

BUSINESS REVIEW**Financial Performance**

The Directors are pleased to report that the Group has continued to record encouraging growth and results for the six months ended 30 September 2003. Highlights of the Group's performance for this period are as follows:

- Profit attributable to shareholders increased remarkably by 235% to HK\$20,196,000 for this period from HK\$6,030,000 for the corresponding period in the previous year.
- Turnover was HK\$677,894,000 for this period, a 208% increase from HK\$220,436,000 for the last corresponding period.
- Gross profit margin decreased slightly to 5.0% for this period from 7.4% for the last corresponding period.
- Despite the significant increase in turnover, administrative and operating expenses were contained at a low level and increased only slightly by 3.8%, which is attributable to our effective cost control measures.

State of Contracts

During this period, the Group successfully completed the following substantial contracts:

- Construction of Two Secondary Schools at Lee On Road, Kwun Tong
- Construction of Two Secondary Schools at Tokwawan Reclamation
- Construction of Two Primary Schools and One Secondary School in Area 36, Fanling
- Redevelopment of Former of School Premises of Chuen Yuen Second School
- Spalling Concrete Repair and Extension Re-decoration Works on Main Block and Senior Staff Quarters at Ruttonjee Hospital

During this period, the Group was awarded the following significant contracts with a total contract value of approximately HK\$381 million:

- Construction of District Open Space in Tung Chung
- Main Building Works for Proposed International Christian Quality Music Secondary and Primary School
- Conversion and Extension to 5 Nos. Existing Aided Schools under the School Improvement Programme Final Phase
- Renewed contract for the Construction and Maintenance of Trenching/Cable Laying and Contractual Works in the Areas of Hong Kong, Ap Lei Chau, Lamma Islands and Outlying Island

During the period, both the works progress and performance of all construction, civil as well as maintenance contracts were satisfactory. As of 30 September 2003, the total and outstanding values of the Group's substantial contracts on hand were approximately HK\$3,154 million and HK\$1,921 million respectively. These contracts will be completed in around three years' time.

FINANCIAL REVIEW**Liquidity**

As of 30 September 2003, the Group had bank balances and cash in hand, excluding fixed deposits of approximately HK\$27,474,000 pledged in favour of banks to secure the Group's banking facilities, amounting to approximately HK\$45,973,000, an increase of 66.7% from HK\$27,578,000 as of 31 March 2003. Current ratio, measured as total current assets divided by total current liabilities, was 1.51 as of 30 September 2003 (31 March 2003: 1.36).

Financial Resources

The Group generated net cash inflows of HK\$53,500,000 from its operating activities during the period. As a result, the Group has placed less reliance on short-term bank loans to finance its working capital requirement and there has been a considerable decrease in the bank borrowings to HK\$15,614,000 as of 30 September 2003 from HK\$44,126,000 as of 31 March 2003. In addition, the gearing ratio, measured on the basis of total bank borrowings as a percentage of total shareholders' equity, decreased to 11.4% as of 30 September 2003 (31 March 2003: 36.3%). The Group's borrowings are principally on a floating rate basis and denominated in Hong Kong dollars.

Total banking facilities, comprising primarily bank overdrafts and other term loans, amounted to HK\$134,000,000 as of 30 September 2003, of which approximately HK\$118,386,000 was unutilised.

PROSPECTS

Subsequent to 30 September 2003, the Group secured several new substantial contracts with a total contract value of approximately HK\$332 million, which comprise the following:

- Construction of An Ambulance Depot with Ambulance Command and Fire Safety Command Headquarters at Anchor Street, Mong Kok
- Extension of Oi Kwan Road Baptist Church at 36 Oi Kwan Road, Wanchai
- Construction and Extension to 3 Nos. Existing Aided Schools under School Improvement Programme Final Phase
- Construction of a Primary School and Secondary School in Area 38A, Shatin

Though there have been signs of recovery in the property market in Hong Kong during these few months, the construction industry remains stagnant. Therefore, the management will continue the tight cost control measures while putting more efforts in securing more contracts of different natures in order to keep up the Group's competitive strength and maintain its profitability.

STAFF

As of 30 September 2003, the Group employed 227 full-time staff in Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2003.

CORPORATE GOVERNANCE**Audit Committee Review**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters. The Audit Committee has also reviewed the unaudited interim financial statements.

Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

To comply with the Code of Best Practice, the Audit Committee comprising the two independent non-executive directors of the Company was set up on 8 September 2000 with written terms of reference for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group.

PUBLICATION ON WEBSITE OF THE STOCK EXCHANGE

The Company's interim report containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
Ngai Chun Hung
Chairman