

# CHAIRMAN'S STATEMENT

## RESULTS

During the financial year 2001/2002, the Group recorded a net loss of HK\$29,342,000 with losses of HK10.21 cents per share compared with a net loss for the year 2000/2001 of HK\$71,640,000 with losses of HK24.92 cents per share.

## DIVIDEND

The Board of Directors has resolved not to recommend the payment of any dividend in respect of the year.

## BUSINESS REVIEW

As a result of the continuing gloomy property market and the low demand for domestic units, the local construction industry is still being adversely affected. With these unfavourable conditions, the Group has recorded an operating loss in the financial year under review.

The Group has continued to experience fierce competition from other companies in tendering for construction projects both in the private and public sectors. Aggressive cut-throat bidding levels are still the routine in the construction market. In view of 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 residential development at Tong Yan San Tsuen, a fitting out contract for the presidential suite at Harbour Plaza Hotel, a site formation and foundation contract for the New Prevocational School at Northcote Close, school improvement works for the Tai Po Sam Yuk Secondary School, a site formation contract for the Event Plaza at Ocean Park and several electrical and mechanical contracts. Together with contracts secured in the first half of the financial year, the total value of contracts secured during the period was about HK\$350 million.

During the financial year, the Group has satisfactorily completed a commercial complex at Tin Shui Wai and a piling contract at Tung Chung for the Hong Kong Housing Authority, three piling contracts undertaken for the Architectural Services Department and a residential development at La Salle Road.

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In early 2002, the Group decided to develop new lines of business in China, specifically in the Yunnan, Jiangsu and Guangdong Provinces. The main areas of focus are in the environmental, industrial improvement and landscaping projects. The opening of the Company's representative office in Kunming, Yunnan Province, gives an indication of the Group's commitment to develop future business opportunities in China.

A joint-venture company with Design Landscape Pty Ltd. of Australia and Zhen Hua Engineering Limited of China has been established to explore landscaping opportunities both in Hong Kong and China, particularly in the light of the impending developments of Theme Parks such as Disneyland.

The Group has identified a project for sewage treatment facilities in the Guangdong Province and some landscaping works opportunities in Yunnan and Jiangsu. Negotiations in respect of these new business opportunities are underway with good prospect for securing contracts in the near future.

As a result of the Group's commitment and market penetration in the last few months, CIG-WH's brand name has become more well-known in China. The Group's excellent working relationships with various China parties have provided the Group with a sound position in China, and will help to pave the way for the Group's future development. The values of projects being pursued are more than RMB 300 million.

## 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 marketing 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 so as to maintain its cost-effectiveness. Consolidation of the Group's operations in Hong Kong will continue for the foreseeable future.

## EMPLOYEES

During the year under review, the Group employed approximately 180 staff, excluding workers under exclusive sub-contracting arrangements.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Group has 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 2002, the Group's outstanding borrowings amounted to HK\$12,064,000, comprising bank loans and other bank borrowings of HK\$10,803,000 and finance lease liabilities of HK\$1,261,000. The Group's banking facilities were supported by legal charges of the Group's leasehold land and buildings and an investment property, legal charges on the Group's short term investments, pledged deposits of the Group, and corporate guarantees from the Company and certain subsidiaries of the Company.

The Group's gearing ratio as at 31 March 2002 was 0.04 (2001: 0.09), calculated based on the Group's total debts, including finance lease liabilities, of HK\$12,064,000 (2001: HK\$34,950,000) over the Group's total assets of HK\$271,844,000 (2001: HK\$370,284,000).

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 the PRC. At present, 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. About HK\$50 million has been used as

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working capital for the Group and about HK\$7.5 million has been used in property investment. The remaining balance of the proceeds has been pledged to banks as fixed deposits, for the issue of performance bonds for use in construction contracts.

The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship. In this way, the Group can continue 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, 26 July 2002