

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2003

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 Society of Accountants.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2003, except for the adoption of the SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. 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. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly.

As a result of this change in policy, the accumulated losses at 1st April, 2003 has been increased by HK\$53,070,000 (1/4/2002: HK\$47,757,000), and the profit for the six months ended 30th September, 2003 has been decreased by HK\$14,182,000 (the loss for the six months ended 30th September, 2002 has been increased by HK\$5,326,000).

簡明綜合財務報表附註

截至二零零三年九月三十日止六個月

1. 編製基準

簡明財務報表乃根據香港聯合交易所有限公司證券上市規則(「上市規則」)附錄16之適用披露規定及香港會計師公會頒佈之會計實務準則(「會計實務準則」)第25條「中期財務申報」編製。

2. 主要會計政策

簡明財務報表乃根據歷史成本法編製，並已就投資物業及證券投資之重估價值作修訂。

除因採納會計實務準則第12條(經修訂)「所得稅」而引致會計政策變動外，編製簡明財務報表所採納之會計政策與本集團截至二零零三年三月三十一日止年度之週年財務報表所採納者相符。實施會計實務準則第12條(經修訂)之主要影響與遞延稅項有關。於過往年度，乃使用收益表負債法就遞延稅項作出部份撥備，即除預期於可見將來不會撥回之時差外，就所產生之時差確認負債。會計實務準則第12條(經修訂)規定須採納資產負債表負債法。據此，遞延稅項之核算除有限之例外情況外，均以財務報表內資產及負債之賬面值與計算應課稅溢利所用之相應稅務基準之間所有暫時性差異予以確認。因會計實務準則第12條(經修訂)並未作出具體過渡期規定，本集團已追溯應用該項經修訂之會計政策，比較數字已因此而重新編列。

由於會計政策出現此項改變，二零零三年四月一日之累計虧損增加53,070,000港元(二零零二年四月一日：47,757,000港元)，而本期間溢利則已減少14,182,000港元(截至二零零二年九月三十日止六個月虧損增加5,326,000港元)。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SEGMENTAL INFORMATION

For management purposes, the Group's operations are organised into six operating divisions namely building construction, civil engineering, specialist works, construction materials, property leasing and sale of property. These divisions are the basis on which the Group reports its primary segment information.

Analyses of the Group's turnover and contribution to loss from operations for the six months ended 30th September, 2003 by principal activity are as follows:

Business segments:

業務分部：

簡明綜合財務報表附註(續)

3. 分部資料

就管理方面而言，本集團之業務分為六大營運部門，分別為樓宇建築、土木工程、專項工程、建築材料、物業租賃及銷售物業。此等部門乃本集團匯報主要分部資料之基準。

本集團截至二零零三年九月三十日止六個月之營業額及經營虧損之貢獻按主要業務分析如下：

		Six months ended 30/9/2003 截至二零零三年九月三十日止六個月			Six months ended 30/9/2002 截至二零零二年九月三十日止六個月		
		Inter-Segment			Inter-Segment		
External	分部之	Total	External	分部之	Total		
外來	間銷售	總計	外來	間銷售	總計		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
千港元	千港元	千港元	千港元	千港元	千港元		
Turnover	營業額						
Construction and other contracting businesses:	建築及其他 承包業務：						
Building construction	樓宇建築工程	1,191,411	-	1,191,411	1,288,106	46,438	1,334,544
Civil engineering	土木工程	195,893	-	195,893	296,256	127	296,383
Specialist works	專項工程	259,023	18,932	277,955	324,090	30,960	355,050
Construction materials	建築材料	2,985	44,620	47,605	4,172	16,958	21,130
		1,649,312	63,552	1,712,864	1,912,624	94,483	2,007,107
Property leasing	物業租賃	25,129	7,835	32,964	27,838	11,480	39,318
Sale of property	銷售物業	-	-	-	8,340	-	8,340
Discontinuing operation hotel and catering	已終止業務－ 酒店及餐飲	-	-	-	34,236	-	34,236
Elimination	對銷	-	(71,387)	(71,387)	-	(105,963)	(105,963)
		1,674,441	-	1,674,441	1,983,038	-	1,983,038

Inter-segment sales are charged at market price or, where no market price was available, at terms determined and agreed by both parties.

分部之間銷售乃按市場價格收取或(倘無可參考之市場價格)按雙方釐定及同意之條款收取。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

簡明綜合財務報表附註(續)

3. SEGMENTAL INFORMATION (continued)

3. 分部資料(續)

Business segments: (continued)

業務分部：(續)

		Six months ended	
		30/9/2003	30/9/2002
		截至二零零三年 九月三十日止 六個月 HK\$'000 千港元	截至二零零二年 九月三十日止 六個月 HK\$'000 千港元
Contribution to loss from operations			
Construction and other contracting businesses:	經營虧損貢獻 建築及其他合約工程業務：		
Building construction	樓宇建築工程	(777)	833
Civil engineering	土木工程	(8,537)	(11,574)
Specialist works	專項工程	(21,477)	(35,212)
Construction materials	建築材料	(14,184)	(9,172)
		(44,975)	(55,125)
Property leasing	物業租賃	11,041	14,489
Sale of property	銷售物業	—	295
Discontinuing operation	已終止業務		
- hotel and catering	- 酒店及餐飲	—	(2,343)
		(33,934)	(42,684)

4. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging depreciation and amortisation of property, plant and equipment as follows:

4. 經營虧損

下列之經營虧損乃扣除物業、機械及設備之折舊及攤銷後得出：

		Six months ended	
		30/9/2003	30/9/2002
		截至二零零三年 九月三十日止 六個月 HK\$'000 千港元	截至二零零二年 九月三十日止 六個月 HK\$'000 千港元
Owned assets	自置資產	31,340	42,143
Less: Amount capitalised in respect of contracts in progress	減：撥作在建工程資本之數額	(956)	(549)
		30,384	41,594

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENT INCOME (EXPENSES) – NET

Included in net investment income (expenses) is a profit on disposal of investments in securities of approximately HK\$326,000 (2002: HK\$1,575,000) and a loss on disposal of investment properties of HK\$526,000 (2002: Nil).

6. SHARE OF RESULTS OF ASSOCIATES/INTERESTS IN ASSOCIATES

During the six months ended 30th September, 2003, the Group's equity interest in China Strategic Holdings Limited which is listed in Hong Kong increased from 14.55% to 31.2%. Accordingly, the investment has been reclassified from investments in securities to interests in associates on 30th September, 2003.

Downer EDI Limited ("Downer"), one of the principal associates of the Group listed in Australia and New Zealand with its financial year end dated 30th June. Since only published financial information of Downer will be available and used by the Group in applying the equity method, the Group's share of turnover and results of Downer for the current and prior period is calculated based on the turnover and results of Downer for the six months from 1st January, 2003 to 30th June, 2003 and from 1st January, 2002 to 30th June, 2002 respectively.

The Group's share of losses of an associate amounting to approximately HK\$123,711,000 (31/3/2003: HK\$123,711,000) has not been accounted for by the Group as those losses, which arise on a contract, are recoverable in full under guarantees provided by an ex-shareholder of the associate. The Group instigated a court action against the ex-shareholder to recover the losses together with interest and other expenses incurred. The directors, having taken legal advice, believe that the suit is valid and the losses can be fully recovered from the ex-shareholder.

簡明綜合財務報表附註(續)

5. 投資收入(開支) – 淨額

投資收入(開支)淨額已計入出售證券投資所得溢利約326,000港元(二零零二年: 1,575,000港元)及出售投資物業之虧損526,000港元(二零零二年: 無)。

6. 攤佔聯營公司業績/聯營公司權益

截至二零零三年九月三十日止六個月, 本集團於香港上市公司中策集團有限公司之股本權益由14.55%增至31.2%。因此, 於二零零三年九月三十日, 有關投資已由證券投資重新分類作聯營公司權益。

本公司之其中一間主要聯營公司Downer EDI Limited (「Downer」) 乃一間在澳洲及新西蘭上市之公司, 其財政年度結束日期為六月三十日。由於本集團只可採用權益計算法計入Downer之已公佈財務資料。因此, 本集團攤佔Downer在本期間及以往期間之營業額及業績乃分別根據Downer由二零零三年一月一日起至二零零三年六月三十日止六個月及由二零零二年一月一日起至二零零二年六月三十日止六個月之營業額及業績計算。

本集團並無計入本集團攤佔一間聯營公司之虧損約123,711,000港元(二零零三年三月三十一日: 123,711,000港元), 因為該等因一項合約而產生之虧損可根據該間聯營公司之一位前股東所提供之擔保全數收回。本集團已向該位前股東採取法律行動, 旨在收回有關虧損款額連同應計利息及就此而引致之其他開支。各董事在諮詢法律意見後, 相信此項法律訴訟勝算甚高, 大有可能成功向該位前股東全數收回有關款項。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

簡明綜合財務報表附註 (續)

7. TAXATION

7. 稅項

		Six months ended 30/9/2003 截至二零零三年 九月三十日止 六個月 HK\$'000 千港元	Six months ended 30/9/2002 截至二零零二年 九月三十日止 六個月 HK\$'000 千港元 (重新編列)
The charge comprises:	稅項支出包括：		
Hong Kong Profits Tax:	香港利得稅：		
Current period	本期間	—	18
Overprovision in previous periods	前期超額準備	(11)	(157)
		(11)	(139)
Overseas taxation	海外稅項	3,322	4,286
Share of tax on results of associates	攤佔聯營公司業績之稅項	32,179	18,441
		35,490	22,588
Deferred taxation	遞延稅項	11,869	885
		47,359	23,473

Hong Kong Profits Tax is calculated at the rate of 17.5% (2002: 16%) of the estimated assessable profits derived from Hong Kong for the period.

香港利得稅乃按期內源自香港之估計應課稅溢利以稅率17.5% (二零零二年：16%) 計算。

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

海外稅項按有關司法權區適用之稅率計算。

8. DIVIDENDS

8. 股息

		Six months ended 30/9/2003 截至二零零三年 九月三十日止 六個月 HK\$'000 千港元	30/9/2002 截至二零零二年 九月三十日止 六個月 HK\$'000 千港元
Interim dividend – 1.0 cent (2002: 1.0 cent) per share	中期股息 – 每股港幣1.0仙 (二零零二年：港幣1.0仙)	10,937	10,491
Special dividend – 29.0 cents (2002: Nil) per share	特別股息 – 每股港幣29.0仙 (二零零二年：無)	317,174	—
		328,111	10,491

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**8. DIVIDENDS (continued)**

The amount of the interim and special dividend declared for the six months ended 30th September, 2003, which will be payable in cash with an option to elect scrip, has been calculated by reference to the 1,093,703,466 issued ordinary shares outstanding as at the date of this report.

During the period, a final dividend of 1.0 cent (2002: 1.0 cent) per share amounting to HK\$10,727,000 (2002: HK\$10,367,000) for the year ended 31st March, 2003 was approved by the shareholders.

9. EARNINGS (LOSS) PER SHARE

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

簡明綜合財務報表附註(續)**8. 股息(續)**

截至二零零三年九月三十日止六個月宣佈之以現金支付連同以股代息選擇權之中期股息之數額，乃參照本報告刊發之日已發行普通股1,093,703,466股計算。

期內，已獲股東批准派發截至二零零三年三月三十一日止年度之末期股息每股港幣1.0仙(二零零二年：港幣1.0仙)，合共10,727,000港元(二零零二年：10,367,000港元)。

9. 每股盈利(虧損)

期內每股基本及攤薄盈利(虧損)乃根據以下數據計算：

		Six months ended	
		30/9/2003	30/9/2002
		截至二零零三年 九月三十日止 六個月 HK\$'000 千港元	截至二零零二年 九月三十日止 六個月 HK\$'000 千港元 (Restated) (重新編列)
Earnings (loss):	盈利(虧損)：		
Earnings (loss) for the purposes of basic earnings (loss) per share	計算每股基本盈利(虧損)之盈利(虧損)	29,896	(37,098)
Effect of dilutive potential ordinary shares in respect of an adjustment to share of results of an associate based on dilution of its earnings per share	潛在攤薄普通股之效應基於聯營公司業績每股盈利攤薄之攤佔調整	(5,001)	(2,944)
Earnings (loss) for the purposes of diluted earnings (loss) per share	計算每股攤薄盈利(虧損)之盈利(虧損)	24,895	(40,042)
Number of shares:	股份數目：		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	計算每股基本及攤薄盈利(虧損)之普通股加權平均數	1,064,756,647	1,036,744,924

For the six months ended 30th September, 2003 and 30th September, 2002 respectively, the computation of diluted earnings (loss) per share does not assume the conversion of the Company's share options and warrants since their exercise prices were higher than the average market price for shares.

在計算截至二零零三年九月三十日止六個月之每股攤薄盈利及截至二零零二年九月三十日止六個月每股攤薄虧損時，由於本公司購股權及認股權證之行使價高於股份之平均市價，因此並無假設本公司購股權及認股權證被兌換之情況。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$4,438,000 (2002: HK\$11,019,000) on property, plant and equipment to expand and upgrade its operating capacity. The Group also disposed of investment properties and property, plant and equipment with an aggregate carrying value of approximately HK\$21,804,000 (2002: HK\$3,900,000) and HK\$7,543,000 (2002: HK\$972,000) respectively.

Certain investment properties at 30th September, 2003 were revalued by the directors by reference to the valuations made by an independent professional valuer.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms for contracting business are negotiated with, and entered into under, normal commercial terms with its trade customers. Trade debtors arise from property leasing business are payable monthly in advance and the credit terms granted by the Group to other trade debtors normally range from 30 days to 90 days.

The following is an aged analysis of trade debtors at the reporting date:

		30/9/2003 二零零三年 九月三十日 HK\$'000 千港元	31/3/2003 二零零三年 三月三十一日 HK\$'000 千港元
Within 90 days	90日內	459,129	404,414
More than 90 days and within 180 days	90日以上但 不超過180日	5,651	6,896
More than 180 days	超過180日	66,929	63,774
		531,709	475,084

12. CREDITORS AND ACCRUED EXPENSES

The following is an aged analysis of trade creditors at the reporting date:

		30/9/2003 二零零三年 九月三十日 HK\$'000 千港元	31/3/2003 二零零三年 三月三十一日 HK\$'000 千港元
Within 90 days	90日內	324,398	297,674
More than 90 days and within 180 days	90日以上但 不超過180日	10,681	4,277
More than 180 days	超過180日	15,637	15,227
		350,716	317,178

簡明綜合財務報表附註(續)

10. 投資物業、物業、機械及設備

期內本集團用於物業、機械及設備之款項共約4,438,000港元(二零零二年:11,019,000港元),藉以擴充及提升經營運作能力。本集團亦出售投資物業及物業、機械及設備,彼等之總賬面值分別約21,804,000港元(二零零二年:3,900,000港元)及約7,543,000港元(二零零二年:972,000港元)。

若干投資物業乃經由董事在參考獨立專業估值師作出之有關估值後,於二零零三年九月三十日重估。

11. 應收賬項、訂金及預付款項

本集團承包業務之信貸期一般乃與貿易客戶磋商後根據一般商業條款釐定。來自物業租賃業務之應收貿易賬項乃以按月預繳方式支付。本集團就其他應收貿易賬項所給予之寬限還款期一般由30日至90日不等。

以下為於期末之應收貿易賬項還款期分析:

12. 應付賬項及應計費用

以下為於期末之應付貿易賬項還款期分析:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

簡明綜合財務報表附註(續)

13. CONTINGENT LIABILITIES

13. 或然負債

	30/9/2003 二 零 零 三 年 九 月 三 十 日 HK\$'000 千 港 元	31/3/2003 二 零 零 三 年 三 月 三 十 一 日 HK\$'000 千 港 元
Outstanding performance bonds in respect of construction contracts 仍然有效之建築合約履約擔保書	769,183	740,529
Guarantees given to banks in respect of general banking facilities granted to an associate 為一間聯營公司借取一般銀行融資而向銀行作出之擔保	—	2,419
	769,183	742,948

In addition to the above, and in the normal course of business, the Group has received claims for damages and injuries relating to its contracting business. No provision has been made for these claims as they are either covered by insurance or will be indemnified by other parties.

除上文所披露者外，在日常業務中，本集團就合約工程業務收到損毀及受傷索償通知。因此等索償可由保險賠償或其他方賠償，故本集團並未就此等索償撥出準備。

14. COMMITMENTS

14. 承擔

	30/9/2003 二 零 零 三 年 九 月 三 十 日 HK\$'000 千 港 元	31/3/2003 二 零 零 三 年 三 月 三 十 一 日 HK\$'000 千 港 元
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of an associate 就收購一間聯營公司已訂約而未於財務報告上撥備之資本支出	24,429	36,660

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

簡明綜合財務報表附註 (續)

15. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with its associates, the associates and subsidiaries of ITC Corporation Limited ("ITC") which is the ultimate holding company of the Company:

15. 關連人士交易

期內，本集團與其聯營公司及德祥企業集團有限公司(「德祥企業」，其為本公司之主要股東)之聯營公司及附屬公司訂立以下交易。

Class of related party 關連人士之類別	Nature of transactions 交易性質	Six months ended		
		30/9/2003 截至二零零三年 九月三十日止 六個月 HK\$'000 千港元	30/9/2002 截至二零零二年 九月三十日止 六個月 HK\$'000 千港元	
Associates and jointly controlled entities of the Group 本集團之聯營公司及共同控制公司	Construction works charged by the Group 本集團收取建築工程費	449	5,816	
	Purchase of concrete products by the Group 本集團購買混凝土產品	70	—	
	Subcontracting fees charged to the Group 本集團支付分承包費	52,385	188,471	
	Interest income charged by the Group 本集團收取利息收入	1,003	1,318	
	Consulting and handling fees charged by the Group 本集團收取顧問及手續費	72	355	
	Loan commitment fee charged by the Group 本集團收取貸款承擔費用	—	113	
	Sales of equipment by the Group 本集團銷售設備	—	4,747	
	Rentals and related building management fee charged by the Group 本集團收取租金及相關物業管理費	1,147	1,812	
	Subsidiaries of ITC 德祥企業之附屬公司	Rentals and related building management fee charged by the Group 本集團收取租金及相關物業管理費	403	810
Purchase of building materials and related installation works by the Group 本集團購買建築材料及相關安裝工程		—	525	
Associates of ITC 德祥企業之聯營公司		Rentals and related building management fee charged by the Group 本集團收取租金及相關物業管理費	1,816	4,360
	Interest income charged by the Group 本集團收取利息收入	6,933	3,666	
	Other related companies 其他關連公司	Rentals and related building management fee charged by the Group 本集團收取租金及相關物業管理費	3,716	—
Interest income charged by the Group 本集團收取利息收入		7,895	—	
Subcontracting fees charged by the Group 本集團收取分承包費		1,611	—	
Purchase of medicine and health products by the Group 本集團購買醫藥保健品		433	—	
Service fee charged to the Group 本集團支付服務費		39	—	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. RELATED PARTY TRANSACTIONS (continued)

The above transactions were carried out on the following basis:

- (a) Construction works and subcontracting fees were charged at market price or, where no market price was available, at terms determined and agreed by both parties.
- (b) Sales of equipment and purchase of medicine and health products, concrete products and building materials were carried out in accordance with the negotiated prices.
- (c) Interest was charged by reference to the principal outstanding and at the interest rate determined and agreed by both parties.
- (d) Building management fee, loan commitment fee, service fee, consulting and handling fees were charged at the pre-agreed rates.
- (e) Rentals were charged at the pre-agreed fixed monthly amounts.

Other related companies are companies under common directorship or common control with ITC.

16. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group disposed of an aggregate of approximately 29 million ordinary shares in Downer (adjusted from 115 million ordinary shares in Downer as a result of consolidation of 4 ordinary shares in Downer into 1 ordinary share in Downer in November 2003) to independent third parties for a total consideration of approximately A\$104 million (equivalent to approximately HK\$588 million). As a result of the disposal, the Group's shareholding in Downer decreased from 35.3% to 21.3%.

簡明綜合財務報表附註(續)

15. 關連人士交易(續)

上述交易按以下基準進行：

- (a) 建築工程及分承包費乃按市場價格收取或(倘無可參考之市場價格)按有關交易雙方決定及同意之條款徵收。
- (b) 出售設備以及購買醫藥保健品、混凝土產品及建築材料乃按協定價格進行。
- (c) 利息根據未償還本金額按有關各方決定及同意之利率徵收。
- (d) 物業管理費用、貸款承擔費、服務費、顧問及手續費乃按預定之費用徵收。
- (e) 租金收入乃按預定之固定每月租金徵收。

其他關連公司乃為與德祥企業共同管理或共同控制之公司。

16. 結算日後事項

結算日後，本集團向獨立第三者出售合共約29,000,000股Downer普通股份(已按115,000,000股Downer普通股份於二零零三年十一月進行四股合一之股份合併而作出調整)，以取得總代價約104,000,000澳元(相等於約588,000,000港元)。因出售事項關係，本集團持有之Downer股權由35.3%減至21.3%。