

BUSINESS REVIEW

During the period under review, the Group has been able to return to profitability and has recorded an operating profit as compared with a loss recorded in the corresponding period of last year. This is mainly attributed to the recovery of a total sum of HK\$17.715 million from various projects for which provisions had been made as doubtful debts in previous fiscal years.

The Group has continued to experience fierce competition from other companies in tendering for construction projects both in the private and public sectors. Aggressive cut-throat bidding levels are still the routine in the construction market. In view of the increasingly demanding expectations of customers and other participating professionals concerning the quality of final products, the Group continues to adopt a prudent approach when tendering for new projects. The contracts secured in the first half of the financial year include a maintenance depot and office development for Citybus Limited in Chai Wan, the replacement of cremators at Fu Shan Crematorium at Lower Shing Mun Road, Shatin, a residential development at North Street, a commercial development at Fu Hing Street, Sheung Shui, a foundation contract for an office development at Cheung Sha Wan, a foundation and site formation contract for a residential development at No. 30 Peak Road, a demolition works contract at Lok Kwai Path, Fotan, Shatin, a slope remedial works contract at St. Stephen Girls' College, a renovation and structural alteration contract for the Kowloon Shangri-La Hotel and an electrical and mechanical works contract. The total value of contracts secured during the period was about HK\$393 million.

During the period under review, the Group has satisfactorily completed a piling contract undertaken for the Architectural Services Department, a site formation and foundation contract for a residential development at Route Twisk Tsuen Wan and a residential development at Tung Shan Terrace, a residential development at Tong Yan San Tsuen and an electrical and mechanical installation contract for a residential development at Tai Uk Wai, Tsuen Wan.

Following the Group's decision to develop new lines of business in China, the Group has successfully secured a BOT (Build-Operate-Transfer) contract for sewage treatment facilities in Zhuhai in joint venture with Vivendi Water and GZ Mont des Nuages with total investment of RMB215 million. Through a jointly owned subsidiary, the Group has also secured the EPC (Engineering-Procurement-Construction) contract for the project. The above will hopefully form a stepping stone for the Group to expand into the environmental infrastructure market in China.



The other focus for the Group's prudent diversification is landscaping in Hong Kong and China. Through joint ventures with other professional and renowned companies in the landscaping markets, the Group is actively pursuing various opportunities in Hong Kong Disneyland and China. The Group anticipates to start seeing revenue and profits contributions in the coming fiscal year.

PROSPECTS

Looking ahead, it is anticipated that the private sector will continue to be sluggish in the foreseeable future and accordingly the Group will concentrate on securing public and institutional works.

The difficult market conditions in the local construction industry have caused the Group to take a fresh look at its core business in Hong Kong. The Group will continue to enforce cost control measures so as to maintain its competitiveness. Consolidation of the Group's operations in Hong Kong will continue in the foreseeable future.

The Group will continue to explore new business opportunities in China with its main focus on environmental, industrial improvement and landscaping projects.

EMPLOYEES

During the year under review, the Group employed approximately 170 staff, excluding workers under exclusive sub-contracting arrangements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September 2002, the Group's outstanding borrowings amounted to HK\$2,348,000, comprising bank loans and other bank borrowings of HK\$1,503,000 and finance lease liabilities of HK\$845,000. The Group's banking facilities were supported by legal charges of the Group's leasehold land and buildings and an investment property, legal charges on the Group's short term investments, pledged deposits of the Group, and corporate guarantees from the Company and certain subsidiaries of the Company.

The Group's gearing ratio as at 30th September 2002 was 0.009 (31st March 2002: 0.04), calculated based on the Group's total debts, including finance lease liabilities, of HK\$2,348,000 (31st March 2002: HK\$12,064,000) over the Group's total assets of HK\$260,609,000 (31st March 2002: HK\$271,844,000).

The Group has previously raised a total amount of about HK\$103.5 million capital by two private placements on 2nd September 1996 and 1st April 1997. The net proceeds derived from the first placement of approximately HK\$48.5 million were originally intended to be used in the expansion of the Company's existing business ventures, whilst the net proceeds derived from the second placement of approximately HK\$55 million were intended to be used as working capital for certain construction and development projects in the PRC. At present, part of the proceeds, about HK\$20 million, has been used as a deposit for the Ap Lei Chau IL128 PSPS project. This deposit was subsequently forfeited by the Government and was recorded as part of the operating loss for the year ended March 1998. About HK\$50 million has been used as working capital for the Group and about HK\$7.5 million has been used in property investment. The remaining balance of the proceeds has been pledged in banks as fixed deposits, for the issue of performance bonds for use in construction contracts.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30th September 2002, the interests of the directors in the issued share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

| Name | Number of ordinary shares held | |
|------------------------|---------------------------------------|------------------------------|
| | (Personal interests) | (Corporate interests) |
| Ng Tat Leung, George | – | 71,818,000* |
| Richard Kenneth Bryson | 250,000 | – |

* These shares are beneficially owned by Total Success Worldwide Limited, the entire issued share capital of which were owned as to approximately 46.46% by Chan Mo Yan, deceased, 46.46% by Ng Tat Leung, George and the remaining 7.08% by Wong Teck Ming, Phillip.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in SDI Ordinance.

SHARE OPTION SCHEME

In the Company's annual general meeting held on 28th August 2002, an ordinary resolution was passed by the Company's shareholders for adoption of a new share option scheme (which is complied with amended Chapter 17 of the Listing Rules) and termination of the Company's share option scheme adopted on 22nd November 1995. No share options have been granted by the Company under both of the above-mentioned share option schemes.