

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004***1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2004.

3. SEGMENT INFORMATION

Business segments

The principal activity of the Group is acting as contractor of construction and maintenance work. The construction and maintenance work division is the principal business segment of the Group.

Until, and including October 30, 2003, the Group was also engaged in manufacturing and trading activities. These operations were disposed of on October 31, 2003.

For the six months ended September 30, 2004

	Construction and maintenance work HK\$'000	Others HK\$'000	Group HK\$'000
Turnover			
External sales	609,120	458	609,578
Segment results	7,966	(411)	7,555
Unallocated other operating income			2,447
Unallocated corporate expenses			(5,130)
Profit from operations			4,872

For the six months ended September 30, 2003

	Continuing operations		Discontinued operations	
	Construction and maintenance work HK\$'000	Others HK\$'000	Manufacturing and trading HK\$'000	Group HK\$'000
Turnover				
External sales	616,727	403	37,827	654,957
Segment results	15,670	(1,371)	23	14,322
Unallocated other operating income				865
Unallocated corporate expenses				(5,809)
Profit from operations				9,378

4. PROFIT FROM OPERATIONS

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

	Six months ended September 30,	
	2004 HK\$'000	2003 HK\$'000
Amortisation of goodwill	1,495	-
Depreciation of property, plant and equipment	843	4,718
Interest income	(356)	(109)
Loss of disposal of plant and equipment	104	805
	<u>1,086</u>	<u>5,404</u>

5. SHARE OF RESULTS OF ASSOCIATES

Included in the share of results of associates in the condensed consolidated income statement are amortisation charges in the current period amounting to HK\$245,640 (six months ended September 30, 2003: HK\$245,640).

6. TAXATION

	Six months ended September 30,	
	2004 HK\$'000	2003 HK\$'000
Deferred tax in Hong Kong:		
Current period	-	2,227
Attributable to an increase in tax rate	-	(481)
Release of deferred tax assets	1,229	-
	<u>1,229</u>	<u>1,746</u>

In the opinion of directors, the Group is not subject to taxation in other jurisdictions in which it operates.

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the period ended September 30, 2004 (six months ended September 30, 2003: Nil). No dividend was paid during the period.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of HK\$2,706,000 (six months ended September 30, 2003: HK\$4,115,000) and on the weighted average of 807,371,799 (six months ended September 30, 2003: 567,645,023) shares in issue during the period.

The Company has no dilutive potential ordinary shares at September 30, 2004.

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The directors are of the opinion that the market value of the Group's investment properties as at September 30, 2004 is not materially different from the carrying value of the investment properties. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

In addition, the Group incurred costs of approximately HK\$497,219 during the period on acquisition of plant and equipment in order to upgrade its construction capabilities.

During the period, the Group disposed of plant and equipment with a carrying amount of approximately HK\$150,933, resulting in a loss of HK\$103,753.

10. TRADE AND OTHER RECEIVABLES

The credit terms granted by the Group to its trade customers normally range from 30 days to 90 days.

Included in trade and other receivables are trade receivables of HK\$413,349,000 (3.31.2004: HK\$444,068,000) and the aged analysis is as follows:

Aged:

	9.30.2004 HK\$'000	3.31.2004 HK\$'000
Current	407,495	438,214
1 – 30 days overdue	–	–
Over 30 days overdue	5,854	5,854
	413,349	444,068

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$515,151,000 (3.31.2004: HK\$472,428,000) and the aged analysis is as follows:

	9.30.2004 HK\$'000	3.31.2004 HK\$'000
Aged:		
Current	515,151	472,428
1 – 30 days overdue	–	–
Over 30 days overdue	–	–
	<u>515,151</u>	<u>472,428</u>

12. BANK BORROWINGS

	9.30.2004 HK\$'000	3.31.2004 HK\$'000
Bank loans, secured	36,500	14,800
Bills payable	21,670	10,108
Bank overdrafts		
– secured	6,054	17,742
– unsecured	30	346
	<u>64,254</u>	<u>42,996</u>

The borrowings are repayable as follows:

	9.30.2004 HK\$'000	3.31.2004 HK\$'000
Within one year or on demand	48,254	42,996
In the second year	16,000	–
	<u>64,254</u>	<u>42,996</u>

13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised</i>		
At April 1, 2004 and September 30, 2004	20,000,000	200,000
<i>Issued and fully paid</i>		
At April 1, 2004	771,962	7,720
Conversion of convertible notes to shares	154,286	1,543
At September 30, 2004	926,248	9,263

At August 20, 2004, convertible notes of HK\$5,400,000 were converted into 154,285,714 ordinary shares of HK\$0.01 each.

14. COMMITMENTS

At September 30, 2004, the Group was committed to an acquisition of investment properties amounting to HK\$9,275,000.

15. CONTINGENT LIABILITIES

At September 30, 2004 the Group executed guarantees amounting to HK\$95,380,000 (3.31.2004: HK\$92,920,000) in favour of certain banks and a financial institution to secure credit facilities granted to its subsidiaries and a jointly controlled entity.

16. PERFORMANCE BONDS

At September 30, 2004, the Group had outstanding performance bonds amounting to HK\$5,852,000 (3.31.2004: HK\$5,852,000) in respect of construction contracts.

17. RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2004, the Group received management fees, service fees and rental income from a jointly controlled entity totalling HK\$1,425,000 (six months ended September 30, 2003: HK\$204,000).

18. POST BALANCE SHEET EVENT

Subsequent to September 30, 2004, the Group disposed of a wholly owned subsidiary to an independent third party for a consideration of HK\$1,050,000.