

Chairman's Statement



Zen Wei Pao, William
Chairman

Dear shareholders,

The board of directors (the "Board") of the Company announces that the audited consolidated profit after tax of the Group for the financial year ended 31st March, 2001 was HK\$176 million representing an increase of 9.8% as compared with the results of the previous year. The Board considers the Group's performance satisfactory in such difficult year.

The Board does not recommend the payment of a final dividend in respect of the year ended 31st March, 2001.

BUSINESS REVIEW AND FUTURE OUTLOOK

Highway and Expressway

Road King continues to perform well and contributed profit of about HK\$140 million to the Group. It recorded an audited net profit after tax of HK\$428 million for the year ended 31st December, 2000 and an unaudited net profit after tax of HK\$186 million for the six months ended 30th June, 2001. During the year, the Group received total dividends of HK\$104 million from Road King.

Since its formation in 1994, Road King has performed extremely well and becomes the source of steady cash flow for the Group. Road King by itself will prudently but continuously search for business opportunities taking into consideration of the market environment.

As announced by Road King on 28th June, 2001, Road King entered into conditional agreements with its joint venture partners to sell its entire 50% interests in the Jieyang Highway Network for the aggregate consideration of RMB530.8 million (equivalent to approximately HK\$496 million). The disposal is currently under government approval procedures.

Construction

The Shatin short piling incident has affected materially the profitability and future growth potential of the Group's construction division in the short and medium terms. Despite this, the construction division still managed to achieve a profit of HK\$50 million for the year as compared with a loss of HK\$62 million (which included a provision of HK\$60 million for the piling incident) in last year.



Highway

Chairman's Statement

BUSINESS REVIEW AND FUTURE OUTLOOK (Cont'd)

However, the Group has encountered difficulty in obtaining new construction contracts in Hong Kong. The aggregate value of contracts in hand of the Group's construction division fell from about HK\$16.4 billion (of which about HK\$9.3 billion has yet to be completed) at the end of March, 2000 to about HK\$12.4 billion (of which about HK\$5.7 billion has yet to be completed) at the end of March, 2001.

As announced on 15th May, 2001, the Group conditionally agreed to sell the entire interest in Ngo Kee Construction Company Limited, the Group's building construction division, to a wholly-owned subsidiary of New World Services Limited for a consideration of HK\$43 million.

Quarrying

The quarry division contributed about HK\$7 million for this year, which was 7.9% higher than that of last year. The performance of quarry division was still affected by the slow down in property developments in the private and public sectors, which in turn reduced the overall demand in aggregates and stone products during the year. However, the Group remains confident that this business line will remain profitable in the next few years.

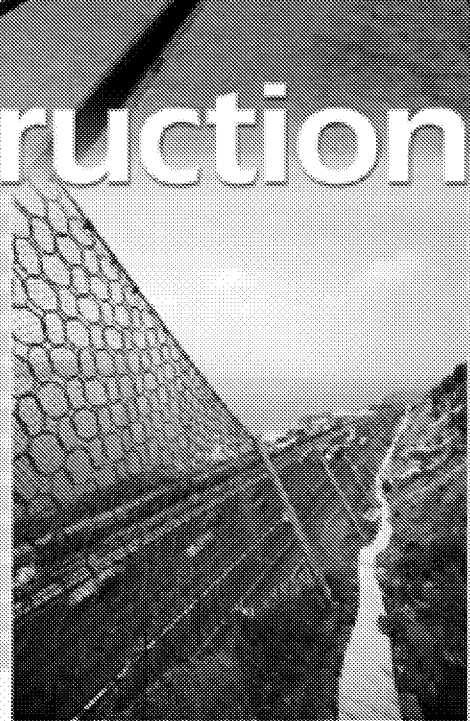
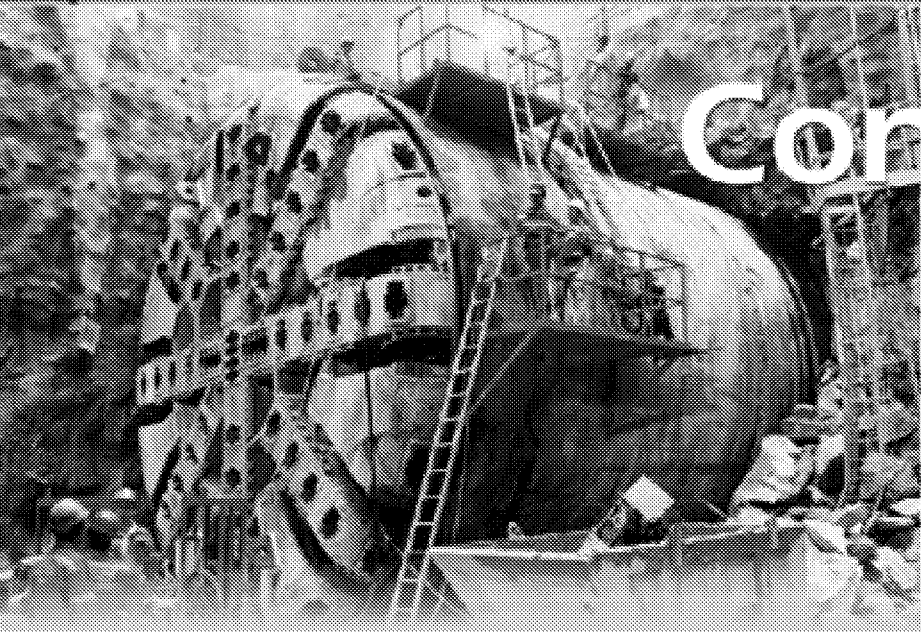
Building Material

In this financial year, this division contributed a moderate profit of about HK\$3 million. Sundart Timber Products Company Limited ("Sundart"), a 65% owned subsidiary of the Group, continues to perform satisfactory despite the challenging market condition and the stagnant building sector. Sundart has been diversifying its business from the traditional timber door and floor business to a much wider range of fitting-out works.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, the Group raised new financing of HK\$89 million through shares placement to a subsidiary of New World Development Company Limited and HK\$180 million through redeemable exchangeable bond ("Bond") issued to an independent third party. The financial position of the Group was further improved by the internal funds generated from operations and the dividends received from Road King during the year. The level of total borrowings was substantially reduced from HK\$1,185 million (HK\$554 million if excluded the PSPS syndicated loan) to HK\$372 million throughout the year.



Construction

