

Management Discussion and Analysis

管理層討論與分析

FINANCIAL REVIEW

For the fiscal year ended 31 March 2005, the Group recorded a turnover of approximately HK\$344.9 million, representing a decrease of 59.0% compared to HK\$842.0 million of the previous year. Gross Profit dropped to HK\$11.7 million from HK\$50.5 million of the previous year while gross profit margin decreased to 3.4% for fiscal 2005. During the year under review, the volume of construction works in Hong Kong from both public and private sectors had shrunk substantially. As a well-recognized main contractor in the industry, the Group has fell victim to fierce price competition among private sector and serious shrinkage of Government's construction work. As a result, the Group reported a consolidated loss attributable to shareholders of HK\$11.3 million for fiscal 2005. The loss per share of the Group was HK1.18 cents.

BUSINESS REVIEW**(1) Project completion**

The Group is principally engaged in a broad spectrum of construction works for both public and private sectors in Hong Kong. In fiscal 2005, the Group's building construction and foundation projects accounted for approximately HK\$232.5 million, representing about 67.4% of the Group's total turnover. The Group's other civil engineering work not involving construction of building accounted for approximately HK\$112.4 million, representing about 32.6% of the Group's total turnover.

During fiscal 2005, the Group substantially completed the following projects:

(1) Building Construction and foundation projects

Location 地點	Brief description of works 工程簡介	Date of Completion 完成日期
(i) NKIL 6277 Beacon Hill Road Kowloon One Beacon Hill 新九龍內地段6277號 九龍 畢架山道 畢架山一號	Construction of substructure and superstructure for car parks at basement and podium and 16 residential towers 地庫及平台停車場以及16幢住宅大樓的地基及上層建築工程	May 2005 二零零五年五月

財務回顧

於截至二零零五年三月三十一日止財政年度，本集團錄得營業額約344,900,000港元，相比去年的842,000,000港元，下跌59.0%。毛利由上年的50,500,000港元，下跌至11,700,000港元，而二零零五財政年度的毛利率則下跌至3.4%。於回顧年內，香港公營及私營界別建築工程的數目大幅減少。作為業內知名的主要承建商，本集團難免受到私營界別的價格戰及政府建築工程大幅減少所拖累。因此，本集團二零零五財政年度的股東應佔綜合虧損為11,300,000港元。本集團的每股虧損為1.18港仙。

業務回顧**(1) 完成項目**

本集團主要於香港從事各類公營及私營界別建築工程。二零零五財政年度，本集團的樓宇建築及地基項目約為232,500,000港元，佔本集團總營業額約67.4%。本集團的其他土木工程項目（不涉及樓宇建築）約為112,400,000港元，佔本集團總營業額約32.6%。

本集團於二零零五財政年度大致完成以下項目：

(1) 興建樓宇及地基工程

Management Discussion and Analysis

管理層討論與分析

Location 地點	Brief description of works 工程簡介	Date of Completion 完成日期
(ii) Church development 118 Gloucester Road Wanchai Hong Kong 香港 灣仔 告士打道118號 教堂發展項目	Construction of a 13-storeys high building with pitch roof and metal spire including car parks, chapels, offices and staff quarters 興建斜頂及金屬螺旋尖頂的13層高大廈，包括停車場、禮拜堂、辦公室及員工宿舍	March 2005 二零零五年三月
(iii) Footbridge 861-879 Lai Chi Kok Road 荔枝角道861-879號 行人天橋	Construction of two pedestrian footbridges, one across Lai Chi Kok Road and one across Sham Shing Road together with associated foundation works, mechanical and electrical services and finishings. 興建兩條行人天橋：一條橫跨荔枝角道，另一條則橫跨深盛路，連同相關地基工程、機電服務及粉飾工程	January 2005 二零零五年一月

Included in the accounts receivable balance under current assets in the consolidated balance sheet as at 31 March 2005, are accounts receivable, recorded based on architects' certificates, of approximately HK\$138.7 million in aggregate (collectively the "Receivables Under Dispute") being currently withheld by two major customers of the Group (collectively the "Customers") with respect to disputes with one of the aforesaid customers (the "Kowloon Tong Customer") on claims arising from liquidated damages and alleged environmental related damages in relation to main contract works for a residential development project carried out in Kowloon Tong, Hong Kong, and the counter claiming of extension of time (the "EOT Claim") entitlement by the Group. For details, please refer to note 2 to financial statement.

根據建築師證明書所記錄，二零零五年三月三十一日之綜合資產負債表中流動資產項下之應收賬款結餘，包括現時由本集團兩名主要客戶(統稱「該等客戶」)暫扣合共約138,700,000港元之應收款(統稱「爭議中應收款」)，有關款項乃涉及上述其中一名客戶(「九龍塘客戶」)作出之索償(有關索償涉及於香港九龍塘進行之住宅發展項目之主要合約工程之算定損害賠償及指稱環境相關損害)以及本集團可獲享有關延期之反索償(「延期索償」)。詳情請參閱財務報表附註2。

Management Discussion and Analysis

管理層討論與分析

(2) Other civil engineering work not involving construction of building

(2) 其他不涉及興建樓宇的土木工程項目

Location 地點	Brief description of works 工程簡介	Date of Completion 完成日期
Tsuen Wan and Fung Shue Wo Road, Tsing Yi 荃灣及青衣楓樹窩路	Demolition of existing structures, stormwater drainage and sewage, waterworks, access road, footpaths and car parking spaces; slope stabilization works; earth retaining structures and refuse collection points 清拆現有結構、暴雨渠務及污水系統、水務系統、通道、行人路及泊車位；斜坡鞏固工程、護土結構及廢物收集站	June 2004 二零零四年六月

Included in the Group's deposits and other receivables as at 31 March 2005 is an amount of approximately HK\$10.8 million, due from a subcontractor (the "Subcontractor") of the Group, representing the costs incurred on behalf of the Subcontractor in relation to a civil engineering works contract (the "Contract") granted by the Civil Engineering Department of the HKSAR Government to the Group. For details, please refer to note 22 to financial statement.

計入本集團二零零五年三月三十一日之按金及其他應收款項中，包括約10,800,000港元應收本集團轉包承建商（「轉包承建商」）之款項，指本集團代轉包承建商產生之成本，有關成本乃關於香港特區政府土木工程署授予本集團之土木工程合約（「合約」）。詳情請參閱財務報表附註22。

(2) Market expansion in the PRC

In September 2003, the Group has acquired Jinjiang Wing Hong's 73% equity from Pacific Marble & Granite Ltd. and Shanghai Jinjiang which as a Sino-foreign equity joint venture has obtained a requisite license to perform renovation work in the PRC with contract sum not exceeding RMB12 million, and is engaged in renovation business for private projects, such as the renovation of residential estates and hotels in PRC. As the Group's new arm in the PRC for developing its domestic construction and renovation market, Jinjiang Wing Hong in fiscal 2005 contributed to the Group about RMB35.5 million revenue. Leveraging on the Jinjiang Wing Hong's concrete experience in residential estates and hotels renovation in Shanghai and the Group's extensive construction experience in Hong Kong, the Group endeavors to tap the fast growing market opportunities of small-to-medium size renovation projects in the PRC.

(2) 拓展中國市場

二零零三年九月，本集團向太平洋石材（香港）有限公司及上海錦江收購錦江榮康73%股權，錦江榮康作為一間中外合資合營企業，已取得於國內進行合約金額不高於人民幣12,000,000元的翻新工程的所需許可證，主要從事私營項目的翻新工程，如中國住宅及酒店的翻新工程。作為本集團在國內成立之新旗艦，有關以發展其國內建築及翻新工程市場，錦江榮康於二零零五財政年度為本集團帶來約人民幣35,500,000元的收入。憑藉錦江榮康在上海住宅及酒店翻新工程的實質經驗，以及本集團於香港的豐富建築工程經驗，本集團現致力於把握國內中小型翻新項目快速增長商機。

Management Discussion and Analysis

(3) Development on various sections

Owing to the Government's support for environmentally friendly construction methods and exemption of accountable floor area for the pre-cast facade, in order to seize opportunity arising from such trend, the Group in the reviewing year has commenced in developing pre-cast building material such as pre-finished modular for bathroom and kitchen units for repetitive construction. The Group continually reinventing itself with new competitive edges as to maintain its competitiveness in the ever-changing market.

PROSPECTS

In view of the recovery of the Hong Kong economy, it is anticipated that local investment and capital markets will be able to sustain its growth continually, which in turn become one of the main forces of fueling growth for HK property market. In addition, the signing of the Closer Economic Partnership Arrangement (CEPA), Hong Kong contractors and services providers can enjoy benefits in setting up wholly-owned enterprise in the PRC. Under this favorable condition, the Group has submitted CEPA application and is under processing now. It is expected that through CEPA, the Group can establish a stronger foothold in the PRC.

In order to enlarge the Group's profit margins, the management of the Group has committed to developing cost effective construction techniques and materials that enable minimization of construction cost and time for completion of contract in the future. Looking forward, the Group will look for more collaboration and investment opportunities in Hong Kong and the PRC as to develop new clientele and disperse business risks.

管理層討論與分析

(3) 於不同界別的發展

有鑑於政府支持環保建築方法及豁免計算預製外牆的樓面面積，本集團於回顧年度正努力發展重覆性建築中的預製建築材料，包括預製浴室及廚房模件，務求把握有關的商機。本集團力圖革新其競爭優勢，務求在瞬息萬變的市場中保持競爭力。

前景

隨著香港經濟復蘇，預期本地投資資本市場將持續增長，勢更將成為香港房地產市場的主要增長動力之一。此外，簽訂更緊密經貿關係安排 (CEPA) 將更有利香港承建商及服務供應商於國內成立全資企業。在上述種種的利好條件下，本集團已提交 CEPA 申請，並正進行有關手續。本集團預期可通過 CEPA 在中國奠定更強壯的據點。

為擴大本集團的邊際利潤，本集團管理層銳意開發具成本效益的建築技術及物料，減省日後完成合約所需的建築成本及時間。展望將來，本集團將於中港兩地物色更多合作及投資機遇，發掘新該等客戶並分散業務風險。

Management Discussion and Analysis

管理層討論與分析

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company at the time of its listing on the Mainboard on 13 October 2004 through a public offering of 31,920,000 new shares and a placement of 287,280,000 ordinary shares (comprising 159,600,000 new shares and 127,680,000 sale shares) at the price of HK\$0.25 per share, after deduction of the related issue expenses were approximately HK\$40 million. During the period from the listing of the Company's shares on 13 October 2004 to 31 March 2005, the Group utilized a total of HK\$34.8 million for the following purposes:

所得款項用途

於二零零四年十月十三日，本公司按每股0.25港元的價格公開發售31,920,000股新股份及配售287,280,000股普通股（包括159,600,000股新股及127,680,000股銷售股份）於主板上市，本公司發行新股份的所得款項淨額（經扣除相關發行費用）約為40,000,000港元。於本公司股份在二零零四年十月十三日上市至二零零五年三月三十一日期間，本集團就以下用途動用合共34,800,000港元：

	Notes 附註	Proposed amount of proceeds utilized up to 31 March 2005 截至二零零五年 三月三十一日止 擬動用的所得款項 HK\$ million 百萬港元	Actual amount of proceeds utilized up to 31 March 2005 截至二零零五年 三月三十一日止 實際動用的所得款項 HK\$ million 百萬港元
<ul style="list-style-type: none"> Modification and adoption of the latest construction methods and equipment to improve cost-effectiveness 改良及採用最新的建築方法及設備以改善成本效益 	1	1.2	0
<ul style="list-style-type: none"> Hire of staff and new construction projects 聘請員工及新建築項目 	2	4	0
<ul style="list-style-type: none"> Working capital for bidding tenders of future construction projects and to finance the construction costs for the projects of the Group 用作競投日後建築項目的營運資金，並為本集團項目建築成本提供資金 		33.8	33.8
<ul style="list-style-type: none"> Additional working capital 額外營運資金 		1	1

Notes:

- The modification of construction methods and equipment are still under preliminary development and therefore capital investment has not been implemented yet
- The plan of hiring of staff is deferred as a result of having insufficient new projects

附註：

- 改良建築方法及設備仍然處於初期發展階段，故並未落實資本投資
- 聘請員工之計劃因欠缺足夠新項目而押後

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2005, the Group's bank borrowings amounted to HK\$99,000 (2004: Nil).

The gearing ratio decreased to 8.6% as at 31 March 2005 from 10.8% as at 31 March 2004. The liquidity of the Group as at 31 March 2005, the Group's cash and bank deposits were approximately HK\$25.5 million (2004: HK\$42.1 million).

The current ratio increase to 2.6 and the debt to equity ratio decrease to 16.6% as at March 2005 (2004: 1.6 and 27.7%).

Accounts receivable increased to approximately HK\$153.9 million as at 31 March 2005 from HK\$74.5 million as at 31 March 2004.

TREASURY POLICY

Cash and bank deposits of the Group are either in HK dollars or RMB.

The Group conducts its core business transaction mainly in HK dollars and RMB such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

PLEDGE OF ASSETS

At 31 March 2005, the Group had approximately HK\$9 million of certain time deposits pledged for performance bond facilities.

EMPLOYMENT INFORMATION

As at 31 March 2005, the Group had 94 full time employees (31 March 2004: approximately 99 employees), the majority of whom are employed in Hong Kong. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

CONTINGENT LIABILITIES

At 31 March 2005, the Group had contingent liabilities in respect of performance bond, liquidated damages and other litigations. The details are set out in note 36 to the financial statements.

管理層討論與分析

流動資金、財務資源及資本架構

於二零零五年三月三十一日，本集團的銀行借貸達99,000港元(二零零四年：無)。

資產負債比率由二零零四年三月三十一日的10.8%下跌至二零零五年三月三十一日的8.6%。本集團於二零零五年三月三十一日的流動資金，本集團的現金及銀行存款約為25,500,000港元(二零零四年：42,100,000港元)。

於二零零五年三月，流動比率上升至2.6，而負債與股東權益比率則下跌至16.6%(二零零四年：1.6及27.7%)。

應收款由二零零四年三月三十一日的74,500,000港元增至二零零五年三月三十一日約153,900,000港元。

財務政策

本集團的現金及銀行存款為港元或人民幣。

本集團主要以港元及人民幣進行其核心業務交易。由於本集團認為其外匯風險並不重大，故並無使用任何衍生工具，以對沖其外匯風險。

資產抵押

於二零零五年三月三十一日，本集團為數約9,000,000港元的若干定期存款已予抵押以獲得履約保證融資。

僱傭資料

於二零零五年三月三十一日，本集團共有94名全職僱員(二零零四年三月三十一日：約99名僱員)，大部分均於香港僱用。員工薪酬符合市場水平，並可享有醫療、退休福利及購股權計劃等福利。

或然負債

於二零零五年三月三十一日，本集團有關於履約保證、算定損害賠償及其他訴訟之或然負債，有關詳情載於財務報表附註36。