

# Chairman's Statement

The financial year 2004/05 was another difficult year for the Group as the construction market in Hong Kong continued to weaken. The gross value of construction works at both public and private sites in year 2004 recorded double-digit percentage decline from the previous year. Contrary to the excess capacity in the construction market locally, prices of essential construction materials, including steel, concrete, fuel and lubricant, escalated further in 2004 due to high global demand and speculation. Combination of the above factors significantly impaired the profitability of construction projects.

Management was conscious of the difficulties faced by the Group and started to reposition the Group's business into different areas with more favourable prospects, a process of diversification and transformation which began in the last and continued into the current financial year. Instead of competing for unprofitable construction projects, management now places focus on the business of construction machinery trading, specialized marine foundation projects and exploring potential marine engineering and ocean transport

## Chairman's Statement (cont'd)



ventures. While the most essential task for the Group is to promptly establish a stable revenue stream through diversification and specialization, cost control measures are also being administered in order to maintain the financial strength of the Group during the period of transition. In fact, the performance of the Group in the second half of the financial year has already demonstrated significant improvement from first half of the year, attributable to the collection of variation works of certain completed contracts which was previously not recognised. More detailed discussion on the Group's performance is presented in the Management Discussion and Analysis section of this report.



The construction industry is expected to recover gradually following the pick-up of the local property market and the demand for infrastructure to support the rapid development of the Pan-Pearl River Delta. Moreover, the flourishing leisure-entertainment-gamble industry both locally and in Macau is already creating great demand in tourist facilities, such as accommodation and entertainment venues and transportation facilities. The Group is actively seeking and foresees many opportunities to undertake businesses brought on by the vigorous growth in the Pearl River region, not only in foundation construction, but also peripheral commercial opportunities with its expertise in a diversified scope of operations.

To conclude, the Group has successfully overcome the most difficult times and its transformation is expected to finalize in the current year and bring about bright prospects in the near future for its shareholders and business associates. I would like to thank fellow members of the Board, staff members and business partners for their hard work and continuous support at the hardest moments and throughout the years.