

BUSINESS REVIEW

During the year ended 31 March 2001, the Group's principal businesses included a wide range of public and private sectors construction works in Hong Kong:

- (i) construction of Government, institutional buildings and public housing;
- (ii) repairs, maintenance, renovation and fitting out of public housing and Government and other institutional buildings;
- (iii) civil engineering construction, which comprises roadworks, drainage and sewerage works, water supply works and utilities engineering works; and
- (iv) landslip preventive and remedial works to slopes and retaining walls.

The Group's subsidiaries, namely Able Engineering Company Limited ("Able Engineering"), Excel Engineering Company Limited ("Excel") and Gadelly Construction Company Limited ("Gadelly"), provide building and civil engineering construction services principally for the Works Bureau, The Hong Kong Housing Authority as well as the private sector in Hong Kong. The Group's major role as the main contractor is to provide overall project management and supervision, to supply labour and plant, to procure the supply of construction materials and to ensure that the works carried out by subcontractors conform with contract specifications.

The year ended 31 March 2001 was an eventful year for the Group as the Group has achieved a number of milestones. They have enhanced the Group's corporate status as well as business operations.

On 8 September 2000, the Company successfully completed the initial public offering and listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited under the stock code 15. A total of 30,000,000 new ordinary shares were issued to the public and net proceeds of approximately HK\$22,000,000 were raised. The Group has utilised these proceeds as follows:

- as to approximately HK\$3,600,000 to finance the Group's public housing construction works;
- as to approximately HK\$3,700,000 to finance the Group's civil engineering construction works, landslip preventive and remedial works;
- as to approximately HK\$9,300,000 to finance construction and repairs, maintenance, renovation and fitting out of public housing, Government and other institutional buildings; and
- as to the balance of approximately HK\$5,400,000 as additional working capital for the Group.

In May 2000, the Group completed a strategic acquisition to assimilate a controlling 51.45% equity interest in each of Excel and Gadelly at a total consideration of HK\$16,827,000. Excel and Gadelly have over 24 years' experience and expertise in building maintenance works, civil engineering construction works and landslip preventive works in both public and private sectors. They also possess the requisite licences to carry out these works for the public sector. In order to better realise the synergy brought about by the acquisition of Excel and Gadelly, the Group further acquired the remaining 48.55% equity interests in Excel and Gadelly by entering into a sale and purchase agreement on 9 March 2001. This acquisition was completed on 27 April 2001 at an aggregate consideration which was settled by the issue and allotment of 16,000,000 new ordinary shares in the Company to the vendors. Excel and Gadelly have become wholly owned subsidiaries of the Group since then. Details of this acquisition was disclosed in the Company's circular dated 3 April 2001.

CHAIRMAN'S STATEMENT

PROSPECTS

The Group has adopted a prudent but progressive development strategy which has been proven successful as evidenced by the Group's creditable track records. The Group's active participation in construction works in the public sector over the past years not only enables the Group to gain reputation among its major customers such as the Government Works Bureau, the Housing Authority, etc., but also laid a strong foundation for the Group to expand its scope of services and works.

In accordance with the policies already laid down in the School Improvement Programme, the Hong Kong Government has devoted and will continue to devote considerable resources to upgrading the facilities of over 900 primary and secondary schools in Hong Kong. This provides ample opportunities for contractors including the Group. Therefore, capitalising on these opportunities and the Group's creditable track records built upon the various similar projects already completed by the Group, the Group will continue to actively bid for works under the School Improvement Programme. Furthermore, the Group will also strive to undertake larger size projects for the construction of new schools or other institutional buildings, in addition to redevelopment of existing schools or buildings.

Over the past years, the Group has accumulated substantial financial resources and valuable experience in contracting and project management. Therefore, the Directors believe that it has been an appropriate time for the Group to seek expansion and diversify its businesses so as to strengthen its revenue base. The acquisition of Excel and Gadelly marked an important step of the Group towards this goal. Excel and Gadelly possess the expertise and licences to carry out construction works in five major areas: water works, roads and drainage, building maintenance, landslip preventive works and utilities civil works, which supplement the Group in other areas. With Excel and Gadelly, the Group will actively tender for a much wider range of construction and civil engineering contracts in Hong Kong. The Group aims to increase its market shares in both public and private sectors building and civil engineering construction works in Hong Kong.

With the Group's good reputation in customer service and work quality, sufficient cash flows generated from internal operations and banking facilities and enhanced corporate status achieved through the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited, the Directors are confident that the Group can achieve its long term target to become one of the leading construction contractors in Hong Kong.

DIVIDEND

The Board of Directors has recommended a final dividend of HK6.5 cents per ordinary share in respect of the year ended 31 March 2001. This recommendation is subject to shareholders' approval at the Annual General Meeting to be held on 20 July 2001. Upon shareholders' approval, the final dividend will be paid on 27 July 2001.

BONUS ISSUE

The Board of Directors has also recommended the issue of one bonus share for every five ordinary shares held by members on the register on 20 July 2001. This recommendation is also subject to shareholders' approval at the Annual General Meeting to be held on 20 July 2001. This bonus issue provides a bonus dividend to members in addition to the cash dividend.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 13 July to 20 July 2001, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend and the bonus shares, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share register in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, no later than 4:00 pm on 12 July 2001.

APPRECIATION

On behalf of the Board of Directors, I am pleased to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication and the Company's shareholders for their support.

On behalf of the Board

Ngai Chun Hung
Chairman

Hong Kong, 14 June 2001