

REVIEW AND OUTLOOK

The Group recorded a turnover of HK\$405,333,000 for the six months ended 30th September, 2001, as compared to HK\$927,154,000 of the same period last year while the profit before taxation has decreased by 65% from HK\$31,739,000 in 2000 to HK\$11,014,000 this year. The declines in profit and turnover were mainly caused by the significant contraction of the public construction market since 2000. This has resulted in intensified competition that caused continuous drop in tender prices for public contracts.

Despite the difficult market condition, the Group was able to secure four new contracts with a total value of HK\$961 million. However the total value of contracts in hand has dropped to HK\$1,883 million at 30th September, 2001 from HK\$3,281 million at 31st March, 2001.

The significant drop in public construction output has also adversely affected the Group's pre-fabricated building components business. Being able to foresee the market decline, the Group has, in order to maintain competitiveness, developed and launched new product lines at the beginning of the year. These new products were well received by clients. Apart from targeting the public housing market, the Group has also begun marketing precast products to private housing developers.

As mentioned in the 2000/01 Annual Report, the Group has purchased a piece of land in Causeway Bay for development of a commercial property for investment. Subsequent to the publishing of the 2000/01 Annual Report, the Group has also acquired the property adjacent to the original one for HK\$24,800,000 making the total consideration paid for the combined site to HK\$299,800,000. As a result, the site area available for development is enlarged from 8,885 sq.ft. to 10,417 sq.ft. with developable gross floor area of 155,000 sq.ft. The expected time for completion of the development is the end of 2003.

The Group's wholly owned subsidiary company, VHSoft Technologies Co. Ltd., which specialises in construction IT services has started to generate revenue. Promotion efforts have received encouraging feedback. We expect the operation will be able to breakeven in year 2002/03.

As the difficult situation of the construction industry is expected to prevail in the foreseeable future, a number of cost control measures have been taken to maintain the Group's competitiveness. From January 2002 employees' salaries will be cut by up to 15% according to their income level and position. Targets for cost savings have also been set for various operating units.

Despite the unfavorable economic conditions the Group did not compromise on its commitment to quality, safety and environment protection. This was evidenced by the winning of various awards in these aspects. Apart from awards, the Group has also obtained the ISO14000 certification in October this year.

Due to current economic condition, the outlook for the second half of this financial year is not optimistic. However the management believes the Group, armed with ample experience and innovative products and technologies, will be able to face the challenges ahead and continue to move forward when opportunities arise.