

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity and Financial Resources

In February 2004, we completed a private placement of 95,958,000 shares to independent investors and successfully raised funds of approximately HK\$46 million.

As a result of the funds generated from our satisfactory operations and raised through the placing of shares, the Group's cash and bank balances (excluding pledged deposits) as of 31 March 2004 increased substantially by 272% to approximately HK\$102,522,000 (2003: HK\$27,578,000). Current ratio, measured as total current assets divided by total current liabilities, was 1.57 as of 31 March 2004 (2003: 1.36).

Meanwhile, bank overdrafts and loans dropped substantially by 99.8% to approximately HK\$80,000 (2003: HK\$44,126,000). The gearing ratio, measured on the basis of total bank borrowings and finance lease payables as a percentage of total shareholders' equity, also decreased to only 0.1% as of 31 March 2004 (2003: 36.3%). The Group's borrowings are principally on a floating rate basis and denominated in Hong Kong dollars. Interest expenses on bank borrowings increased by 11% to HK\$1,870,000 for this year (2003: HK\$1,684,000).

Total banking facilities, comprising primarily bank loans and overdrafts, amounted to approximately HK\$181 million as of 31 March 2004, of which approximately HK\$156.7 million was unutilised.

Charges on Assets

As of 31 March 2004, fixed deposits of approximately HK\$21,758,000 (2003: HK\$22,220,000) and investment properties with an aggregate carrying value of HK\$16,500,000 (2003: HK\$12,000,000) were pledged in favour of certain banks to secure the banking facilities granted by those banks to the Group. In addition, accounts receivable of certain construction contracts of the Group were assigned to secure the banking facilities as of 31 March 2004.

Capital commitment

As of 31 March 2004, the Group had capital commitments in respect of (i) purchases of investment properties of approximately HK\$8,174,000 (2003: nil); and (ii) investment in joint ventures of approximately HK\$6,212,000 (2003: nil).

Contingent liabilities

As of 31 March 2004, the Group had contingent liabilities in relation to guarantees in respect of performance bonds in favour of contract customers of approximately HK\$24,102,000 (2003: HK\$2,000,000) while there was no outstanding trade debtors factored with recourse (2003: HK\$12,836,000). In addition, as of 31 March 2004, the Company had contingent liabilities in respect of guarantees given to banks against the facilities granted to subsidiaries of the Company utilised to the extent of approximately HK\$24,431,000 (2003: HK\$44,126,000).

Capital Structure

Pursuant to the placing of 95,958,000 shares in February 2004, the Company's total issued share capital increased to HK\$23,518,950 (2003: HK\$21,120,000), which comprises 940,758,000 ordinary shares (2003: 844,800,000 ordinary shares) of HK\$0.025 each.

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STAFF AND REMUNERATION POLICY

As of 31 March 2004, the Group employed 294 full-time staff in Hong Kong. The Group remunerates its staff based on their performance and work experience and the prevailing market rates. Staff benefits include mandatory provident fund, medical insurance and training programmes.

The Company also maintains a share option scheme. The purposes of the share option scheme are to provide incentives for the full-time employees and executives, to recognize their contributions to the growth of the Group and to provide more flexibility for the Group in formulating its remuneration policy. No share option was granted under the scheme during the year.

CONTRACTS ON HAND

As of 31 March 2004, the gross and outstanding values of the Group's substantial contracts on hand amounted to approximately HK\$3,397 million and HK\$2,137 million respectively. Details of these substantial contracts are set out below:

Projects	Approximate contract value <i>HK\$ million</i>
Road and Drainage Works, Waterworks and Slope Works	
Extension of Water Supply to Pok Fu Lam Areas – Mainlaying Works Roads and Drainage	35
Reconstruction of Catchwater Channels and Upgrading of Adjoining Priority Slopes in Hong Kong Islands and Lantau Islands	162
Construction of Sewerage Along Sha Tau Kok Road and Village Sewerage	58
Proposed Residential Development at Tin Shui Wai Lot No. 24 Area 33 N.T. Temporary Public Transport Terminus (PTT) and Public Access Road Contract Works	10
Hong Kong International Distribution Centre (HIDC) Sewage Connection Work	4
Building Construction	
Conversion and Extension to Existing Aided Schools – Group 3 under School Improvement Programme Phase IV Package 3	95
Main Building Works for Proposed International Christian Quality Music Secondary and Primary School	147
Conversion and Extension to Existing Aided Schools – Group 1 Final Phase Package 5	129
Conversion and Extension to Existing Aided Schools – Group 1 Final Phase Package 4	100

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Projects	Approximate contract value <i>HK\$ million</i>
Building Construction (continued)	
Conversion and Extension to Existing Aided Schools – Group 1 Final Phase Package 1	145
Conversion and Extension to Existing Aided Schools – Group 5, Final Phase, Package 4	123
Construction of a 24-Classroom Primary School at Hing Ping Road, Tuen Mun, N.T.	84
Construction of a Primary School and Two Secondary Schools in Area 13, Tseung Kwan O	228
Conversion and Extension to Existing Aided Schools – Group 6, Final Phase, Package 2	86
Construction of Public Mortuary in Area 26E, Kwai Chung, N.T.	124
Construction of District Open Space in Tung Chung	51
Construction of an Ambulance Depot with Ambulance Command & Fire Safety Command Headquarters at Anchor Street, Mongkok	90
Extension of Oi Kwan Road Baptist Church at 36 Oi Kwan Road, Wanchai	13
Construction of a Primary School and a Secondary School in Area 38A, Shatin	143
Pile Cap and Superstructure Works for La Salle College under School Improvement Programme, Final Phase	28
Carcass Contract for Tiu Keng Leng Station Development at Tseung Kwan O	457
School Improvement Works to Group 2 Schools of the Hong Kong Council of the Church of Christ in China	143

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Projects

**Approximate
contract value**

HK\$ million

Building Maintenance

39-Month Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands in Shamshuipo, Tsuen Wan and Kwai Tsing	455
Term Contract for Design and Construction of Minor Works to Government and Subvented Properties in Shamshuipo, Tsuen Wan, Kwai Tsing, Tuen Mun, Yuen Long, Tai Po, North and Outlying Island (North)	367
District Term Contract for the Maintenance & Vacant Flat Refurbishment for Lower Wong Tai Sin (I) Estate	7
Term Contract for the Maintenance and Repair of Buildings and Lands and Other Properties for which the Electrical & Mechanical Services Department (Health Section Division) is Responsible for in Designated Contract Area: Kowloon West	2
Term Repair Contract for Urban Renewal Authority	1

Utilities Civil Engineering Works

Civil Engineering Works Term Contract No. CWT E/28/2002 for PCCW	60
Contract No. 03/8006 for the Construction and Maintenance of Cable Works in the Areas of Hong Kong, Ap Lei Chau, Lamma Islands and Any Outlying Islands for HEC Ltd.	50
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	<u>3,397</u>