



FINANCIAL REVIEW

Group Liquidity and Financial Resources

The financial position of the Group remains healthy. As at the close of business on 30 September 2004, the total cash and bank balances had decreased by HK\$43.8 million or 49.7%, compared with those as at 31 March 2004. The decrease was mainly due to the utilization of funds, during the period, to purchase properties for investment purposes, from independent third parties. The current ratio (current assets divided by current liabilities) was decreased to 1.2 times from 1.4 times at the last year-end date.

For day-to-day liquidity management and the maintenance of flexibility in funding, the Group has also obtained banking facilities with aggregate amount of HK\$258.2 million (HK\$53.2 million was secured by first charges over certain land and buildings and investment properties of the Group), of which approximately HK\$128.5 million bank loans and overdraft have been drawn down and approximately HK\$94.3 million has been utilized mainly for the issuance of letters of credit and performance bonds as at 30 September 2004. The Group's funding requirements for the coming year are expected to be met by available cash as at balance sheet date, cash generated by operations, especially the proceeds from the sales of our property development project "Golf Parkview" at Kwu Tung and the available banking facilities.

Treasury Policies

In order to achieve better risk control and to minimize the cost of funds, the Group's treasury activities are centralised and scrutinised by the top management. The Group's treasury policies remain unchanged from those described in the latest annual report 2003-2004.

Capital Structure

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. During the period under review, the Group has borrowed Hong Kong dollars loans amounting to HK\$127.2 million from banks (at 31 March 2004 : HK\$55.3 million). The loans have been used as general working capital and for refinancing the acquisition of properties for investment purposes. The maturity profile of the borrowings spread over a period

of five years with HK\$78.2 million repayable within the first year, HK\$4.2 million repayable within the second year and HK\$44.8 million within the third to fifth years. Interest is based on HIBOR with a competitive margin.

As at 30 September 2004, the gearing ratio of the Group, calculated on the basis of the Group's net bank borrowings (total bank borrowings less total bank balances and cash) over shareholders' funds, was 20.1% (at 31 March 2004: Nil).

Major Acquisition

During the period, the Group purchased from internally generated funds and bank loan, two properties at Kowloon Tong, Kowloon, from independent third parties, at a total consideration of approximately HK\$52.8 million. These properties are located in Hong Kong, and are being held for investment purposes.

Collateral

As at 30 September 2004, the Group's Hong Kong dollars loans of HK\$53.2 million were secured by first charges over certain land and buildings and investment properties of the Group, at the carrying value of approximately HK\$95.9 million (at 31 March 2004: HK\$95.0 million).

Contingent Liabilities

Details of the contingent liabilities are set out in note 16 of the condensed financial statements.

Capital Commitments

The Group had no material capital commitments as at 30 September 2004.