

Management Discussion and Analysis

Financial Review

For the year ended 31st March 2005, the Group has achieved a growth of turnover by 26.8% from HK\$1,069,158,000 in 2004 to HK\$1,355,583,000 this year in a competitive operating environment of construction market in Hong Kong. However, due to intensified competition and cost fluctuation in certain materials, the gross profit ratio has decreased from 9.9% in 2004 to 9.0% in 2005.

At 31st March 2005, the Group's total cash in hand was HK\$195,313,000 (2004: HK\$183,360,000) and bank borrowings decreased from HK\$590,893,000 in 2004 to HK\$575,371,000. During the year, the Group has entered into an arrangement with a bank to refinance the long-term loan for property development and investment properties, which shall be repaid by instalments and the last instalment is due in November 2009. The Group's net debt (total bank borrowings less total cash in hand) to equity ratio decreased slightly to 46.5% (2004: 52.5%, as restated). If the HK\$349,800,000 (2004: HK\$307,800,000) long-term loan for property development and investment properties is excluded, the Group has a net debt of only HK\$30,258,000 (2004: HK\$99,733,000) representing a healthy net debt to equity ratio of 3.7% (2004: 12.8%, as restated). The current ratio (total current assets: total current liabilities) has also increased to 1.6 (2004: 0.9).

The short-term and long-term bank borrowings are secured by the Group's investment properties, property, plant and equipment, investment in securities and certain time deposits. Interest on bank loans are charged at floating rates and the Company monitors interest rate risks continuously and hedge any excessive risk when necessary. The total bank facilities granted to the Group at 31st March 2005 was approximately HK\$758 million (2004: HK\$748 million), of which approximately HK\$593 million (2004: HK\$601 million) had been utilised.

Human Resources

At 31st March 2005, the Group employed approximately 850 employees in Hong Kong and approximately 700 employees in Mainland China.

Employees in Hong Kong are either paid on a monthly salary basis or daily wages basis. Salaried employees are entitled to benefits according to seniority such as discretionary bonus which are based on their performance, double pay, defined contribution provident funds, annual leave, employer sponsored trainings and others.

Employees in the Mainland China are remunerated according to the prevailing market conditions in the location of their employment.