

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the six months ended 30 September 2005, the Group recorded a turnover of approximately HK\$72.5 million, representing a decrease of 51% compared to HK\$148.4 million of the corresponding period last year. Net loss of HK\$2.0 million was recorded for the first six months of the fiscal year to the shareholders.

### BUSINESS REVIEW

The Group is principally engaged in a broad spectrum of construction works for both public and private sectors in Hong Kong. The construction market was challenging during the reported period, especially there was an adjustment in the property market after the ongoing increase in interest rate. In order to maintain our competitive position, procedures had been carried out for costs control.

During the first six months in this fiscal year, the Group has substantially completed several projects including the Beacon Hill project and a Church development project. In addition, to grasp the business opportunities in Macau, a subsidiary has been set up to explore this market.

### BUSINESS PROSPECTS

The prospect of the sizeable PRC market is the key towards the future of construction and renovation business that should be noticed. Our reputation on quality uplifts our competitive power in the PRC. For the rapid establishment of hotels and shopping malls in the PRC, demand for construction and renovation works will be raised.

Putting the Macau market at the forefront of segment-driven strategy, the Group is racing to strengthen the business development department, design and technical team for exploring the potential construction and renovation market and has set up a company in Macau to provide on time service to local clients. After the focus areas on customers and positioning have been directed, the Group is catching up fast strategically.

Considering the ferocious competition in the construction market, the Group is seeking for any strategic alliances for cooperation.

#### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2005, the Group had fixed deposits and cash balances aggregated to approximately HK\$68.7 million (31 March 2005: HK\$25.5 million). On 30 September 2005, the Group's bank borrowings amounted to HK\$117,000 (31 March 2005: HK\$99,000).

The gearing ratio based on long term debts to total shareholders' funds increased to 30.6% as at 30 September 2005 from 16.2% as at 31 March 2005 due to a major shareholder of the Company has agreed to provide continual financial support to the Group in the form of shareholder's loan.

#### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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.

#### STAFF

As at 30 September 2005, the Group employed 58 full-time staff in Hong Kong and 15 full time staff in the PRC. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

#### PLEDGE OF ASSETS

On 30 September 2005, certain time deposits amounted to HK\$5.1 million (31 March 2005: HK\$9 million) were pledged for performance bond facilities.