Managing Director's Review

Operating Results

Financial Highlights	Year ended 31st March		Change
	2006	2005	%
Turnover	**HK$2,276 million**	HK$1,154 million	+97
Profit attributable to equity holders of the Company	**HK$120 million**	HK$23 million	+422
Earnings per share	**HK18.8 cents**	HK3.6 cents	+422
Interim dividend per share	**HK3.0 cents**	Nil	N/A
Final dividend per share	**HK3.0 cents**	HK2.0 cents	+50
Special dividend per share	**HK6.0 cents**	Nil	N/A

The Group's turnover increased 97% to HK$2,275.9 million. The improvement was mainly attributable to higher turnover of projects awarded last year in Macau and Mainland China and the consolidation of our electrical and mechanical ("E&M") business, Hsin Chong Aster Building Services Limited ("Hsin Chong Aster"), which is now a subsidiary but was an associated company in last year. Gross profit increased by 31.2% to HK$182.5 million from the HK$139.0 million last year, due to improved contract profit margins as a result of additional income from completed building projects and the increase in construction management activities. Other income increased by 70.9% to HK$33.4 million on higher financial income due to improved yields. In property development, a write-back of HK$87.8 million (before minority interests) on the impairment provision in respect of Wen Chang Pavilion, a residential project in Guangzhou, the People's Republic of China (the "PRC") was made in light of the improved property market in Guangzhou and the satisfactory sales achieved to date. Furthermore, the improved valuations in Hong Kong's property market also led to revaluation gains of HK$45.0 million in respect of the investment property portion of Hsin Chong Center and the equity share of Novotel Century Harbourview. However, civil engineering activities undertaken through jointly controlled entities performed unsatisfactorily and incurred a loss of HK$25.0 million. Overall, the Group reported earnings of HK$150.3 million for the year (2005: HK$33.3 million) of which HK$120.3 million was attributable to our shareholders (2005: HK$23.0 million).

Segment Analysis

(1) Building construction and civil engineering

Turnover for the building and civil engineering divisions was HK$1,976.7 million (after eliminating inter-group construction work of HK$268.3 million), an increase of 76.0% compared with last year. The increase was attributable to higher turnover of projects awarded in all of Hong Kong, Macau and Mainland China. Profit after finance costs was HK$37.5 million (2005: profit of HK$18.6 million) as margins were improved resulting from additional income from completed buildings projects and the increase in construction management activities. However, building construction and civil engineering activities, undertaken through jointly controlled entities, performed poorly and incurred a loss of HK$25.0 million (2005: loss of HK$51.8 million) for the year.

The Group continued to increase its presence in the Macau market through its strategic relationship with the Las Vegas Venetian group, resulting in significant additional construction management contracts being awarded.

In China, the Group successfully completed the construction of Headquarters of Hua Wei Technologies Company Limited in Shenzhen, with two ongoing projects, including the Beijing CBD project, Central Park Phase II Group II secured last year and Phase III secured this year. These projects are progressing on track and are expected to be completed in 2007.

Segment Analysis *(continued)*

(2) Property development and rental

Turnover was HK$19.8 million representing mainly the rental income derived from Hsin Chong Center, No. 3 Lockhart Road, and Lung Mun Oasis, Tuen Mun. This year's occupancy rate of No. 3 Lockhart Road was 94% (2005: 100%), with lease renewal and new letting rentals achieving increased market rates. Profit after finance costs of HK$95.9 million, included a write-back of HK$87.8 million on the impairment provision for Wen Chang Pavilion in Guangzhou, PRC and a revaluation gain of HK$6.3 million on the portion of Hsin Chong Center occupied by related companies which, under Hong Kong Accounting Standard 40, is now classified as an investment property (2005: profit of HK$27.9 million, included a write-back of HK$24.9 million on the impairment provision for Hsin Chong Center).

Pre-sale of Phase I of Wen Chang Pavilion was launched in June, 2005. Of the 432 available units marketed, over 80% of the units were sold by the end of March 2006 at an average selling price slightly above RMB7,000 per square metre. As of the date of this report, the construction work has been substantially completed.

(3) Electrical and mechanical installation

During the year, the Group acquired the full interest in Hsin Chong Aster increasing its shareholding from 50% to 100% for a total consideration of HK$28.4 million. Consolidated turnover and total profit were HK$279.4 million and HK$4.9 million (including equity share of net profit of HK$0.4 million (2005: loss of HK$2.7 million)) respectively.

Given three separate successful awards at the Hong Kong Science Park Development in Taipo, the Group's E&M arm has proven its competitiveness in the tough local market and is expected to compete for larger and more complex projects in the coming years. With the positive future prospect of E&M business and the synergies expected to arise after acquisition, it is anticipated that the E&M division will continue to bring positive contribution to the Group.

(4) Other operations

Other operations include mainly results from other associated companies and joint ventures with a write back of HK$38.7 million on the impairment loss provision for Novotel Century Harbourview.

Novotel Century Harbourview average occupancy rate reached 91% for the year (2005: 90%) with average room rate 11% higher than the rate recorded last year. These rates were also higher than the benchmark occupancy and average room rate for the medium tariff hotels in Hong Kong.

During the year, the hotel had received various expressions of interest by potential buyers, and as a result Savills was appointed as the sole agent to arrange for the potential disposal of the hotel. On 1st June, 2006, Cheer Star Development Limited (as Vendor), being a 22.5% associated company of the Group, entered into a binding agreement with an independent third party to dispose of Novotel Century Harbourview at a consideration of HK$588.4 million. The Directors are of the view that the terms of the contract are fair and reasonable and in the interests of the Company and its shareholders as a whole. The completion of the sale and purchase shall take place on or before 29th September, 2006.

Managing Director's Review

Outlook

The Economy

Over the year, the Hong Kong economy has enjoyed continued and steady improvement with significant growth in the tourism related and retail sectors as Mainland Chinese people benefit from more relaxed travel and emigration policies. This factor has been very significant in the property sector where developers have been able to clear existing stock and consider new projects, although the Hong Kong Government's slow release of land has resulted in very limited new starts in the residential market. In Macau, where the economy is being driven by the unprecedented level of foreign direct investment mainly in the gaming and leisure market, we can see continued and significant growth in almost all sectors for the medium term. This is a relatively small market and the current pace of business activity will inevitably slow and stabilize over the next 5 to 8 years as the domestic infrastructure catches up with the current high levels of private sector investment. These markets are in contrast with China, which still enjoys strong growth but has over the year become under pressure to increasingly meet international standards in environmental, human rights, copyright protection and good corporate governance, especially in the more open sectors of the economy e.g. banking and financial services sectors, which has had a dampening effect on the economy in some areas.

The Industry

The lack of new starts in the Hong Kong property sector allied with the very limited capital expenditure infrastructure programme from the Government, has not met the needs of the construction industry and most consultants and contractors, whilst retaining their local presence, are now increasingly engaged in regional and, to some extent, international markets. The industry has responded well to the sharp upturn in work from Macau and good quality business has resulted from the fast track implementation of the gaming and leisure sectors, unfortunately however, with attendant inflationary cost pressures which is reflected in pricing levels.

The Group

In response to the limited revenue opportunities available in its domestic market, the Group has moved a substantial amount of its focus and resources into Macau in support of the construction management commitment it has with the Las Vegas Venetian group, but the scale of these projects is such that it continues to require staff recruitment at all levels. In addition, management has undertaken a full review of its business which has resulted in a consolidation of its Hong Kong building and civil engineering divisions and head office support team, with a greater focus on value-added opportunities either itself or in joint venture with strategic partners. Management has also concentrated on a more service orientated business focus, particularly in new markets, whilst retaining a level of large project capability in Hong Kong. With the value of work under construction management contracts in Macau is likely to almost double next year, the Group seeks to secure some major design and build projects coming out in Hong Kong in the next year, in order to establish a more balanced and commercially acceptable risk and reward profile in the orderbook. In China, we have reduced our resident management team to concentrate on our current workload while we develop a localisation policy. In the building services sector, the Group's electrical and mechanical installation and commissioning company – Hsin Chong Aster – has a full orderbook and continues to be tightly managed. Management believes that the measures taken during the year will keep costs tightly under control but provide a technically and commercially strong foundation for the achievement of the growth targets we have set ourselves.

Rodney Gordon FRANKS
Managing Director

Hong Kong SAR, 7th July, 2006