

### **BUSINESS REVIEW**

The Group's turnover for this year was approximately HK\$550 million (2004: HK\$734 million) which represented a decrease of 25% over the prior year. Gross profit decreased to approximately HK\$23.6 million (2004: HK\$100.6 million) which was mainly due to the decrease in turnover of building maintenance works. The net loss of the year was approximately HK\$33.7 million (2004: net profit of HK\$1.8 million) which was mainly attributable to the lower gross profit and the unrealised holding losses on long term investments of approximately HK\$0.7 million (2004: HK\$8.9 million). While the number of staff increased as a result of more workers were hired to meet contract requirements, the Group managed to reduce the total staff costs by approximately HK\$12.4 million. Last year's net profit also included a gain on dissolution of discontinued operations of approximately HK\$4.1 million and a provision for amounts due from former subsidiaries of approximately HK\$2.2 million.

The significant slowdown in housing development in both public and private sectors continued during the year, which led to the limited availability of building services projects. As a result, the Group continued to face fierce competition amongst eligible contractors which led to the decrease in both turnover and gross profit. As at 31 March 2005, the Group had uncompleted contracts on hand of approximately HK\$718 million (2004: HK\$698 million).

### **BUSINESS PROSPECTS**

The local economy continues to show improvement while the GDP in the first quarter of 2005 showed a 6% growth. However, with limited construction works in both private sector and public sector in Hong Kong, the pricing of building services contracts is still under pressure. On the other hand, the development of entertainment business and tourism in Macau will provide business opportunities for Hong Kong construction companies for the next few years.

The Group will concentrate on its core building services business in Hong Kong and explore new business opportunities in Macau with its expertise as a building services contractor based in Hong Kong and competitive advantage in this specialist trade. The Group has recently been awarded a contract for the electrical installation for the Grand Lisboa Hotel and Casino at Macau amounted to approximately HK\$130 million. Despite the adverse market conditions in Hong Kong, the directors remain optimistic of the Group's business in the coming year.

### **ACKNOWLEDGEMENT**

On behalf of the board, I would like to thank Wong Sai Wing, James, who resigned as the chairman and executive director of the Company during the year, for his valuable direction and contribution to the Group during his chairmanship of the Company since 1995.

Finally, I would like to express my appreciation to my fellow directors and all members of staff for their dedication and contribution during this period of adverse market conditions.

**Chan Yuen Keung, Zuric**

*Chairman*

Hong Kong  
14 July 2005