

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31st March 2003, the Group has achieved a growth of turnover by 20.8% from HK\$773,413,000 in 2002 to HK\$933,992,000 this year in a competitive operating environment for the construction market in Hong Kong. However due to the decrease in awarded tender price and continuing contraction of construction market in Hong Kong, the gross profit ratio has decreased from 15.2% in 2002 to 12.1% in 2003.

At 31st March 2003, the Group's total cash in hand was HK\$161,281,000 (2002: HK\$150,477,000) and bank borrowings increased from HK\$315,812,000 in 2002 to HK\$429,647,000. The increase in bank borrowings was due to financing requirement of the property development at 33 Sharp Street East and the increased number of construction projects in progress.

The Group's net debt (total bank borrowings less total cash in hand) to equity ratio increased to 44.9% (2002: 26.8%). The increase was mainly due to the drawdown of the bank loan to finance the property under development. If the property development loan is excluded, the Group has a net debt of only HK\$57,466,000 (2002: HK\$435,000) representing a net debt to equity ratio of 9.6% (2002: 0.1%). As a result of the reclassification of the long-term loan for property under development to current liabilities (as the loan is due for renewal within the coming year), the current ratio (total current assets: total current liabilities) has dropped to 1.0 as compared to 1.7 of 2002 and the Group's net current assets decreased from HK\$225,566,000 in 2002 to HK\$2,714,000.

The short-term and long-term bank borrowings are secured by the Group's property under development, investment in unit trust and certain time deposits. The total bank facilities granted to the Group at 31st March 2003 was approximately HK\$693 million (2002: HK\$665 million), of which HK\$432 million (2002: HK\$317 million) had been utilised.

HUMAN RESOURCES

At 31st March 2003, the Group employed approximately 600 employees in Hong Kong and approximately 350 employees in Mainland China.

Employees in Hong Kong are either paid on a monthly salary basis or daily wages basis. Salaried employees are entitled to benefits according to seniority such as discretionary bonus which are based on their performance, double pay, defined contribution provident funds, annual leave, employer sponsored trainings and others.

Employees in Mainland China are remunerated according to the prevailing market conditions in the location of their employment.