

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity and Financial Resources

As of 31 March 2003, the Group had cash and bank balances of approximately HK\$27,578,000 (excluding fixed deposits of approximately HK\$22,220,000 pledged in favour of banks to secure the Group's banking facilities), which represented a 55.7% increase from HK\$17,716,000 as of 31 March 2002. Current ratio, measured as total current assets divided by total current liabilities, was 1.36 as of 31 March 2003 (2002: 2.04).

The Group has drawn several new short-term bank loans to finance the working capital of the new contracts commenced during the year. As a result, there has been a considerable increase in the bank borrowings to HK\$44,126,000 as of 31 March 2003 from HK\$838,000 as of 31 March 2002. Meanwhile, the gearing ratio, measured on the basis of total bank borrowings and finance lease payables as a percentage of total shareholders' equity, increased to 36.3% as of 31 March 2003 (2002: 0.8%). The Group's borrowings are principally on a floating rate basis and denominated in Hong Kong dollars. Interest expenses on bank borrowings increased to HK\$1,684,000 for this year (2002: HK\$414,000).

Total banking facilities, comprising primarily bank loans and overdrafts, amounted to HK\$172 million as of 31 March 2003, of which approximately HK\$128 million was unutilised.

Charges on Assets

As of 31 March 2003, fixed deposits of approximately HK\$22,220,000 (2002: HK\$18,915,000), accounts receivable related to certain contracts and investment properties with carrying value of HK\$12,000,000 (2002: HK\$2,300,000) were pledged in favour of certain banks to secure the banking facilities granted by those banks to the Group.

Contingent liabilities

As of 31 March 2003, the Group had contingent liabilities in relation to (i) trade debtors factored with recourse of approximately HK\$12,836,000 (2002: nil); and (ii) guarantees in respect of performance bonds in favour of contract customers of approximately HK\$2,000,000 (2002: HK\$5,263,000). In addition, the Company had contingent liabilities in respect of guarantees given to banks against the facilities granted to a subsidiary of the Company which were utilised to the extent of approximately HK\$44,126,000 (2002: HK\$838,000).

Capital Structure

At the Extraordinary General Meeting held on 5 August 2002, the shareholders of the Company approved the subdivision of every share of HK\$0.10 each in the issued and unissued share capital into four shares of HK\$0.025 each with effect from 6 August 2002. There has been no change in the total amount of the issued share capital.

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STAFF AND REMUNERATION POLICY

As of 31 March 2003, the Group employed 255 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.

In addition, following the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited relating to option schemes, a new share option scheme was adopted in the Annual General Meeting held on 5 August 2002. 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 of 31 March 2003, the gross and outstanding values of the Group's substantial contracts on hand amounted to approximately HK\$2,784 million and HK\$2,152 million respectively. Details of these substantial contracts are set out below:

Projects	Approximate contract value <i>HK\$ million</i>
<i>Road and Drainage Works, Waterworks and Slope Works</i>	
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

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Projects	Approximate contract value <i>HK\$ million</i>
<i>Building Construction</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
Raft Foundation Works for Proposed International Christian Quality Music Secondary and Primary School	11
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
Conversion and Extension to Existing Aided Schools – Group 1 Final Phase Package 1	145
Redevelopment of Former of School Premises of Chuen Yuen Second School	51
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
Construction of Tung Wah Group of Hospitals Wong Tai Sin Hospital Chinese Medicine Clinical Research & Services Centre	12
Construction of Public Mortuary in Area 26E, Kwai Chung, N.T.	124

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Projects	Approximate contract value HK\$ million
<i>Building Maintenance</i>	
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
Redecoration of Chun Shek Estate	5
District Term Contract for the Maintenance & Vacant Flat Refurbishment for Lower Wong Tai Sin (I) Estate	7
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, 266 Queen's Road East, Hong Kong	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 Islands & any Outlying Island	50
	2,784