TYSAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 00687)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2006

RESULTS

The Board of Directors is pleased to announce the audited consolidated results of Tysan Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2006, together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2006

	Notes	2006 *HK$'000*	2005 *HK$'000* *(Restated)*
REVENUE	4	1,080,734	675,845
Cost of sales		(1,005,799)	(663,917)
Gross profit		74,935	11,928
Other income and gains		11,299	16,038
Selling expenses		(1,004)	(1,184)
Administrative expenses		(32,684)	(31,698)
Changes in fair value of investment properties		60,234	31,929
Other expenses		(2,867)	(8,644)
Finance costs	5	(20,346)	(7,247)
PROFIT BEFORE TAX	6	89,567	11,122
Tax	7	(32,736)	(12,798)
PROFIT/(LOSS) FOR THE YEAR		56,831	(1,676)
Attributable to:			
Equity holders of the Company		20,977	(22,467)
Minority interests		35,854	20,791
		56,831	(1,676)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	8	2.73 cents	(2.95 cents)
Diluted	8	2.69 cents	N/A

CONSOLIDATED BALANCE SHEET

31 March 2006

	2006 *HK$'000*	2005 *HK$'000* *(Restated)*
NON-CURRENT ASSETS		
Property, plant and equipment	99,280	120,533
Investment properties	1,075,150	995,540
Prepaid land lease payments	1,437	1,473
Properties under development	469,379	311,934
Interests in associates	—	234
Negative goodwill	—	(3,691)
Other assets	1,040	1,499
Deferred tax assets	160	1,877
Total non-current assets	1,646,446	1,429,399
CURRENT ASSETS		
Equity investments at fair value through profit or loss/short term investments	372	432
Inventories	8,673	10,151
Properties held for sale	11,468	11,468
Amounts due from customers for contract works	142,476	99,381
Trade receivables	219,555	145,026
Other receivables, prepayments and deposits	15,716	32,164
Tax prepaid	1,571	1,774
Time deposits	40,977	35,957
Cash and bank balances	199,135	102,070
Total current assets	639,943	438,423
CURRENT LIABILITIES		
Trade payables and accruals	175,030	142,791
Other payables, deposits received and receipts in advance	51,990	40,164
Amounts due to customers for contract works	19,261	19,373
Interest-bearing bank borrowings	202,680	123,918
Current portion of finance lease payables	—	250
Tax payable	6,713	2,340
Total current liabilities	455,674	328,836
NET CURRENT ASSETS	184,269	109,587
TOTAL ASSETS LESS CURRENT LIABILITIES	1,830,715	1,538,986
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	455,834	271,286
Deferred tax liabilities	266,689	243,694
Total non-current liabilities	722,523	514,980
Net assets	1,108,192	1,024,006
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	83,746	76,496
Reserves	522,731	477,355
	606,477	553,851
Minority interests	501,715	470,155
Total equity	1,108,192	1,024,006

Notes:

(1) **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain equity investments, which have been measured at fair value.

(2) **IMPACT OF NEW AND REVISED HKFRSs**

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39	AmendmentTransition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 20, 21, 23, 27, 28, 33, 36, 37, 38, HKFRSs 2, 5 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) ***HKAS 17 – Leases***

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is classified as to prepaid land lease payments, while buildings are classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement and accumulated losses. The comparative amounts for the year ended 31 March 2005 in the consolidated balance sheet have been restated to reflect the reclassification of the leasehold land.

(b) ***HKAS 32 and HKAS 39 – Financial Instruments***

(i) *Equity securities*

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 in the amount of HK$432,000 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities.

(ii) *Bank borrowings*

Upon the adoption of HKAS 39, the bank borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to the initial recognition, the bank borrowings are stated at amortised cost. This change in accounting policy has been accounted for by restating the bank borrowings by way of an opening adjustment to the accumulated losses and bank borrowings as at 1 April 2005.

The effects of the above changes are summarised in note (3) below.

(c) ***HKAS 40 – Investment Property***

In prior years, changes in the fair values of investment properties were dealt with as movements in the asset revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. As at 31 March 2005, the Group's investment properties had a net deficit of HK$7.8 million on a portfolio basis. As a result of the adoption of HKAS 40, the Group's profit before tax increased by HK$52.4 million for the year ended 31 March 2006. In addition, due to the adoption of HK(SIC)-Int 21(as mentioned below), deferred tax charge increased by HK$20.9 million for the year ended 31 March 2006.

(d) ***HKFRS 3 – Business Combinations***

In prior years, goodwill and negative goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the consolidated balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

Upon the adoption of HKFRS 3, any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the consolidated income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 April 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise at 1 April 2005 the carrying amounts of negative goodwill against retained profits.

As the Group's goodwill has been fully amortised/impaired as at 31 March 2005, the adoption of HKFRS 3 does not have any impact on goodwill. The effects of the change to negative goodwill are summarised in note (3) below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(e) ***HK(SIC)-Int 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets***

In prior years, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, which removes the presumption that the carrying amount of investment properties is to be recovered through sale, deferred tax arising on the revaluation of the Group's investment properties is determined on the basis that reflect the tax consequences that would follow from the recovery of the properties through use. Accordingly, the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes are summarised in note (3) below. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

(3) **SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES**

(a) ***Effect on the consolidated balance sheets***

At 1 April 2005

	Effect of adopting				
	HKAS 17#	HKAS 39*	HKFRS 3*	HK(SIC)-Int 21#	
Effect of new policies	Prepaid land lease payments *HK$'000*	Amortisation of cost of bank borrowings *HK$'000*	Derecognition of negative goodwill *HK$'000*	Deferred tax on revaluation of investment properties *HK$'000*	Total *HK$'000*
Assets					
Decrease in property, plant and equipment	(1,509)	—	—	—	(1,509)
Increase in prepaid land lease payments	1,473	—	—	—	1,473
Decrease in negative goodwill	—	—	3,691	20,649	24,340
Increase in other receivables, prepayments and deposits	36	—	—	—	36
					24,340
Liabilities/equity					
Decrease in interest-bearing bank borrowings	—	(2,491)	—	—	(2,491)
Increase in deferred tax liabilities	—	—	—	237,438	237,438
Decrease in minority interests	—	—	—	(119,245)	(119,245)
Decrease/(increase) in accumulated losses	—	2,491	3,691	(97,544)	(91,362)
					24,340

At 31 March 2006

	Effect of adopting				
	HKAS 17#	HKAS 39*	HKFRS 3*	HK(SIC)-Int 21#	
Effect of new policies	Prepaid land lease payments *HK$'000*	Amortisation of cost of bank borrowings *HK$'000*	Derecognition of negative goodwill *HK$'000*	Deferred tax on revaluation of investment properties *HK$'000*	Total *HK$'000*
Assets					
Decrease in property, plant and equipment	(1,473)	—	—	—	(1,473)
Increase in prepaid land lease payments	1,437	—	—	—	1,437
Decrease in negative goodwill	—	—	3,115	17,431	20,546
Increase in other receivables, prepayments and deposits	36	—	—	—	36
					20,546
Liabilities/equity					
Decrease in interest-bearing bank borrowings	—	(1,781)	—	—	(1,781)
Increase in deferred tax liabilities	—	—	—	263,989	263,989
Decrease in minority interests	—	—	—	(132,631)	(132,631)
Decrease/(increase) in accumulated losses	—	1,781	3,115	(111,121)	(106,225)
Decrease in exchange fluctuation reserve	—	—	—	(2,806)	(2,806)
					20,546

* Adjustments taken prospectively from 1 April 2005

Adjustments/presentation taken effect retrospectively

(b) ***Effect on the balances of equity at 1 April 2004 and at 1 April 2005***

	Effect of adopting			
	HKAS 39	HKFRS 3	HK(SIC)-Int 21	
Effect of new policies	Amortisation of cost of bank borrowings *HK$'000*	Derecognition of negative goodwill *HK$'000*	Deferred tax on revaluation of investment properties *HK$'000*	Total *HK$'000*
At 1 April 2004				
Increase in accumulated losses	—	—	(87,615)	(87,615)
Decrease in minority interests	—	—	(115,504)	(115,504)
				(203,119)
At 1 April 2005				
Decrease/(increase) in accumulated losses	2,491	3,691	(97,544)	(91,362)
Decrease in minority interests	—	—	(119,245)	(119,245)
				(210,607)

(c) ***Effect on the consolidated income statements for the years ended 31 March 2006 and 2005***

Year ended 31 March 2005

Effect of new policies	**Effect of adopting HK(SIC)-Int 21 Deferred tax on revaluation of investment properties** *HK$'000*
Decrease in other income and gains	(3,218)
Increase in tax	(10,452)
Decrease in minority interests	3,741
Total increase in loss	(9,929)
Increase in basic loss per share	(1.3 cents)
Increase in diluted loss per share	N/A

Year ended 31 March 2006

	Effect of adopting				
	HKAS 39	HKFRS 3	HKAS 40	HK(SIC)-Int 21	
Effect of new policies	Amortisation of cost of bank borrowings *HK$'000*	Derecognition of negative goodwill *HK$'000*	Surplus on revaluation of investment properties *HK$'000*	Deferred tax on revaluation of investment properties *HK$'000*	Total *HK$'000*
Increase in changes in fair value of investment properties	—	—	52,386	—	52,386
Decrease in other income and gains	—	(576)	—	(3,218)	(3,794)
Decrease in other expenses	460	—	—	—	460
Increase in finance costs	(1,170)	—	—	—	(1,170)
Increase in tax	—	—	—	(20,870)	(20,870)
Decrease/(increase) in minority interests	—	—	(26,488)	10,511	(15,977)
Total increase/(decrease) in profit	(710)	(576)	25,898	(13,577)	11,035
Increase/(decrease) in basic earnings per share	(0.1 cent)	(0.1 cent)	3.4 cents	(1.8 cents)	(1.4 cents)
Increase/(decrease) in diluted earnings per share	(0.1 cent)	(0.1 cent)	3.3 cents	(1.7 cents)	(1.4 cents)

(4) **SEGMENT INFORMATION**

(a) **Business segments**

	Foundation piling		E&M engineering and building construction		Machinery leasing and trading		Property investment and management		Property development		Unallocated		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (Restated)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (Restated)*
Segment revenue:																
Sales to external customers	792,770	429,086	172,003	125,690	20,162	15,427	95,799	95,363	–	10,279	–	–	–	–	1,080,734	675,845
Intersegment sales	2,407	–	1,159	648	2,268	2,430	–	–	–	–	–	–	(5,834)	(3,078)	–	–
Total	795,177	429,086	173,162	126,338	22,430	17,857	95,799	95,363	–	10,279	–	–	(5,834)	(3,078)	1,080,734	675,845
Segment results	22,078	(20,009)	7,660	2,639	3,422	(14,584)	107,254	76,727	1,199	6,168	(33,296)	(33,325)	–	–	108,317	17,616
Interest income															1,586	750
Dividend income from listed investments															10	3
Finance costs															(20,346)	(7,247)
Profit before tax															89,567	11,122
Tax															(32,736)	(12,798)
Profit /(loss) for the year															56,831	(1,676)

(b) **Geographical segments**

	Hong Kong		Elsewhere in the PRC		Unallocated		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (Restated)*	*HK$'000*	*HK$'000 (Restated)*	*HK$'000*	*HK$'000 (Restated)*
Segment revenue:								
Sales to external customers	788,553	571,087	292,181	104,758	—	—	1,080,734	675,845

(5) **FINANCE COSTS**

	2006 *HK$'000*	2005 *HK$'000*
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	29,153	10,085
Finance leases	2	126
Total interest	29,155	10,211
Less: Interest capitalised in properties under development	(8,809)	(2,964)
	20,346	7,247

(6) **PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	2006 *HK$'000*	2005 *HK$'000 (Restated)*
Goodwill amortisation for the year	—	87
Depreciation	45,156	57,287
Amortisation of prepaid land lease payments	36	36
Minimum lease payments under operating leases of land and buildings	9,879	9,224
Rental of construction equipment	13,775	10,896
Auditors' remuneration:		
Provision for the year	1,623	1,285
Underprovision/(overprovision) in the prior year	99	(191)
	1,722	1,094
Employee benefits expense: (including directors' remuneration):		
Wages and salaries	133,716	112,031
Pension scheme contributions	4,560	4,043
	138,276	116,074
Foreign exchange losses/(gains), net	(788)	184
Provision for impairment of trade receivables	142	2,063
Write-down of inventories to net realisable value	172	1,851
Loss/(gain) on disposal of an investment property	109	(105)
Changes in fair value of equity investments at fair value through profit or loss/short term investments	60	(208)
Impairment on other assets	459	—
Provision for impairment of an amount due from an associate	234	—
Rental income from operating leases of machinery	(6,002)	(5,584)
Gross rental income from investment properties	(93,861)	(93,890)
Less: Outgoings	21,806	19,986
Net rental income from investment properties	(72,055)	(73,904)
Dividend income from listed investments	(10)	(3)

(7) **TAX**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere in the PRC have been calculated at the applicable tax rates prevailing in the areas in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006 *HK$'000*	2005 *HK$'000 (Restated)*
Provision for tax in respect of profit for the year:		
PRC:		
Hong Kong	986	531
Elsewhere	12,809	8,175
	13,795	8,706
Overprovision in the prior year:		
PRC:		
Hong Kong	—	(1,080)
Elsewhere	(90)	(15)
	(90)	(1,095)
Deferred tax	19,031	5,187
Total tax charge for the year	32,736	12,798

(8) **EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculation of the basic earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the Company of HK$20,977,000 (2005: net loss of HK$22,467,000 (restated)), and the weighted average number of 768,739,875 (2005: 761,910,013) ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount for the year is based on the net profit for the year attributable to ordinary equity holders of the Company of HK$20,977,000. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation of 768,739,875 and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares during the year of 12,398,490.

A diluted loss per share amount for the year ended 31 March 2005 has not been disclosed, as the share options outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

(9) **TRADE RECEIVABLES**

	GROUP 2006 *HK$'000*	2005 *HK$'000*
Trade receivables:		
Within 90 days	172,679	106,923
91 to 180 days	2,333	1,164
181 to 360 days	153	973
Over 360 days	180	431
	175,345	109,491
Retention receivables	44,210	35,535
	219,555	145,026

(10) **TRADE PAYABLES AND ACCRUALS**

	GROUP 2006 *HK$'000*	2005 *HK$'000*
Trade payables:		
Within 30 days	98,160	65,641
31 to 90 days	8,298	13,313
91 to 180 days	511	920
Over 180 days	1,311	4,407
	108,280	84,281
Retention payables	15,759	16,502
Accruals	50,991	42,008
	175,030	142,791

CLOSURE OF REGISTER OF MEMBERS

The register of Shareholders will be closed from 23 August 2006 to 30 August 2006 (both dates inclusive), during which period no transfer of shares of the Company will be registered. All transfers and relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 22 August 2006.

DIVIDEND

The Board considered that more earnings should be retained for internal resources. As such, it was resolved that no recommendation for the payment of a final dividend would be made for the year ended 31 March 2006 (2004/05: Nil). No interim dividend was paid for the six months ended 30 September 2005 (2003/04: Nil).

BUSINESS REVIEW

Hong Kong Market

During the year under review, the Hong Kong economy continues its recovery cycle with a GDP growth of 7.3% in 2005 and 8.2% in the first quarter of 2006. However, the outlook of the local market is yet to be seen as it is clouded by the global factors of surging oil prices and rising interest rates. Nevertheless, as the market leader in the foundation industry, the Group will continue to ride on its competitive edge and capitalize on coming opportunities.

Foundation Piling

During the year under review, turnover of the foundation division increased by 85% to HK$793 million while net contribution made a turnaround to HK$22 million. Approximately 64% of the Group's contracts during the year under review were from the private sector while the remaining were from the public sector. The Group's major contracts on hand include, inter alia, HSBC Building in Tseung Kwan O, Housing Authority's Upper Wong Tai Sin Estate Phase 3 and the recently awarded Venetian Parcel 2 project and Venetian Parcels 5 and 6 project in Macau. With a solid booming construction market in Macau as a backdrop, the Group expects the foundation division to perform well in the financial year ending 31 March 2007.

Other Construction Related Sectors

During the year under review, the turnover of the Group's electrical and mechanical engineering division and building construction division increased by 37% to HK$172 million while operating profit increased by 1.9 times to HK$7.7 million. With a lean and efficient structure, the divisions remain to be competitive in the industry and are expected to bring profitable returns to the Group.

With the successful implementation of the Group's market strategies, the machinery hiring and trading division made a healthy turnaround and recorded a turnover of HK$20 million and a contribution of HK$3.4 million during the year under review. With an optimal fleet and a lean structure, the Group expects the division to bring positive contribution in the coming year.

PRC Market

Shanghai and Tianjin, the two cities where the Group's property projects are located, continue to rank among the highest growth cities in China. In 2005, China's GDP grew 9.9% to over Rmb18,232 billion with a per capita GDP of Rmb13,985. Shanghai recorded a GDP growth of 11.1% to Rmb914 billion with a per capita GDP of over Rmb51,583 while Tianjin experienced a GDP growth of 14.5% to Rmb366 billion in 2005 with a per capita GDP of Rmb35,457.

Property Investment and Management

The Group's experienced property management team continues to play a key role in enhancing the value of our investment projects. With the growing influx of expatriates into China, the demand for quality service apartments is immense. Leveraging on its renowned high standard and distinguished services, the Group's service apartments in Shanghai, China Garden and Aidu, have continued to enjoy satisfactory growth and high occupancy level.

During the year under review, Tianjin International Building ("TIB") continues to command the highest rental in Tianjin and enjoy a high occupancy rate. The renovation of TIB's service apartments is well underway and the market response of the newly refurbished apartments is overwhelming. With the "Bohai Sea Rim Economic Circle" becoming the latest economic engine in China, Tianjin is expected to be boosted by growing domestic and foreign investments. TIB, being the landmark building located in the heart of the city, is well positioned to benefit from the forthcoming growth in Tianjin.

The outlook of the Group's investment properties in China is favoured by the continuous strong GDP growth in China and the potential appreciation in Renminbi.

Property Development

The sudden massive influx of capital into China has caused a temporary indigestion to its semi-open monetary system. As a result, the central government has recently announced a series of responsive measures with the target to discourage short sighted investment behaviour in various economic sectors. Such macro-economic controls will undoubtedly cast a negative impact on the property market but in the medium to long run, they will govern and direct the market towards a more healthy and stable environment.

The Waterfront, a downtown residential development along the enchanting Suzhou river in Shanghai, commenced its pre-sale in the middle of June 2006. A total of 113 units were launched and despite the austerity measures which started on 1 June 2006, more than one-third of the units were sold. With a total area of about 147,000 sqm, The Waterfront is being developed to a mid-upper class residential complex totaling 993 units and will offer a wide range of club facilities and services to its residents. The first phase of the project is expected to be completed in the second half of 2007. With the positive market response of its first launch endorsing its prime location, stunning river view and direct access to the mass transit and light rail stations etc., the Group is confident in the future launches of its other towers. The Waterfront by any means is a new milestone for the Group.

In China's 11th Five Year Plan (2006-2010), Tianjin's Binhai New Area has been designated by the State Council as an experimental zone for comprehensive reforms and will be built into a third economic powerhouse after Shenzhen and Pudong of Shanghai. In addition, Tianjin's development and integration with Beijing and Hebei Province are also being set as a national development priority. With such committed support from the central government, the economy of Tianjin is expected to grow at a much faster pace. The Group is thus optimistic on its residential development project along Tianjin Haihe River, with a total area of about 75,000 sqm, which has commenced works and is expected to launch its pre-sale program in the first half of 2007.

PROSPECTS

The unprecedented construction boom in Macau has definitely opened a new doorway for the Group. As one of the first movers, our Group has now established a strong foothold and sound reputation in Macau. With the casinos, hotel operators and the Macau government planning to invest billions of dollars to turn Macau into "Asia's Las Vegas", our Group is well poised to further capitalize on the coming opportunities and its rapid development. Apart from Macau, the Group will continue to leverage on its established leadership in the foundation industry in Hong Kong and is cautiously optimistic about the overall prospects of its foundation division.

The macro-economic measures instituted in the property sector by China's central government offer both opportunities and challenges. While the tax measures, credit tightening and restrictions on over concentrated investments will slowdown the momentum of the property market in the near term, the long term effect of such policies will in fact benefit proper long term players since the property market will steer away from unhealthy development caused by foul play in the industry. With the liberalization of the market under WTO, rising affluence and strong GDP growth, the Group remains confident in the property market in Shanghai and Tianjin and expects the two development projects to generate good earnings for the future financial years.

FINANCIAL REVIEW

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 March 2006, the Group's cash on hand was approximately HK$240 million (31 March 2005: HK$138 million) while total assets and net assets (excluding minority interests) were approximately HK$2,286 million (31 March 2005: HK$1,868 million) and HK$606 million (31 March 2005: HK$554 million) respectively. As at 31 March 2006, the Group's working capital amounted to HK$184 million.

The Group's net borrowings were HK$418 million as compared to HK$257 million in the previous period. Net debt to equity (includes minority interests) gearing ratio was 38 per cent. as compared to 25 per cent. last year. As at 31 March 2006, contingent liabilities increased from HK$41 million to HK$76 million in relation to guarantees of performance bonds while certain of the Group's non-current assets with a book value of approximately HK$604 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were mostly denominated in Hong Kong dollars but Renminbi loan facilities have also been arranged for its PRC subsidiaries. Currency exposure in the Renminbi borrowings has been hedged by the Group's Renminbi assets and revenue as generated by its PRC properties.

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries and joint ventures in Hong Kong and the PRC, employed approximately 990 employees as at 31 March 2006. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Fringe benefits include provident fund, medical insurance and training. In addition, share options may also be granted in accordance to the terms of the Group's approved share option scheme.

CORPORATE GOVERNANCE

The Company is committed to maintaining good corporate governance and has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules"). For the financial year ended 31 March 2006, the Company has complied with the Code save for the following deviations:

Code Provision A4.1 stipulates that non-executive directors should be appointed for a specific term subject to re-election.

The independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company. As such, the board of directors of the Company (the "Board") is of the view that the non-executive directors of the Company need not be appointed for a specific term.

Code Provision A4.2 stipulates every director should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, at each annual general meeting, one third of the directors shall retire from office by rotation provided that notwithstanding anything therein. The chairman of the Board and the managing director of the Company shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the roles of the chairman and the managing director provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the chairman of the Board and the managing director of the Company should not be subject to retirement by rotation.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules ("Model Code") as the code of conduct regarding directors' securities transactions. Having made specific enquiry, all the Directors have confirmed that they have fully complied with the required standard set out in the Model Code for the year ended 31 March 2006.

Audit Committee

The Group's Audit Committee has adopted new terms of reference on 20 September 2005 in order to comply with the requirements of the code provisions of the Code. The Group's Audit Committee comprises three members, Mr. Fan Chor Ho Paul, Mr. Chau Cham Son and Mr. Tse Man Bun, who are independent non-executive directors of the Company. The Group's Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the Group's audited results for the year ended 31 March 2006.

Remuneration Committee

The Company established a Remuneration Committee on 20 September 2005 in accordance with the requirements of the Code. The Remuneration Committee comprises two independent non-executive directors, namely Mr. Fan Chor Ho Paul, Mr. Tse Man Bun and one executive Director, Mr. Francis Cheung.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication, hard work and contribution especially during such challenging period. In addition, we would also like to thank all our shareholders for their support of the Group.

On behalf of the Board
FRANCIS CHEUNG
Chairman

Hong Kong, 28 July 2006

As at the date of this announcement, the members of the Board comprise six executive Directors, namely (i) Mr. Francis Cheung, (ii) Mr. Fung Chiu Chak, Victor, (iii) Mr. David Chien, (iv) Miss Jennifer Kwok, (v) Mr. Chiu Chin Hung, and (vi) Mr. Wong Kay, and three independent non-executive Directors, namely Mr. Fan Chor Ho, Paul, Mr. Chau Cham Son and Mr. Tse Man Bun.