

CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

The Directors are glad to report that the Group has achieved satisfactory growth and results this year, despite the prevailing sluggish economic condition in Hong Kong. Highlights of the Group's performance for this year are as follows:

- Turnover was HK\$661,225,000 for this year, an 80% increase as compared to HK\$367,417,000 for the last year.
- Gross profit margin improved to 5.2% for this year, as compared to 3.9% for the last year.
- With stringent cost control measures being in place, the administrative and operating expenses dropped by 2.5%.
- The above led to a net profit attributable to shareholders of HK\$10,632,000 for this year, a turn-around from a net loss of HK\$9,178,000 for the last year.

DIVIDEND

The Directors have recommended the payment of a final dividend of HK0.5 cent per ordinary share. This recommendation is subject to shareholders' approval at the Annual General Meeting to be held on Friday, 15 August 2003. Upon shareholders' approval, the final dividend will be paid on Friday, 22 August 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 8 August 2003 to Friday, 15 August 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all completed transfer forms together with the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:30 pm on 7 August 2003.

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BUSINESS REVIEW

During the year, both the works progress and performance of the construction, civil as well as maintenance contracts were satisfactory. The Group successfully completed the following substantial contracts:

- Construction of Village Flood Protection Works for Pok Wai and Stormwater Interception Drain for Wang Chau;
- Construction of Treatment and Disposal Facilities for Waterworks Sludge from Tai O Water Treatment Works;
- District Term Contract for the Maintenance and The Vacant Flat Refurbishment for Kowloon South District 2000/2002;
- Construction of Additional Classrooms and Multi-purpose Hall for Chinese International School; and
- Buddhist Tai Kwong Middle School - Slope and Retaining Wall Stabilisation Work.

The performance of the Group's two wholly owned subsidiaries, Able Engineering Company Limited ("Able") and Excel Engineering Company Limited ("Excel"), has continued to be highly recognised by the Government of the HKSAR, including the Architectural Services Department ("ASD"), the Water Supplies Department and the Drainage Services Department. During the year, Able and Excel were awarded by the government departments several significant contracts that amount to approximately HK\$1,852 million in total in terms of contract value and comprise the following:

- Reconstruction of Catchwater Channels and Upgrading of Adjourning Priority Slopes in Hong Kong Islands and Lantau Islands;
- Construction of Sewerage Along Sha Tau Kok Road and Village Sewerage;
- Conversion and Extension of Fifteen Existing Schools under the School Improvement Programme;
- Construction of a 24-Classroom Primary School at Hing Ping Road, Tuen Mun, N.T.;
- Construction of One Primary School and Two Secondary Schools in Area 13, Tseung Kwan O;
- Construction of Public Mortuary in Kwai Chung;
- 39-Month Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands; and
- Term Contract for Design and Construction of Minor Works to Government and Subvented Properties.

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In addition, the Group also secured 3 major contracts from the private sector which comprise:

- Raft Foundation Works for Proposed International Christian Quality Music Secondary and Primary School;
- Redevelopment of Former of School Premises of Chuen Yuen Second School; and
- Construction of Tung Wah Group of Hospitals Wong Tai Sin Hospital Chinese Medicine Clinical Research & Services Centre.

All of the above contracts commenced on schedule during the year and are progressing satisfactorily.

As of 31 March 2003, the total and outstanding values of the Group's substantial contracts on hand were approximately HK\$2,784 million and HK\$2,152 million respectively. These contracts will be completed in around three years' time.

PROSPECTS

Subsequent to 31 March 2003, the Group secured several new contracts, including the Construction of District Open Space in Tung Chung in the sum of HK\$50 million from the Government of the HKSAR. In addition, pursuant to the satisfactory completion of the contract for the "Raft Foundation Works for Proposed International Christian Quality Music Secondary and Primary School", in June 2003 the Group was further awarded the superstructure contract for the "Main Building Works for Proposed International Christian Quality Music Secondary and Primary School", the contract sum of which amounts to HK\$147 million.

While the School Improvement Programme is approaching its final stage, we have been actively exploring other job opportunities from the public sector. During the year and up to the date of this report, the Group has successfully secured several substantial contracts of different new natures other than the conversion or construction of schools, such as the 39-month term maintenance contract, the term contract for design and construction of minor works, the construction of a public mortuary and a district park.

In addition, the Government of the HKSAR has declared its determination to improve sewerage in the New Territories and other areas suffering from frequent flooding. Based on its satisfactory track records, we expect that Excel would secure more drainage contracts.

In view of the lingering poor market conditions in the construction industry, we will strive to keep up cautious project management and cost control measures. Nevertheless, based on the existing cost structure, we are positive that the Group would remain profitable in the coming years.

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APPRECIATION

On behalf of the Board, I am pleased to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication and the Company's shareholders for their support.

On behalf of the Board

Ngai Chun Hung

Chairman

Hong Kong, 8 July 2003