

BUSINESS REVIEW

During the year, the Group successfully completed several substantial contracts including, among others, the construction of Tactical Training Complex at the Police Training School, St. John the Baptist Church and Care and Attention Home at Tseung Kwan O, and PCCW Civil Works Term Contract for Urban Area and Outlying Islands.

As at 31 March 2002, the total value of the Group's substantial contracts on hand was approximately HK\$1,051 million. Details of these substantial contracts are set out on pages 10 to 11. The contracts on hand are all progressing satisfactorily and on schedule.

Over the past years, quality of works, site safety and environmental safety have always been the Group's major concerns. As evidence of the Group's performance in these aspects, the Group's wholly-owned subsidiaries, Able Engineering Company Limited and Excel Engineering Company Limited have won several awards during the year. These awards include the Considerate Contractors Site Award from the Works Bureau, the Green Contractor Certificate of Merit Award from the Architectural Services Department (ASD) and the Safety Achievement Award from The Hong Kong Construction Association.

In October 2001, Able Engineering Company Limited was confirmed by the Works Bureau of the Government of the HKSAR in Group C under the "Buildings" category in its list of approved contractors for public works, which entitles the Group to tender for any number of individual Group C contracts without any limit to the contract value. Pursuant to this upgrade in the approved contractors list and by the end of this financial year, the Group already secured 4 significant contracts for conversion and extension to 5 existing schools under the School Improvement Programme and the construction of 7 new schools, the total contract value of which amounted to approximately HK\$643 million. This really marked an encouraging step of the Group towards its aim to be one of the leading construction contractors in Hong Kong.

MAJOR ACQUISITION

On 27 April 2001, the Group successfully completed the acquisition of the remaining 48.55% interests in Excel Engineering Company Limited ("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.

Based on more than 25 years' experience and expertise in building maintenance works, civil engineering construction works and landslip preventive works in public as well as private sectors, the business of both Excel and Gadelly is developing smoothly and satisfactorily. Since their acquisitions, they have been making positive contributions to the Group. Total turnover of Excel and Gadelly has been in steady growth. In February 2002, Excel succeeded with a contract for PCCW for telephone cable laying work for another term of three years. During the year, Excel and Gadelly successfully completed 7 significant contracts with the total contract value amounting to approximately HK\$180 million. The total value of their contracts on hand as at the end of this financial year was approximately HK\$360 million.

PROSPECTS

In May 2002, the Group was awarded by the ASD a 39-month term contract for the alterations, additions, maintenance and repair of buildings and lands with a total contract value of approximately HK\$455 million. It is the largest value of one single contract of similar works that the Group has ever obtained.

CHAIRMAN'S STATEMENT

The Group has determined to step up its efforts to actively bid for more projects to capitalise on the confirmation in Group C Buildings Category in the Works Bureau's list of approved contractors for public work. These efforts have proved fruitful. Since the said confirmation of the Group C status, the Group has already secured contracts valued over HK\$1,000 million in total from the HKSAR Government since October 2001. These contracts will substantially be completed in 2 to 4 years' time.

On the other hand, the ASD is offering further contracts for tender under the final phase of the School Improvement Programme (SIP) in the coming months. Based on the Group's satisfactory track records with the ASD, the management expects that the Group will be able to secure more substantial contracts under the SIP. In addition, opportunities for slope works in the market are on the increase. The management expects that the Group will be able to secure more slope works contracts.

Meanwhile, the outlook of the economy in Hong Kong remains uncertain. Therefore, the management will maintain its prudent financial policies and continue to place extra emphasis on project management so as to keep down the construction costs. However, the management believes that, due to the upgrade in the Group's licence to perform public work, the Group will continue to secure contracts of considerable values. At the same time, the management will strive to contain the operating costs at the current levels. Based on a prospective increase in contract revenue, coupled with strict costs control and prudent financial measures, the management is confident that the Group will turn around its loss position and achieve profitability in the near future.

APPRECIATION

On behalf of the Board, 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, 18 June 2002