

Chairman's statement

solid foundation

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New Listing

I am pleased to announce that the shares of the Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on 9th April 2003. On behalf of the Group, I would like to express our gratitude towards all parties who have assisted us in building our business over the years and bringing our Company to the Main Board.

Business Review

The Group is principally engaged in foundation works related business, specialising in piling. The Group is also engaged in the trading and leasing of foundation works related machinery and equipment.

While the listing status will certainly be beneficial to the Group's future development, the financial

year ended 31st March 2003 was a challenging one to the Group. The overall construction industry was affected by the poor market sentiments and sluggish growth of the Hong Kong economy. Despite the negative aspects, the Group recorded a turnover for this year of HK\$203.0 million and maintained a solid net profit after tax of HK\$56.4 million. Our strong management team and dedicated staff have played a vital role in keeping the operating cost down, upholding our good relationship with suppliers and subcontractors and providing quality work and services to our customers.

The Group's total liabilities were HK\$379.3 million as at 31st March 2002 and HK\$216.8 million as at 31st March 2003. This led to a drop in the gearing ratio⁽¹⁾ from 2.33 as at 31st March 2002 to 1.39 as at 31st March 2003. The drop in the ratio was mainly attributable to the settlement of bank debts during the financial year. Gearing ratio would be further reduced to approximately 0.81 taking into account the net proceeds from the initial public offering in April 2003.

Note:–

(1) *The Group's total borrowings (after deducting cash and bank balances) over shareholders' funds*

Operating Environment and Prospect

The number of construction works contracts in the private sector has continued to shrink due to the difficult property market condition. It may continue to adjust for a couple more years with the economy slowly recovering. As the Group has mainly carried out infrastructure related public sector works in the past few years, the effects from the poor performance of the private sector were minimal to the Group.

The collaboration among the cities within the Pearl River Delta ("PRD") region has become imminent, making infrastructures, including highways, bridges, railroads, stations and cross-boundary links and facilities a necessity to accommodate the increase in all kinds of economic, political and social activities within the PRD region. A bridge, proposed to be built, linking Hong Kong to Macau and the western part of the PRD, will be one of the catalysts to the development of the region. The Group believes that the bridge will be built in the near future and will benefit the whole construction industry. Construction of several cross-boundary links and tunnels which have been scheduled to commence in the later half of year 2003, are examples of projects whose main purpose is made to accommodate the abovementioned activities between Hong Kong and other cities within the PRD region.

Within Hong Kong, more infrastructures are needed to sustain the economy and population growth. The Central Reclamation, Widening of Yuen Long Highway, Lai Chi Kok Viaduct and Eagle's Nest Tunnel are some of the major infrastructure projects that will be commenced in the year 2003. According to the Government's policy address, the Kowloon-Canton Railway Corporation and Mass Transit Railway Corporation will also invest billions of dollars in infrastructure projects over the next 10 years. All of the abovementioned construction projects require substantial piling works that mean great opportunities and prospect for the Group.



While the economy is on the road to recovery, the overall operating environment will still be very challenging and competitive in the coming years. We will continue to concentrate our expertise and experience in providing high standard foundation works and related services. Being one of the most dependable contractors in the foundation industry with full range of machinery and equipment, experienced management team and over a decade of good job references, we remain fully confident of the Group's future development.

Acknowledgment

I would like to take this opportunity to express my respect and appreciation to my fellow board members, management team, staff members, suppliers, subcontractors, other business partners and, most important of all, our customers for their support, commitment and patronage throughout the years. With your continuing support, we are hopeful that we will achieve new heights in the future.

LAU Chun Ming

Chairman & Managing Director

Hong Kong, 16th July 2003