing amounted to HK\$237.2 million (31st March, 2001: HK\$242.6 million), of which 90% (31st March, 2001: 94%) falls due after one year. The applicable interest rates for related borrowing, which are largely at a spread to HIBOR, averaged 6.1%. Up to 30th November, 2001, total credit facilities available to the Group amounted to HK\$547.9 million with an undrawn balance of HK\$335.0 million. Land and buildings with a net book value of HK\$208.6 million (31st March, 2001: HK\$212.7 million) have been pledged to secure the related mortgage loan. Financing arrangement for Guangzhou Wen Chang Square first phase development in which your Group has an effective interest of 42% has been unchanged as mentioned in the last Annual Report. The Group's other financing requirements for the coming year are expected to be met by available cash as at balance sheet date, cash generated by operations and bank credit facilities.

As of 30th September, 2001, net working capital amounted to HK\$327.0 million (31st March, 2001: HK\$378.3 million). Cash balances and short term investments are 4.7% lower at HK\$757.2 million compared with last year end (HK\$794.3 million) with 90% (31st March, 2001: 91%) as cash and cash equivalents.

With the Group's borrowings and cash balances primarily denominated in Hong Kong and US dollars, the Group has no significant exposure to foreign currency fluctuations. In addition, your Group adopts hedging policies to mitigate interest rate risk and exchange rate risk associated with respective assets or liabilities, rights or obligations. Such policies ensure effective controls on construction cost as early as at the tendering stage and monitors borrowing cost for operation and investment needs.

To date, your Group's long-term borrowings have not been hedged by any interest swap agreement due to the expected continued easing of interest rates. The Finance Committee pays close attention to financial markets and monitors market condition changes.

Note: The methods for calculating the above ratios can be referred to in last year's annual report.

OPERATIONAL REVIEW ON CONTRACTS

Over the past six months, the construction and civil engineering arm received HK\$2,212.7 million of new contracts. In the private sector, the new awards which account for 81% of the total amount, included IL8969 Cyberport Development at Telegraph Bay, Pokfulam, Hong Kong — Contract C3/C4, a proposed Alteration and Addition Works at No. 3 Dai Kwai Street, Tai Po Industrial Estate and the construction contract for Cambridge House at 981 King's Road, Quarry Bay from Swire Properties. The remaining major new orders were the construction and foundation works for Shek Lei Estate Phase 12 and the construction of Senior Citizen Residence at Jordan Valley from the Hong Kong Housing Authority and the Hong Kong Housing Society respectively. The foundation subsidiaries, on the other hand, received very few orders with a net sum of HK\$6.2 million.

Contracts totalling HK\$2,945.0 million were completed with HK\$2,747.9 million derived from the building construction and the balance from the foundations segment. Major completions included the design and construction work of Disciplinary Staff Quarters at Lee On Road, Kwun Tong for the Architectural Services Department, Tin Shui Wai Area 101 Phase 1 for the Hong Kong Housing Authority and the Residential Development at 5-7 Blue Pool Road, Happy Valley for a private developer.

Overall, consolidated orders on hand was reduced to HK\$4,860.4 million, a 13.0% decrease from last year end.

The breakdown of outstanding contracts of your Group's construction subsidiaries is as follows:*

	<u>31/3/2001</u>	<u>Contracts Received</u>	<u>Contracts Completed</u>	<u>30/9/2001</u>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Building Construction and Civil Engineering	5,351.6	2,212.7	(2,747.9)	4,816.4
Foundations	<u>234.9</u>	<u>6.2</u>	<u>(197.1)</u>	<u>44.0</u>
	<u>5,586.5</u>	<u>2,218.9</u>	<u>(2,945.0)</u>	<u>4,860.4</u>

The split of outstanding contracts at balance sheet date is as follows:

	<u>Amount</u>	<u>%</u>
	<i>HK\$ Million</i>	
Government	888.4	18.3
Housing Authority	1,933.3	39.8
Public, Charitable or Non-Profit Institutions	5.8	0.1
Private Developers	<u>2,032.9</u>	<u>41.8</u>
	<u><u>4,860.4</u></u>	<u><u>100.0</u></u>

* *Your Group's vertical integration and range of competence permit it to compete for a very broad spectrum of projects. Though this has the onus of higher overhead associated with more qualified personnel, it is countered by our flexibility in targeting cyclical opportunities and market niches. The composition of contracts is therefore not indicative of any long term focus but a judgement of the optimum mix under current conditions. Currently, your Group has a fair spread of tenders in both the private and public sectors.*

Building construction and civil engineering reported an operating profit after finance cost of HK\$81.5 million against HK\$30.1 million in the preceding period. The significant increment was mainly due to a much higher volume of building contracts being completed. Besides, tightened controls on costs and overheads as a result of process improvement and adoption of advance building methods also contributed to margin improvement. Margins on new orders received, however, are under pressure as a result of fierce competition.

Foundation operations had reduced the loss to HK\$18.3 million (2000: HK\$63.8 million) with turnover decreased by 89.8% to HK\$6.9 million. Though margins on new work have improved, low volume of contracts on hand indicates that it is still difficult for the operation to turnaround in the short term.

ASSOCIATES

With contracts on hand of HK\$621.4 million (2000: HK\$356.0 million), Hsin Chong Aster (the 50% owned electrical and mechanical installation associate) increased its order book by 74.6% over last year's level. Mechanical and electrical engineering contracts amounting to HK\$71.2 million were received with HK\$79.0 million completed. The principal awards included an electrical, MVAC installation and the fire protection services subcontract for the Student Hostels Phase II Development of the City University of Hong Kong and an electrical and MVAC installation contract for Senior Citizen Residence at Tseung Kwan O Area 44 from the Hong Kong Housing Society.

The breakdown of outstanding contracts of your Group's construction associate is as follows:

	<u>31/3/2001</u>	<u>Contracts Received</u>	<u>Contracts Completed</u>	<u>30/9/2001</u>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Hsin Chong Aster	<u>629.2</u>	<u>71.2</u>	<u>(79.0)</u>	<u>621.4</u>

Note: The amounts shown above are gross figures and do not reflect your Group's net attributable share.

CONSTRUCTION RELATED PROPERTY DEVELOPMENT

- (i) SuCasa Service Apartments, Kuala Lumpur, Malaysia
- (ii) Budi Ikhtiar, Kuala Lumpur, Malaysia
- (iii) No. 3 Lockhart Road, Wanchai, Hong Kong
- (iv) Novotel Century Harbourview (formerly known as Century Harbour Hotel), Sai Wan, Hong Kong
- (v) Guangzhou Wen Chang Square, Guangzhou City, PRC

The status of the above five projects has not changed materially from the descriptions given in your Group's last annual report.

- (vi) 18A La Salle Road, Kowloon Tong, Hong Kong

In April 2001, the Ruby House with gross floor area of 6,516 square feet was sold for HK\$46.8 million, leaving five houses yet to be disposed of.

MAJOR CONTRACTS AND PROJECTS SUBSEQUENT TO PERIOD END

(i) Consolidated

Subsequent to the period end, your Group received HK\$80.8 million new contracts including the Construction of Pok Wai Drainage Channel for the Drainage Services Department. Accordingly, outstanding contracts increased from HK\$4,860.4 million at period end to HK\$4,941.2 million as of 30th November, 2001.

(ii) Associates

Hsin Chong Aster received HK\$20.8 million building service installation contract subsequent to period end.

None of the directors of the Group is aware of any information that would reasonably indicate that the Group is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in the Listing Rules of the Stock Exchange. Your Group's adoption of a Code of Conduct in liaison with the Independent Commission Against Corruption has worked well and has become an integral part of your Group's culture.

In addition, the Audit Committee, comprising of Mr. David Gairns as the Chairman, Mr. Ho-ming Herbert Hui, both Independent Non-Executive Directors and Mr. Ling-sun Yu, has conducted a review meeting during the period and the Committee is satisfied with the adequacy of the internal controls of the Group.

Coincident with Mr. Ling-sun Yu's retirement by rotation as the Non-Executive Director of the Company on 24th August, 2001, Mr. Yu also resigned as a member of the Audit Committee on the same date. The Board thanks Mr. Yu for his contributions to the Committee. The Board is actively identifying an appropriately qualified person for replacement.

The Board is pleased to report that the Group has won the Platinum Award (Non-Hang Seng Index Category) of Best Corporate Governance Disclosure Awards 2001 from the Hong Kong Society of Accountants ("HKSA"). The Judges' Report of HKSA states that:

- (i) The Group's annual report contained detailed financial and other information within a good layout.
- (ii) A positive statement on corporate governance was included, as was a clear and comprehensive management discussion and analysis. The Judges commended in particular the discussion of topics such as "Core Values", "Culture Change" and the Company's "Partnering for Excellence" philosophy. They found this to be innovative. The contents suggested a genuine commitment to strengthening communication with shareholders and investors in relation to the Company's performance and direction, towards improving standards in the construction industry through a greater awareness of social responsibility.
- (iii) Overall, the Judges considered that the report merited an Award because it reflected an internally-driven aspiration toward developing and improving corporate governance.

The Board and its management are appreciative of shareholders' support and will continue to enhance corporate governance and transparency.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements have been reviewed by the Company's auditors, PricewaterhouseCoopers, and an unmodified review report has been received by the Board.

DIRECTORATE

Mr. Woon-cheong Steven Lam, an Executive Director of the Company has resigned from the Board with effect from 1st July, 2001 to pursue a Masters degree in Fine Art. The Board would like to express its deepest appreciation to Mr. Lam for his invaluable contribution to the Group during his 30 years' services.

As previously announced, Mr. Hin-chak Ian Tang resigned as a Non-Executive Director with effect from 9th July, 2001. The Board would like to express its deepest appreciation again to Mr. Tang for his invaluable contribution to the Group in the past.

Following to the formation of the Management Committee, Mr. Wai-tai Law, being a member of the Committee was nominated and duly approved by the Board as an Executive Director of the Company with effect from 9th July, 2001, subject to annual rotation. Mr. Shiu-chung Jacky Poon, being a member of the Committee was appointed as the Alternate Director to Mr. Wai-tai Law with effect from the same date.

Mr. Kok-foo James Lee, a member of the Committee was appointed as the Alternate Director to Mr. Siu-lun Cheung, an Executive Director of the Company with effect from 9th July, 2001.

Mr. Ming Joseph Lai was appointed as an Executive Director of the Company with effect from 1st December, 2001. Mr. Lai has over 30 years' experience in management specialising in finance, organisational review and systems design and implementation. He was the president of the Hong Kong Society of Accountants ("HKSA") in 1986 and is presently on the Audit Committee and the Investigation Panel of the HKSA. He was Executive Directors of Hsin Chong group of companies till 1988 when he emigrated to Canada and was also Executive Directors of publicly listed companies in Hong Kong when he returned to Hong Kong in 1996 before rejoining Hsin Chong Group. The Board welcomes Mr. Lai back to Hsin Chong Group.

Mr. Rodney Gordon Franks OBE will be appointed as Managing Director of the Company with effect from 7th January, 2002. Mr. Franks was previously the Director for International Operations with Taylor Woodrow Construction Limited, and held the position of regional director Asia Pacific from 1986–1998 based in Malaysia. Mr. Franks was one of the founding directors of the first Kuala Lumpur LRT operating company and remains an adviser to the group. He has over 30 years' experience in international contracting, project finance and development. The Board looks forward to Mr. Franks' appointment and welcomes him in the coming new year.

REWARDS AND TRAINING

Including the directors of the Group, as at 30th September, 2001, the Group employed a total of 794 full-time employees. Remuneration for executive directors and senior management of the Group are tied in a meaningful way to profitability. Your Board believes such incentive remuneration best motivates its staff, aligns management's interests with shareholders' and minimises fixed salary expenses. Remuneration packages include base salary, annual bonus, share options and retirement benefits, details of which were disclosed in the 2000/01 annual report. The Group also provides in-house and external training programmes for all staff. For the six months ended 30th September, 2001, HK\$626,000 (2000: HK\$636,000) was spent for staff training purposes.

SALE AND PURCHASE OF SHARES

During the period, the Company's repurchase program resulted in the repurchase and cancellation of 3,526,000 shares at an average price of HK\$0.47 per share. Apart from this, there was no redemption, purchase, sale or cancellation of its shares made by the Company or any of its subsidiaries during the six months ended 30th September, 2001.

Changes in number of shares in issue are as follows:

<u>Date</u>	<u>Number of Shares</u>	<u>Notes</u>
31/3/2001	637,198,827	Shares in issue
3/7/2001	875,079	Shares issued under Employee Share Subscription Scheme at HK\$0.43 each
4/2001–9/2001	(3,526,000)	Shares repurchased and cancelled under the Repurchase Mandate at prices ranging from HK\$0.445 to HK\$0.51 per share
30/9/2001	<u><u>634,547,906</u></u>	Shares in issue

OUTLOOK

(i) The Economy

This past period witnessed the terrorist attacks on the World Trade Centre Towers in New York on September 11. Partly due to that tragic event, Hong Kong's economy contracted 0.3% in the third quarter year-on-year and is widely expected to contract 0.3% this year as demand from its second largest trading partner, the United States, wanes. Locally consumer confidence has plunged to a new low with the CPI falling 1.2% in September from a year earlier, gaining pace from August's 1.1% decline. Meanwhile retail sales figures in September also fell 4.4% as compared with a year ago. Unemployment jumped to 5.5% for the 3 months August to October period from 4.9% for the June-August period. The only remaining bright spot lies in China's economy and unfortunately recent data shows that even China is not immune. Recovery therefore is not expected in the near future and would be highly dependent on the United States emerging from its recessionary conditions.

(ii) The Industry

Prospects have deteriorated since our latest fiscal year ended 31st March, 2001. New construction projects for the private sector remains stagnant. On the public sector, the Government's move to withhold any sale of Home Ownership Scheme until mid-2002, and the general reduction in flat production by the Hong Kong Housing Authority have a serious impact on the construction industry. Competition and pricing pressure show no sign of ameliorating. Though deflationary conditions should lead to lower subcontracting and material costs, the decline is unlikely to offset decline in tender prices and margins would remain weak. A soon to hit industry shakeout seems inevitable, and this would encompass not only contractors, but also the entire construction supply chain, including subcontractors, suppliers, consultants and architects.

(iii) The Group

Given the difficult conditions described above, your Group appreciates profitability can only be maintained if internal productivity increases and costs abate. Since the end of the latest interim period, your Group has focused on exploring new businesses and a number of cost reduction exercises including a reduction in number of staff, salary cut and strict control of other overhead costs.

The latest interim results, although a significant improvement from last period's, is still unsatisfactory. Shareholders invest for a profitable return and losses, however incurred, represent a disappointment. Unfortunately market conditions for the construction industry in Hong Kong remain extremely difficult and are expected to remain so in the coming few years. In fact, one consultant even predicted recently in the South China Morning Post that there would be weekly bankruptcies of construction related companies, including general contractors, subcontractors and suppliers. The prediction was consistent with the management's observation in the past few months. Management's focus is therefore on cost control and process improvement and will try its very best to turn the fiscal year into a profitable one.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
 FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

	Note	Unaudited		% Change
		6 months ended 30th September		
		2001	2000	
		HK\$'000	HK\$'000	
Turnover	2	1,222,233	1,591,295	-23.2
Cost of sales		(1,081,416)	(1,494,705)	-27.7
Gross profit		140,817	96,590	45.8
Other income		19,607	35,837	-45.3
General and administrative expenses		(76,085)	(76,341)	-0.3
Other operating expenses		(43,973)	(42,615)	3.2
Net transfer from/(to) deferred income		32,279	(18,718)	N/A
Provision for diminution in value of stocks of properties		(21,858)	—	N/A
Operating profit/(loss)	3	50,787	(5,247)	N/A
Finance costs		(6,806)	(11,310)	-39.8
Share of losses less profits of				
— jointly controlled entity		(15)	(699)	-97.9
— associated companies		(251)	(4,477)	-94.4
Profit/(loss) before taxation		43,715	(21,733)	N/A
Taxation	4	(15,648)	(5,099)	206.9
Profit/(loss) after taxation		28,067	(26,832)	N/A
Minority interests		(34,474)	3,393	N/A
Loss attributable to shareholders		(6,407)	(23,439)	-72.7
Dividends	5	15,868	16,194	-2.0
Loss per share	6	HK(1.0) cents	HK(3.6) cents	-72.2

CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER, 2001 AND 31ST MARCH, 2001

		Unaudited	31st March	
		30th September	2001	% Change
	Note	2001	2001	
		HK\$'000	HK\$'000	
Fixed assets		463,745	493,626	-6.1
Associated companies		127,083	130,638	-2.7
Jointly controlled entity		1,524	1,540	-1.0
Other investments		2,325	5,798	-59.9
Properties under development		83,603	76,690	9.0
Current assets				
Stocks and contracting work-in-progress		270,120	304,182	-11.2
Receivables and prepayments	7	292,160	263,766	10.8
Short term investments		38,890	39,496	-1.5
Deposits, cash and bank balances				
— restricted		33,107	31,230	6.0
— unrestricted		685,217	723,589	-5.3
		1,319,494	1,362,263	-3.1
Current liabilities				
Current portion of long term bank loans	9	24,280	14,280	70.0
Creditors and accruals	8	944,668	956,718	-1.3
Taxation payable		23,556	12,977	81.5
		992,504	983,975	0.9
Net current assets		326,990	378,288	-13.6
Deferred taxation		(10,144)	(9,708)	4.5
Deferred income		(38,208)	(70,487)	-45.8
Long term bank loans	9	(212,887)	(228,331)	-6.8
		744,031	778,054	-4.4
Financed by:				
Share capital	10	63,455	63,720	-0.4
Reserves		620,266	627,676	-1.2
Proposed dividend	5	—	15,868	-100.0
Shareholders' funds		683,721	707,264	-3.3
Minority interests		60,310	70,790	-14.8
		744,031	778,054	-4.4

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

	Unaudited 6 months ended 30th September		% Change
	2001 HK\$'000	2000 HK\$'000	
Net cash inflow from operating activities	<u>36,591</u>	<u>108,484</u>	-66.3
Returns on investments and servicing of finance			
Interest received	13,349	20,679	-35.4
Interest paid	(7,434)	(11,814)	-37.1
Dividends paid	(15,868)	(16,194)	-2.0
Dividends paid to minority shareholders of subsidiaries	(34,240)	(1,000)	33.2x
Dividends received from associated companies	<u>1,440</u>	<u>4,004</u>	-64.0
Net cash outflow from returns on investments and servicing of finance	<u>(42,753)</u>	<u>(4,325)</u>	888.5
Taxation			
Overseas tax paid	(23)	—	N/A
Hong Kong profits tax paid	<u>(4,164)</u>	<u>(7,500)</u>	-44.5
	<u>(4,187)</u>	<u>(7,500)</u>	-44.2
Investing activities			
Purchase of subsidiaries	598	—	N/A
Increase in properties under development	(6,046)	(12,427)	-51.3
Purchase of fixed assets	(4,275)	(4,990)	-14.3
Disposal of fixed assets	215	539	-60.1
Liquidation of associated companies	239	1,323	-81.9
Decrease/(increase) in net advance/loans to associated companies	670	(4,471)	N/A
Decrease in net advance/loan to jointly controlled entity	—	55	-100.0
Net cash outflow from investing activities	<u>(8,599)</u>	<u>(19,971)</u>	-56.9
Net cash (outflow)/inflow before financing	<u>(18,948)</u>	<u>76,688</u>	N/A
Financing			
Repayment of bank loans			
— secured	(7,140)	(24,640)	-71.0
— unsecured	—	(10,000)	-100.0
Increase in bank loans			
— secured	1,696	21,338	-92.1
— unsecured	—	10,000	-100.0
Issue of shares	376	435	-13.6
Repurchase of shares	(1,658)	(11,321)	-85.4
(Repayment to)/advance from minority shareholders	(14,422)	37,943	N/A
Capital injection from minority shareholders	3,524	—	N/A
Pledge of restricted fixed deposits	<u>(1,800)</u>	<u>(23,411)</u>	-92.3
Net cash (outflow)/inflow from financing	<u>(19,424)</u>	<u>344</u>	N/A
(Decrease)/increase in cash and cash equivalents	<u>(38,372)</u>	<u>77,032</u>	N/A
Cash and cash equivalents at 1st April	<u>723,589</u>	<u>742,665</u>	-2.6
Cash and cash equivalents at 30th September	<u>685,217</u>	<u>819,697</u>	-16.4
Analysis of the balances of cash and cash equivalents			
Deposits, cash and bank balances	<u>685,217</u>	<u>819,697</u>	-16.4

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

	Unaudited		
	6 months ended 30th September		
	2001	2000	% Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Exchange differences arising on translation of the accounts of overseas operations	<u>13</u>	<u>—</u>	N/A
Net gain not recognised in the consolidated profit and loss account	13	—	N/A
Loss for the period	<u>(6,407)</u>	<u>(23,439)</u>	-72.7
Total recognised losses	<u>(6,394)</u>	<u>(23,439)</u>	-72.7

Notes to Interim Accounts

1. Accounting policies

These unaudited consolidated interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”), and Appendix 16 of the Listing Rules of the Stock Exchange.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2001 except that the Group has changed certain of its accounting policies following its adoption of the following applicable SSAPs issued by HKSA which are effective starting from this financial year ended 31st March, 2002:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases
SSAP 30	:	Business combinations

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below:

- (a) *SSAP 9 (revised): Events after the balance sheet date*

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Accordingly, opening retained profits at 1st April, 2000 and 2001 have increased by HK\$16,194,000 and HK\$15,868,000 respectively which are the reversal of the provisions in respect of the proposed final dividends for the year ended 31st March, 2000 and 2001 declared on 7th July, 2000 and 9th July, 2001 respectively. The adoption of the revised SSAP 9 has resulted in a decrease in current liabilities at 31st March, 2001 by HK\$15,868,000 as provision for proposed dividend is no longer required.

Changes to headings used in the previously reported balance sheet as at 31st March, 2001 and profit and loss account for the half year ended 30th September, 2000 relating to proposed dividend and loss sustained for the period respectively have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) *SSAP 14 (revised): Leases*

As a result of the adoption of the revised SSAP 14, information relating to disclosure of commitments under operating leases in note 12(b) to the accounts has been prepared to conform with the new disclosure requirements. Accordingly, comparative figures have been restated to conform with current period's presentation.

(c) *SSAP 30: Business combinations*

In the current period, the Group has adopted SSAP 30 and elected not to restate goodwill (negative goodwill) previously charged against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the profit and loss account at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions on or after 1st April, 2001 is capitalised and amortised over its estimated useful life of not more than 20 years. Negative goodwill arising on acquisitions on or after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

2. Turnover

The Group is principally engaged in building construction, civil engineering, piling and foundations, renovation and fitting-out, building repair and maintenance, construction management, property investment, property rental, property development, contractor finance and undertaking projects on a "Build, Operate and Transfer" basis.

An analysis of the Group's turnover and contribution to operating profit/(loss) after finance costs for the period by business segments is as follows:

	6 months ended 30th September			
	Turnover		Operating Profit/(Loss) after Finance Costs	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Building Construction and Civil Engineering	1,203,847	1,507,239	81,469	30,132
Piling and Foundations	6,912	68,077	(18,278)	(63,762)
Property Development	1,178	1,072	(21,515)	561
Rental Income	10,296	14,907	(2,224)	1,260
Financial and Securities Income	<u>—</u>	<u>—</u>	6,527	15,029
	1,222,233	1,591,295	45,979	(16,780)
Corporate Income/(Expenses)	<u>—</u>	<u>—</u>	(1,998)	223
	<u>1,222,233</u>	<u>1,591,295</u>	<u>43,981</u>	<u>(16,557)</u>

There are no material sales or other transactions between the business segments. While the Group has maintained its major operations in Hong Kong, accordingly no geographical segment information is presented.

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging the following:

	6 months ended 30th September	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation		
— investment property	5,598	5,598
— building on long term leasehold land	4,100	3,867
— owned fixed assets	24,120	25,864
Amortisation of goodwill	486	—
Loss on disposal of short term investments	—	717
Unrealised loss on short term investments	1,034	4,309

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the period after application of available tax losses brought forward. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	6 months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
Company and subsidiaries		
Hong Kong profits tax	14,461	6,026
Overseas taxation	305	282
Deferred taxation	<u>436</u>	<u>(1,221)</u>
	<u>15,202</u>	<u>5,087</u>
Associated companies		
Hong Kong profits tax	<u>446</u>	<u>12</u>
	<u>15,648</u>	<u>5,099</u>

The Company and subsidiaries' balance includes the Group's share of the profits tax credit of a jointly controlled entity which amounts to HK\$7,000 (2000: share of deferred taxation credit HK\$121,000) as the amount is taxable under the name of a subsidiary.

5. Dividends

	6 months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
2001 Final dividend, paid, of HK2.5 cents (2000 final dividend, paid: HK2.5 cents) per share (Note)	<u>15,868</u>	<u>16,194</u>

Note: The previously recorded final dividends proposed and declared after the balance sheet dates but accrued in the accounts for the years ended 31st March, 2000 and 2001 were HK\$16,194,000 and HK\$15,868,000 respectively. Under the Group's new accounting policy as described in Note 1(a), these have been written back against opening retained profit as at 1st April, 2000 and 2001 and are now charged in the period in which they were proposed.

6. Loss per share

The calculation of loss per share is based on the loss attributable to shareholders of HK\$6,407,000 (2000: loss of HK\$23,439,000) and the weighted average number of 634,643,000 shares (2000: 648,791,000 shares) in issue during the period. No diluted earnings per share was presented as there were no dilutive potential ordinary shares outstanding for the period (2000: Nil).

7. Receivables and prepayments

Included in receivables and prepayments are trade debtors and their ageing analysis is as follows:

	Not yet due	1 to 30 days	31 to 90 days	91 to 180 days	Over 180 days	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at						
30th September, 2001	<u>188,105</u>	<u>2,128</u>	<u>588</u>	<u>372</u>	<u>51,201</u>	<u>242,394</u>
Balance at						
31st March, 2001	<u>147,394</u>	<u>9,202</u>	<u>11,584</u>	<u>23,716</u>	<u>45,840</u>	<u>237,736</u>

Interim application for progress payments in construction contracts are normally on a monthly basis and settled within one month with retention monies withheld but released on the issuance of relevant maintenance certificates. Rental income is billed in advance of the rental period.

8. Creditors and accruals

Included in creditors and accruals are trade payables and their ageing analysis is as follows:

	Not yet due	1 to 30 days	31 to 90 days	91 to 180 days	Over 180 days	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at						
30th September, 2001	<u>821,813</u>	<u>5,637</u>	<u>1,619</u>	<u>2,420</u>	<u>919</u>	<u>832,408</u>
Balance at						
31st March, 2001	<u>858,078</u>	<u>2,876</u>	<u>4,103</u>	<u>3,823</u>	<u>153</u>	<u>869,033</u>

9. Long term bank loans

	30th September 2001	31st March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans		
— secured	177,167	182,611
— unsecured	<u>60,000</u>	<u>60,000</u>
	237,167	242,611
Amounts due within one year included under current liabilities	<u>(24,280)</u>	<u>(14,280)</u>
	<u>212,887</u>	<u>228,331</u>
The repayment schedule of long term bank loans is as follows:		
— within one year	24,280	14,280
— in the second year	157,459	44,280
— in the third to fifth years inclusive	<u>55,428</u>	<u>184,051</u>
	<u>237,167</u>	<u>242,611</u>

10. Share capital

	30th September 2001	31st March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
1,000,000,000 (31st March, 2001: 1,000,000,000) shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
634,547,906 (31st March, 2001: 637,198,827) shares of HK\$0.10 each	<u>63,455</u>	<u>63,720</u>

The movements of the issued share capital of the Company are summarised below:

	<i>Number of shares</i>	<i>HK\$'000</i>
At 31st March, 2001	637,198,827	63,720
Employee Share Subscription Scheme	875,079	88
Shares repurchased	<u>(3,526,000)</u>	<u>(353)</u>
At 30th September, 2001	<u>634,547,906</u>	<u>63,455</u>

During the period, 875,079 new shares of HK\$0.10 each in the Company were issued pursuant to the Employee Share Subscription Scheme ("Subscription Scheme") with a price HK\$0.43 for cash at an aggregate amount of HK\$376,284. As at 30th September, 2001, subscription monies amounting to HK\$155,082 have been received from qualifying employees who have accepted offers to subscribe for shares of the Company under the Subscription Scheme in respect of the current operating period (1st July, 2001 to 31st December, 2001). Under this Subscription Scheme, the subscription price and the number of shares to be allotted were determined on the expiration of the operating period in accordance with the terms of the Subscription Scheme.

During the period, one option holder under Executive Share Option Scheme left the Company and accordingly, his options to subscribe for an aggregate number of 900,000 shares in the Company lapsed and determined. No option holders exercised their options to subscribe for shares of HK\$0.10 each in the Company during the period. The option holders are entitled to exercise their options at a price of HK\$0.80 per share. At 30th September, 2001, 10,188,000 (31st March, 2001: 11,088,000) options exercisable before 24th September, 2009 were outstanding.

No options to subscribe for shares in the Company have been granted pursuant to the Executive Share Option Scheme for the period ended 30th September, 2001.

During the period, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$ '000
		Highest HK\$	Lowest HK\$	
April 2001	2,854,000	0.47	0.46	1,329
May 2001	502,000	0.51	0.47	246
September 2001	<u>170,000</u>	0.445	—	<u>76</u>
	<u>3,526,000</u>			<u>1,651</u>

The above shares were cancelled upon repurchase. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

11. Contingent liabilities

	30th September 2001 HK\$ '000	31st March 2001 HK\$ '000
Guarantees given to bank for facilities granted to associated companies	<u>83,046</u>	<u>92,388</u>

12. Commitments

- (a) At 30th September, 2001, the Group had the following capital commitments:

	30th September 2001	31st March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for		
— properties under development	32,174	32,852
— plant and machinery	6,900	—
	39,074	32,852
Authorised but not contracted for		
— properties under development	81,842	83,799
	120,916	116,651

- (b) Commitments under operating leases

At 30th September, 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30th September 2001	Restated 31st March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings		
— within one year	1,420	1,681
— in the second to fifth years inclusive	515	803
	1,935	2,484

13. Related party transactions

- (a) Details of material transactions between certain companies of the Group and its associated companies and related companies are as follows:

	6 months ended 30th September	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Billing of contracts to an associated company	449	39,447
Billing of contracts from an associated company	(217)	(7,056)
Billing of contracts from related companies	(1,821)	(1,500)
Management fee paid to a related company	(1,200)	(1,200)
Service centre charges received from a related company	4,624	4,737
Secretarial and accountancy fee received from associated companies	1,165	1,285
Insurance premiums paid to a related company	(26,290)	(11,269)
Rental received from related companies	890	789
Rental paid to a related company	(702)	(702)

- (b) Receivables and prepayments of the Group included trade receivable from associated companies of the Group and related companies of HK\$3,231,000 (31st March, 2001: HK\$2,938,000).

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

The Group had amounts due from and loans to certain affiliated companies in a total sum of HK\$168.2 million and guarantees given to banks and the partner of a jointly controlled entity of an associated company for facilities granted of HK\$83.0 million totalling HK\$251.2 million as at 30th September, 2001 which exceeds 25% of the Group's net assets. A proforma combined balance sheet of certain affiliated companies with major financial assistance and the Group's attributable interest in these affiliated companies are presented below:

	Pro-forma combined balance sheet	Group's attributable interest
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	562,385	127,017
Associated companies	30,055	10,018
Jointly controlled entities	4,227	2,113
Properties for sale	266,505	66,626
Current assets	115,812	55,856
Current liabilities	(85,696)	(34,774)
Deferred taxation	(3,023)	(1,512)
Deferred income	(2,593)	(1,297)
Long term bank loans	(170,690)	(39,903)
Other long term liabilities	(7)	(4)
Shareholder's advances	(696,610)	(165,217)
Provision for diminution in value and foreseeable losses of fixed assets/properties for sale	<u>(337,322)</u>	<u>(78,397)</u>
Net Liabilities	<u><u>(316,957)</u></u>	<u><u>(59,474)</u></u>

DIRECTORS' INTERESTS

- (i) As at 30th September, 2001, the Directors and Alternate Director of the Company listed below had the following beneficial interests in the share capital of the Company as recorded in the register of directors' interests required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

	Number of Shares Held				
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Grant of Right*
Meou-tsen Geoffrey YEH	3,243,332	46,726	183,130,508	—	1,386,000
V-nee YEH	15,223,315	—	—	102,679,634	768,000
				(Note 1)	
Siu-lun CHEUNG	140,736	—	—	—	—
Wai-tai LAW	1,698,000	421,000	—	—	560,000
Mou-chong David YEH	831,959	—	—	75,075,776	—
				(Note 2)	
Kok-foo James LEE (Alternate to Siu-lun CHEUNG)	197,556	—	—	—	958,000

* Options to subscribe for shares in the Company under the Company's Executive Share Option Scheme.

Note 1: The share interests are held by GHY Company Limited acting as trustee of a trust to which Mr. V-nee YEH has a beneficial interest.

Note 2: The share interests are held by Howay Investment Ltd. which is wholly owned by a trust to which Mr. Mou-chong David YEH has a beneficial interest.

Dr. Meou-tsen Geoffrey YEH, Messrs. Siu-lun CHEUNG, Wai-tai LAW and V-nee YEH were participants of the Employee Share Subscription Scheme ("Scheme") of the Company for the Operating Period from 1st July, 2001 to 31st December, 2001. The unit price and the number of shares to be issued to the participants under the Scheme will only be determined at the end of the Operating Period.

- (ii) Save as disclosed above, none of the other Directors and Alternate Directors of the Company had any beneficial interests, as defined in Paragraph (i) above, in the share capital of the Company and its associated corporations as at 30th September, 2001.

SUBSTANTIAL SHAREHOLDERS

As recorded in the register of substantial shareholders' interests required to be kept by the Company under Section 16(1) of the SDI Ordinance, the following shareholders were, directly and indirectly, interested in 10% or more of the issued share capital of the Company as at 30th September, 2001:

<u>Shareholder Name</u>	<u>Number of Shares Held</u>
Meou-tsen Geoffrey YEH	186,420,566 (Note 1)
Hsin Chong International Holdings Limited	183,130,508
V-nee YEH	117,902,949 (Note 2)
GHY Company Limited	102,679,634
Mou-chong David YEH	75,907,735 (Note 3)
Howay Investment Ltd.	75,075,776

Note 1: These share interests include 183,130,508 shares held by Hsin Chong International Holdings Limited with respect to which Dr. Meou-tsen Geoffrey YEH has a corporate interest pursuant to the SDI Ordinance.

Note 2: These share interests include 102,679,634 shares held by GHY Company Limited acting as trustee of a trust to which Mr. V-nee YEH has a beneficial interest.

Note 3: These share interests include 75,075,776 shares held by Howay Investment Ltd. which is wholly owned by a trust to which Mr. Mou-chong David YEH has a beneficial interest.

Meou-tsen Geoffrey YEH
Chairman

Hong Kong SAR, 7th December, 2001