

# Chairman's Statement

## Results

Subsequent to our breakeven results last year, we have made further progress. Net profit of HK\$23.0 million, though only a 5.1% return on average shareholders' equity, shows a significant recovery from 2003's loss of HK\$246.9 million and 2004's marginal profit of HK\$1.1 million. The improvement is particularly gratifying at the gross profit level with a profit of HK\$139.0 million compared to last year's HK\$93.0 million, an increase of 50% despite a drop in turnover. The improvement nonetheless is not so much a reflection of better industry conditions but tighter project management by our commercial department. Our costs, however, have increased, primarily employment costs, as we have reconfigured our management skills and team. Operating profit is HK\$51.4 million versus last year's loss of HK\$35.9 million. Though the swing of HK\$87.3 million is dramatic, around HK\$73.9 million is due to the write-back of property impairment provisions given the general recovery of Hong Kong's real estate. Hence the underlying improvement in operating profit of around HK\$13.4 million, albeit much welcomed, is no pedestal on which to rest our laurels. Our track record in our joint ventures is spotted and upon reflection, we believe management's main focus must be on reassessing the Company's core competitiveness and configuring its human resources commensurately. This has led to changes both in management staff as well as organizational structures this year. Changes are not easy to implement and execute well. But we try and we learn. As an example, a critical assessment of our joint venture record has led us to conclude we should only enter into such ventures where we have significant influence and control. Hence we have strengthened our management role in our existing ventures.

Our recognition of the valued added nature of construction management and our timely and successful completion of the Sands Casino in Macau has led to the award of the construction management contract for the entire Venetian development in what is now widely known as the 'Cotai strip', currently estimated by the client at around US\$1.5 billion (equivalent to HK\$11.7 billion). Our achievement in building Hua Wei Technology's corporate headquarters in Shenzhen also lends credibility to our PRC construction competence which helped to secure the RMB453.5 million (equivalent to HK\$427.2 million) contract for the development of the Central Park project in Beijing, an Hongkong Land joint venture. Going forward, we expect to further immerse ourselves in Macau and cautiously extend our presence in China. The restructuring we have been through has paid dividends which we are confident that it will continue. And to my independent directors I owe a deep debt of gratitude. Without their guidance and active involvement, the past year would have been much more difficult. They each bring with their experience in managing or monitoring successful companies — Mr. Tobias Brown as chairman of Noble Group; Mr. Herbert Hui as deputy and vice chairman of Ocean Grand Holdings Limited; Mr. Jeffrey Lam as managing director of Forward Winsome Industries Limited; Mr. Peter Lau as chairman of Giordano International Limited; and Mr. K. C. Kwong as managing director of Hongkong Sales (Int'l) Limited. In particular, these directors, schedules permitting, would meet with management on a monthly basis to review the Company's progress. Management, thus pressured, tightened and it is my hope this culture of accountability pervades to all levels.

Looking forward, we believe the coming year should show further continued progress.

The directors expressed their appreciation to shareholders for their patience and support for the Company's restructuring and reorganization to better meet market challenges in the past couple of years. With the turn-around in the Company's profitability, the Board of Directors recommends a final dividend of HK2.0 cents per share payable on 23rd August, 2005. As no interim dividend was paid for the financial year under review, total annual dividend remains at HK2.0 cents per share (2004: Nil).

## Group Business and Focus

Founded in 1939, the Group engages primarily in construction and related work mainly in Hong Kong, Macau and the PRC, in both the private and public sectors. Being one of the few full-service construction firms in Hong Kong, your Group undertakes a wide range of construction services such as a) building construction, including design and build; b) construction and project management, including integrated facilities management; c) civil engineering work; d) electrical and mechanical installation; and e) renovation and fitting-out work.

The Board intends to continue to focus on the Group's core businesses — construction and construction related value-added, fee based businesses — areas in which the Group has significant competitive advantages and goodwill given its emphasis on "**Quality & Service**" to its clients and performance track record over the last sixty five years.

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The Board knows that the Group's operational strategy of focusing on value-added work and then structuring contractual terms more creatively, maximises benefits to the Group and its clients. The Group remains focused on serving a selective group of institutional clients, both private and public, who value quality in the builder, as well as in the finished product, and are prepared to pay a premium for such quality.

The Group's full-serviced integration and range of core competences permit it to compete for a very broad spectrum of projects. Though this often involves higher costs associated with highly experienced personnel, it is usually countered by our flexibility in targeting cyclical opportunities, market niches and undertaking more complex projects or where quality and timely completion are absolute prerequisites.

For strategic reasons, a certain proportion of the Group's operations has been structured in joint ventures. In joint ventures, the Group may grow its core businesses by partnering with companies with complementary areas of expertise and quickly expand into new construction or construction-related fields, whilst minimising risks and avoiding costly outlays or learning curves. Though, as associate activities, the Group cannot account for its share of either turnover or outstanding contracts, the underlying economic benefits are no less.

### Appreciation

To preserve the market competitiveness of the Group, the Board pays close attention to human resources policies particularly in recruiting and retaining talents. Remuneration policy for the Group has been designed to ensure alignment of management, employees and shareholders' interest. As at 31st March, 2005, the Group employed a total of 857 (2004: 957) full-time employees. To enhance staff productivity, the Group provides in-house and external training programmes for all levels of staff. I would like to pay tribute to our entire loyal and dedicated staff who have demonstrated their professionalism, commitment and perseverance in all that we have undertaken. Without their whole-hearted dedication and support, we would not have been able to achieve our continuing business turnaround.

Last but not least, I wish to thank shareholders' continued support throughout the industry's difficult period of the last three or four years. The Group's restructuring and business refocus are aimed at maximizing shareholders' value, which will surely result.



**V-nee YEH**  
*Chairman*

Hong Kong SAR, 8th July, 2005