

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the period ended September 30, 2004 (six months ended September 30, 2003: Nil). No dividend was paid during the period.

BUSINESS REVIEW

The turnover for the construction division for the interim period ended September 30, 2004 was HK\$609.6 million, a decrease of 6.9% as compared with the same period of the preceding year.

The construction industry on public sectors has been continuously facing difficulties because of the Government's policy on tightening the expenditures on public housing and government construction projects. Coping with the increase in price on construction materials cost, the profit margin on construction project was further eroded.

Bidding on the construction contracts was extremely competitive in the past year. However, the construction division has been able to effectively monitor project costs and improve efficiency. The division also has successfully obtained two new contracts with total contract sum of HK\$740.6 million from the Hong Kong Housing Authority for the construction of public housing in Fanling Area 36 Phase 1 and 2. Together with the abovementioned new contracts, our construction division has contracts on hand with a total value of HK\$2,502 million and outstanding contracts value of HK\$1,541 million as at November 15, 2004.

The Group's joint venture engaged in property management performed satisfactory and has been able to generate profit in its first year's operation.

After disposing the non-core business in last year, the loss on sharing the results of associates was substantially decreased by 76.6%.

FINANCIAL REVIEW

Because of the increase in global demand on raw materials, the price on certain building materials has been increased making the gross profit margin decreased to 4.8% for the period under review as compared with 5.5% for the same period of the preceding year.

At September 30, 2004, the shareholders' funds increased by 5.5% to HK\$154 million from HK\$146 million at March 31, 2004.

With a view to enhancing the shareholder's base and to raise funding to finance the working capital, agreements were entered with independent subscribers on June 9, 2004 for the issuance of convertible notes in a total amount of HK\$5.4 million. The convertible notes with a total principal sum of HK\$5.4 million were converted into shares of the Company on August 20, 2004.

As at September 30, 2004, the Group had total financial borrowings of approximately HK\$64.6 million as compared to approximately HK\$43.4 million as at March 31, 2004. The gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at September 30, 2004 was 42% (as compared to 29.7% as at March 31, 2004).

The Group continues to adopt a conservative treasury policy with all bank deposits in Hong Kong dollars. The Group has not engaged in the use of any derivative products as all the accounts receivables and payables are denominated in Hong Kong dollars.

Properties with net book value of HK\$13.7 million together with bank deposits in the amount of HK\$8.6 million were pledged to secure banking facilities granted to the Group. Deposits with total amount of HK\$2.9 million were pledged to an insurance company for issuing bonds to its clients.

PROSPECTS

The construction industry on public sectors in Hong Kong is still facing a difficult situation despite the recent recovery of the property market. As a result of the reduction on capital expenditure of Government's public housing projects and other public construction projects, the competition within the industry has been very keen.

In order to reduce the Group's risk on solely relying on the construction business on public sectors in Hong Kong, the Group is exploring opportunities in construction related business in mainland China and setting up strategic alliances in both Hong Kong and mainland China with the aim to strengthen its competitiveness and improve its profitability.