

CHAIRMAN'S STATEMENT

Results

During the financial year 2002/2003, the Group recorded a net profit of HK\$4,179,000 with earnings of HK1.45 cents per share compared with a net loss for the year 2001/2002 of HK\$29,342,000 with loss of HK10.21 cents per share.

Dividend

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2003.

Business Review

During the period under review, the Group has been able to return to profitability and has recorded an operating profit as compared with a loss recorded in the corresponding period of last year. This is mainly due to the recovery of a total sum of HK\$11.6 million from various projects for which provisions had been made as doubtful debts in previous fiscal years.

The Group has continued to experience fierce competition from other companies in tendering for construction projects in both the private and public sectors. In view of the aggressive cut-throat bidding situations in the construction market and the increasingly demanding expectations of customers and other participating professionals concerning the quality of final products, the Group continues to adopt a prudent approach when tendering for new projects. The contracts secured in the second half of the financial year include a fitting out contract for a shopping centre in Tsuen Wan, a slope improvement works contract at Braemar Hill Mansion, a bored pile contract for footbridge foundation to Castle Peak Road Improvement, a foundation contract at Sai Yeung Choi Street, a foundation contract for a commercial development at Queen's Road Central, a landscaping works contract in Hong Kong Disneyland and several electrical and mechanical works contracts. Together with contracts secured earlier, the total value of contracts on hand was about HK\$500 million.

In the second half of the financial year, the Group has satisfactorily completed a number of projects including a foundation contract for an office development in Cheung Sha Wan, a demolition contract in Shatin, a school improvement works contract for Tai Po Sam Yuk Secondary School and a fitting out contract for the presidential suite at Harbour Plaza Hotel.

Following the award of the EPC (Engineering-Procurement-Construction) Contract for the sewage treatment facilities in Zhuhai through a jointly-controlled entity, the Group has actively commenced the design phase of the project.

The Group has also secured several landscaping contracts in China through a joint-controlled entity with other professional and renowned companies in the landscaping markets.

Prospects

Looking ahead, it is anticipated that the private sector will continue to be sluggish in the foreseeable future and accordingly the Group will concentrate on securing public and institutional works.

The difficult market conditions in the local construction industry have caused the Group to take a fresh look at its core business in Hong Kong. The Group will continue to enforce cost control measures including closing down of the non-core business subsidiaries which cannot contribute profits to the Group so as to maintain its cost-effectiveness. Consolidation of the Group's operations in Hong Kong will continue for the foreseeable future.

The Group will continue to explore new business opportunities in China focusing mainly on environmental, industrial related projects and landscaping markets.

Employees

During the year under review, the Group employed approximately 150 staff, excluding workers under exclusive subcontracting arrangements.

Compliance with the Code of Best Practice

In the opinion of the directors, the Group complied with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year covered by the annual report, except that the non-executive director and the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

Liquidity and Financial Resources

As at 31 March 2003, the Group's outstanding borrowings amounted to HK\$8,724,000, comprising bank loans and other bank borrowings of HK\$8,349,000 and finance lease liabilities of HK\$375,000. The Group's banking facilities were supported by legal charges of the Group's leasehold land and buildings of HK\$1,780,000 (2002: HK\$2,200,000) and an investment property of HK\$1,420,000 (2002: HK\$1,500,000), legal charges on the Group's short term investments of HK\$15,895,000 (2002: HK\$14,570,000), pledged deposits of HK\$22,324,000 (2002: HK\$21,784,000) of the Group, and corporate guarantees from the Company and certain subsidiaries of the Company.

The Group's gearing ratio as at 31 March 2003 was 0.04 (2002: 0.04), calculated based on the Group's total debts, including finance lease liabilities, of HK\$8,724,000 (2002: HK\$12,064,000) over the Group's total assets of HK\$240,797,000 (2002: HK\$271,844,000).

The Group has previously raised a total amount of about HK\$103.5 million capital by two private placements on 2 September 1996 and 1 April 1997. The net proceeds derived from the first placement of approximately HK\$48.5 million were originally intended to be used in the expansion of the Company's existing business ventures, whilst the net proceeds derived from the second placement of approximately HK\$55 million were intended to be used as working capital for certain construction and development projects in Mainland China. Part of the proceeds, about HK\$20 million, has been used as a deposit for the Ap Lei Chau IL128 PSPS project. This deposit was subsequently forfeited by the Government and was recorded as part of the operating loss for the year ended March 1998. The remaining balance of the proceeds has been used as working capital for the Group.

The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship, so as to minimize risks in its business.

Purchase, Redemption or Sale of Listed Securities

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

ON BEHALF OF THE BOARD

Ng Tat Leung, George

Deputy Chairman and Managing Director

Hong Kong SAR, 28 July 2003