

Management Discussion and Analysis

BUSINESS REVIEW

Building construction industry

It was undoubted that the local construction industry cannot benefit too much from the recent recovery of Hong Kong economy. The continuing decline in the building construction contracts for tender both in the private sector and public sector affects the whole construction industry. Fierce competition in the market and low demand of building construction works are the main reasons for our reduced turnover and gross margin.

To maintain the competitiveness of the Group in the building construction industry, some measures of cost control were adopted that include regular review on manpower, improve the efficiency and effectiveness of each division and downsize the cost centre.

Renovation and fitting out works

Although the PRC government executes various plans to cool down the property market, it seems that nothing has been affected in such market. These were many properties built up during the year under review, and the Group targeted for the renovation and fitting out works for these sites.

FINANCIAL REVIEW

Liquidity and financing

There were no bank borrowings as at 31 March 2006 (2005: HK\$99,000). The Group's cash and bank deposits were approximately HK\$56.7 million (2005: HK\$34.5 million)

The Group's gearing ratio, calculated by aggregate of interest-bearing borrowings, loans from shareholders and other non-current liabilities over total assets, increase to 18.0% at 31 March 2006 from 8.6% at 31 March 2005.

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

As at 31 March 2006, the Group had approximately HK\$5.1 million (2005: HK\$9.0 million) of certain time deposits pledged for performance bond facilities.

Employees and emolument policy

On 31 March 2006, the Group had 67 full time employees (31 March 2005: approximately 94 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.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in deciding his own remuneration. The Company has a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 33 to the financial statements.