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## **I. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by Hong Kong Society of Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March, 2002, except as described below:

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## 2. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into two operating divisions – construction works and property development. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

**For the six months ended 30th September, 2002**

	<b>Construction works HK\$'000</b>	<b>Property development HK\$'000</b>	<b>Other activities HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>TURNOVER</b>				
External sales	<u>1,271,253</u>	<u>—</u>	<u>—</u>	<u>1,271,253</u>
<b>RESULT</b>				
Segment result	<u>30,025</u>	<u>(2)</u>	<u>(1,298)</u>	28,725
Interest income				160
Unallocated corporate expenses				<u>(4,014)</u>
Profit from operations				24,871
Finance costs				(2,501)
Share of results of jointly controlled entities	5,414			<u>5,414</u>
Profit from ordinary activities before taxation				27,784
Taxation				<u>(4,449)</u>
Profit before minority interests				23,335
Minority interests				<u>398</u>
Profit attributable to shareholders				<u>23,733</u>

## 2. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

For the six months ended 30th September, 2001

	Construction works HK\$'000	Property development HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>				
External sales	<u>987,044</u>	<u>—</u>	<u>—</u>	<u>987,044</u>
<b>RESULT</b>				
Segment result	<u>24,445</u>	<u>(3)</u>	<u>(4)</u>	24,438
Interest income				326
Unallocated corporate expenses				<u>(5,387)</u>
Profit from operations				19,377
Finance costs				(2,310)
Share of results of jointly controlled entities	8,343			<u>8,343</u>
Profit from ordinary activities before taxation				25,410
Taxation				<u>(4,066)</u>
Profit before minority interests				21,344
Minority interests				<u>99</u>
Profit attributable to shareholders				<u>21,443</u>

### Geographical segments

The Group's operations are located in Hong Kong and elsewhere in the People's Republic of China (the "PRC").

No analysis of contribution to profit from operations by geographical market has been presented as more than 90% of the Group's activities were carried out in Hong Kong.

### 3. PROFIT FROM OPERATIONS

	six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
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Profit from operations has been arrived at after charging:		
Depreciation and amortisation	23,644	27,468
Less: Amount attributable to contract work	(21,746)	(25,648)
	<u>1,898</u>	<u>1,820</u>

### 4. FINANCE COSTS

	six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
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Interest payable	30,607	23,430
Less: Amount attributable to contract work	(4,016)	(7,641)
Amount attributable to properties under development	(24,090)	(13,479)
	<u>2,501</u>	<u>2,310</u>

## 5. TAXATION

	six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax	3,746	2,593
– Foreign Enterprise Income Tax in the PRC	70	78
	<u>3,816</u>	<u>2,671</u>
Deferred taxation		
– Hong Kong Profits Tax	(234)	60
	<u>3,582</u>	<u>2,731</u>
Share of taxation attributable to jointly controlled entities		
– Hong Kong Profits Tax	867	1,335
	<u>4,449</u>	<u>4,066</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for both periods.

Foreign Enterprise Income Tax in the PRC is calculated at the rates prevailing in the PRC.

## 6. PROPOSED INTERIM DIVIDEND

	six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Proposed interim dividend of 0.75 cent (2001: 0.5 cent) per share	<u>5,434</u>	<u>3,623</u>

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to shareholders of HK\$23,733,000 (2001: HK\$21,443,000) and on the weighted average number of 724,545,896 shares (2001: 724,545,896 shares) in issue during the period. There is no effect of dilutive potential ordinary shares in both periods.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$20.0 million (six months ended 30th September, 2001: HK\$6.6 million) on property, plant and equipment.

There was no major disposal of property, plant and equipment during the period.

## 9. DEBTORS, DEPOSITS AND PREPAYMENTS

Interim applications for progress payments in construction contracts are normally on a monthly basis and settled within one month. The ageing analysis of trade debtors of HK\$210,677,000 (at 31st March, 2002: HK\$171,995,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

	<b>As at 30th September, 2002 HK\$'000</b>	<b>As at 31st March, 2002 HK\$'000</b>
Not yet due	172,355	122,167
0 to 30 days	8,100	6,039
31 to 90 days	890	7,339
91 to 180 days	2,089	37
Over 180 days	27,243	36,413
	<b><u>210,677</u></b>	<b><u>171,995</u></b>

## 10. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$344,604,000 (at 31st March, 2002: HK\$334,869,000), which are included in the Group's creditors and accrued charges, are as follows:

	<b>As at 30th September, 2002 HK\$'000</b>	<b>As at 31st March, 2002 HK\$'000</b>
Not yet due	218,329	198,458
0 to 30 days	89,407	74,876
31 to 90 days	4,474	9,920
91 to 180 days	2,921	633
Over 180 days	29,473	50,982
	<b><u>344,604</u></b>	<b><u>334,869</u></b>

## 11. SHARE CAPITAL

There were no movements in the share capital of the Company.

## 12. CAPITAL COMMITMENTS

	As at 30th September, 2002 HK\$'000	As at 31st March, 2002 HK\$'000
Capital expenditure relating to property, plant and equipment contracted for but not provided in the financial statements	<u>—</u>	<u>7,720</u>

In addition, at 30th September, 2002, the Group had no outstanding capital contribution to a subsidiary (at 31st March, 2002: approximately HK\$5,518,000).

## 13. CONTINGENT LIABILITIES

	As at 30th September, 2002 HK\$'000	As at 31st March, 2002 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	405,774	398,215
– an associate	22,400	22,400
– jointly controlled entities	<u>311,393</u>	<u>311,393</u>
	<u>739,567</u>	<u>732,008</u>
Extent of guarantee issued to financial institution to secure credit facility granted to:		
– an associate	<u>52,400</u>	<u>52,400</u>

*Note: During the year ended 31st March, 2002, a joint venture partner of a jointly controlled entity issued a guarantee in favour of a financial institution to the extent of HK\$20,000,000 in respect of a revised credit facilities granted to that jointly controlled entity. In consideration of the joint venture partner entering into the aforesaid guarantee, the Company has entered into a deed of indemnity to indemnify the joint venture partner in proportion to the Group's interest in the jointly controlled entity of any payments which are required to be made by the joint venture partner in respect of the aforesaid guarantee.*

*The extent of such facilities utilised by the jointly controlled entity at 30th September, 2002 amounted to HK\$647,000 (at 31st March, 2002: HK\$726,000).*

#### 14. PLEDGE OF ASSETS

- (a) At 30th September, 2002, the Group's leasehold properties in Hong Kong and plant and machinery with carrying values of approximately HK\$40,590,000 (at 31st March, 2002: HK\$41,218,000) and HK\$Nil (at 31st March, 2002: HK\$7,430,000) respectively and the benefits under certain construction contracts have been pledged to the banks as securities for credit facilities granted to the Group.
- (b) At 30th September, 2002, the Group's interests in the properties under development in Hong Kong with carrying values of approximately HK\$2,192,665,000 (at 31st March, 2002: HK\$1,719,565,000) have been pledged to certain banks as securities for certain syndicated bank loans amounting to HK\$2,775,000,000 (at 31st March, 2002: HK\$2,775,000,000) granted to two subsidiaries.

#### 15. RELATED PARTY TRANSACTIONS

	Notes	Associates		Jointly controlled entities	
		six months ended 30th September, 2002 HK\$'000	2001 HK\$'000	six months ended 30th September, 2002 HK\$'000	2001 HK\$'000
Transactions during the period:					
Contract revenue recognised	(a)	<u>—</u>	<u>—</u>	<u>24,481</u>	<u>61,649</u>
Project management fee received	(a)	<u>—</u>	<u>—</u>	<u>4,699</u>	<u>4,527</u>
Rental income received	(a)	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,060</u>
Security guard services income received	(a)	<u>—</u>	<u>—</u>	<u>3,417</u>	<u>2,069</u>
		<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
		<b>30th September,</b>	<b>31st March,</b>	<b>30th September,</b>	<b>31st March,</b>
		<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties					
		<u>22,400</u>	<u>22,400</u>	<u>311,393</u>	<u>311,393</u>
Extent of guarantee issued to financial institution to secure credit facility granted to a related party					
		<u>52,400</u>	<u>52,400</u>	<u>—</u>	<u>—</u>
Amounts due from related parties:					
Due from associates	(b)	<u>79,742</u>	<u>77,851</u>	<u>—</u>	<u>—</u>
Trade balances shown under current assets	(c)	<u>373</u>	<u>10,042</u>	<u>70,486</u>	<u>94,021</u>
		<u>80,115</u>	<u>87,893</u>	<u>70,486</u>	<u>94,021</u>
Amounts due to related parties:					
Trade balances shown under current liabilities	(c)	<u>—</u>	<u>—</u>	<u>8,578</u>	<u>9,292</u>



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

In addition to the above, a subsidiary of the Company acts as one of the co-borrowers to a financial institution for credit facilities of HK\$20,000,000 *(at 31st March, 2002: HK\$20,000,000)* granted to a jointly controlled entity as detailed in note 13.

Notes:

- (a) The pricing policy of contracts with related parties is consistent with the pricing of contracts with third parties.
- (b) The amount is unsecured, interest free and will not be repayable within the next twelve months.
- (c) The amounts are unsecured, interest free and are repayable on demand.