

# Notes to the Condensed Financial Statements

## 1. Accounting policies

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

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants, except that comparative figures are not presented either for the condensed consolidated statement of recognised gains and losses or for the condensed consolidated cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1 July 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31 March 2000.

## 2. Segment information

### Business Segments

	Revenue		Segment results	
	Six months ended		Six months ended	
	30.9.2000 <i>HK\$'000</i>	30.9.1999 <i>HK\$'000</i>	30.9.2000 <i>HK\$'000</i>	30.9.1999 <i>HK\$'000</i>
Revenue generated from				
construction contracts	<b>341,752</b>	238,397	<b>37,199</b>	(13,527)
Sale of goods	<b>8,365</b>	7,731	<b>574</b>	(1,398)
Provision of services, including				
repair and maintenance,				
satellite communication and				
internet data centre	<b>4,536</b>	3,745	<b>(9,715)</b>	(1,809)
Money lending	<b>2,754</b>	3,196	<b>2,796</b>	1,454
	<b><u>357,407</u></b>	<b><u>253,069</u></b>	<b><u>30,854</u></b>	<b><u>(15,280)</u></b>
(Loss) profit from securities trading			<b>(8,887)</b>	9,733
Share of results of associates			<b>(156)</b>	(359)
Interest income			<b>2,362</b>	2,800
Interest expenses			<b>(1,954)</b>	(1,295)
Profit (loss) before taxation			<b><u>22,219</u></b>	<b><u>(4,401)</u></b>

## Geographical Segments

	Revenue		Segment results	
	Six months ended		Six months ended	
	30.9.2000	30.9.1999	30.9.2000	30.9.1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and other locations in the People's Republic of China	<b>193,667</b>	117,328	<b>18,236</b>	(18,391)
Taiwan	<b>107,569</b>	91,140	<b>14,001</b>	3,755
Europe and North America	<b>49,284</b>	35,351	<b>(2,608)</b>	(3,138)
Others	<b>6,887</b>	9,250	<b>1,225</b>	2,494
	<b><u>357,407</u></b>	<b><u>253,069</u></b>	<b>30,854</b>	(15,280)
(Loss) profit from securities trading			<b>(8,887)</b>	9,733
Share of results of associates			<b>(156)</b>	(359)
Interest income			<b>2,362</b>	2,800
Interest expenses			<b>(1,954)</b>	(1,295)
Profit (loss) before taxation			<b><u>22,219</u></b>	<b><u>(4,401)</u></b>

### 3. Depreciation and amortisation

During the period, depreciation and amortisation of approximately HK\$6,648,000 (1999: HK\$6,079,000) was charged in respect of the Group's property, plant and equipment.

### 4. Taxation

	Six months ended	
	30.9.2000	30.9.1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax	<b>1,172</b>	1,229
Overseas taxation	<b>5,649</b>	1,770
	<b><u>6,821</u></b>	<b><u>2,999</u></b>

Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profit for the period. Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

A wholly owned subsidiary operating in the People's Republic of China is exempted from income tax for the first two profitable years of operation and, thereafter, is entitled to 50% relief for the next three years under the Income Tax Law of the People's Republic of China. The first two years tax holidays have lapsed on 31 December 1996. This subsidiary is entitled to 50% tax relief for the financial year beginning 1 January 1997.

## 5. Dividend

The Board of Directors does not recommend an interim dividend for this period (1999 interim dividend: Nil).

## 6. Earnings (loss)per share

The calculation of the basic earnings (loss) per share is based on the profit for the period of approximately HK\$9,094,000 (1999: loss of HK\$8,773,000) and the weighted average number of 5,071,102,426 (1999: 4,360,564,724) shares in issue during the period.

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

	<b>Six months ended</b>	
	<b>30.9.2000</b>	<b>30.9.1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings</b>		
Profit (loss) for the period for the purpose of basic and diluted earnings (loss) per share	<u><b>9,094</b></u>	<u><b>(8,773)</b></u>
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings (loss) per share	5,071,102,426	4,360,564,724
Effect of dilutive potential shares		
— Options	—	3,846,089
— Warrants	—	13,668,075
Weighted average number of shares for the purposes of diluted earnings (loss) per share	<u><b>5,071,102,426</b></u>	<u><b>4,378,078,888</b></u>

The computation of diluted earnings per share for the six months ended 30 September 2000 does not assume the exercise of the Company's outstanding warrants as the exercise price is higher than the fair value per share.

## 7. Additions To Property, Plant And Equipment

During the period, the Group spent approximately HK\$73,802,000 (1999: HK\$8,899,000) on additions to property, plant and equipment.

## 8. Loans receivable

The following is the maturity profile of loans granted to the Group's customers at the reporting date:

	<b>30.9.2000</b> <i>HK\$'000</i>	31.3.2000 <i>HK\$'000</i>
Repayable within 3 months	<b>1,033</b>	16,550
Repayable after 3 months but within 6 months	<b>27,420</b>	23,514
Repayable after 6 months but within 1 year	<b>71</b>	2,224
	<b>28,524</b>	42,288
Repayable after more than 1 year	<b>21,615</b>	1,726
	<b>50,139</b>	44,014

The loans receivable which is repayable after more than one year is included in other assets.

## 9. Debtors' Ageing Analysis

The Group allows a general credit period of one month to its trade customers except construction contracts where the Group allows stage payments. In general, credit will only be offered to customers in accordance with their financial assessments and an established payment record.

At 30 September 2000, 69% of debtors were current and 31% were overdue (75% and 25% respectively at 31 March 2000).

## 10. Creditors' Ageing Analysis

At 30 September 2000, 76% of creditors were current and 24% were overdue (80% and 20% respectively at 31 March 2000).

## 11. Share Capital

During the period, the Group acquired a further 6% interest in HK Sky-e.com Limited for a consideration of HK\$48 million which was satisfied by the allotment and issue of 300 million shares in the Company of HK\$0.01 per share at the issue price of HK\$0.16 per share.

## 12. Capital Commitments

	30.9.2000 HK\$'000	31.3.2000 HK\$'000
Capital expenditure contracted for but not provided in the interim financial statements in respect of:		
— property, plant and equipment	40,939	12,097
— technical knowhow	—	174
	<u>40,939</u>	<u>12,271</u>
Capital expenditure authorised but not contracted for in respect of property, plant and equipment	<u>78,791</u>	<u>—</u>
	<u><b>119,730</b></u>	<u><b>12,271</b></u>

In addition, during the period, the Group has been granted the Fixed Telecommunication Network Service Licence (the "Licence") from the Office of the Telecommunications Authority. Pursuant to the Licence, the Group is required to invest up to an aggregate amount of not less than HK\$46,000,000 in developing the telecommunication network within 42 months from the date of issue of the Licence. At 30 September 2000, the Group has paid an aggregate amount of approximately HK\$5.5 million in respect of the aforesaid investment. The remaining amount of the committed investment was disclosed above.

### **13. Post Balance Sheet Event**

Subsequent to the interim reporting date, the Group acquired an additional interest of approximately 2.2% in Intech Machines Company, Limited, a subsidiary of the Company at a consideration of approximately HK\$10,757,000.