

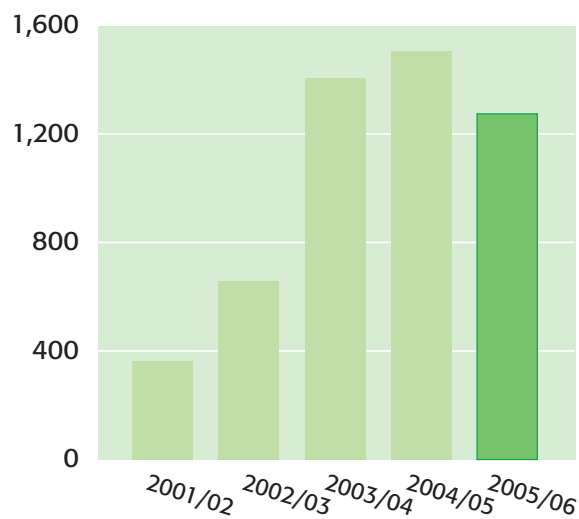
# Chairman's Statement

## FINANCIAL HIGHLIGHTS

- Turnover down 15.4% to HK\$1,275 million from 2004/05 of HK\$1,506 million
- Net profit up 3.2% to HK\$41.8 million from 2004/05 of HK\$40.5 million (as restated)
- Earnings per share up 2.3% to HK4.4 cents from 2004/05 of HK4.3 cents (as restated)

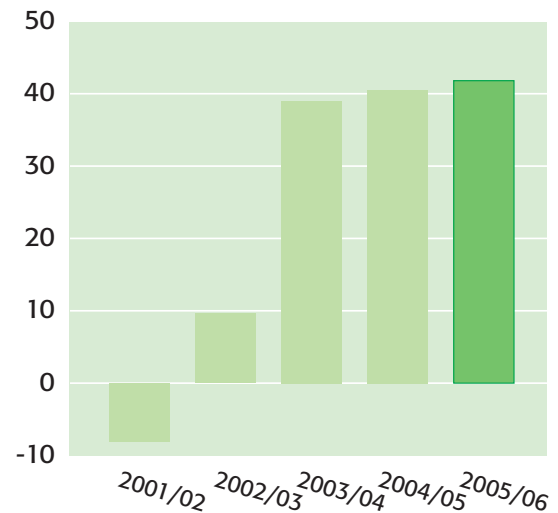
### Turnover

HK\$ million



### Profit

HK\$ million



## PERFORMANCE

Net profit for the year attributable to shareholders was HK\$41,817,000 (2005 restated: HK\$40,529,000). Earnings per share was HK4.4 cents (2005 restated: HK4.3 cents).

The Board does not recommend the payment of a final dividend (2005: nil).

## BUSINESS REVIEW

### Property Investment

During this year, we completed the acquisition of a number of investment properties including Shop Nos. 5 and 6 and Storeroom 3 on the 1st Floor of Fou Wah Centre in Tsuen Wan and the whole block at No. 36 Jardine's Bazaar, Causeway Bay.

Our investment properties were valued at 31 March 2006 by independent professional valuers. As a result of the valuation, we recorded a gain of approximately HK\$58,797,000. The aggregate value of our investment properties was approximately HK\$518,790,000 at 31 March 2006.

In order to enhance the property value, we refurbished and re-divided several retail shops of our properties. We have recorded a steady growth in rental income from the investment properties.

### Property Development

In April 2005, we acquired the whole block at Nos. 123-125 Tung Choi Street together with the whole block except Ground Floor at No. 127 Tung Choi Street, Mongkok. Subsequent to the completion of this transaction, we re-evaluated the usage of these properties. In view of the run-down condition of these properties and their prime position in Mongkok, we consider that redevelopment of these properties would increase these properties' values and generate higher returns to the Group than holding of them in their existing state. Therefore, we have determined to acquire the remaining portion of Ground Floor of No. 127 Tung Choi Street for the purpose of redevelopment of the site at Nos. 123, 125 and 127 as a whole. Whilst we own more than 90% of the undivided shares in Nos. 123, 125 and 127, we have applied to the Lands Tribunal for an order under the Land (Compulsory Sales for



# Chairman's Statement

Redevelopment) Ordinance to sell all the undivided shares in the lots for the purposes of their redevelopment. In the meantime, pending the legal proceedings, the shops on Ground Floor of Nos. 123-125 are rented out on short-term leases.

In July 2005, we acquired a land in Tai Po with a site area of about 1,000 m<sup>2</sup> and having a view of the Tolo Harbour. We plan to develop a two-storey luxury residential house of a total floor area of about 400 m<sup>2</sup> and with spacious gardens. Building plans have been submitted to Buildings Department and the hoarding plan was approved. Site investigation has been completed. It is expected that the development will be completed by the end of 2007.

There has been a prolongation in the redevelopment project at Belfran Road, Kowloon. We had originally planned to redevelop the 368.28 m<sup>2</sup> site into a residential building with a total gross floor area of 1,465 m<sup>2</sup>. However, as the offer made by the HKSAR Government for the lease modification was considered unreasonably high, we have decided to review our plan and not to proceed with the lease modification. We are revising the redevelopment plan and it is expected the redevelopment project will extend to 2008.

## Construction and Engineering Work

We are pleased to report that the Architectural Services Department has awarded us the three-year term contract for design and construction of minor works to government and subvented properties at Hong Kong, Kowloon, New Territories and Outlying Islands for a contract sum of approximately HK\$683 million. This has been a great encouragement to us because, among all other term contracts, this has been the first one ever covering the whole of Hong Kong, instead of restricted to one area.

In addition, we have continued to expand the scope of our construction work. Besides some other ordinary construction works, during this year, we secured the contract for the conversion works of Kom Tong Hall into Dr Sun Yat Sen Museum at Castle Road, Central Mid-levels, Hong Kong. This contract work has received much public attention because Kom Tong Hall has been a noted heritage building and its conversion into Dr Sun Yat Sen Museum has marked the Government's determination and the



community's higher value to conserve heritage buildings. We are proud to be awarded this contract, which demonstrates not only our specialty but also our dedication to quality of work.

#### **PROSPECT**

We continuously review our property portfolio and look for opportunities. It is expected the economy of Hong Kong will maintain its steady growth and we are optimistic about the property market of Hong Kong.

Although the construction market has been stagnant and we remain conservative about the construction market of Hong Kong, we will continue to keep up our quality of work and the confidence of our customers, which we believe are fundamental to our sustained profitability.

#### **APPRECIATION**

On behalf of the Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members of the Group for their hard work and dedication, and all the shareholders of the Company for their support.

On behalf of the Board

**Ngai Chun Hung**

*Chairman*

Hong Kong, 20 July 2006