

AN OVERVIEW OF THE GROUP'S FINANCIAL RESULTS AND POSITION

LAST YEAR'S CONSOLIDATED BALANCE SHEET AS AT 31/3/2002

| | HK\$'000 |
|--------------------------------------------|----------------|
| Assets | |
| Fixed assets | 428,183 |
| Associated companies | 128,652 |
| Jointly controlled entity | 14 |
| Other investments | 2,325 |
| Properties under development | 86,853 |
| Cash and cash equivalents | 530,536 |
| Other net current liabilities | (197,083) |
| | <u>979,480</u> |
| Shareholders' funds and liabilities | |
| Share capital & reserves | 337,589 |
| Retained profit | 349,473 |
| Minority interests | 49,890 |
| Deferred taxation | 10,144 |
| Deferred income | 44,281 |
| Long term bank loans | 188,103 |
| | <u>979,480</u> |

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31/3/2003

| | HK\$'000 |
|---------------------------------------------|------------------|
| 1 Turnover | 1,846,717 |
| Cost and expenses | (1,846,824) |
| Other charges | (173,189) |
| Operating loss | (173,296) |
| Finance costs | (6,363) |
| 2 Operating loss after finance costs | (179,659) |
| 3 Share of losses of affiliates | (26,860) |
| Loss before taxation | (206,519) |
| Taxation | 5,416 |
| Loss after taxation | (201,103) |
| Minority interests | (45,791) |
| 4 Loss attributable to shareholders | <u>(246,894)</u> |

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31/3/2003

| | HK\$'000 |
|-------------------------------------------------------|-----------------|
| 5 Cash outflow from operations | (13,670) |
| Interest received | 7,283 |
| 6 Interest paid | (7,347) |
| Dividends income | 59 |
| Tax paid | (10,647) |
| 7 Investment in properties under development | (9,095) |
| 8 Net disposal of fixed assets | 45,190 |
| Net advances to affiliates | (1,510) |
| Dividends income from affiliates | 1,888 |
| 9 Net repayment of bank loans | (28,073) |
| Issue of shares | 141 |
| Net repayments to minority shareholders | (31,293) |
| Dividend paid to minority shareholders | (16) |
| | <u>(47,090)</u> |
| 10 Amount released from pledged fixed deposits | 1,800 |
| | <u>(45,290)</u> |
| Cash and cash equivalents as at 31/3/2002 | 530,536 |
| Cash and cash equivalents as at 31/3/2003 | <u>485,246</u> |

THIS YEAR'S CONSOLIDATED BALANCE SHEET AS AT 31/3/2003

| | HK\$'000 |
|--------------------------------------------|----------------|
| Assets | |
| 11 Fixed assets | 190,789 |
| 12 Associated companies | 101,721 |
| Jointly controlled entity | 83 |
| Other investments | 1,744 |
| 13 Properties under development | 105,166 |
| Cash and cash equivalents | 485,246 |
| Other net current liabilities | (237,496) |
| | <u>647,253</u> |
| Shareholders' funds and liabilities | |
| 14 Share capital & reserves | 337,926 |
| Retained profit | 102,579 |
| Minority interests | 64,372 |
| Deferred taxation | 7,282 |
| 15 Deferred income | 24,344 |
| 16 Long term bank loans | 110,750 |
| | <u>647,253</u> |

MOVEMENT OF RETAINED PROFIT FOR THE YEAR ENDED 31/3/2003

| | HK\$'000 |
|-----------------------------------|----------------|
| Balance as at 31/3/2002 | 349,473 |
| Loss attributable to shareholders | (246,894) |
| Balance as at 31/3/2003 | <u>102,579</u> |

- 1** Turnover was mainly attributable to the building construction and civil engineering division of HK\$1,816.2 million. Others included HK\$21.6 million from the property rental division.
- 2** The operating loss included a "one-off" provision for accrued staff leave and retirement benefits of HK\$26.1 million for the year. On a segmental basis, there was a loss of HK\$7.1 million from the building construction and civil engineering division mainly due to erosion of returns from completed projects and severely depressed margins for all current and new contracts in Hong Kong's depressed construction market. The piling and foundation division which ceased operation during the year suffered a loss of HK\$10.4 million. As a result of adopting a prudent approach in assessing the carrying value of the properties in light of the declining property market and poor economic environment, the property rental division recorded impairment losses of HK\$127.0 million and HK\$20.3 million respectively for Hsin Chong Center and No.3 Lockhart Road. The property development division made a further provision of HK\$12.2 million for impairment loss on the unsold carpark stock of a Private Sector Participation Scheme at Lung Mun Oasis, partly offset by HK\$8.0 million writeback of provision for impairment loss of the property interest in Tianjin Taifeng Industrial Park resulting from disposal of land subsequent to year end.
- 3** Hsin Chong Aster, the Group's affiliate engaged in mechanical and electrical installation work suffered a loss of HK\$4.3 million due to reduced turnover and insufficient profit generated to cover its reduced overheads. The trading losses on the disposal of the residential properties and provision for impairment loss of unsold units at 18A La Salle Road resulted in a loss of HK\$6.5 million. In light of the far-reaching effect of the atypical pneumonia to the tourist industry and the depressing property market, Novotel Century Harbourview Hotel recorded a provision for impairment loss of HK\$15.0 million attributable to the Group for the year. In addition, the operation of hotel was unable to cover its fixed charges. As a result, a loss of HK\$16.2 million was recorded.
- 4** Return on equity was at -43.8% and loss per share amounted to HK38.6 cents.
- 5** Decline in turnover and gross profit in the Group's core operation coupled with the increase in trade debts due to longer receivable turnover days from the shift of contracts from public sector to private developer, resulted in a net cash outflow from operations for the year.
- 6** The interest cover after stripping out the provisions of assets impairment that do not affect cashflow was at -4.2x with a weighted average interest rate at 3.4% per annum.
- 7** This mainly related to the property development project (Guangzhou Wen Chang Court), representing payments on construction cost and capitalised interest cost.
- 8** Net disposal of fixed assets included sale proceeds of HK\$38.5 million from the disposal of surplus plant and machinery from the piling and foundation division which ceased to operate during the year.
- 9** Net repayment during the year included repayment of a term loan and instalment payments for a mortgage loan as offset by the drawdown of construction loan for Guangzhou Wen Chang Court.
- 10** Pledged deposits were released in respect of a property development project (Guangzhou Wen Chang Court) for repayment on project finance of RMB1.8 million during the year.
- 11** Included in fixed assets were an investment property and a mortgage property with a net book value of HK\$96.0 million (net of provision HK\$30.3 million) and a net book value of HK\$68.5 million (net of provision HK\$127.0 million) respectively. Other fixed assets included plant and machinery deployed for the construction sites of construction and civil engineering division.
- 12** These investments mainly related to interest in Hsin Chong Aster, 18A La Salle Road, Novotel Century Harbourview and some inactive properties in Malaysia after a cumulative provision of HK\$95.1 million for impairment losses on property assets.
- 13** This represented two property development projects in the PRC, namely, Tianjin Taifeng Industrial Park and Guangzhou Wen Chang Court. Cumulative provision for diminution in value of these properties amounted to HK\$68.5 million. Subsequent to the year end, an agreement was made for the disposal of interest in the Tianjin property.
- 14** At the balance sheet date, 639,258,083 shares of HK\$0.1 each were issued and fully paid. The Company has been operating an Employee Share Subscription Scheme and an Executive Share Option Scheme.
- 15** Deferred income arises as profits in respect of incomplete contracts are calculated and recognised in the profit and loss account in accordance with the stage of completion. No profit is recognised until projects are more than 40% complete. During the year, net amount of HK\$19.9 million was transferred to the profit and loss account from the deferred income account.
- 16** The Group maintains its policy of conservative capital management with debt to capitalisation ratio of 29% at the balance sheet date. Out of the HK\$204.1 million long-term borrowings, HK\$93.3 million was repayable within one year and the balance of HK\$110.8 million in the second year.