

BUSINESS REVIEW & PROSPECTS

For the six months ended 30th September, 2000, the Group's turnover and net profit attributable to shareholders were HK\$446.7 million and HK\$8.5 million respectively.

Hong Kong Market

Foundation Piling

The foundation industry has finally landed on firm ground. During the period under review, the margin of the Group's foundation piling business has improved despite a decrease in turnover due to longer duration of the projects. The Group's major contracts on hand amounted to about HK\$680 million which include, inter alia, Cyberport Development Phase 1 and Phase 2, Tung Chung Station Package 2 and Hong Kong Housing Authority's West Kowloon Reclamation Area 10 Phase 1. Since foundation piling is the Group's core business, considerable efforts have been spent on ensuring strict operating standards and enhancing productivity. Furthermore, in order to consistently achieve high quality standard, the Group has placed significant emphasis on product research and development.

The Group is pleased to announce that a patent ("Patent") in relation to a method of tremie concreting in non-displacement piles has just been granted to the Group. This Patent not only denotes a breakthrough in the industry since it offers an effective and efficient solution to solve common pile base problems such as honeycomb concrete and washed aggregates but also signifies the Group's leadership position in the industry.

Other Construction Related Sectors

During the period under review, the contribution of the Group's E&M engineering and building construction divisions had more than double to HK\$12.2 million while turnover was HK\$61.1 million. The Group maintains a bullish stance for the divisions and expects stable and profitable returns. In relation to the machinery and hiring business, the Group managed to increase its turnover by 20 per cent. to HK\$19.8 million. However, low prices and flat demands have continued to navigate the crane rental market which translated to a loss for the division.

PRC Market

Property investment and development

The period under review was a harvesting season for the Group's domestic residential development project in Xuijiahui, Shanghai - "Talent Court". The turnover and contribution was \$58.0 million and \$9.9 million respectively. With such satisfactory results, the Group is confident in launching its other development project in Changning. Foundation work is in progress and is expected to be completed in the first quarter of 2001 while completion is scheduled to be in December 2002. To keep the investment properties in Shanghai and Tianjin attractive and well positioned for future growth, the Group has constantly upgraded the properties through renovation and provision of better services. This focus on quality has resulted in steady recurrent income and satisfactory occupancy rates.

Capital Structure and Liquidity

The Group continues to adopt a prudent financing policy and sustains a sound capital structure with healthy cashflow. As at 30th September 2000, the Group's cash on hand amounted to HK\$124 million while total assets and net assets were HK\$1,843 million and HK\$678 million respectively. Net bank borrowings were HK\$175 million, a reduction of 7% as compared to HK\$188 million as at 31st March 2000. The total liabilities to total assets gearing ratio was maintained at a healthy level of 36% (31st March 2000: 32%). The Group's bank borrowings were mostly denominated in Hong Kong dollars. However, the Group has also arranged some lower cost Renminbi loan facilities for its PRC subsidiaries. The currency exposure in the Renminbi borrowings has been hedged by the Group's Renminbi assets and revenue as generated by its PRC properties.

Prospects

The government's strings of tightening quality control measures and the Housing Authority's new policies, which include restricting the subcontracting of piling works and the requirement on direct machinery ownership, have made the foundation industry healthier since only qualified piling contractors remain eligible to compete. With the Group's resources, technical expertise and advanced fleet of machinery, such positive trends in the foundation industry together with ample forthcoming infrastructure projects will further strengthen the Group's prominent position in the market. As for the Shanghai property market, the Group believes that the entry of China into the World Trade Organization and the imminent merger of the foreign and local housing market will further accelerate Shanghai's growth opportunities. All in all, the Group expects to deliver satisfactory results in the second half of the financial year.