

RESULTS FOR THE INTERIM PERIOD

The Group recorded an unaudited consolidated profit attributable to shareholders of the Company for the six months ended 30 September 2005 ("this period") of approximately HK\$37,710,000, an increase of approximately 144% from HK\$15,453,000 (as restated) for the previous corresponding period.

The Group's profit for this period included a gain on revaluation of investment properties of approximately HK\$25,427,000 (2004: nil) recognised under the new applicable accounting standards.

Turnover for this period was approximately HK\$612,523,000, which consists of: (i) contract revenue of approximately HK\$609,355,000, a decrease of approximately 23% from HK\$788,218,000 for the previous corresponding period, and (ii) property gross rental income of approximately HK\$3,168,000 (2004: nil).

Gross profit margin for construction contracts increased to 5.7% for this period from 4.5% for the previous corresponding period.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2005 (2004: HK0.5 cent per ordinary share).

REVIEW OF OPERATIONS

Construction, Maintenance, Civil Engineering and Other Contract Works

Able Engineering Company Limited ("Able")

Substantial construction contracts completed by Able during this period include:

- Construction of a Primary School and a Secondary School in Area 38A, Shatin
- Pile Cap and Superstructure Works for La Salle College under School Improvement Programme, Final Phase
- 39-Month Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties in Shamshuipo, Tsuen Wan and Kwai Tsing

During this period, Able was awarded the following substantial contracts with an aggregate contract value of approximately HK\$693 million:

- Design and Build of a Footbridge for Rhine Garden, Sham Tseng, New Territories
- Conversion Works of Kom Tong Hall into Dr. Sun Yat Sen Museum at Castle Road, Central Mid-levels
- Construction of Canopies and Covered Walkway at Lotus Tower & Kwun Tong Garden Estate, Kowloon

REVIEW OF OPERATIONS (Continued)

Able Engineering Company Limited ("Able") (Continued)

- Retro-fitting of Air-Conditioning and General Improvement Works to San Hui Market, Tuen Mun
- Fitting-out Works for the Proposed Hotel and Service Apartment at 33 Wo Yi Hop Road, Kwai Chung
- Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties in Designated Area: Kwun Tong, Mongkok and Yaumatei
- Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties in Designated Area: Sham Shui Po, Tsuen Wan and Kwai Tsing

Subsequent to the period end, Able has further obtained a substantial contract for the construction of a joint-user complex at Tseng Choi Street, Area 10, Tuen Mun, New Territories for a contract sum of approximately HK\$71 million.

Excel Engineering Company Limited ("Excel")

During this period, Excel completed the substantial contract of The Drainage Upgrading Works Along Tin Wing Road, Tin Shui Wai, N.T.

Subsequent to the period end, Excel has been awarded the following substantial contracts with an aggregate contract value of approximately HK\$25 million:

- Contract for the Slope Upgrading Works at Slope No. 11 NW-B/F60 at Phoenix House, Shamshuipo
- Building Repairs and Maintenance Term Contract 2005/2008, The Hong Kong Polytechnic University

As at 30 September 2005, the total and outstanding values of the Group's substantial contracts on hand were approximately HK\$2,690 million and HK\$1,299 million respectively. These contracts will be completed in around two to three years' time.

Property Investment

During this period, the Group successfully completed the major acquisitions of the investment properties at No. 36 Jardine's Bazaar, Causeway Bay, Hong Kong and Shop Nos. 5 and 6 and Storeroom 3, 1st Floor, Fou Wah Centre, No. 210 Castle Peak Road, Tsuen Wan, New Territories.

As at 30 September 2005, the Group's investment properties were valued at a total of HK\$485,420,000 by independent professionally qualified valuers. As a result of the valuation, a gain of approximately HK\$25,427,000 was recorded. A total rental income of approximately HK\$3,168,000 and a gross profit of approximately HK\$2,428,000 were recorded for the period.

REVIEW OF OPERATIONS (Continued)

Property Development

Demolition works having been completed, substantive construction works of the Group's redevelopment project at No. 9 Belfran Road, Kowloon are pending the approval of the lease modification.

Subsequent to the completion of the acquisition of the properties at Ground, 1st to 5th Floors and the roof of Nos. 123-125 Tung Choi Street, and 1st Floor and Portion of Landing on Ground Floor, 2nd to 5th Floors of No. 127 Tung Choi Street in April 2005, the Group has re-evaluated the usage of these properties. In view of the general upward trends in the retail sector and the property market in Hong Kong and that these properties are located in a prime position in Mongkok, the Group considers that redevelopment of these properties would increase the values of these properties and generate higher returns to the Group than holding of these properties in its existing state. Therefore, the Group has determined to acquire the remaining portion of the Ground Floor at No. 127 Tung Choi Street for the purpose of redevelopment of the buildings at Nos. 123-127 Tung Choi Street as a whole.

FINANCIAL REVIEW

Liquidity

As at 30 September 2005, the Group had cash and cash equivalents of approximately HK\$39,328,000, a decrease of approximately 53% from HK\$83,613,000 as at 31 March 2005, and pledged deposits of approximately HK\$27,505,000, a decrease of approximately 15% from HK\$32,239,000 as at 31 March 2005. Current ratio, measured as total current assets divided by total current liabilities, was 1.4 as at 30 September 2005 (31 March 2005: 1.2).

Financial resources

The Group used net cash of approximately HK\$84,706,000 in its operating activities during this period. Following the completion of acquisitions of several properties during this period, as at 30 September 2005, bank overdrafts and loans increased by approximately 134% to HK\$456,568,000 from HK\$194,912,000 at 31 March 2005. As a result, the gearing ratio, measured on the basis of net borrowings (total bank borrowings and finance lease payables less total cash and cash equivalents and pledged deposits) over total shareholders' equity, also increased to 146% as at 30 September 2005 (31 March 2005: 34%).

The Group's borrowings are principally on a floating rate basis and denominated in Hong Kong dollars, except for a bank loan of £870,000, which is denominated in British Pound Sterling and was obtained for financing the acquisition of a property located in London, the United Kingdom. Due to the substantial increase in bank loans, interest expenses also increased to approximately HK\$7,283,000 for this period, as compared to HK\$242,000 for the previous corresponding period.

Total banking facilities, comprising primarily bank overdrafts and loans, amounted to approximately HK\$793 million as at 30 September 2005, of which approximately HK\$257 million was unutilised.

FINANCIAL REVIEW (Continued)

Risk management relating to interest rates

Whilst the Group's bank borrowings are on a floating rate basis, during this period, the Group entered into interest rate swap arrangements with a bank for a total notional amount of HK\$150 million to manage the risk of interest rate upward trends.

Charges on assets

As at 30 September 2005, the Group's banking facilities were secured by (i) charges on the investment properties of the Group with an aggregate carrying value as at 30 September 2005 of approximately HK\$485 million; (ii) charges on the Group's properties for development with an aggregate carrying value as at 30 September 2005 of approximately HK\$182 million; (iii) charges over the Group's time deposits of approximately HK\$28 million plus any interest accrued thereon; (iv) assignment of certain contracts together with charge over the bank accounts maintained with the bank for the purpose of receiving income from those contracts; and (v) corporate guarantees given by the Company to the total extent of approximately HK\$797 million.

Contingent liabilities

Details of the Group's contingent liabilities are set out in note 20 to the condensed consolidated financial statements.

PROSPECTS

Whilst there is no sign of significant increase in government capital expenditure for the near future, we will strive to seek job opportunities in the private sector. Meanwhile, we will keep up our efforts in maintaining strong project management to achieve sustaining profitability of our construction and engineering operations.

Although interest rates are on the upward trend, given the existing government policy on land sales, there remains room for a moderate growth in property prices. We are positive about the prospects of our property investment and development operations.

STAFF AND REMUNERATION POLICY

As at 30 September 2005, the Group employed 206 full-time employees in Hong Kong. The Group remunerates its staff based on their performance and work experience and by reference to the prevailing market rates. Staff benefits include mandatory provident fund, medical insurance and training programmes.

The Company also maintains a share option scheme. The purposes of the scheme are to provide incentives for the full-time employees and executives, to recognise their contributions to the growth of the Group and to provide more flexibility for the Group in formulating its remuneration policy. No share option was granted under the scheme during this period. Nor was there any share option outstanding at 30 September 2005.