

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

### 1. Significant accounting policies

The condensed interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

The accounting policies adopted in these condensed interim financial statements have been prepared on a basis consistent with the principal accounting policies as stated in the financial statements for the year ended 31st March, 2002, except that the following new and revised SSAPs have been adopted for the first time in the preparation of the current period’s condensed financial statements:

|                   |   |                                      |
|-------------------|---|--------------------------------------|
| SSAP1 (Revised)   | : | Presentation of financial statements |
| SSAP 11 (Revised) | : | Foreign currency translation         |
| SSAP 15 (Revised) | : | Cash Flow Statements                 |
| SSAP 34           | : | Employee benefits                    |

The adoption of the new and revised (“SSAP”) by the Group do not have any impact on these financial statements except that certain comparative figures and disclosure have been adjusted to conform with current period’s presentation.

#### Statement of changes in equity

In accordance with SSAP 1 (Revised), the requirement for presenting a statement of recognised gains and losses has changed to presenting a statement of changes in equity. The condensed consolidated statement of changes in equity for the current period has been presented accordingly.

#### Foreign currency translation

The main revision in SSAP 11 (Revised) is that in preparing the consolidation of financial statements, the income statements of the Group’s operations outside Hong Kong have to be translated at the average rates for the period rather than at the exchange rates ruling on the balance sheet date. This change in accounting policy has not had any material effect on the results for the current and prior accounting periods.

#### Cash flow statements

Under SSAP 15 (Revised), cash flows are classified by operating, investing and financing activities. In addition, the amount presented for cash and cash equivalents has been amended to exclude short-term bank loans which are financing in nature. The condensed consolidated cash flow statement has been presented in accordance with this revised SSAP.

#### Employee benefits

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has not had any material effect on the results for the current and prior accounting periods.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)****2. Segment information**

Turnover and segment information for the six months ended 30th September, 2002.

**(a) By business segments**

|                                                       | Lifts,<br>escalators,<br>electrical,<br>mechanical and<br>environmental<br>engineering<br>HK\$'000 | Aluminium<br>works and<br>building<br>material<br>HK\$'000 | Car<br>Dealership<br>HK\$'000 | Property<br>investment<br>and<br>development<br>HK\$'000 | Sales and<br>servicing<br>of IT<br>equipment<br>and<br>business<br>machines<br>HK\$'000 | Trading<br>HK\$'000 | Insurance<br>business<br>HK\$'000 | Hotel<br>operation<br>HK\$'000 | Others<br>HK\$'000 | Group<br>total by<br>segment<br>HK\$'000 |
|-------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------|-----------------------------------|--------------------------------|--------------------|------------------------------------------|
| <b>Six Months ended</b>                               |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    |                                          |
| <b>30th September, 2002</b>                           |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    |                                          |
| <b>TURNOVER</b>                                       |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    |                                          |
| Total sales                                           | 534,397                                                                                            | 208,513                                                    | 177,486                       | 83,737                                                   | 331,565                                                                                 | 55,826              | 167,498                           | 32,176                         | 89,019             | 1,680,217                                |
| Inter-segment sales                                   | (589)                                                                                              | (100)                                                      | -                             | (23,067)                                                 | (1,950)                                                                                 | -                   | (14,487)                          | -                              | (9,580)            | (49,773)                                 |
| External sales                                        | <u>533,808</u>                                                                                     | <u>208,413</u>                                             | <u>177,486</u>                | <u>60,670</u>                                            | <u>329,615</u>                                                                          | <u>55,826</u>       | <u>153,011</u>                    | <u>32,176</u>                  | <u>79,439</u>      | <u>1,630,444</u>                         |
| <b>RESULTS</b>                                        |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    |                                          |
| Segment results                                       | <u>36,170</u>                                                                                      | <u>22,822</u>                                              | <u>2,856</u>                  | <u>28,020</u>                                            | <u>(898)</u>                                                                            | <u>878</u>          | <u>13,034</u>                     | <u>(2,827)</u>                 | <u>10,283</u>      | 110,338                                  |
| Unallocated corporate<br>expenses                     |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | (1,719)                                  |
| Interest income                                       |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | 12,742                                   |
| Dividend income                                       |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | 94                                       |
| Profits from operation                                |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | 121,455                                  |
| Interest expenses                                     |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | (21,250)                                 |
| Share of results<br>of associates                     | (273)                                                                                              | -                                                          | -                             | 45                                                       | 1,862                                                                                   | -                   | -                                 | -                              | (4,064)            | (2,430)                                  |
| Share of results<br>of jointly controlled<br>entities | (114)                                                                                              | -                                                          | -                             | (24)                                                     | -                                                                                       | -                   | -                                 | -                              | (7,295)            | (7,433)                                  |
| Profit before taxation                                |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | 90,342                                   |
| Taxation                                              |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | (25,103)                                 |
| Profit before<br>minority interests                   |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | 65,239                                   |
| Minority Interests                                    |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | (4,380)                                  |
| Net profit for the period                             |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | <u>60,859</u>                            |

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)****2. Segment information (Continued)****(a) By business segments (Continued)**

|                                                          | Lifts,<br>escalators,<br>electrical,<br>mechanical and<br>environmental<br>engineering<br>HK\$'000 | Aluminium<br>works and<br>building<br>material<br>HK\$'000 | Car<br>Dealership<br>HK\$'000 | Property<br>investment<br>and<br>development<br>HK\$'000 | Sales and<br>servicing<br>of IT<br>equipment<br>and<br>business<br>machines<br>HK\$'000 | Trading<br>HK\$'000 | Insurance<br>business<br>HK\$'000 | Hotel<br>operation<br>HK\$'000 | Others<br>HK\$'000 | Group<br>total by<br>segment<br>HK\$'000 |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------|-----------------------------------|--------------------------------|--------------------|------------------------------------------|
| Six months ended<br>30th September, 2001                 |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    |                                          |
| <b>TURNOVER</b>                                          |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    |                                          |
| Total sales                                              | 623,543                                                                                            | 136,522                                                    | 172,354                       | 77,398                                                   | 396,849                                                                                 | 60,721              | 160,516                           | 29,930                         | 35,439             | 1,693,272                                |
| Inter-segment sales                                      | (964)                                                                                              | (1,924)                                                    | -                             | (22,452)                                                 | -                                                                                       | -                   | (17,653)                          | -                              | (9,434)            | (52,427)                                 |
| External sales                                           | <u>622,579</u>                                                                                     | <u>134,598</u>                                             | <u>172,354</u>                | <u>54,946</u>                                            | <u>396,849</u>                                                                          | <u>60,721</u>       | <u>142,863</u>                    | <u>29,930</u>                  | <u>26,005</u>      | <u>1,640,845</u>                         |
| <b>RESULTS</b>                                           |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    |                                          |
| Segment results                                          | <u>53,318</u>                                                                                      | <u>21,975</u>                                              | <u>3,706</u>                  | <u>38,770</u>                                            | <u>(4,745)</u>                                                                          | <u>(979)</u>        | <u>303</u>                        | <u>(5,469)</u>                 | <u>8,389</u>       | 115,268                                  |
| Unallocated corporate<br>expenses                        |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | (3,932)                                  |
| Interest income                                          |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | 12,292                                   |
| Dividend income                                          |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | 807                                      |
| Profits from operation                                   |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | 124,435                                  |
| Interest expenses                                        |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | (28,684)                                 |
| Share of results<br>of associates                        | (27)                                                                                               | -                                                          | -                             | 5,514                                                    | 2,941                                                                                   | -                   | -                                 | -                              | 122                | 8,550                                    |
| Share of results<br>of jointly<br>controlled<br>entities |                                                                                                    |                                                            |                               | (14)                                                     | -                                                                                       | -                   | -                                 | -                              | (5,072)            | (5,086)                                  |
| Profit before taxation                                   |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | 99,215                                   |
| Taxation                                                 |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | (20,976)                                 |
| Profit before<br>minority interests                      |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | 78,239                                   |
| Minority interests                                       |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | (3,209)                                  |
| Net profit for the period                                |                                                                                                    |                                                            |                               |                                                          |                                                                                         |                     |                                   |                                |                    | <u>75,030</u>                            |

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** (*Continued*)**2. Segment information** (*Continued*)**(b) By geographical segments**

|                | <b>Six months ended 30 September,</b> |                                                          |                   |            |
|----------------|---------------------------------------|----------------------------------------------------------|-------------------|------------|
|                | <b>HK\$' Million</b>                  |                                                          |                   |            |
|                | <b>Turnover</b>                       | <b>Contribution to profit/(loss)<br/>from operations</b> |                   |            |
|                | <b>2002</b>                           | 2001                                                     | <b>2002</b>       | 2001       |
| Hong Kong      | <b>1,131</b>                          | 1,071                                                    | <b>80</b>         | 89         |
| Mainland China | <b>117</b>                            | 189                                                      | <b>17</b>         | 6          |
| Canada         | <b>188</b>                            | 183                                                      | <b>8</b>          | 8          |
| Singapore      | <b>86</b>                             | 71                                                       | <b>14</b>         | 16         |
| U.S.A.         | <b>45</b>                             | 42                                                       | <b>3</b>          | 1          |
| Thailand       | <b>57</b>                             | 65                                                       | <b>4</b>          | 5          |
| Others         | <b>6</b>                              | 19                                                       | <b>(5)</b>        | (1)        |
|                | <b><u>1,630</u></b>                   | <u>1,640</u>                                             | <b><u>121</u></b> | <u>124</u> |

**3. Profit from operations**

|                                                      | <b>Six months ended<br/>30th September,</b> |                |
|------------------------------------------------------|---------------------------------------------|----------------|
|                                                      | <b>2002</b>                                 | 2001           |
|                                                      | <b>HK\$'000</b>                             | HK\$'000       |
| Profit from operations is arrived at after charging: |                                             |                |
| Cost of inventories recognised as expenses           | <b>480,616</b>                              | 572,402        |
| Depreciation on property, plant and equipment        | <b>29,171</b>                               | 24,960         |
| Staff costs including directors' emoluments          | <b>251,499</b>                              | 269,893        |
| Less: Amount capitalised to contract work            | <b>(11,436)</b>                             | (10,341)       |
|                                                      | <b><u>240,063</u></b>                       | <u>259,552</u> |
| Operating lease payments in respect of leasing of:   |                                             |                |
| Premises                                             | <b>17,248</b>                               | 17,635         |
| Others                                               | <b>328</b>                                  | 296            |
|                                                      | <b><u>328</u></b>                           | <u>296</u>     |

**4. Taxation**

|                              | <b>Six months ended<br/>30th September,</b> |               |
|------------------------------|---------------------------------------------|---------------|
|                              | <b>2002</b>                                 | 2001          |
|                              | <b>HK\$'000</b>                             | HK\$'000      |
| The Company and subsidiaries |                                             |               |
| Hong Kong                    | <b>14,407</b>                               | 15,252        |
| Overseas                     | <b>10,346</b>                               | 5,170         |
| Associates                   |                                             |               |
| Hong Kong                    | <b>350</b>                                  | 556           |
| Jointly controlled entities  |                                             |               |
| Hong Kong                    | <b>–</b>                                    | (2)           |
|                              | <b><u>25,103</u></b>                        | <u>20,976</u> |

Hong Kong profits tax has been provided for at the rate of 16% (2001: 16%) on the estimated assessable profits for the period. Provision for overseas taxation is calculated based on the applicable local legislation on the estimated assessable profits of the individual company concerned.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** (*Continued*)**5. Interim dividend**

|                                      | <b>Six months ended<br/>30th September,</b> |                 |
|--------------------------------------|---------------------------------------------|-----------------|
|                                      | <b>2002</b>                                 | <b>2001</b>     |
|                                      | <b>HK\$'000</b>                             | <b>HK\$'000</b> |
| Interim dividend                     |                                             |                 |
| HK\$0.015 per share on 1,306,078,963 |                                             |                 |
| (2001: HK\$0.02 per share            |                                             |                 |
| on 1,275,112,025 shares)             | <b>19,591</b>                               | <b>25,502</b>   |

**6. Earnings per share**

The calculation of the basic and diluted earnings per share is based on the following data:

|                                                | <b>Six months ended<br/>30th September,</b> |                  |
|------------------------------------------------|---------------------------------------------|------------------|
|                                                | <b>2002</b>                                 | <b>2001</b>      |
|                                                | <b>HK\$'000</b>                             | <b>HK\$'000</b>  |
| Earnings for the purposes of                   |                                             |                  |
| basic and diluted earnings per share           | <b>60,859</b>                               | <b>75,030</b>    |
|                                                | <b>Number of shares</b>                     |                  |
|                                                | <b>'000</b>                                 | <b>'000</b>      |
| Weighted average number of ordinary shares for |                                             |                  |
| the purpose of basic earnings per share        | <b>1,275,112</b>                            | <b>1,230,904</b> |
| Effect of dilutive potential ordinary shares:  |                                             |                  |
| Share options ( <i>Note</i> )                  | <b>3,515</b>                                | <b>4,913</b>     |
| Weighted average number of ordinary shares     |                                             |                  |
| for the purpose of diluted earnings per share  | <b>1,278,627</b>                            | <b>1,235,817</b> |

*Note:* Diluted earnings per share does not assume the exercise of certain outstanding share options as the exercise price is higher than the fair value per share.

**7. Property, plant and equipment**

For the six months ended 30th September, 2002, the Group acquired property, plant and equipment of HK\$15,473,000 and disposal of property, plant and equipment of HK\$22,723,000.

**8. Debtors, deposits and prepayments**

Included in debtors, deposits and prepayments are trade debtors and the ageing analysis is as follows:

|              | <b>Balance at<br/>30th September,<br/>2002</b> | <b>Balance at<br/>31st March,<br/>2002</b> |
|--------------|------------------------------------------------|--------------------------------------------|
|              | <b>HK\$'000</b>                                | <b>HK\$'000</b>                            |
| 0-60 days    | <b>611,311</b>                                 | <b>611,329</b>                             |
| 61-90 days   | <b>40,327</b>                                  | <b>38,764</b>                              |
| Over 90 days | <b>60,147</b>                                  | <b>61,822</b>                              |
| Total        | <b>711,785</b>                                 | <b>711,915</b>                             |

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** (*Continued*)**9. Creditors, deposits and accruals**

Included in creditors, deposits and accruals are trade creditors and the ageing analysis is as follows:

|              | <b>Balance at<br/>30th September,<br/>2002<br/>HK\$'000</b> | Balance at<br>31st March,<br>2002<br>HK\$'000 |
|--------------|-------------------------------------------------------------|-----------------------------------------------|
| 0–60 days    | <b>163,006</b>                                              | 135,170                                       |
| 61–90 days   | <b>13,778</b>                                               | 6,291                                         |
| Over 90 days | <b>58,031</b>                                               | 33,271                                        |
|              | <hr/>                                                       | <hr/>                                         |
| Total        | <b>234,815</b>                                              | 174,732                                       |
|              | <hr/> <hr/>                                                 | <hr/> <hr/>                                   |

**10. Share Capital**

There was no movement during the period under review.

**11. Contingent liabilities**

As at 30th September, 2002, the Group had the following contingent liabilities and commitments:

- (a) The Company had contingent liabilities in respect of counter-indemnities given to bankers and insurance institutions for their guarantees amounting to approximately HK\$309,700,000 (31st March, 2002: HK\$309,700,000) issued in respect of the Group's performance for maintenance and remedial work for Private Sector Participation Scheme projects completed by the Group.
- (b) The Company issued guarantees for banking facilities utilised and performance bonds extended to its subsidiaries, associates and jointly controlled entity amounting to HK\$1,002,565,000 (31st March, 2002: HK\$1,160,074,000) and HK\$432,662,000 (31st March, 2002: HK\$412,670,000).
- (c) The Company had contingent liabilities of HK\$4,228,000 (31st March, 2002: HK\$2,157,000) in respect of guarantees given to its subsidiary and jointly controlled entity for hire-purchase of equipment.

**12. Operating lease**

The Group as lessee

The Group had future minimum lease payments under non-cancellable operating leases as follows:

|                                        | <b>30th September,<br/>2002<br/>HK\$'000</b> | 31st March,<br>2002<br>HK'000 |
|----------------------------------------|----------------------------------------------|-------------------------------|
| Leases which expire:                   |                                              |                               |
| Within one year                        | <b>13,636</b>                                | 20,878                        |
| In the second to fifth years inclusive | <b>1,956</b>                                 | 5,063                         |
|                                        | <hr/>                                        | <hr/>                         |
|                                        | <b>15,592</b>                                | 25,941                        |
|                                        | <hr/> <hr/>                                  | <hr/> <hr/>                   |

Leases are negotiated and rentals are fixed for an average term of two years.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** (*Continued*)

**12. Operating lease** (*Continued*)

The Group as lessor

The Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

|                                        | <b>30th September,<br/>2002<br/>HK\$'000</b> | 31st March,<br>2002<br>HK'000 |
|----------------------------------------|----------------------------------------------|-------------------------------|
| Leases which expire:                   |                                              |                               |
| Within one year                        | <b>38,910</b>                                | 43,407                        |
| In the second to fifth years inclusive | <b>22,069</b>                                | 22,288                        |
|                                        | <b><u>60,979</u></b>                         | <b><u>65,695</u></b>          |

The lease terms ranged from one year to six years.

**13. Comparative figures**

Certain comparative figures have been reclassified in order to conform with the presentation of current period.