BUSINESS REVIEW AND PROSPECTS

For the six months ended 30th September, 2001, the Group's turnover was HK$720.4 million and net profit attributable to shareholders, after provision for impairment of fixed assets of HK$10.3 million, amounted to HK$10.8 million.

Hong Kong Market

Foundation Piling

The government's recent suspension of the sale of Home Ownership Scheme flats and the slowdown of the local residential market exert more sluggish element to the local construction sector. Foundation industry, although becomes healthier, is experiencing an extremely competitive environment. Anticipating such situation, the Group has taken measures to improve on its technical and operating efficiency. For the period under review, the turnover of the Group's foundation division was HK$509.8 million while contribution to profit increased to HK$38.6 million. Major contracts on hand amounted to HK$1 billion which include, inter alia, Cyberport Development Phase IV, Hong Kong Housing Authority's projects in Fanling Area 36 Phase 3, Phase 4 and Lei Muk Shue Estate Phase 4.

E&M Engineering and Building Construction

During the period under review, the turnover of the Group's E&M engineering and building construction divisions had more than doubled to HK$143.5 million while contribution amounted to HK$8.7 million. The Group expects a satisfactory growth of the divisions with stable and profitable returns.

Machinery Hiring and Trading

The hiring market of crawler cranes for the period under review was satisfactory. However, the pricing environment of tower cranes remains weak with rampant discounting. For the period under review, the Group has written down the value of its tower cranes by HK$10.3 million. To improve the performance of the division, the Group will continue to downsize its tower cranes unit, reduce costs and expand into other construction related product lines.

PRC Market

Property investment and development

With the merger of the foreign and domestic housing market in the PRC, the Group has recently launched a sales exhibition in Hong Kong and Taiwan of its residential development project, Tiffany Court located in Changning, Shanghai. The pre-sale was well received and 90% of the units put forward in the first phase pre-sale were sold. Superstructure works of the 33-storey complex, comprising a total of 209 units, has just been completed. According to schedule, completion is expected to be in December 2002. With ongoing reorientation towards the mainland economy, the Group's investment properties in Shanghai and Tianjin have continued to enjoy 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, 2001, the Group's cash on hand amounted to HK$98 million while total assets and net assets were HK$1,780 million and HK$632 million respectively. As compared to 31st March, 2001, working capital has improved by more than 3 times to HK$114 million. The Group's net borrowings were HK$267 million, a reduction of 6% as compared to HK$284 million as at 31st March, 2001. The total liabilities to total assets gearing ratio was maintained at a healthy level of 38% (31st March, 2001: 35%). As at 30th September, 2001, contingent liabilities were HK$183 million in relation to guarantees of performance bonds while certain of the Group's fixed assets with a book value of approximately HK$203 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were mostly denominated in Hong Kong dollars but Renminbi loan facilities has been arranged 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 terrorist attacks of September 11 in New York has undoubtedly shocked the world and clouded the global economy. With global recession and declining asset prices at home, Hong Kong's economy has been driven by contractionary forces. Same as many sectors, construction industry is also undergoing a shakeout. Foreseeing such daunting environment, the Group has taken measures to streamline its operation process and strengthen its cost control to improve efficiency. With the Group's management insight, unyielding efforts, technical expertise and leadership position in the foundation industry, the Group is well prepared to capture the forthcoming opportunities in both the private and public sectors.

As for Shanghai property market, the Group believes that the entry of China into the World Trade Organization, Beijing's successful bid for the 2008 Olympic Games and the long awaited recent merger of the foreign and domestic housing market will underpin the demand for quality residential properties. To capitalize on such growth opportunities, the Group will continue to search for suitable projects for development in Shanghai.

Employment and Remuneration Policies

The Group, including its subsidiaries and joint ventures in Hong Kong and the PRC, employed approximately 1,000 employees as at 30th September, 2001. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Share options may also be granted in accordance to the terms of the Group's approved share option scheme.