

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

1. Significant accounting policies

The condensed 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:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 15 (Revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

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.

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.

Employees 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 CONDENSED FINANCIAL STATEMENTS (*Continued*)**2. Segment information**

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

	Building construction & maintenance HK\$'000	Civil engineering HK\$'000	Consolidated total HK\$'000
TURNOVER			
External sales	34,095	53,140	87,235
RESULT			
Segment results	5,325	(1,043)	4,282
Unallocated corporate expenses			(1,274)
Interest income			718
Profit from operations			3,726
Interest expenses			(14)
Share of results of an associate			1,028
Share of results of jointly controlled entities	(228)	(135)	(363)
Profit before taxation			4,377
Taxation			(165)
Profit after taxation			4,212

All activities of the group were carried out in Hong Kong.

Turnover and segment information for the period ended 30th September, 2001.

	Building construction & maintenance HK\$'000	Civil engineering HK\$'000	Consolidated total HK\$'000
TURNOVER			
External sales	198,532	47,155	245,687
RESULT			
Segment results	148	(605)	(457)
Unallocated corporate expenses			(1,277)
Interest income			467
Loss from operations			(1,267)
Interest expenses			(611)
Share of results of an associate			963
Share of results of jointly controlled entities	(232)	(6)	(238)
Loss before taxation			(1,153)
Taxation			(228)
Loss after taxation			(1,381)

All activities of the group were carried out in Hong Kong.

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)***3. Profit (loss) from operations**

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

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Depreciation:		
Owned assets	1,002	2,374
Assets held under finance leases	—	61
Less: Amount capitalised to contract work	(593)	(1,850)
	409	585
Operating lease charges:		
Premises	1,231	1,404
Plant and machinery	17,365	47,499
Less: Amount capitalised to contract work	(17,365)	(47,543)
	1,231	1,360
Staff costs, including directors' emoluments	24,713	47,019
Less: Amount capitalised to contract work	(13,592)	(33,000)
	11,121	14,019

4. Taxation

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Provision for Hong Kong Profits Tax:		
The Company and subsidiaries	—	—
Associate	165	229
Jointly controlled entities	—	(1)
	165	228

No provision for Hong Kong Profits Tax in the current and prior period had been made as the assessable profit of the Company and its subsidiaries were wholly absorbed by tax losses brought forward.

NOTES TO CONDENSED FINANCIAL STATEMENTS (*Continued*)**5. Earnings (loss) per share**

The calculation of the basic earnings (loss) per share is based on the net profit for the period of HK\$4,237,000 (2001: loss of HK\$1,382,000) and on 249,000,000 (2001: 249,000,000) shares in issue during the period.

All the options granted had been lapsed after 6th October, 2001.

Diluted loss per share for 2001 was not presented as the effect of exercise of the share options would be anti-dilutive in respect of the period.

6. Debtors, deposits and prepayments

The ageing analysis of trade debtors is as follows:

	Balance at 30th September, 2002 HK\$'000	Balance at 31st March, 2002 HK\$'000
0 – 60 days	14,253	105,703
61 – 90 days	124	1,193
Over 90 days	139,748	167,041
	<hr/> 154,125 <hr/>	<hr/> 273,937 <hr/>

Interim application for progress payments on construction contracts are normally on a monthly basis and settled within one month.

7. Creditors, deposits and accruals

The ageing analysis of trade creditors is as follows:

	Balance at 30th September, 2002 HK\$'000	Balance at 31st March, 2002 HK\$'000
0 – 60 days	24,886	50,247
61 – 90 days	8,337	12,722
Over 90 days	60,746	49,190
	<hr/> 93,969 <hr/>	<hr/> 112,159 <hr/>

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)***8. Obligations under finance leases**

Finance lease liabilities – minimum lease payments:

	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
Within one year	–	73
In the second year	–	–
	<hr/>	<hr/>
	–	73
Future finance charges on finance leases	–	(13)
	<hr/>	<hr/>
Present value of finance lease liabilities	–	60
	<hr/> <hr/>	<hr/> <hr/>
The present value of finance lease liabilities is as follows:		
Within one year	–	60
In the second year	–	–
	<hr/>	<hr/>
	–	60
	<hr/> <hr/>	<hr/> <hr/>

9. Pledge of assets

At 30th September, 2002, the benefits under a construction contract have been pledged to a financial institution as security in connection with credit facilities granted to the Group.

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)**10. Contingent liabilities**

At 30th September, 2002, guarantees issued by the Company to the extent of approximately HK\$14,975,000 (31st March, 2002: HK\$39,755,000) to insurance companies and financial institutions as securities in connection with performance bonds for construction contracts undertaken by certain subsidiaries and credit facilities granted to the Group.

11. Operating leases

As at the balance sheet date:

The Group has total future aggregate minimum lease payments under non-cancellable operating leases in respect of renting of premises, plant, barges and dredgers as follows:

	Land and buildings		Plant, barges and dredgers	
	30th	31st	30th	31st
	September,	March,	September,	March,
	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	931	1,950	2,135	4,143
In the second to fifth year inclusive	72	281	–	–
	<u>1,003</u>	<u>2,231</u>	<u>2,135</u>	<u>4,143</u>

Land and buildings

Leases are negotiated for an average term of one to two years with fixed monthly rentals over the terms of the leases.

Plant, barges and dredgers

Leases are negotiated for range from one month to one year with fixed monthly rentals over the terms of the leases.

12. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.