

FINANCIAL REVIEW

Liquidity and Financial Resources

As of 30 September 2002, the Group had bank balances and cash in hand amounting to approximately HK\$11,473,000, which excluded fixed deposits of approximately HK\$55,422,000 pledged in favour of banks to secure the Group's banking facilities and represented a decrease of 35.2% from HK\$17,716,000 as of 31 March 2002. Current ratio, measured as total current assets divided by total current liabilities, was 1.63 as of 30 September 2002 (31 March 2002: 2.04).

The Group has drawn several new short-term bank loans to finance the working capital of the new contracts commenced during the period. As a result, there has been a considerable increase in the bank borrowings to HK\$59,644,000 as of 30 September 2002 from HK\$838,000 as of 31 March 2002. Meanwhile, the gearing ratio, measured on the basis of total bank borrowings and finance lease payables as a percentage of total shareholders' equity, increased to 50.3% as of 30 September 2002 (31 March 2002: 0.8%). The Group's borrowings are principally on a floating rate basis and denominated in Hong Kong dollars.

Total banking facilities, comprising primarily bank overdrafts and other term loans, amounted to HK\$71,000,000 as of 30 September 2002, of which approximately HK\$8,546,000 was unutilised.

Capital Structure

At the extraordinary general meeting held on 5 August 2002, the shareholders of the Company approved the subdivision of every share of HK\$0.10 each in the issued and unissued share capital into four shares of HK\$0.025 each with effect from 6 August 2002. There has been no change in the total amount of the issued share capital.

PROSPECTS

Subsequent to 30 September 2002, the Group secured several new contracts, including the construction of sewerage along Sha Tau Kok Road and village sewerage and the construction of Chuen Yuen Second School.

The Group's existing contracts on hand will be completed in around three years' time. Therefore, it is expected that the turnover of the Group for the current and coming few years will significantly increase as compared to the previous years.

It is expected that the Government's recent decision to suspend land sales and to halt sales of public and subsidised houses will bring about a prolonged delay of public as well as private developments. Therefore, we foresee an escalation of the competition within the construction market for the near future. To cope with this difficult market condition and to maintain a reasonable profit margin, we will continue to exercise extreme caution in project management to keep down the construction costs. Nevertheless, we will still keep to maintaining high quality of works and emphasis on site and environmental safety because we believe that they are our keys to secure new contracts, especially from the government sector.

STAFF

As of 30 September 2002, the Group employed 198 full-time staff in Hong Kong.

SHARE OPTIONS

At the annual general meeting of the Company held on 5 August 2002, the shareholders of the Company approved the adoption of a new share option scheme (the “2002 Share Option Scheme”) and the termination of the share option scheme adopted by the Company on 17 August 2000 (the “2000 Share Option Scheme”).

No option was granted under the 2000 Share Option Scheme and the 2002 Share Option Scheme during the six months ended 30 September 2002, nor was there any option outstanding as of 31 March 2002 and 30 September 2002.

DIRECTORS' INTEREST IN SECURITIES

As of 30 September 2002, the interests of the Directors, chief executives and their associates in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:

Director	Type of Interests	Number of Shares
Mr. Ngai Chun Hung (“Mr. Ngai”)	Other	490,934,400 (<i>Note 1</i>)
Mr. Yau Kwok Fai (“Mr. Yau”)	Corporate	30,888,000 (<i>Note 2</i>)

Notes:

- (1) These shares are legally and beneficially owned by Winhale Limited, which is a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by the Xyston Trust. The Xyston Trust is a discretionary family trust set up by Mr. Ngai for the benefits of Mr. Ngai and his family.
- (2) These shares are legally and beneficially owned by Business Success Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Yau.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirement of the Hong Kong Companies Ordinance. Certain directors also have beneficial interests in non-voting deferred shares practically carrying no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution or winding up in a subsidiary.

DIRECTORS' INTEREST IN SECURITIES (continued)

Save as disclosed in the above, as of 30 September 2002, none of the Directors or the chief executive of the Company or their respective spouse or children under 18 years of age had any interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Section 28 of the SDI Ordinance (including interest which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or to the Model Code or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

DIRECTORS' RIGHT TO ACQUIRE SECURITIES

At no time during the six months ended 30 September 2002 was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As of 30 September 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of ordinary shares held	Percentage of issued share capital
Winhale Limited	490,934,400	58.11%

Note: The above interest in the name of Winhale Limited was also disclosed as interests of Mr. Ngai under the heading "Directors' Interests in Securities".

Save as disclosed in the above, no other person has registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded in the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2002.

CORPORATE GOVERNANCE

Audit Committee Review

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters. The Audit Committee has also reviewed the unaudited interim financial statements.

Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

To comply with the Code of Best Practice, the Audit Committee comprising the two independent non-executive directors of the Company was set up on 8 September 2000 with written terms of reference for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group.

APPRECIATION

On behalf of the Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members of the Group for their hard work and dedication and all shareholders of the Company for their support.

On behalf of the Board
Ngai Chun Hung
Chairman

Hong Kong, 14 December 2002