

BUSINESS REVIEW

During the period under review, the Group recorded a net profit from ordinary activities attributable to shareholders of HK\$6,468,000 compared with a net profit from ordinary activities attributable to shareholders of HK\$8,298,000 for the corresponding period of last year.

The Group has continued to experience fierce competition from other companies in tendering for construction projects in both the private and public sectors. In view of the aggressive cut-throat bidding situations in the construction market and the increasingly demanding expectations of customers and other participating professionals concerning the quality of final products, the Group continues to adopt a prudent approach when tendering for new projects. The contracts secured in the first half of the financial year include a luxurious residential development at No. 3 and 5 Gough Hill Path, a composite building at No. 419K Queen's Road West, a Central Chiller Plant extension contract and a landscape maintenance contract both for Hong Kong Disneyland Resort Project, an exhibition works contract for the Education Paths at the new Electrical and Mechanical Services Department Headquarters at Kai Tak, a piling contract at No. 20 Tung Yuen Street, Yau Tong, a foundation contract for the reconstruction of Causeway Bay Flyover and several electrical and mechanical contracts. The aggregate value of contracts secured during the period was approximately HK\$289 million.

During the period under review, the Group has satisfactorily completed the site formation and foundation works at Ping Shan, Yuen Long, the School Improvement Contract No. AL K304 and the replacement of Fu Shan Crematorium at Lower Shing Mun Road, Shatin.

Through a jointly-controlled entity, the Group has undertaken a 130,000 m³/day wastewater treatment TOT/BOT (Transfer-Operate-Transfer/Build-Operate-Transfer) contract in Zhuhai, the PRC. The contract has been progressing smoothly. Furthermore, the corresponding EPC (Engineering-Procurement-Construction)

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contract has progressed to the final construction phase with one of the two plants under testing and commissioning stage. The completion of which is expected to be in early 2005.

During the period under review, the Group has formed an associate with two other property developers for the purpose of diversifying its existing business by expanding into property development market. The associate has acquired a land at No. 111 King Lam Street, Kowloon for an office building development. Planning and design phases have commenced and this Major Transaction has been approved by the Shareholders at the Special General Meeting on 15th November 2004.

PROSPECTS

Looking ahead, it is anticipated that the private sector will continue to be sluggish in the foreseeable future and accordingly the Group will concentrate on securing public and institutional works.

The Group will continue to explore new business opportunities. In China, the Group will focus mainly on environmental, industrial related projects and landscaping markets. With the experience of the wastewater treatment plant in Zhuhai, the Group has been looking for new investments and contracts in this sector. It is expected that new projects may be secured in the near future. In Hong Kong, the Group will focus on the property development at No. 111 King Lam Street, Kowloon and will prudently look for similar opportunities in the property development market.

EMPLOYEES

During the period under review, the Group employed approximately 140 staff, excluding workers under exclusive sub-contracting arrangements.