

Notes to the Condensed Financial Statements

For the six months ended 31 March 2002

1. ACCOUNTING POLICIES

The interim report has been prepared in accordance with Statements of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25"), and Appendix 16 of the Listing Rule of the Stock Exchange of Hong Kong Limited.

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 period ended 30 September 2001.

Due to the adoption of new/revised SSAPs during the current period, the presentation of the profit and loss account, the balance sheet, the cash flow statement and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with the current period's presentation.

2. FUNDAMENTAL ACCOUNTING CONCEPTS

The interim report has been prepared on a going concern basis the applicability of which depends on the following:

- (a) The Group incurred a net loss of HK\$25,795,000 for the six months period ended 31 March 2002, and as at 31 March 2002 the Group's current liabilities exceeded its current assets by HK\$148,551,000. The ability of the Group to continue as a going concern will depend upon future funding being available.
- (b) The Group had a trade credit facility amounting to S\$25,000,000 or HK\$105,775,000 as at 31 March 2002 from a major supplier. This facility is secured by a corporate guarantee by the Company and a subsidiary company, and debentures comprising fixed and floating charges over all the assets of the relevant subsidiary companies. As at 31 March 2002, the trade credit facility was utilised by the relevant subsidiary companies amounted to S\$16,273,000 or HK\$68,851,000 and this amount is included in creditors and accrual charges in the balance sheet.

In December 2001, the Group received from the major supplier's lawyers a demand letter for the full repayment of the amount outstanding. As at the date of this report, the major supplier has not taken legal action against the Group as negotiation for settlement is still being discussed with the Group. The ability of the Group to continue as a going concern will depend upon the outcome of the negotiation.

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3. SEGMENT INFORMATION

The Group's turnover and contribution to profit/(loss) from operations for the six months ended 31 March 2002 analysed by business segments and geographical segments are as follows:

	Turnover		Contribution	
	Six months ended		Six months ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	31 March	31 March	31 March	31 March
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business segments				
Construction, equipment rental and services	93,979	159,755	(11,104)	(19,825)
Internet business	—	42	(307)	(771)
Trading	7,181	1,703	(95)	(90)
Investment holding	3,312	3,236	(11,210)	(37,065)
	<u>104,472</u>	<u>164,736</u>	<u>(22,716)</u>	<u>(57,751)</u>
Geographical segments				
Singapore	100,133	161,166	(10,069)	(18,496)
Malaysia	991	406	(36)	(101)
Myanmar	78	843	(1,315)	89
Hong Kong	3,211	2,263	(11,307)	(39,253)
Others	59	58	11	10
	<u>104,472</u>	<u>164,736</u>	<u>(22,716)</u>	<u>(57,751)</u>

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4. DEPRECIATION

During the period, the loss from operations is arrived at after charging the depreciation of HK\$11,189,000 (2001: HK\$12,592,000).

5. TAXATION

No provision for Hong Kong and overseas profits tax is required as the group had no assessable profits for the period. Tax charge in the profit and loss account represented underprovision in prior years for its overseas subsidiaries.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	(Unaudited) 31 March 2002 <i>HK\$'000</i>	(Unaudited) 31 March 2001 <i>HK\$'000</i>
Loss for the period for the purpose of basic loss per share	<u>(25,795)</u>	<u>(62,286)</u>
Number of shares	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,490,642</u>	<u>870,547</u>

The calculation of basic loss per share is based on the net loss of HK\$25,795,000 (2001: HK\$62,286,000) attributable to shareholders for the period divided by the weighted average number of 1,490,642,334 (2001: 870,547,272) ordinary shares in issue. In June 2001, a total of 124,220,194 rights shares was issued at HK\$0.40 per rights share on the basis of one rights share for every eight existing share together with the issue of 372,660,582 new shares on the basis of three bonus shares for every one rights share taken up. As the rights issue did not include a bonus element, no adjustment factor has been applied in the calculation of the weighted average number of ordinary shares accordingly.

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7. DEBTORS AND PREPAYMENTS

	(Unaudited) 31 March 2002 <i>HK\$'000</i>	(Audited) 30 September 2001 <i>HK\$'000</i>
0-30 days	18,038	1,410
31-60 days	5,249	4,713
61-90 days	2,879	3,447
Over 90 days	36,596	58,062
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	62,762	67,632
Other debtors and prepayments	8,573	19,770
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	71,335	87,402
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The Group has a general credit policy is 30 days.

8. CREDITORS AND ACCRUED CHARGES

	(Unaudited) 31 March 2002 <i>HK\$'000</i>	(Audited) 30 September 2001 <i>HK\$'000</i>
0-30 days	11,519	21
31-60 days	18,002	340
61-90 days	5,080	6,262
Over 90 days	131,352	169,122
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	165,953	175,745
Other creditors and accrued charges	94,198	127,252
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	260,151	302,997
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Included in creditors and accrued charges is an interest-bearing amount of HK\$49,195,000 (30 September 2001: HK\$47,632,000) at rates ranging from Hong Kong prime rate +1% to +2% per annum. The amount is unsecured and is rolled forward every six months.

9. ISSUED CAPITAL

	(Unaudited) 31 March 2002 HK\$'000	(Audited) 30 September 2001 HK\$'000
<i>Authorized:</i>		
4,000,000,000 ordinary shares of HK\$0.40 each	<u>1,600,000</u>	<u>1,600,000</u>
<i>Issued and fully paid:</i>		
1,490,642,334 ordinary shares of HK\$0.40 each (30 September 2001: 1,490,642,334 ordinary shares of HK\$0.40 each)	<u>596,257</u>	<u>596,257</u>

The movements in the issued share capital in the interim period are as follows:

	(Unaudited) 31 March 2002 HK\$'000	(Audited) 30 September 2001 HK\$'000
Beginning balance	596,257	332,504
Allotment during the period/year	—	65,000
Rights share issue during the period/year	—	49,689
Bonus share issue during the period/year	—	149,064
	<u>596,257</u>	<u>596,257</u>

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10. CONTINGENT LIABILITIES

	(Unaudited) 31 March 2002 <i>HK\$'000</i>	(Audited) 30 September 2001 <i>HK\$'000</i>
(a) Guarantee facilities	78,122	81,722
(b) Performance bonds	38,921	40,613
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	117,043	122,335
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11. COMMITMENTS

(a) Funding commitment

In accordance with a shareholders' agreement entered into between a subsidiary and a company incorporated in Singapore, the subsidiary company may be required to provide further funding of US\$5,803,000 or HK\$45,262,000 (30 September 2001: US\$5,803,000 or HK\$45,150,000) to that company for working capital purposes. As at the date of this report, there has been no further call on capital.

(b) Assets under fixed and floating charges

At 31 March 2002, certain subsidiaries of the Group collectively:

- (i) had a guarantee facility amounting to HK\$105,775,000 or S\$25,000,000 (30 September 2001: HK\$110,372,500 or S\$25,000,000) from a financial institution to provide the issuance of guarantees. One of the terms of the guarantee facility is that the two subsidiary companies are required to meet certain financial covenants set by the financial institution granting the facility. Notwithstanding the fact that these companies failed to meet with these financial covenants, the financial institution has confirmed in writing that all existing guarantees issued on behalf of the Group will not be withdrawn.

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- (ii) had a trade credit facility amounting to HK\$105,775,000 or S\$25,000,000 (30 September 2001: HK\$110,372,500 or S\$25,000,000) from its major supplier.

The above facilities are secured by debentures comprising fixed and floating charges over all assets of the respective subsidiaries.

12. LITIGATION

- (a) An independent third party (“Claimant”), pursuant to a sub-contract (“Sub-Contract”) in relation to certain construction works, made a claim against Sum Cheong Piling Pte Ltd. (“Sum Cheong”), a wholly owned subsidiary of the Company for damages for breach of the Sub-Contract, together with the loss of profit or expenditure loss, payment for work done, and indemnity to the Claimant in respect of costs and losses by reason of Sum Cheong’s breach of duty in the sum of S\$9,150,000. Sum Cheong is in the course of preparing a Defence and Counterclaim in respect thereof.
- (b) On 4 May 2001, Guido Giacometti, a trustee for the estate of Sukamto Sia fka Sukarman Sukamto, a former Director and substantial shareholder of the Company, commenced proceedings against the Company in the U.S. Bankruptcy Court in the District of Hawaii claiming against the Company, among other things, the sum of US\$590,000 together with attorneys’ fees and costs. The Company received the summon and the related documents on 21 September 2001, and an adversary proceeding is set for trial on 24 February 2003. In the opinion of the directors, no provision is required.
- (c) On 30 May 2001, Industrial Concrete Products Sdn Bhd (“ICP”) a supplier of the subsidiary company, SC Marine Pte Ltd (“SCM”), issued a letter of demand against SCM for an amount of S\$3,950,000 (USD\$2,152,426) that SCM owed ICP to be settled on or before 13 June 2001. SCM is in the process of recovering claims it has made against a long outstanding debtor, for which the proceeds recovered will be used to repay ICP. As at the date of this report, ICP has not commenced legal proceedings against SCM.

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- (d) On 17 May 2002, Sum Cheong Piling Pte. Ltd. (“SCP”), an indirect wholly owned subsidiary of the Company in Singapore received a petition for winding-up against it in respect of a statutory demand in the amount of approximately S\$340,000 (“Petition”). On 21 May 2002, SCP settled with the petitioner outside court which agreed to withdraw the Petition shortly. On 25 June 2002, the Company was informed that by order of the Republic of Singapore, the Petition was withdrawn accordingly.

13. POST BALANCE SHEET EVENTS

In April 2002, the Group entered into a sale and purchase agreement to acquire 100% interest in Fine Lord Construction Company Limited (“Fine Lord”). Fine Lord was established in 1997 and is principally engaged in the provision of construction and engineering works in Hong Kong. Its work portfolio includes West Kowloon Reclamation, Lamma Power Station, Ap Lei Chau Power Sub-Station, Tseung Kwan O MTR Extension Line, Cyberport and Shum Cheng Power Sub-Station.

In June 2002, the Group acquired 70% interest in Marcello Foods Limited (“Marcello Foods”) and 60% interest in Marcello (Tax Free) International Department Corporation Limited (“Marcello Tax Free”). Marcello Foods operates a retail shop of about 7,500 square feet and is selling mainly food products to Korean and Japanese tourists. Marcello Tax Free operates a department store of about 10,000 square feet and is targeting on China tourists.