

AN OVERVIEW OF THE GROUP'S FINANCIAL RESULTS AND POSITION

Last Year's Consolidated Balance Sheet As at 31/3/2003

	HK\$'000
Assets	
Fixed assets	8,181
Jointly controlled entities	1,314
Accounts receivable	25,436
Bank balances and cash	84,904
Other net current liabilities	(34,901)
	<u>84,934</u>
Shareholders' funds and non-current liabilities	
Share capital	1,000
Other reserves	1,659
Retained profits	62,275
Long-term bank loan	20,000
	<u>84,934</u>

Consolidated Cash Flow Statement For the year ended 31/3/2004

	HK\$'000
Cash generated from operations	15,928
Interest paid	(672)
Hong Kong profits tax paid	(6,087)
	<u>9,169</u>
6 Net cash from operating activities	9,169
Purchase of fixed assets	(2,958)
Purchase of other investments	(8,247)
Proceeds from disposal of fixed assets	9
Proceeds from disposal of other investments	2,810
Interest received	533
Dividends received	144
7 Shareholders' advance to a jointly controlled entity	(1,250)
Repayment of bank loan	(20,000)
8 Issuance of shares	69,000
Repurchase of shares of a subsidiary	(254)
Dividend paid	(6,640)
8 Share issuance costs	(10,887)
Capital injection from a minority shareholder	754
	<u>32,183</u>
Net increase in cash and cash equivalents	32,183
Cash and cash equivalents as at 31/3/2003	84,904
	<u>117,087</u>
Cash and cash equivalents as at 31/3/2004	117,087

Consolidated Profit and Loss Account For the year ended 31/3/2004

	HK\$'000
1 Turnover	387,969
Cost of sales	(302,677)
	<u>85,292</u>
Gross profit	85,292
Other revenues	4,242
2 General and administrative expenses	(50,878)
Net transfer from deferred income	101
	<u>38,757</u>
Operating profit	38,757
Finance costs	(664)
3 Share of losses of jointly controlled entities	(773)
	<u>37,320</u>
Profit before taxation	37,320
Taxation	(6,003)
	<u>31,317</u>
Profit for the year	31,317
Minority interest	294
	<u>31,611</u>
4 Profit attributable to shareholders	31,611
5 Dividends:	
Interim paid	6,640
Final proposed	9,960
	<u>16,600</u>

An Overview of the Group's Financial Results and Position

This Year's Consolidated Balance Sheet As at 31/3/2004

	HK\$'000
Assets	
Fixed assets	8,289
9 Jointly controlled entities	2,164
Deferred tax assets	477
10 Accounts receivable	51,500
Bank balances and cash	117,087
Other net current liabilities	(30,812)
	<u>148,705</u>
Shareholders' funds and non-current liabilities	
Share capital	33,200
11 Other reserves	27,572
Retained profits	86,992
Minority interest	460
Deferred tax liabilities	481
	<u>148,705</u>

Movement of Retained Profits For the year ended 31/3/2004

	HK\$'000
Balance as at 31/3/2003	62,275
Profit attributable to shareholders	31,611
Repurchase of shares of a subsidiary	(254)
Interim dividends paid	(6,640)
	<u>86,992</u>
Balance as at 31/3/2004	<u>86,992</u>

1 Turnover increased by 61.9% mainly due to the award by the Housing Authority of all four of its Batch 7 PSC Contracts. Income from core division of property management and facility management service amounted to HK\$349.3 million and other supporting services to property management and facility management amounted to HK\$38.7 million.

2 General and administrative expenses increased by HK\$14.4 million to HK\$56.1 million before reversal of the one-off provision for retirement fund benefit costs amounted to HK\$5.2 million, which was made in FY2003.

The sizable increase was a result of the following factors:-

- (i) Investment in technological infrastructure;
- (ii) Expenses associated with Listing of the Company;
- (iii) Plan for business expansion; and
- (iv) Brand repositioning

3 Share of losses of jointly controlled entities were attributable from our joint ventures with Beijing Strong in Beijing and Shui On in Shanghai amounted to HK\$600,000 and HK\$164,000 respectively. The losses were mainly due to the up-front establishment costs incurred.

4 Return on equity was at 29.7% and earnings per share amounted to 11.1 HK cents.

5 Interim dividend of 2.0 HK cents per share was paid in December 2003. Together with the proposed final dividend of 3.0 HK cents per share, total dividend of 5.0 HK cents per share were paid or declared by the Company.

6 Net cash from operating activities during the year amounted to HK\$9.2 million. Free cash flow per dollar of operating profit decreased from 101.8% in FY2002/03 to 12.8% for the year. The significant reduction in free cash flow is primarily due to a substantial increase in the amount of trade receivables, of which HK\$31.1 million was associated with PSC Contracts Batch 7. The stringent verification processes adopted by the Housing Authority has led to a delay in settlement and thus increase the trade receivable for the year.

7 Shareholders' advance to a jointly controlled entity representing our contribution to the operating fund call from Synergis Shui On Joint Venture in Shanghai.

8 With the successful listing on the Stock Exchange on 9th October 2003, the Company raised HK\$58.1 million (net) from the initial public offering.

9 The investment in jointly controlled entities representing our joint ventures with Beijing Strong in Beijing and Shui On in Shanghai.

10 The reason for the substantial increase in accounts receivable to HK\$51.5 million was explained in note 6 above. As of 20th May 2004, over 40% of the outstanding accounts receivable as at year end have been received.

11 Included in the other reserves were share premium amounting to HK\$25.9 million and merger reserve of HK\$1.5 million.