

FINANCIAL REVIEW

For the year ended 31st March 2004, the Group has achieved growth in turnover of 14.5% from HK\$933,992,000 in 2003 to HK\$1,069,158,000 this year in a competitive operating environment of construction market in Hong Kong. However due to intensified competition and cost fluctuation in certain materials, the gross profit ratio has decreased from 12.1% in 2003 to 9.9% in 2004.

At 31st March 2004, the Group's total cash in hand was HK\$183,360,000 (2003: HK\$161,281,000) and bank borrowings increased from HK\$429,647,000 in 2003 to HK\$590,893,000. The increase in bank borrowings was due to additional loan of HK\$97,000,000 drawn for the property development project at 33 Sharp Street East and approximately HK\$64,000,000 additional borrowing required to finance the working capital requirement for the increased number of construction projects in progress. As a result, the Group's net debt (total bank borrowings less total cash in hand) to equity ratio increased slightly to 50.1% (2003: 44.9%). If the property development loan of HK\$307,800,000 is excluded the Group has a net debt of only HK\$99,733,000 (2003: HK\$57,466,000) representing a healthy net debt to equity ratio of 12.3% (2003: 9.6%). As the long term loan for property development is due in August 2004 it is classified as current liabilities, the current ratio (total current assets: total current liabilities) has dropped to 0.9. However subsequent to 31st March 2004, the Group has entered into an arrangement with a bank to refinance the loan with a 5 year term loan. Therefore the Group pro-forma current ratio, after excluding the property development loan of HK\$307,800,000, shall be substantially improved to 1.48.

The short-term and long-term bank borrowings are secured by the Group's investment property, investment in unit trust and certain time deposits. Interest on bank loans are charged at floating rates and the Company monitors interest rate risks continuously and hedges any excessive risk when necessary. The total bank facilities granted to the Group at 31st March 2004 was approximately HK\$748 million (2003: HK\$693 million), of which approximately HK\$601 million (2003: HK\$432 million) had been utilised.

In the normal course of its business, the Group is subject to various claims under its construction contracts including liquidated damages claims. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

HUMAN RESOURCES

At 31st March 2004, the Group employed approximately 680 employees in Hong Kong and approximately 610 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 locations of their employments.