

# Chairman's Statement

The Financial Year ended 31st July 2006 has been a year of preparatory work and cultivation. During this year, we witnessed the successful conclusion of various major corporate transactions and the Global Solution with the Scheme Administrator by which we have put an end to the last obstacle blocking our access to the booming market in offshore engineering and related shipbuilding activities as well as the up surge in demand in mega size marine related infrastructural projects to which our track record will prove indispensable. We are well positioned to take advantage of this market boom and foresee the fruits of this opportunity in the forthcoming period.

## Review of Business and Corporate Development

The rights issue, acquisitions of a Singapore yard holding company and the fleet of vessels, together with the disposal of two subsidiaries during this year have strengthened the capital base of the Company. The settlement structure agreement entered into between the Company and the Scheme Administrator followed with the issuance of promissory notes by the Company on 1 September 2006 has concluded the Global Solution for the Scheme and enable us to reallocate resources to focus on business development for the forthcoming years.

Apart from taking the new unfettered position with access to the market, we have beefed up our shipbuilding and fabrication facilities with the reacquired ownership of the Singapore shipyard and arrangements made to utilize the facilities in Dongguan, China. Together with our existing facilities in Zhongshan, China, the combined capacity with their independent advantages as well as the vertical integration benefits will ensure a strong competitive edge in the shipbuilding and related offshore engineering market with few matching competitions.

With the lead time to build up meaningful turnover volume in the forthcoming period, the fleet of acquired vessels will sustain the intermediate inventory of supply to the regional market which is in great demand of the type of vessels we have to offer.

## Business Prospects

Given the surplus in demand of shipbuilding capacity especially in the offshore related engineering equipment and services sectors, it is envisaged that the combined and coordinated operation of building facilities from Singapore and China will benefit and we may witness a very significant development in this segment of business. Conservative projection with reference to modest historical performance at these facilities suggests that the capacity can see the delivery of up to 4 to 6 units of +5000dwt-class vessels and with an annual steel fabrication capacity in excess of 20,000 tons. These projections were based on our historical performance in similar building projects and we are confident that these are feasible targets, having regards to the building facilities and reconstituted management team. With a view to upgrade the yard facilities as well as to provide for working capital in the range of HK\$50 million should the target is to achieve annual sales of up to HK\$150 million to HK\$200 million within a period of two years, there is a possible need to raise funds.



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The emerging marine engineering market for infrastructural projects in the region will ensure the Company to take full advantage of the combined experience in marine engineering, structural steel work and civil engineering activities and with the funding platform for typical build-operate-transfer projects, it is optimistic to foretell some significant acquisition of work will be materialized during the forthcoming period.

I would like to express my deepest appreciation to all staff members and the Directors for their hard work and dedication to the Company.

I would also take this opportunity to thank our customers, business partners, bankers and shareholders for their continued support from which we endeavour to grow more value for our shareholders.

**Leung Yu Oi Ling, Irene**

*Chairman*

Hong Kong

24 November 2006