

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operation

The Group turnover for six months ended 30 September 2002 was approximately HK\$268.36 million while that for the same period last year was approximately HK\$354.64 million, a decrease of 24%. Net profit attributable to shareholders for the period was HK\$1.06 million while net loss for the last period was HK\$10.71 million. The improvements on the performance of the Group was mainly due to the cessation of the broadband connectivity business and karaoke on demand business since the last financial year end date and the concentration of the Group's core business of building services contracting and the maintenance of building work.

As at 30 September 2002, the Group's uncompleted contracts on hand was approximately HK\$809 million while that of as at 31 March 2002 was approximately HK\$558 million.

Liquidity and Financial Resources

The Group's cash and bank balances were approximately HK\$48 million as at 30 September 2002 while that of as at 31 March 2002 was HK\$53 million. The total bank borrowings were approximately HK\$41 million as at 30 September 2002, an increase of approximately HK\$19 million as compared to that of as at 31 March 2002. The increase was mainly to finance the material purchased for the completion of building services contracting projects. The total bank borrowing substantially comprised bank overdraft and bank trust receipt loans at various interest rates. The period-end gearing ratio, as measured by the total bank borrowings over shareholders' equity, was approximately 36% (*as at 31 March 2002 – 19%*). As the Group's transactions are mostly settled by Hong Kong dollars, the use of financial instruments for hedging purposes is not considered necessary.

Treasury and Funding Policy

There were no significant changes in the Group's treasury and funding policies during the period under review.

Pledge of Assets

Certain bank deposits of HK\$26.8 million (*as at 31 March 2002 – HK\$26.8 million*) were pledged to secure banking facilities of the Group.

Employees and Remuneration Policy

The Group employed approximately 220 employees as at 30 September 2002. There were no significant changes in the remuneration policy and benefits to the employees of the Group.

Business Prospect

The recent announcement of the housing policies by the Government indicated that the housing developments in both public and private sectors would be significantly reduced in the coming years. As a result, it is expected that the Group will continue to face a very fierce competition in the building services industries and the margin for profit in building services and related trading activities will likely be lower than that of previous years. However, the Group had recently expanded its business into non-building related projects so as to diversify its core business into non-building sector.

Following China's successful bid to host the 2010 World Trade Fair and the recent developments of holiday resorts in Macau, there should be more opportunities in China and Macau. The Group will continue to concentrate the development of its core building services business both in Hong Kong and in the Greater China. Despite the downturn of local building industry, your directors remain optimistic of satisfactory performance of the Group in the coming year.