

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2003

1. BASIS OF PREPARATION

These condensed interim consolidated financial statements have not been audited or reviewed by the Company's external auditors but have been reviewed by the Company's Audit Committee.

These condensed interim consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 (Revised) "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in these condensed interim consolidated financial statements are consistent with those set out in the Group's audited consolidated financial statements for the year ended 31 March 2003, except that the Group has adopted SSAP 12 (Revised) "Income taxes", which is effective for accounting periods commencing on or after 1 January 2003.

Previously, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material time differences between the accounting profit and profit computed for tax purposes to the extent that the differences are reasonably expected to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. This new accounting policy has been applied retrospectively and certain comparative amounts have been restated accordingly.

The main effect of the adoption of SSAP 12 (Revised) on the Group arises from tax losses carried forward. As a result of this change in accounting policy, the opening balance on retained profits as of 1 April 2002 has been increased by HK\$1,054,000. However, there is no significant impact on the Group's profits for the six months ended 30 September 2003 or 2002.

3. SEGMENT INFORMATION

Analysis of the Group's segment revenue and segment results by business segments, which is the Group's primary basis of segment reporting, is as follows:

	Building construction		Civil engineering works		Renovation, repairs and maintenance		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Segment revenue								
External customers	486,613	112,073	67,818	39,757	123,463	68,606	677,894	220,436
Segment results	23,885	7,944	4,771	2,664	5,526	5,778	34,182	16,386
Interest and dividend income and unallocated gains							1,706	582
Unallocated corporate expenses							(9,864)	(9,519)
Profit from operating activities							26,024	7,449
Finance costs							(1,394)	(320)
Share of profits less losses of jointly-controlled entities							(35)	34
Profit before tax							24,595	7,163
Tax							(4,399)	(1,133)
Net profit attributable to shareholders							20,196	6,030

During both current and prior periods, the Group primarily carried out all of its operations in Hong Kong. Accordingly, no geographical segment information is presented.

4. TURNOVER, OTHER REVENUE AND GAINS

	Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Turnover – contract revenue	<u>677,894</u>	<u>220,436</u>
Other revenue and gains		
Bank interest income	1,122	158
Gain on disposal of fixed assets	3	–
Exchange gain	350	–
Sundry income	<u>231</u>	<u>424</u>
	<u>1,706</u>	<u>582</u>

5. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities has been arrived at after charging/(crediting):

	Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Depreciation	844	684
Amortisation of goodwill	431	431
Exchange gains, net	(350)	(203)
Interest income	(1,122)	(158)
Gain on disposal of fixed assets	<u>(3)</u>	<u>–</u>

6. TAX

	Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Hong Kong profits tax		
Provision for current period	<u>4,399</u>	<u>1,133</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimate assessable profits arising in Hong Kong during the period.



7. DIVIDEND

Dividend attributable to the interim period is as follows:

	Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Interim dividend declared after the interim period end – HK0.5 cent (2002: nil)	4,224	–
	<u>4,224</u>	<u>–</u>

The interim dividend declared after the interim period end has not been recognised as a liability in the interim financial statements.

Dividend attributable to the previous financial year, approved and paid during the interim period is as follows:

	Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period – HK0.5 cent (2002: nil)	4,224	–
	<u>4,224</u>	<u>–</u>

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's unaudited net profit attributable to shareholders for the period of approximately HK\$20,196,000 (2002: HK\$6,030,000) and on the actual weighted average number of 844,800,000 shares (2002: 844,800,000 shares) of the Company in issue during the period.

Diluted earnings per share is not presented for both periods as the Company has no dilutive potential ordinary shares during both periods.

9. GOODWILL

	As of 30 September 2003 (unaudited) HK\$'000	As of 31 March 2003 (audited) HK\$'000
Cost	17,230	17,230
Less: Accumulated amortisation	<u>(2,082)</u>	<u>(1,651)</u>
Net book value	<u>15,148</u>	<u>15,579</u>

10. ACCOUNTS RECEIVABLE

The payment terms of contract works was stipulated in the relevant contracts.

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

	As of 30 September 2003 (unaudited) HK\$'000	As of 31 March 2003 (audited) HK\$'000
0 – 3 months	90,166	134,631
4 – 6 months	3,875	5,774
over 6 months	<u>16,996</u>	<u>11,211</u>
	<u>111,037</u>	<u>151,616</u>

As of 30 September 2003, retentions receivable from customers for contract works included in the accounts receivable amounted to approximately HK\$20.2 million (31 March 2003: HK\$15.9 million).

11. ACCOUNTS PAYABLE

The following is an ageing analysis of accounts payable as of the reporting date:

	As of 30 September 2003 (unaudited) HK\$'000	As of 31 March 2003 (audited) HK\$'000
0 – 3 months	106,707	158,921
4 – 6 months	11,291	7,396
over 6 months	<u>24,704</u>	<u>10,756</u>
	<u>142,702</u>	<u>177,073</u>

As of 30 September 2003, retentions payable to customers for contract works included in accounts payable amounted to approximately HK\$25.5 million (31 March 2003: HK\$20.4 million).

12. SHARE CAPITAL

	As of 30 September 2003 (unaudited) HK\$'000	As of 31 March 2003 (audited) HK\$'000
Authorized: 4,000,000,000 ordinary shares of HK\$0.025 each	100,000	100,000
Issued and fully paid: 844,800,000 ordinary shares of HK\$0.025 each	21,120	21,120

13. RESERVES

	As of 30 September 2003 (unaudited) HK\$'000	As of 31 March 2003 (audited) HK\$'000
Share premium	31,603	31,603
Contributed surplus	11,421	11,421
Goodwill reserve	(5,035)	(5,035)
Retained profits	74,194	58,222
	112,183	96,211

14. PLEDGE OF ASSETS

As of 30 September 2003, the Group's banking facilities were secured by (i) a registered all monies charge on the investment properties of the Group with a carrying value as of 30 September 2003 of HK\$12 million; (ii) charge over the Group's fixed deposits of approximately HK\$27.5 million plus any interest accrued thereon; (iii) assignment of certain contracts together with charge over the bank accounts maintained with the bank for purpose of receiving income from those contracts; and (iv) corporate guarantees given by the Company to the total extent of HK\$67 million.

15. CONTINGENT LIABILITIES

As of 30 September 2003, the Group had contingent liabilities in respect of outstanding guarantees under several performance bonds amounting to HK\$8.85 million.

16. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September 2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Subcontracting construction fees paid to close family members of Mr. Ngai Chun Hung, director of the Company	9,154	1,611

The terms for the subcontracting construction fees were determined in accordance with relevant agreements entered into between the Group and the relevant related parties, with reference to the Group's estimated costs.

The directors of the Company consider that the above transactions were carried out in the ordinary course of business.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK0.5 cent per share (2002: nil) to shareholders whose names appear on the Register of Members of the Company on 5 January 2004. The dividend will be paid on 9 January 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 31 December 2003 to Monday, 5 January 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms together with the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:30 pm on Tuesday, 30 December 2003.

BUSINESS REVIEW

Financial Performance

The Directors are pleased to report that the Group has continued to record encouraging growth and results for the six months ended 30 September 2003. Highlights of the Group's performance for this period are as follows:

- Profit attributable to shareholders increased remarkably by 235% to HK\$20,196,000 for this period from HK\$6,030,000 for the corresponding period in the previous year.
- Turnover was HK\$677,894,000 for this period, a 208% increase from HK\$220,436,000 for the last corresponding period.



- Gross profit margin decreased slightly to 5.0% for this period from 7.4% for the last corresponding period.
- Despite the significant increase in turnover, administrative and operating expenses were contained at a low level and increased only slightly by 3.8%, which is attributable to our effective cost control measures.

State of Contracts

During this period, the Group successfully completed the following substantial contracts:

- Construction of Two Secondary Schools at Lee On Road, Kwun Tong
- Construction of Two Secondary Schools at Tokwawan Reclamation
- Construction of Two Primary Schools and One Secondary School in Area 36, Fanling
- Redevelopment of Former of School Premises of Chuen Yuen Second School
- Spalling Concrete Repair and Extension Re-decoration Works on Main Block and Senior Staff Quarters at Ruttonjee Hospital

During this period, the Group was awarded the following significant contracts with a total contract value of approximately HK\$381 million:

- Construction of District Open Space in Tung Chung
- Main Building Works for Proposed International Christian Quality Music Secondary and Primary School
- Conversion and Extension to 5 Nos. Existing Aided Schools under the School Improvement Programme Final Phase
- Renewed contract for the Construction and Maintenance of Trenching/Cable Laying and Contractual Works in the Areas of Hong Kong, Ap Lei Chau, Lamma Islands and Outlying Island

During the period, both the works progress and performance of all construction, civil as well as maintenance contracts were satisfactory. As of 30 September 2003, the total and outstanding values of the Group's substantial contracts on hand were approximately HK\$3,154 million and HK\$1,921 million respectively. These contracts will be completed in around three years' time.