

### FINANCIAL REVIEW

#### *Results*

As there has been no sign of recovery of the construction market in Hong Kong, this year has been a difficult one for the Group. Despite the fact that turnover increased by 6% to approximately HK\$367,417,000 (2001: HK\$346,540,000), the Group incurred net loss attributable to shareholders of approximately HK\$9,178,000 for the year (2001: net profit of approximately HK\$33,115,000). This was primarily caused by the drop in the gross profit margin from approximately 15% for last year to 4% for this year.

#### *Liquidity and financial resources*

As at 31 March 2002, the Group had cash and cash equivalents on hand of approximately HK\$17,716,000 (2001: HK\$34,250,000). With effective cash flow management, the Group maintained a strong working capital position as at 31 March 2002, which reflects in a satisfactory current ratio of 2.04 (2001 restated: 2.4).

Bank borrowings and finance lease payables remained at a low level of approximately HK\$903,000 as at 31 March 2002 (2001: HK\$2,258,000). Gearing ratio, measured on the basis of total bank borrowings and finance lease payables as a percentage of total shareholders' equity, was less than 1% as at 31 March 2002 (2001 restated: 2%).

Banking facilities, comprising mainly overdrafts, have been obtained for the primary purpose of financing normal daily operations. As at 31 March 2002, the Group's total available banking facilities amounted to HK\$ 36 million (2001: HK\$29 million), of which approximately HK\$35 million (2001: 26.9 million) was unutilised.

#### *Charges on assets*

As at 31 March 2002, fixed deposits of approximately HK\$18.9 million (2001: HK\$15.9 million) and investment properties with a carrying value of HK\$2.3 million (2001: 2.7 million) were pledged to the banks as security against the banking facilities granted to the Group.

#### *Contingent liabilities*

As at 31 March 2002, the Company had contingent liabilities in relation to guarantees given to banks against the facilities utilised by a subsidiary to the extent of approximately HK\$838,000 (2001: HK\$2,107,000). In addition, the Group also had outstanding guarantees under performance bonds amounting to approximately HK\$5,263,000 (2001: HK\$3,470,000) given by certain banks in favour of certain contract customers.

### DIVIDEND

The Board does not recommend the payment of any final dividend for the year (2001: 6.5 Hong Kong cents per ordinary share).

### STAFF AND REMUNERATION POLICY

As of 31 March 2002, the Group employed 146 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 programs.

## MANAGEMENT DISCUSSION AND ANALYSIS

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In addition, following the new requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited relating to option schemes, the Board proposes a new share option scheme to be adopted at the forthcoming Annual General Meeting. The purposes of the New Share Option Scheme are to provide incentives for the full-time employees and executives, to recognise their contributions to the growth of the Group and to provide more flexibility for the Group in formulating its remuneration policy.

### CONTRACTS ON HAND

As at 31 March 2002, the gross and outstanding values of the Group's substantial contracts on hand of the Group amounted to approximately HK\$1,051 million and HK\$832 million respectively. Details of these substantial contracts are set out as below:

Project	Approximate contract value <i>HK\$ million</i>
<i>Water works</i>	
Construction of Treatment and Disposal Facilities for Waterworks Sludge from Tai O Water Treatment Works	19
Extension of Water Supply to Pok Fu Lam Areas – Mainlaying Works Roads and drainage	35
Construction of Village Flood Protection Works for Pok Wai and Stormwater Intercepting Drain for Wang Chau	77
<i>Buildings</i>	
Conversion and Extension to Existing Aided Schools – Group 3 under School Improvement Programme Phase IV Package 3	95
Construction of Two Primary Schools and One Secondary School in Area 36A, Fanling	219
Construction of Two Secondary Schools at Lee On Road, Kwun Tong	163
Construction of Two Secondary Schools at Tokwawan Reclamation	166
<i>Building Maintenance</i>	
On Ting Shopping Centre Improvement Works (Phase II)	23
District Term Contract for the Maintenance and The Vacant Flat Refurbishment for Kowloon South District 2000/2002	60

## MANAGEMENT DISCUSSION AND ANALYSIS

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Project	Approximate contract value <i>HK\$ million</i>
Planned Maintenance and Improvement Works for Wan Tsui Estate	10
Replumbing Works at Po Lam Estate	12
District Term Contract for the Maintenance and The Vacant Flat Refurbishment for Sau Mau Ping 2001/2003	46
Spalling Concrete Repair and External Re-decoration Works on Main Block and Senior Staff Quarters at Ruttonjee Hospital	12
<i>Utilities civil engineering works</i>	
Civil Engineering Works Term Contract for a telephone company	60
Construction & Maintenance of Trenching/Cable Laying & Contractual Works in the Areas of Hong Kong, Ap Lei Chau, Lamma Island & any Outlying Island	50
<i>Slope Work</i>	
Buddhist Tai Kwong Middle School – Slope and Retaining Wall Stabilisation Work	4
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