

**TURNOVER**

The Group's turnover for the year ended 31 March 2002 was approximately HK\$409,088,000. This represented a decrease of 36.4% as compared to last year's HK\$643,199,000. The Group's turnover came from its two core businesses, namely:

1. construction business, as a main contractor, as well as contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and elsewhere in the People's Republic of China ("PRC"); and
2. property development and investment.

Segmental information of the Group's turnover is as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Turnover		
Construction contracting and related businesses	<b>303,094</b>	457,169
Income from property development and investment	<b>105,994</b>	103,988
Sales and installation of fitness, leisure and medical equipment and related businesses	—	82,042
	<b><u>409,088</u></b>	<b><u>643,199</u></b>

During the year, the Group completed construction of residential building at 19 - 23 Chi Kiang Street, composite building at 49 Village Road, Happy Valley, residential building at 116 Pokfulam Road and renovation works in Sogo Department Store Basement 2. The decrease in turnover in the current year was attributable to the Group's completion of the 2-year term contract for Design and Construction of Fitting Out Works to Building from the Architectural Services Department of the Government of the HKSAR last year.

During the year, the Group successfully completed and disposed of more than 77% of the 348 units of Phase II, Asian Villas, Haikou, Hainan Province, with a total contract sums of over RMB100 million which provided a meaningful turnover and profit contribution during this year. The decrease in turnover in current period was due to the fact that the Group disposed of four levels of Zhong Da Square, Shanghai last year.

Last year, the Group disposed of certain interests in Fitness Concept Limited ("Fitness Concept"), a former subsidiary of the Group whose principal activities are sales and installation of fitness equipment and related businesses. Since then, Fitness Concept became an associate of the Group. As a result, no turnover of Fitness Concept is shared by the Group.



## PROFIT BEFORE TAX

Profit before tax for the current year was HK\$3,851,000, significantly improved as compared to loss before tax of HK\$59,959,000 last year. For the year ended 31 March 2002, segment result from construction business and property development and investment business was approximately HK\$7,842,000 loss and HK\$16,373,000 profit, respectively.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2002, the Group had total assets of HK\$552,233,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK\$200,480,000, HK\$65,273,000, HK\$271,253,000 and HK\$15,227,000, respectively.

The Group continued to maintain a low gearing ratio, at 18.6% (31 March 2001: 3.6%). It was calculated based on the long term borrowings of HK\$65,273,000 (31 March 2001: HK\$10,251,000) and long term capital of HK\$351,753,000 (31 March 2001: HK\$287,459,000).

The Group's bank borrowings has increased to finance a property development project in Shanghai, PRC. Most bank borrowings are prime rate based and the Group expects a favourable effect on the low interest rate. The bank borrowings and cash and bank balances are principally denominated in Hong Kong dollars and Renminbi. Hence, there is no significant exposure to foreign exchange rate fluctuations.

## CAPITAL STRUCTURE

The Group's long-term capital mainly comprised shareholders' equity which is confirmed by the low gearing ratio as discussed in the section "Liquidity and capital resources" above. Details of share capital of the Company are set out in note 29 to the financial statements.

## RISK OF CURRENCY FLUCTUATION

The Group's receivables and payables were denominated mainly in US dollars, Hong Kong dollars and Renminbi. Since Hong Kong dollar is pegged to US dollar, and Renminbi is relatively stable, we consider the exchange risk is not significant.

**CONTINGENT LIABILITIES**

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Guarantees of banking facilities granted to:		
Associates	<b>31,300</b>	43,887
A third party	<b>1,045</b>	–
	<b>32,345</b>	43,887

**EMPLOYEE SCHEMES**

As at 31 March 2002, the Group had 115 employees, 13 of whom were based in the PRC.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, discretionary bonuses and share options are linked to individual performance as recognition of and reward for value creation.

**CHARGES ON GROUP ASSETS**

The bank loans and the Group's banking facilities are secured by:

- (i) certain of the Group's completed properties held for sale situated in the PRC, which had an aggregate carrying value at the balance sheet date of HK\$40,386,000 (2001: Nil);
- (ii) certain of the Group's properties under development situated in the PRC, which had an aggregate carrying value at the balance sheet date of HK\$73,911,000 (2001: Nil);
- (iii) certain of the Group's land and buildings situated in Hong Kong, which had an aggregate net book value at the balance sheet date of approximately HK\$50,846,000 (2001: HK\$52,150,000); and
- (iv) the pledge of certain of the Group's time deposits amounting to HK\$33,054,000 (2001: HK\$32,590,000).

The Group's other loan is secured by the shares of a subsidiary, which held properties under development for sale with an aggregate carrying value at the balance sheet date of approximately HK\$59,026,000, and bears interest at 4% per annum and is repayable by instalments commencing on 31 March 2003 and will be fully settled by 31 December 2003.