

INTERIM DIVIDEND

The Directors have resolved not to pay an interim dividend to shareholders (2000: nil).

BUSINESS REVIEW

During the period under review, the Group successfully completed three substantial contracts with total contract value of approximately HK\$163 million.

As at 30 September 2001, the total value of the contracts on hand amounted to approximately HK\$500 million. The contracts on hand are all progressing satisfactorily and on schedule.

Over the past years, the Group has placed significant emphasis on quality of works, site safety and environmental safety. As evidence to the Group's performance in these aspects, the Group has won the following awards during the period:

- Considerate Contractors Site Award Scheme from the Works Bureau in recognition of the performance of Able Engineering Company Limited ("Able") at its construction site of the completed project at the Police Training School in Wong Chuk Hang
- Considerate Contractors Site Award Scheme from the Works Bureau in recognition of the performance of Excel Engineering Company Limited ("Excel") at its construction site of the on-going project of the Village Flood Protection Works for Wang Chau
- Green Contractor Bronze Award from the Architectural Services Department in recognition of Excel's environmental performance of the construction site of the completed project for the Basement and Piling Foundations for Building 5, Science Park
- Certificate of Merit of the Green Contractor Award from the Architectural Services Department in recognition of Able's environmental performance of the construction site of the completed project of the School Improvement Programme Phase II, Package 5, Group 6
- HKCA Safety Achievement Award from The Hong Kong Construction Association

Furthermore, based on the Group's satisfactory track records, the Group has been confirmed by the Works Bureau in Group C under the "Buildings" category in its list of approved contractors for public work. This means the Group is now able to tender for any number of individual Group C contracts without any limit to the contract value.

The management believes that the above-mentioned awards not only serve to recognise the Group's past performance but also help to enhance the Group's chance to secure further projects from the Government in future.

MAJOR ACQUISITION

On 27 April 2001, the Group successfully completed the acquisition of the remaining 48.55% interests in Excel and Gadelly Construction Company Limited ("Gadelly"), which were then non-wholly owned subsidiaries of the Group. The consideration of this acquisition was settled by the issue and allotment of 16,000,000 new ordinary shares of HK\$0.1 each in the capital of the Company to the vendors. Excel and Gadelly have become wholly owned subsidiaries of the Group since then.

Excel and Gadelly each has over 20 years of experience and expertise in building maintenance works, civil engineering construction works and landslip preventive works in both public and private sectors. Moreover, they possess the requisite licences to carry out these works for the public sector. Therefore, the management believes that the acquisition has laid a strong foundation for the Group to expand its businesses over civil engineering areas. It also enhances the Group's position as contractor to provide a wider range of building construction and civil engineering services.

FINANCIAL REVIEW

This year has been a difficult period for the Group. Due to the decline in the number of construction projects available for tendering from the Hong Kong Housing Authority, the competition has been exceptionally fierce in the construction market. As a result, the tendering prices have been forced down and the profit margins have been low. The Group incurred net loss attributable to shareholders of approximately HK\$3,386,000 for the period under review (2000: profit HK\$14,152,000). On the other hand, the Group's turnover for the period increased slightly by 6% as compared with the corresponding period last year to approximately HK\$159,203,000 (2000: HK\$150,175,000).

As at 30 September 2001, the Group had cash and cash equivalents on hand of approximately HK\$6,761,000 (31 March 2001: HK\$34,250,000). Bank borrowings and finance lease payables amounted to approximately HK\$14,093,000 as at 30 September 2001 (31 March 2001: HK\$2,258,000). With effective cash flow management, the Group maintained a strong working capital position as at 30 September 2001, which is reflected in the current ratio at a healthy level of 2.1 (31 March 2001 restated: 2.4). In addition, the Group had unutilised banking facilities of approximately HK\$14 million as at 30 September 2001.

PROSPECTS

Subsequent to the period end, the Group has secured three substantial contracts with total value of approximately HK\$135 million.

Over the past, the Group has placed strong emphasis on quality of works. As a result, the Group has built up good reputation in the construction markets, especially the public sector. Although the construction market is still highly competitive, quality of works remains the main concern of the Group. On the other hand, the management will also place extra emphasis on project management so as to keep down the construction costs and maintain the Group's competitiveness.

As the Group has already obtained the confirmed status in Group C under the "Buildings" category of the Works Bureau's list of approved contractors for public work, there is no longer any limit to the value of contracts tendered by the Group. Therefore, the Group will increase its efforts to actively bid for more projects.

While the private sector remains stagnant, the Group will focus on the opportunities of the School Improvement Programme, under which the Government is offering substantial amounts of projects. Over the past, the Group has successfully completed the extension or renovation of 33 schools with total contract value of over HK\$520 million under this programme. Based on these creditable track records, the management believes that the Group will be able to secure more projects. Stepping up efforts both in tendering and controlling costs, the management is confident the Group will overcome the current market adversities and achieve long-term sustainable profitability.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2001, the interests of the directors, chief executives and their associates in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:

Director	Type of Interests	Number of Shares
Mr. Ngai Chun Hung ("Mr. Ngai")	Other	122,733,600 (Note 1)
Mr. Yau Kwok Fai ("Mr. Yau")	Corporate	7,722,000 (Note 2)

Notes:

- (1) These shares are legally and beneficially owned by Winhale Limited ("Winhale"), which is a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by the Xyston Trust. The Xyston Trust is a discretionary family trust set up by Mr. Ngai for the benefits of Mr. Ngai and his family members.
- (2) These shares are legally and beneficially owned by Business Success Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Yau.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirements of the Hong Kong Companies Ordinance. Certain directors also have beneficial interests in non-voting deferred shares practically carrying no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution or winding up in a subsidiary.

Save as disclosed above, as at 30 September 2001, none of the directors or the chief executive of the Company or their respective spouse or children under 18 years of age had any interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or to the Model Code or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At no time during the six months ended 30 September 2001 was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of ordinary shares held	Percentage of issued share capital
Winhale	122,733,600	58.11%
HKSCC Nominees Limited	61,820,800	29.27%

Note: The above interest in the name of Winhale was also disclosed as interests of Mr. Ngai under the heading "Directors' Interests In Securities".

Save as disclosed above, no other person had registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded in the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2001.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters. The Audit Committee has also reviewed the unaudited interim financial statements.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company set up an audit committee (the "Committee") on 8 September 2000 with written terms of reference for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises the two independent non-executive directors of the Company.

APPRECIATION

On behalf of the Directors, I would like 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