

## BUSINESS REVIEW AND PROSPECTS

For the six months ended 30th June 2003, the Group recorded a stable turnover of HK\$210,674,000, represented a slight increase of 0.03% compared to the same period last year. Whereas, due to the highly competitive market conditions, the gross profit margin for the period ended 30th June 2003 decreased from 30.10% to 24.70% as compared with the same period last year. Given the above difficulties, the Group still strived to sustain its results by the implementation of stringent cost control. As a result, the sell and distribution costs and administrative expenses in total decreased by HK\$7,058,000 or 17.17% compared to the same period last year. Given the above, however profit attributable to shareholders for the six months ended 30th June 2003 was HK\$15,865,000, 12.20% lower than the corresponding period of the previous year.

During the period under review, the Group has supplied pipes, fittings and/or other related accessories to several large projects namely, Kowloon Station Development Package 3, Four Seasons Hotel, Tseung Kwan O Hong Kong Movie City, Kwun Tong Millennium City 5, Cyberport Residence Bel-Air, Kowloon Bay Enterprise Square III, Hong Kong Disneyland Hotel, Disney's Hollywood Hotel, Cheung Sha Wan KIL 6275 Residential Development, HY99/18 Castle Peak Road widening work, Zhong Shan Shangri-la Hotel, Xian Shangri-la Golden Flower Hotel renovation work, Three Pacific Place, Two International Finance Centre, Parc Palais and YOHO Town.

While the Group remains cautious in the prevailing business environment, it is well equipped to cope with the challenges that lie ahead. The directors are confident that the Group will remain one of the strongest market leaders and niche players in its core business. As at 30th June 2003, contracts on hand amounted to approximately HK\$100 million for the Group. The major projects which the Group will supply pipes, fittings and/or other related accessories include, Residence Oasis (Hang Hau Station Residential Development), AIG Tower, SHK Yeung Uk Road Serviced Apartments, Bellagio, Olympic Station Phase 3 Residential Development, Provision of Kai Tak Headquarters for EMSD (AL K311), Building & Civil Engineering Works for Tung Chung Cable Car and Penny's Bay Link: Disneyland Station (Contract: 583).

In order to explore new market and enlarge our customer base in PRC, the Group has appointed exclusive dealers in several provinces and cities namely, Beijing, Guangdong, Guangxi, Yunnan, Sichun and Hubei. Furthermore, in May 2003, the Group has established a subsidiary, Bun Kee Building Material (Shanghai) Limited, in Shanghai.

In order to widen our revenue base, the Group has acquired an investment property located at Tsim Sha Tsui at a cost of approximately HK\$13,890,000 for rental income purposes.

In the second half of this financial year, the Group continues to strengthen the competitiveness of existing business operations and will develop new business opportunities. To achieve better results, the Group is also actively implementing measures to improve cost control and work efficiency.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th June 2003, the cash and bank balance of the Group was HK\$56,042,000 (31st December 2002: HK\$59,324,000). Basically the Group's working capital requirement has been financed by its internal resources and banking facilities. The Group believes that funds generated from internal operations, its existing reserve and the available banking facilities will enable the Group to meet its future cash requirements.

The Group had aggregate banking facilities of approximately HK\$205,125,000 as at 30th June 2003 (31st December 2002: HK\$199,625,000) for term loans and other trade finance facilities. Banking facilities utilised as at 30th June 2003 amounted to approximately HK\$86,230,000 (31st December 2002: HK\$72,472,000).

The Group's borrowings are mainly denominated in Hong Kong Dollars. Banking facilities were granted to the Group which bear interest at prevailing market rates.

The Group conducts its business transactions mainly in Hong Kong Dollars, US Dollars and Australian Dollars. Currency forward contracts were arranged for the transactions denominated in other currencies for hedging purposes. Forward exchange contracts amounting to HK\$8,809,000 were outstanding as at 30th June 2003 (31st December 2002: HK\$317,000).

During the period under review, there was no significant deviation from the policies above.

Over 90% of the Group's cash is either denominated in Hong Kong Dollars or US Dollars. The exposure to exchange fluctuation is minimal.

As at 30th June 2003, the gearing ratio (total debts/total assets of the Group) was 0.22 (31st December 2002: 0.19).