

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

For the six months ended 30th September 2001

## 1. Corporate information

The registered office of the Company is located at Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

During the period ended 30th September 2001, the Group was principally involved in the undertaking of superstructure construction, foundation piling, substructure works and interior decoration works in Hong Kong SAR.

## 2. Basis of preparation

The consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Reporting”. The Accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31st March 2001.

## 3. Turnover

Turnover represents the aggregate of the gross value of work earned from superstructure construction, foundation piling, substructure works, interior decoration and special construction projects (“Construction Contracts”).

## 4. Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the net loss attributable to shareholders for the six months ended 30th September 2001 of HK\$8,366,000 (2000: loss of HK\$19,167,000) and the weighted average of 287,500,000 ordinary shares (2000:287,500,000 ordinary shares) in issue during the period. The diluted loss/earnings per share has not been presented as the Company had no potential ordinary shares outstanding during each of the periods presented which would have given rise to a dilutive effect on the Group’s results for the period.

5. **Accounts receivable**

Included in accounts receivable are the following amounts related to construction contracts.

	Group	
	30th September	31st March
	2001	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred plus recognized profits less recognized losses	644,635	488,138
Progress billings	(608,815)	(476,068)
	<u>35,820</u>	<u>12,070</u>

The following is an ageing analysis of accounts receivable at the reporting date:

	30th September	31st March
	2001	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	39,729	114,472
91 days to 180 days	4,478	8,075
181 days to 365 days	18,773	20,227
Over 365 days	15,033	6,614
	<u>78,013</u>	<u>149,388</u>

Retentions held by customers for contract works, included in accounts receivable, amount to HK\$21,095,000. Retentions held by customers that are recoverable after twelve months from the balance sheet date are classified as contract retention receivables in non-current assets as at the balance sheet date.

## 6. Accounts payable

Included in accounts payable are the following amounts related to construction contracts.

	Group	
	30th September	31st March
	2001	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred plus recognized profits less recognized losses	323,817	818,349
Progress billings	(349,406)	(852,943)
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	(25,589)	(34,594)
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The following is an ageing analysis of accounts payable at the reporting date:

	30th September	31st March
	2001	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	41,975	70,908
91 days to 180 days	8,666	10,839
181 days to 365 days	13,603	5,227
Over 365 days	26,642	28,186
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	90,886	115,160
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## 7. Share capital

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

## 8. Notes to the condensed cash flow statement

Reconciliation of loss from operating activities to net cash inflow from operating activities.

	Six months ended 30th September	
	2001 HK\$'000 Unaudited	2000 HK\$'000 Unaudited
Loss from operating activities	(8,366)	(18,819)
Interest income	(1,770)	(3,990)
Depreciation charges	5,386	866
Decrease in accounts receivables	47,625	37,326
Increase in other receivables	(18,811)	(6,933)
Decrease in accounts payable	(33,279)	(22,685)
Increase in other payables and accruals	(16,159)	(5,677)
Net cash inflow/(outflow) from operating activities	6,944	(19,912)

During the period, depreciation of HK\$5,386,000 (2000: HK\$866,000) was charged in respect of the Group's fixed assets.

## 9. Contingencies

As at the balance sheet date, the Group and the Company had the following contingent liabilities:

	Group		Company	
	30th September 2001 HK\$'000	31st March 2001 HK\$'000	30th September 2001 HK\$'000	31st March 2001 HK\$'000
Guarantees in respect of performance bonds in favour of contract employers	42,829	31,909	-	-
Corporate guarantees on liabilities of subsidiaries in respect of:				
Obligations under finance leases	-	-	1,831	2,201
Bank loans and Overdrafts	-	-	27,935	22,389
	42,829	31,909	29,766	24,590

## 10. Segmental Information

The Group's operations are principally undertaken in Hong Kong SAR. An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity, in respect of the Group's operations for the six months ended 30th September 2001 is as follows:

	Turnover <i>HK\$ '000</i>	Contribution to loss from operating activities <i>HK\$ '000</i>
Superstructure construction works	40,209	(3,776)
Foundation piling and substructure works	102,016	5,323
Special construction projects including civil engineering work and electrical and mechanical works	75,342	6,800
Others	10,383	(12,164)
	<u>227,950</u>	<u>(3,817)</u>
Interest Income		1,770
		<u>(2,047)</u>

## 11. Commitments

At the balance sheet date, the Group and the Company had the following commitments under non-cancellable operating leases to make payments within the following year in respect of land and buildings expiring:

	Group		Company	
	At 30th September 2001 <i>HK\$ '000</i>	At 31st March 2001 <i>HK\$ '000</i>	At 30th September 2001 <i>HK\$ '000</i>	At 31st March 2001 <i>HK\$ '000</i>
Within one year	134	1,343	134	939
In the second to fifth years, inclusive	<u>3,108</u>	<u>721</u>	<u>2,058</u>	<u>–</u>
	<u>3,242</u>	<u>2,064</u>	<u>2,192</u>	<u>939</u>

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

## 12. Pledge of Assets

As at 30th September 2001, the Group's Assets were pledged as follows:

- (i) a pledged bank deposit amounted to HK\$16,366,000;
- (ii) legal charges on the Group's leasehold land and buildings and investment properties, all situated in Hong Kong, in the carrying values of HK\$2,600,000 and HK\$4,600,000, respectively;
- (iii) legal charges on certain of the Group's plant and machinery and motor vehicles, in the carrying values of HK\$24,971,000 and HK\$154,000 respectively.

## BUSINESS REVIEW

As a result of the continuing gloomy property market and the low demand for domestic units, the local construction industry is still being adversely affected. With these unfavourable conditions, the Group has recorded an operating loss for the six months ended 30th September 2001.

The Group has continued to experience fierce competition from other companies in tendering for construction projects both in the private and public sectors. In view of the increasingly demanding expectations of customers and other participating professionals concerning the quality of the final products, the Group continues to adopt a more prudent attitude in tendering for new projects. As a result, the number of projects secured by the Group remains about the same compared with the same period last year. The secured contracts include a site formation and foundation contract for a proposed residential development at Route Twisk Tsuen Wan, the construction of a residential development at Wharf Road, the alteration and addition works for five schools under the School Improvement Programme undertaken for the Architectural Services Department and several electrical and mechanical works contracts. The total value of contracts secured during the period is about HK\$260 million.

During the period under review, the Group has completed two piling contracts undertaken for the Architectural Services Department, a site formation and foundation contract for a primary school at Tai Po, two piling contracts for residential developments in the private sector and a church at Tin Shui Wai.