

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited interim financial report for the period ended 30th September 2001 has been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting”. The accounting policies and basis of preparation used in the preparation of this interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March 2001 except that the Group has changed certain of its accounting policies following its first adoption of the following new and revised SSAPs issued by the Hong Kong Society of Accountants:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group’s accounting policies resulting from the adoption of these new policies are set out below:

(a) SSAP 31: Impairment of assets

SSAP 31 requires company to assess whether there is any impairment of assets. If any such indication exists, the assets’ recoverable amount is estimated and an impairment loss is recognised for the excess of carrying value of the asset over its estimated recoverable amount.

2. Segmental information

The Group is principally engaged in the design, supply, installation and maintenance of electrical and mechanical engineering services in the building and construction industry in Hong Kong and elsewhere in the People's Republic of China (the "PRC"). The results of operations by principal activity are summarised as follows:

	For the six months ended 30th September			
	2001		2000	
	Contribution/ (absorption)	to loss from operating activities	Contribution/ (absorption)	to loss from operating activities
	2001 Turnover (Unaudited)	2001 operating activities (Unaudited)	2000 Turnover (Unaudited)	2000 operating activities (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By principal activity:				
Building services (single trade)	5,344	1,081	1,492	8,368
Packaged/design and build contracts	867	(831)	1,742	(11,230)
Environmental engineering services	1,870	(1,421)	3,854	(24,224)
	<u>8,081</u>	<u>(1,171)</u>	<u>7,088</u>	<u>(27,086)</u>

The operation outside Hong Kong contributed less than 10% of turnover and less than 10% of contribution to loss from operating activities and, accordingly, an analysis of such geographic activities is not shown.

3. Other revenue

	For the six months ended 30th September	
	2001	2000
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	90	103
Waiver of bank loans	–	2,405
Others	32	297
	122	2,805

4. Loss from operating activities

Loss from operating activities was determined after charging the following:

	For the six months ended 30th September	
	2001	2000
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	472	261

5. Finance costs

	For the six months ended 30th September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	(181)	(81)
Waiver of interest accrued on bank loans, overdrafts and other loans wholly repayable within five years	—	63,878
	(181)	63,797

6. Tax

No provision for tax has been made as the Group had no assessable profits for the period (2000: Nil).

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders of HK\$1,284,000 (2000: Profit of HK\$36,711,000) and the weighted average of 714,891,000 (2000: 218,697,000) shares in issue during the period.

Diluted loss per share for the period ended 30th September 2001 has not been shown as the convertible notes and warrants outstanding during the period has an anti-dilutive effect on the basic loss per share for the period.

The calculation of diluted earnings per share for the period ended 30th September 2000 was based on the net profit attributable to the shareholders for that period of HK\$36,711,000. The weighted average number of shares used in the calculation was 227,731,000 shares, which comprises the weighted average of 9,034,000 shares assumed to have been issued at no consideration on the deemed exercise of warrants outstanding during the period.

8. Accounts receivable

Ageing	30th September 2001			31st March 2001		
	Balance	Provision	Net Balance	Balance	Provision	Net Balance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current to 90 days	2,700	(8)	2,692	863	-	863
91 - 180 days	133	(110)	23	14	-	14
181 - 360 days	-	-	-	4	-	4
Over 360 days	47,854	(45,506)	2,348	50,810	(50,736)	74
	<u>50,687</u>	<u>(45,624)</u>	<u>5,063</u>	<u>51,691</u>	<u>(50,736)</u>	<u>955</u>
Retention money receivable	28,339	(27,667)	672	31,520	(30,574)	946
Total	<u>79,026</u>	<u>(73,291)</u>	<u>5,735</u>	<u>83,211</u>	<u>(81,310)</u>	<u>1,901</u>

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of the construction work, the due dates are usually one year after the completion of the construction work.

9. Accounts payable

Ageing	30th September 2001 (Unaudited) HK\$'000	31st March 2001 (Audited) HK\$'000
Current to 90 days	389	322
91 – 180 days	16	–
	<u>405</u>	<u>322</u>

10. Convertible notes

The notes, bearing interest at a rate of 2% for annum, are convertible into new shares of the Company at a conversion price of HK\$0.10 per share (the “Conversion Price”) (the “Convertible Notes”) at any time up to 1st September 2003, being the third anniversary of the date of issue. The Conversion Price is subject to certain adjustments as defined in the note instrument.

11. Share capital

	Number of Ordinary shares (Unaudited)	Amount (Unaudited) HK\$'000
Authorised:		
At 30th September 2000		
and 30th September 2001	<u>1,800,000,000</u>	<u>180,000</u>
Issued and fully paid:		
At 30th September 2000		
and 31st March 2001	713,368,757	71,337
Arising on exercise of convertible note	5,765,189	576
Arising on exercise of warrants	<u>4,600</u>	<u>1</u>
At 30th September 2001	<u>719,138,546</u>	<u>71,914</u>

12. Related party transactions

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

	For the six months ended 30th September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental paid to a fellow subsidiary	468	67

The above transaction arose in the ordinary course of the Group's business and was based on rates which approximate to those of the market.

BUSINESS REVIEW

The Group's turnover for the period was HK\$8,081,000 which represented an increase of 14.01% as compared to that of last period. The net loss attributable to shareholders amounted to approximately HK\$1,284,000. Loss per share was approximately HK0.18 cent.

During the period under review, in May 2001, the Group reactivated all the 11 licences held under the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Works Bureau of The Government of the Hong Kong Special Administrative Region (the "Licences"). With the completion of debt restructuring of the Group last year, all uncertainties of the Group faded away gradually. During this period, the Group concentrated on recovering accounts receivables in previous years and establishing a better relationship with subcontractors, suppliers and bankers.

The turnover for the period represented the total completion of supply, installation, testing and commissioning of one generator set in Chung Hom Kok (Building services (single trade)), Pillar Point Sewage Treatment project (Environmental engineering services) and general maintenance works. As the Group has