

INTERIM REPORT 2001-2002

(8) Debtors, Retentions and Prepayments

	As at 30 September 2001 HK\$ million	As at 31 March 2001 HK\$ million
Debtors (net of provisions for bad and doubtful debts) with aging analysis		
Current to 90 days	620	3,043
91 to 180 days	12	13
181 to 360 days	12	8
Over 360 days	1	3
	645	3,067
Retentions receivable	180	170
Prepayments, deposits and other receivables	205	219
	1,030	3,456

The Group has a defined credit policy. The general credit term ranged from 30 days to 90 days.

(9) Creditors and Accrued Charges

	As at 30 September 2001 HK\$ million	As at 31 March 2001 HK\$ million
Creditors with aging analysis		
Within 30 days	125	249
31 to 90 days	92	72
91 to 180 days	16	39
Over 180 days	15	8
	248	368
Retentions payable	208	223
Accruals and other payables	679	627
	1,135	1,218

(10) Share Capital

	<i>HK\$ million</i>
(a) Authorised 400,000,000 ordinary shares of HK\$1 each	400
(b) Issued and fully paid	
Balance at 31 March 2001	263
Share options exercised	1
Balance at 30 September 2001	264

**(11) Reserves**

□

	Property, plant and equipment revaluation reserve	Share premium account	Translation reserve	Contributed surplus	Goodwill	Retained profits	Reserve funds	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 31 March 2001 as previously reported	36	526	(1)	198	(1)	244	1	1,003
Prior year adjustment for dividends (see Note (5))	-	-	-	-	-	316	-	316
At 31 March 2001 (restated)	36	526	(1)	198	(1)	560	1	1,319
Premium from shares issued	-	6	-	-	-	-	-	6
Exchange adjustment	-	-	(3)	-	-	-	-	(3)
Profit for the period	-	-	-	-	-	72	-	72
Final dividend for 2000/2001	-	-	-	-	-	(317)	-	(317)
At 30 September 2001	36	532	(4)	198	(1)	315	1	1,077

(12) Contingent Liabilities and Pledge of Assets

At the balance sheet date, the Group had contingent liabilities not provided for in these financial statements and assets under pledge as follows:

	As at 30 September 2001 HK\$ million	As at 31 March 2001 HK\$ million
Contingent liabilities		
(a) Performance bonds	185	171
(b) Guarantees in lieu of deposits	1	1
(c) Guarantees to banks in respect of general facilities granted to jointly controlled entities	172	161
Pledge of assets		
Properties under development pledged as securities for a bank loan	-	2,023

(13) Capital Commitment

The Group had no significant capital commitments at the balance sheet date.

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(14) Related Party Transactions

(a) During the period, the Group had the following significant transactions with jointly controlled entities of the Group on terms similar to those applicable to transactions with unrelated parties or as mutually agreed between the parties.

Nature of transactions	Six months ended 30 September	
	2001 HK\$ million	2000 HK\$ million
Income received:		
Interest income	2	2
Management fee	1	1
Costs and expenses paid:		
Construction/subcontracting work	44	69
Supplies of construction materials	26	89
Interest receivable as at 30 September	2	2

(b) During the period, the Group had received a contribution from a jointly controlled entity for a rehabilitation project amounting to HK\$4 million. The outstanding balance of this contribution receivable was HK\$4 million as at the balance sheet date.

Reward of Employees

At 30 September 2001, the number of salaried staff of the Group was approximately 1,300 in Hong Kong and 4,100 in subsidiaries and jointly controlled entities in the Chinese Mainland. Staff bonus is distributable based on the performance of the respective companies and the employees concerned. Share options are granted annually by the Board of Directors to senior management staff members as appropriate.

Continuing Disclosure Requirements under Practice Note 19 to the Listing Rules ("PN19")

Disclosure Pursuant to Paragraph 3.3 of PN19 - Financial Assistance and Guarantees to Affiliated Companies

As at 30 September 2001, financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK\$438 million, representing 27.7% of the Group's restated net assets value of HK\$1,582 million as disclosed in the Company's annual report for the year ended 31 March 2001, details of which were announced pursuant to paragraph 3.3 of PN 19 on 18 October 2001.

Additionally, the Company is required under paragraph 3.10 of PN19 to include in its interim report a proforma combined balance sheet of the affiliated companies which should include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. Due to the accounting year end dates of certain affiliated companies being not co-terminous with that of the Company, the Company is of the opinion that it is misleading and not practical to show the proforma combined balance sheet as at 30 September 2001. Pursuant to PN19, the Company has made an application to the Stock Exchange of Hong Kong Limited and obtained a waiver of such disclosure by providing the following statement as an alternative.

As at 30 September 2001, the Group's total exposure on the combined indebtedness reported on by the affiliated companies (including amounts owing to the Group) amounted to approximately HK\$558 million. Such affiliated companies reported no capital commitments and contingent liabilities as at 30 September 2001.



Disclosure Pursuant to Paragraph 3.7.1 of PN19 - Banking Facilities with Covenants Relating to Specific Performance of the Controlling Shareholder

In September 2001, the Company has been granted three 3-year term and revolving loan facilities, each amounting to HK\$200 million and totalling HK\$600 million, which require its ultimate holding company Shui On Company Limited, and the Chairman of the Group Mr. Lo Hong Sui, Vincent and his associates (as defined in the Listing Rules) to retain controlling interests of not less than 50 per cent. in the Company throughout the tenure of the loan agreements. Breach of such obligation will cause default in respect of these loans.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 17 December 2001 to Friday, 21 December 2001, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Friday, 14 December 2001.

Management Discussion and Analysis

Business Review

The Group's turnover for the six months ended 30 September 2001 was HK\$2,002 million, a decrease of 17% compared with the same period in 2000. Unaudited consolidated profit after taxation and minority interests was HK\$72 million, a decrease of 72%.

Construction in Hong Kong

The HKSAR government's recent decision to suspend the sale of Home Ownership Scheme flats for ten months and to cap annual sales of HOS units at 9,000 thereafter till end of March 2006, despite its policy to maintain the production rate for public rental housing units, has immediately and substantially reduced tendering opportunities for your Group in the already difficult construction market. This revised policy has further intensified competition among the major construction companies in Hong Kong and recent tender prices have been in a continuous downward spiral.

The 3,200 units of the Private Sector Participation Scheme project developed by SOCAM in Tseung Kwan O were handed over to purchasers in May 2001. Other projects completed included the public housing contract of Tin Shui Wai Area 106 Phase I with 1,900 units as well as the Architectural Services Department's Castle Peak Hospital Redevelopment Phase II Stage I and the Public Health Laboratory Centre at Nam Cheong Street. Three government maintenance term contracts and a public housing contract for Pak Tin Estate were won in the last six months with total value in excess of HK\$830 million. A number of competitive tenders have been submitted recently and it is anticipated that your Group would be in a good position to be awarded some of these tendered projects. Together with the current 15 on-going jobs, the gross and outstanding workloads of the Construction Division should be maintained at a reasonable level considering the adverse market conditions.