

PROSPECTS

Looking ahead, in the medium term, it is anticipated that construction market in both the private and public sectors will steadily recover in tandem with Hong Kong's rising economic activities and consumer confidence. In the short term, as a result of the uncertainties in the interest rates trend, the construction market arising from property-development projects will continue to be sluggish. The Group will focus on the high-end and professional construction markets, in particular the leisure areas like theme parks. The Group will also continue to adopt a prudent tendering approach and to increase competitiveness by consolidation of the operations.

In China, with the experience of the wastewater treatment plant in Zhuhai, the Group will prudently explore new investment opportunities.

In Hong Kong, the Group will concentrate on a few other areas on top of the traditional construction activities. With the long and harmonious relationship established with China Harbour Engineering Company Limited in the last ten years, the Group will continue to explore more co-operation opportunities in different areas. Hypsos Leisure Asia Limited, an associated company established with two European partners, has been actively tendering for works in the leisure construction markets and it is expected that new projects in this area are forthcoming.

The Group anticipates to evolve gradually from a traditional low-value construction group to a diversified conglomerate comprising construction, property development, environmental engineering and investment, and high-value specialist construction in various areas related to leisure markets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the Group had total outstanding borrowings of approximately HK\$21,063,000, comprising secured interest-bearing bank borrowings repayable (i) within one year of approximately HK\$17,969,000 and (ii) repayable over one year of approximately HK\$3,094,000.

The Group's banking facilities were supported by (1) legal charges over the Group's leasehold land and buildings, which are all situated in Hong Kong, with carrying value of approximately HK\$10,263,000, (2) legal charges over the Group's investment property, which is situated in Hong Kong, with carrying value of approximately HK\$4,400,000, (3) pledged deposits of approximately HK\$18,136,000 and (4) corporate guarantees from the Company and certain subsidiaries of the Company.

The Group's gearing ratio as at 30 September 2006 was 0.07 (31 March 2006: 0.07), calculated based on the Group's total outstanding borrowings of HK\$21,063,000 (31 March 2006: HK\$19,105,000) over the Group's total assets of HK\$291,819,000 (31 March 2006: HK\$271,510,000). The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship, so as to minimize risks in its business.