

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

### 1. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of the investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2001, except for the changes in accounting policies as a result of the adoption of the following new/revised SSAPs which have become effective for the current period:

- (a) In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see Note 2).
- (b) In the current period, the Group has adopted SSAP 30 "Business combinations" and has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and impairment losses in respect of goodwill between the date of acquisition of the relevant associate, subsidiary or joint venture and the date of adoption of SSAP 30 have been recognised retrospectively. The effect of these adjustments is summarised in Note 2. Following restatement, goodwill is presented separately as an asset in the balance sheet and is amortised over its estimated useful life. Premium arising on the acquisitions of an interest in an associate or a jointly controlled entity is dealt with in the same manner as that described above for goodwill except that it is capitalised as part of the Group's interests in associates/jointly controlled entities.

## 2. PRIOR PERIOD ADJUSTMENTS

The financial effect of the changes in accounting policies is summarised as follows:

(a) Effect on the results for the current and prior periods:

	<b>6 months ended 30/9/2001 HK\$'000</b>	12 months ended 31/3/2001 HK\$'000	6 months ended 30/9/2000 HK\$'000
Amortisation of goodwill	(1,153)	(29,346)	(14,673)
Amortisation of premium on acquisition of associates	(7,437)	-	-
Exclusion of previously amortised goodwill from calculation of profit/loss on disposal and dilution of interests in subsidiaries	-	44,726	8,162
	<b>(8,590)</b>	15,380	(6,511)

(b) Effect on goodwill reserve and accumulated profits (losses) at 1st April, 2000:

	<b>Goodwill reserve HK\$'000</b>	<b>Accumulated profits (losses) HK\$'000</b>
Restatement as an asset of goodwill previously written off against reserves with retrospective recognition of accumulated amortisation and past impairment losses	841,501	(466,565)
Exclusion of previously amortised goodwill from calculation of profit/loss on disposal and dilution of interests in subsidiaries	-	31,811
Derecognition of liability for dividend proposed	-	9,801
	841,501	(424,953)

### 3. SEGMENTAL INFORMATION

Analyses of the Group's turnover and contribution to profit from operations for the six months ended 30th September, 2001 by principal activity and by geographical market are as follows:

*Business segments:*

Turnover	Six months ended 30/9/2001			Six months ended 30/9/2000		
	External HK\$'000	Inter- segment HK\$'000	Total HK\$'000	External HK\$'000	Inter- segment HK\$'000	Total HK\$'000
Construction and other contracting businesses:						
Building construction	1,300,792	41,959	1,342,751	2,205,717	69,769	2,275,486
Civil engineering	667,613	-	667,613	730,468	-	730,468
Specialist works	291,734	54,325	346,059	367,912	102,357	470,269
Construction materials	16,648	18,400	35,048	34,082	57,890	91,972
Engineering and infrastructure services	-	-	-	1,969,026	-	1,969,026
	<b>2,276,787</b>	<b>114,684</b>	<b>2,391,471</b>	5,307,205	230,016	5,537,221
Hotel and catering	30,525	-	30,525	-	-	-
Property letting	23,760	11,892	35,652	30,068	12,778	42,846
Sale of property	118,287	-	118,287	-	-	-
Elimination	-	(126,576)	(126,576)	-	(242,794)	(242,794)
	<b>2,449,359</b>	<b>-</b>	<b>2,449,359</b>	5,337,273	-	5,337,273

## 3. SEGMENTAL INFORMATION (Continued)

*Business segments (Continued):*

Contribution to profit from operations	Six months ended	
	30/9/2001 HK\$'000	30/9/2000 HK\$'000
Construction and other contracting businesses:		
Building construction	28,608	115,267
Civil engineering	18,715	8,582
Specialist works	(11,313)	(25,158)
Construction materials	(17,192)	1,469
Engineering and infrastructure services	-	82,452
	18,818	182,612
Hotel and catering	(8,646)	-
Property letting	13,318	13,857
Sale of property	13,572	-
	37,062	196,469

*Geographical segments:*

	Six months ended 30/09/2001		Six months ended 30/09/2000	
	Turnover HK\$'000	Contribution to profit from operations HK\$'000	Turnover HK\$'000	Contribution to profit from operations HK\$'000
Hong Kong	2,426,961	45,800	3,070,823	121,856
Australia	-	-	1,206,325	67,442
New Zealand and South Pacific region	-	-	974,415	35,782
South East Asia	-	-	80,555	(25,568)
Others	22,398	(8,738)	5,155	(3,043)
	2,449,359	37,062	5,337,273	196,469

**4. PROFIT FROM OPERATIONS**

Profit from operations has been arrived at after charging depreciation and amortisation of property, plant and equipment as follows:

	Six months ended	
	30/9/2001 HK\$'000	30/9/2000 HK\$'000
Owned assets	36,585	192,003
Assets held under finance leases and hire purchase contracts	4,253	18,675
	<b>40,838</b>	210,678
Less: Amount capitalised in respect of contracts in progress	<b>(532)</b>	(121)
	<b>40,306</b>	210,557

**5. INVESTMENT INCOME (EXPENSES) – NET**

Included in net investment income (expenses) is a loss on disposal of investments in securities of approximately HK\$188,000 (2000: HK\$39,033,000).

**6. SHARE OF RESULTS OF ASSOCIATES/INTERESTS IN ASSOCIATES**

Downer EDI Limited ("Downer"), which was formerly a subsidiary of the Company, has become the Group's principal associate since February 2001. Downer is a company listed in Australia and its financial year end date is 30th June. In the consolidated balance sheet at 31st March, 2001, the Group's interests in associates included the Group's share of net assets of Downer calculated based on the financial information made up to 31st March, 2001. Commencing on 1st April, 2001, only published financial information of Downer will be available and used by the Group in applying the equity method. Accordingly, the Group's share of results of Downer for the current period is calculated based on the results of Downer for the period from 1st April, 2001 to 30th June, 2001 and the Group's share of interest in Downer at 30th September, 2001 is calculated based on the net assets of Downer at 30th June, 2001. Pursuant to the adoption of SSAP 30, the Group's unamortised premium arising from the acquisitions of Downer and its subsidiaries of approximately HK\$235,411,000 (31/3/2001: HK\$242,848,000) is capitalised as part of the Group's interests in associates at 30th September, 2001.

## 7. TAXATION

	Six months ended	
	30/9/2001	30/9/2000
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	4,028	28,624
(Over) underprovision in previous periods	(600)	5,685
	<b>3,428</b>	34,309
Overseas taxation	3,332	(7,946)
Share of tax on results of associates	16,225	1,844
Share of tax on results of jointly controlled entities	327	–
	<b>23,312</b>	28,207
Deferred taxation	(4,674)	(17,501)
	<b>18,638</b>	10,706

Hong Kong Profits Tax is calculated at the rate of 16% (2000: 16%) on the estimated assessable profits derived from Hong Kong for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

## 8. DIVIDENDS

	Six months ended	
	30/9/2001	30/9/2000
	HK\$'000	HK\$'000
Final dividend approved in respect of the year ended 31st March, 2001 of 1.0 cent (2000: 1.0 cent) per share	9,925	9,801
Interim dividend proposed in respect of the six months ended 30th September, 2001 of 1.0 cent (2000: 1.0 cent) per share	10,246	9,801

**8. DIVIDENDS (Continued)**

The amount of the interim dividend proposed for the six months ended 30th September, 2001, which will be in scrip form with a cash option, has been calculated by reference to the 1,024,601,748 issued ordinary shares outstanding as at the date of this report. Pursuant to the adoption of SSAP 9, the interim dividends proposed for the current and prior periods after the balance sheet dates are not included as a liability in the financial statements.

**9. EARNINGS (LOSS) PER SHARE**

The calculation of the basic and diluted earnings (loss) per share for the period is based on the following data:

	Six months ended	
	30/9/2001 HK\$'000	30/9/2000 HK\$'000
Earnings (loss):		
Earnings (loss) for the purposes of basic earnings (loss) per share	<b>55,260</b>	(57,105)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	-	(6,843)
Adjustment to share of results of an associate based on dilution of its earnings per share	<b>(2,363)</b>	-
Earnings (loss) for the purposes of diluted earnings (loss) per share	<b>52,897</b>	(63,948)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<b>992,488,392</b>	980,115,103

For the six months ended 30th September, 2001, the computation of diluted earnings per share does not assume the conversion of the Company's share options and convertible note since the exercise prices of the Company's share options were higher than the average market price for shares and the exercise of the convertible note would result in an increase in net profit per share from continuing operations.

For the six months ended 30th September, 2000, the computation of diluted loss per share did not assume the conversion of the Company's share options, warrants, convertible note and convertible bonds since their exercise would result in a decrease in net loss per share from continuing operations.

**10. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent approximately HK\$23,535,000 (2000: HK\$186,777,000) on property, plant and equipment to expand and upgrade its operating capacity. The Group also disposed of property, plant and equipment with an aggregate carrying value of approximately HK\$537,000 (2000: HK\$97,009,000).

In addition, properties held for resale with an aggregate carrying value of approximately HK\$54,983,000 were transferred to investment properties.

In the opinion of the directors, the market value of the Group's investment properties do not differ significantly from their carrying value as at 30th September, 2001.

**11. DEBTORS, DEPOSITS AND PREPAYMENTS**

The Group's credit terms with its trade customers for contracting business normally range from 30 days to 60 days. Trade debtors arise from property letting business are payable monthly in advance and the credit terms granted by the Group to other trade debtors normally range from 30 days to 90 days.

The following is an aged analysis of trade debtors at the reporting date:

	30/9/2001	31/3/2001
	HK\$'000	HK\$'000
Within 90 days	587,135	636,065
More than 90 days and within 180 days	21,894	24,277
More than 180 days	32,627	60,735
	<b>641,656</b>	<b>721,077</b>

**12. CREDITORS AND ACCRUED EXPENSES**

The following is an aged analysis of trade creditors at the reporting date:

	30/9/2001	31/3/2001
	HK\$'000	HK\$'000
Within 90 days	411,424	515,432
More than 90 days and within 180 days	9,541	9,479
More than 180 days	12,241	12,126
	<b>433,206</b>	<b>537,037</b>



## 13. RESERVES

	Share premium	Special reserve	Capital reserve	Translation reserve	Goodwill reserve	Accumulated profits (losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2000							
As previously stated	221,338	124,933	3,126,941	(159,048)	(841,501)	350,194	2,822,857
Prior period adjustments (Note 2)	-	-	-	-	841,501	(424,953)	416,548
As restated	221,338	124,933	3,126,941	(159,048)	-	(74,759)	3,239,405
Exchange differences arising from translation of overseas operations	-	-	-	(119,529)	-	-	(119,529)
Issue of shares under scrip dividend scheme	(1,238)	-	-	-	-	-	(1,238)
Credit arising on scrip dividends	-	-	-	-	-	4,560	4,560
Share issue expenses	(293)	-	-	-	-	-	(293)
Realised on disposal and dilution of interests in subsidiaries	-	-	-	86,841	-	-	86,841
Loss for the year	-	-	-	-	-	(454,440)	(454,440)
Dividends	-	-	-	-	-	(19,653)	(19,653)
At 31st March, 2001	219,807	124,933	3,126,941	(191,736)	-	(544,292)	2,735,653
Exchange differences arising from translation of overseas operations	-	-	-	(7,775)	-	-	(7,775)
Share issue expenses	(24)	-	-	-	-	-	(24)
Profit for the period	-	-	-	-	-	55,260	55,260
Dividends	-	-	-	-	-	(9,925)	(9,925)
<b>At 30th September, 2001</b>	<b>219,783</b>	<b>124,933</b>	<b>3,126,941</b>	<b>(199,511)</b>	<b>-</b>	<b>(498,957)</b>	<b>2,773,189</b>

## 14. CONTINGENT LIABILITIES AND COMMITMENTS

	30/9/2001	31/3/2001
	HK\$'000	HK\$'000
Outstanding performance bonds in respect of construction contracts	<b>590,329</b>	598,556
Guarantees given to banks and financial institutions in respect of general banking facilities granted to:		
Associates	<b>81,996</b>	84,206
Jointly controlled entity	<b>4,180</b>	4,180
	<b>676,505</b>	686,942
Capital expenditure contracted for but not provided in the financial statements relating to acquisition of property, plant and equipment	-	3,003

In addition to the above, and in the normal course of business, the Group has received claims for damages and injuries. No provision has been made for these claims as they are either covered by insurance or will be indemnified by other parties.

## 15. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with its associates, the associates and subsidiaries of ITC Corporation Limited ("ITC") which is a substantial shareholder of the Company. During the six months ended 30th September, 2000, the Group also entered into certain transactions with the subsidiaries of Sing Pao Media Group Limited ("Sing Pao", formerly Huey Tai International Limited) which was also a substantial shareholder of the Company prior to 19th January, 2001.

Class of related party	Nature of transactions	Six months ended	
		30/9/2001 HK\$'000	30/9/2000 HK\$'000
Associates and jointly controlled entities of the Group	Construction works charged by the Group	173,569	93,192
	Purchase of concrete products by the Group	70	13
	Subcontracting fees charged to the Group	919	3,227
	Interest income charged by the Group	2,567	2,558
	Consulting and handling fees charged by the Group	513	267
	Loan commitment fee charged by the Group	111	81
	Sales of equipment by the Group	11,382	25,819
	Rentals and related building management fee charged by the Group	2,163	509
Subsidiaries of ITC	Rentals and related building management fee charged by the Group	120	180
	Purchase of building materials and related installation works by the Group	6	187
Associates of ITC	Construction works charged by the Group	-	575
	Rentals and related building management fee charged by the Group	3,537	1,828
	Interest income charged by the Group	7,470	6,200
Subsidiaries of Sing Pao	Rentals and related building management fee charged by the Group	-	1,673

**15. RELATED PARTY TRANSACTIONS (Continued)**

The above transactions were carried out on the following basis:

- (a) Construction works and subcontracting fees were charged at terms determined and agreed by both parties.
- (b) Sales of equipment and purchase of concrete products and building materials were carried out in accordance with the negotiated prices.
- (c) Interest was charged by reference to the principal outstanding and at the interest rate determined and agreed by both parties.
- (d) Building management fee, loan commitment fee, consulting and handling fees were charged at the pre-agreed rates.
- (e) Rentals were charged at the pre-agreed fixed monthly amounts.