

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

For the year ended 31 March 2001, the Group recorded a turnover of approximately HK\$346,540,000 (2000: HK\$204,346,000), which represented an increase of approximately 70% as compared to last year. This remarkable increase was largely attributable to Excel and Gadelly, the subsidiaries newly acquired by the Group in May 2000, which accounted for approximately HK\$120,404,000. If excluding Excel and Gadelly, the Group recorded an increase in turnover by approximately 11%.

Net profit from ordinary activities attributable to shareholders for the year amounted to approximately HK\$33,115,000 (2000: HK\$35,901,000), which represented a decrease of approximately 8% as compared to last year. The decrease was mainly caused by the drop in the gross profit margin from approximately 23% for last year to 15% for this year.

Liquidity

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 31 March 2001, the Group had cash and cash equivalents of approximately HK\$34,250,000 (2000: HK\$32,119,000), and bank borrowings and finance lease payables of approximately HK\$2,258,000 (2000: HK\$3,204,000).

There were improvements in the Group's working capital position as at 31 March 2001 as compared to 31 March 2000, which were reflected in the increase in the current ratio from 1.7 to 2.1 and the decrease in the gearing ratio, being the proportion of bank borrowings and finance lease payables against shareholders' equity, from 0.05 to 0.03.

As at 31 March 2001, the Group had unutilised banking facilities of approximately HK\$26,893,000.

Charges on assets

As at 31 March 2001, fixed deposits of approximately HK\$15.9 million and investment properties with a carrying value of approximately HK\$2.7 million were pledged to secure banking facilities granted to the Group.

Contingent liabilities

As at 31 March 2001, the Company had contingent liabilities in relation to guarantees given to banks against the facilities utilised by a subsidiary to the extent of approximately HK\$2,107,000. In addition, the Group also had outstanding guarantees under performance bonds amounting to approximately HK\$3,470,000 given by banks in favour of contract customers.

STAFF

The Group currently employs 119 staff in Hong Kong.

CONTRACTS ON HAND

As at 31 March 2001, the gross and outstanding values of significant contracts on hand of the Group amounted to approximately HK\$630 million and HK\$345 million respectively. Details of these significant contracts are set out as below:

Project	Approximate contract value <i>HK\$ million</i>
 <i>Water works</i>	
Construction of Treatment and Disposal Facilities for Waterworks Sludge from Tai O Water Treatment Works	19
Construction of Water Supply Tank and Associated Mainlaying in Tai Long Wan, Lantau	8
 <i>Roads and drainage</i>	
External Sewage And Sea Water Connection Works for Proposed Commercial/Residential Development at Wan Hoi Street KIL 11055 Hunghom Kowloon	5
North West New Territories Refuse Transfer Station – Shun Tat Street Improvement Works	21
Construction of Village Flood Protection Works for Pok Wai and Stormwater Intercepting Drain for Wang Chau	77
 <i>Buildings</i>	
Construction of Tactical Training Complex at the Police Training School, Wong Chuk Hang	108
Basement Construction & Design & Construction of Piled Foundations for Building 5 Science Park at Pak Shek Kok, Phase 1b, N. T.	15
SKH the Baptist Church and C&A Home at Tseung Kwan O	117

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Project	Approximate contract value <i>HK\$ million</i>
<i>Building Maintenance</i>	
Maintenance and Improvement Works (CARE) at Wah Fu Estate	27
On Ting Shopping Centre Improvement Works (Phase II)	23
District Term Contract for the Maintenance and The Vacant Flat Refurbishment for Sheung Kwai Chung District 1999/2001	40
District Term Contract for the Maintenance and The Vacant Flat Refurbishment for Kowloon South District 2000/2002	60
<i>Utilities civil engineering works</i>	
Civil Engineering Works Term Contract for a telephone company	60
Construction & Maintenance of Trenching/Cable Laying & Contractual Works in the Areas of Hong Kong, Ap Lei Chau, Lamma Island & any Outlying Island	50