

## RESULTS

During the financial year 2005/2006, the Group recorded a loss attributable to equity holders of the Company of approximately HK\$22,336,000 or loss of HK64.1 cents per share basic, compared with a profit attributable to equity holders of the Company for the year 2004/2005 of approximately HK\$14,176,000 (restated) or earnings of HK49.3 cents per share basic.

## DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2006 (2005 Nil).

## BUSINESS REVIEW

Despite the difficult market conditions, the Group has recorded a turnover of approximately HK\$494 million which represents a 14% increase compared with the turnover recorded in the corresponding period of last year. During the year under review, the recorded loss is mainly attributed to the poor performance of the subsidiary undertaking electrical and mechanical works. As a result, the Group has scaled down the related business which cannot contribute profits to the Group.

## CONSTRUCTION AND BUILDING

The Group has secured several contracts during the last financial year, which include the construction of the third golf course at Kau Sai Chau, two contracts for an internationally reputed theme park at Lantau and the construction of 5 km of fencing for a proposed palace in Doha. Together with contracts previously secured, the total value of current contracts on hand amounted to about HK\$622 million. Some of these new contracts are secured through joint-venture with China Harbour Engineering Co. Ltd., a prominent PRC contractor operating globally.

As regards major completed projects, the Group has satisfactorily completed the luxurious residential development at Gough Hill Path, the composite building at Queen's Road West, school improvement project for Kei San Secondary School, the proposed Godown extension at Hung Hom and the substructure works at No. 111 King Lam Street and at No. 23 Kent Road. Under joint venture with China Harbour Engineering Co. Ltd., the Group has accomplished the ambulance depot at Kwai Chung.

## WASTEWATER TREATMENT

With the view of counter-balancing the cyclical construction incomes and leveraging on our construction expertise, the Group, through a jointly-controlled entity has undertaken a 130,000m<sup>3</sup>/day wastewater treatment TOT/BOT (Transfer-Operate-Transfer/Build-Operate-Transfer) contract in Zhuhai, China with one of the world's leading water operators. One of the sewage treatment plants have been commissioned and it is expected that the TOT/BOT contract will provide long-term steady incomes to the Group. The Group will capitalize on this valuable experience and expertise gained by seeking other water projects in China should appropriate opportunities arise.



## PROPERTY DEVELOPMENT

During the year under review, the Group, through an associated company, has participated in a property development project at No. 111 King Lam Street, Kowloon for an office building development. Construction of the superstructure has been progressing smoothly with completion to be expected in early 2007.

During the year under review, the Group, through two associated companies, has further participated in two property development projects, one at Kowloon Bay for an industrial building development and one at San Po Kong for a shopping complex development. Both development projects are now undergoing planning stage.

## PROSPECTS

Looking ahead, in the medium term, it is anticipated that construction market in both the private and public sectors will steadily recover in tandem with Hong Kong's rising economic activities and consumer confidence. In the short term, as a result of the uncertainties in the interest rates trend, the construction market arising from property-development projects will continue to be sluggish. The Group will focus on the high-end and professional construction markets, in particular the leisure areas like theme parks. The Group will also continue to adopt a prudent tendering approach and to increase competitiveness by consolidation of the operation.

In China, with the experience of the wastewater treatment plant in Zhuhai, the Group will prudently explore new investment opportunities.

In Hong Kong, the Group will concentrate on a few other areas on top of the traditional construction activities. With the long and harmonious relationship established with China Harbour Engineering Co. Ltd. in the last ten years, the Group continues to explore more co-operation opportunities in different areas. Hypsos Leisure Asia Limited, a joint venture with two European partners, has been actively tendering for works in the permanent exhibitions markets and it is expected that new projects in this area are forthcoming.

The Group anticipates to evolve gradually from a traditional low-value construction group to a diversified conglomerate comprising construction, property development, environmental engineering and investment, and high-value specialist construction in various areas related to leisure markets.

## EMPLOYEES

During the year under review, the Group employed approximately 320 staff, excluding workers under exclusive sub-contracting arrangements.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2006, the Group's outstanding borrowings amounted to approximately HK\$19,105,000 comprising interest-bearing bank borrowings repayable (i) within one year of approximately HK\$15,602,000 and (ii) repayable over one year of approximately HK\$3,503,000. As at 31 March 2006, the Group's banking facilities were supported by (i) legal charges over the Group's leasehold land and buildings, which are situated in Hong Kong, with carrying values of approximately HK\$10,392,000; (ii) legal charges over the Group's investment property, which is situated in Hong Kong, with carrying value of approximately HK\$4,400,000; (iii) pledged deposits of approximately HK\$20,944,000 of the Group; (iv) corporate guarantees to the extent of approximately HK\$52.1 million in aggregate executed by the Company in respect of banking facilities granted to certain subsidiaries of the Company; and (v) cross guarantees amongst certain subsidiaries of the Company.

The Group's gearing ratio as at 31 March 2006 was 0.07 (2005: 0.06), calculated based on the Group's total borrowings of approximately HK\$19,105,000 (2005 (as restated): HK\$18,605,000) over the Group's total assets of approximately HK\$271,510,000 (2005 (as restated): HK\$293,920,000).

The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship so as to minimize risks in its business.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

There was no purchase, sale or redemption of shares or other listed securities of the Company or by any of its subsidiaries during the year.

On behalf of the Board of Directors, I would like to express my sincere gratitude to all our customers, shareholders, fellow Board members, senior management and employees for placing their trust in our Company and for the continued support and commitment.

On behalf of the Board

**Ng Tat Leung, George**

*Chairman and Managing Director*

Hong Kong SAR, 20 July 2006

