

Chairman's Statement

FINANCIAL REVIEW (Cont'd)

The maturity profile of the borrowings was as follows:

	As at 31st March,	
	2001	2000
	HK\$' million	HK\$' million
Under one year	190	504
In the second year	181	46
In the third to fifth year inclusive	1	635
	<u>372</u>	<u>1,185</u>

Movement of the total borrowings during the year was:

- In June 2000, the Group disposed of its 49% interest in a wholly-owned subsidiary, First Star Development Limited ("First Star"), which participates in the development of a Private Sector Participation Scheme project in Hung Hom Bay. As the Group does not have unilateral control on First Star subsequent to the disposal, the syndicated loan of First Star, of which HK\$631 million was included in the balance of other borrowings as at 31st March, 2000, was not consolidated in the balance of other borrowings as at 31st March, 2001.
- In July 2000, the Company issued to an independent third party in cash at par a HK\$180 million Bond.
- The Group managed to pay off HK\$168 million out of a total amount of HK\$217 million as at 31st March, 2000 due to funds managed by HSBC Private Equity (Asia) Limited. The remaining balance of HK\$49 million outstanding as at 31st March, 2001 was settled in May 2001. Apart from the above, repayments of bank and other borrowings amounting to HK\$194 million were made during the year.

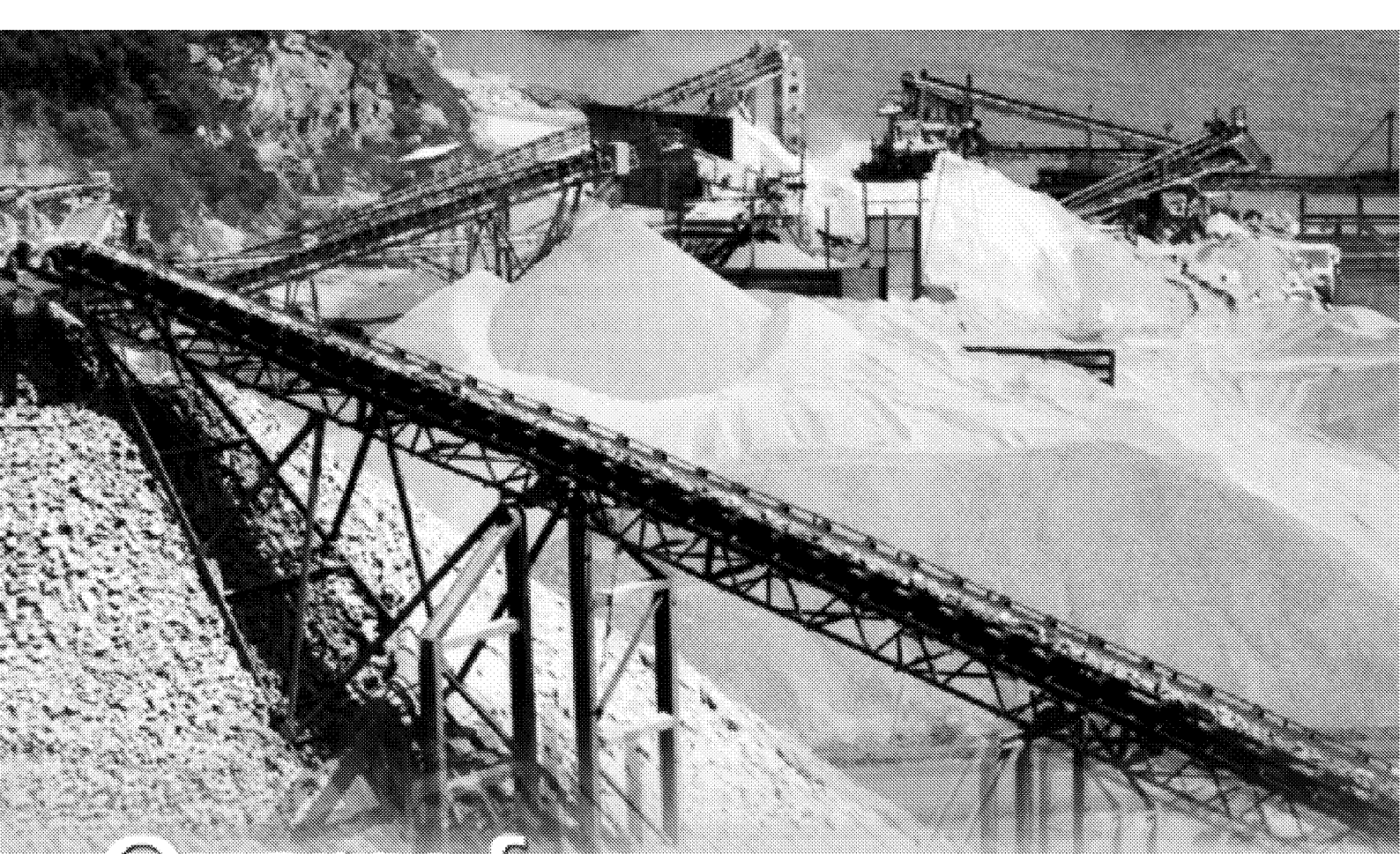
As at 31st March, 2001, the Group's cash and bank balances amounted to HK\$152 million, of which HK\$36 million bank deposits were pledged to secure banking facilities granted to the Group.

In line with the successful monitoring of the level of borrowings, the Group's net finance costs for the year amounted to HK\$47 million, reduced by 28.9% as compared with that in last year.

The Group's borrowings and cash balances were principally denominated in Hong Kong and US dollars. Hence, there is no significant exposure to foreign exchange rate fluctuations.

Capital Structure and Gearing Ratio

As a result of reduction of borrowings and increase in shareholders' funds, the net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to shareholders' funds, was significantly reduced from 67.8% (25.9% if excluded the PSPS syndicated loan) to 12.3% during the year. As at 31st March, 2001, the shareholders' funds amounted to HK\$1,795 million, representing HK\$2.32 per share. Increase in shareholders' funds was mainly attributable to the retained profit for the current year, the placement of shares less cancellation of shares repurchased and share of an associate's reserve movement during the year.



Quarry & Building Material



Chairman's Statement

FINANCIAL REVIEW (Cont'd)

Pledge of Assets

As at 31st March, 2001, the Group's bank deposits amounting to HK\$36 million were pledged and the benefits under certain construction contracts were assigned to banks to secure banking facilities granted to the Group. In addition, 40 million shares of Road King were pledged to secure the Bond.

Contingent Liabilities

The contingent liabilities of the Group increased from HK\$444 million as at 31st March, 2000 to HK\$2,443 million as at 31st March, 2001. The increase of contingent liabilities was mainly due to the HK\$1,750 million guarantee given to financial institutions in respect of banking facilities given to First Star which was reclassified from as a subsidiary at 31st March, 2000 to as a jointly controlled entity at 31st March, 2001, and an additional amount of outstanding performance bonds in respect of construction contracts of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March, 2001, the Group had 2,158 employees, of which 1,263 were located in Hong Kong, 834 were located in mainland China and 61 were located in Taiwan. Total staff costs of the Group for the year ended 31st March, 2001 amounted to HK\$370 million (excluding directors' emoluments).

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. Salaries and wages are normally reviewed on an annual basis by reference to the prevailing market condition and based on individual performance appraisal. On top of regular remuneration, discretionary bonus and share options are granted to eligible staff on a merit basis. Other fringe benefits, such as medical insurance and retirement benefit, are also provided.

CONCLUSION

Following the piling incident, the Group has adopted a cautious strategy to put its feet firmly on the ground. The Group has been realigning its principal activities to focus on its core businesses and to dispose of its non-core operations. The primary objective is to consolidate and strengthen its financial position.

Despite the difficult time ahead, the Board is still optimistic on the Group's performance and future. With our excellent management and diligent staff, the Board is confident to overcome all the difficulties. The Board would also like to take this opportunity to extend its heartiest thanks to its entire loyal and hardworking staff.

Zen Wei Pao, William
Chairman

20th July, 2001