CHAIRMAN'S STATEMENT

OPERATING RESULTS AND FINAL DIVIDEND

This has been an annus horribilis for your Company and a testing debut for me as your new Chairman. The Group reported its worst results ever at a net loss of HK$246.9 million. The loss of HK38.6 cents per share compares painfully with our current share price of HK21 cents. Clearly the market's confidence in our performance has been lacking, valuing us at a 70% discount to our tangible net asset value of HK69 cents per share. We must critically assess to our shareholders, how such unsatisfactory results were arrived at and how we intend to redeem ourselves.

Though it may be of small comfort to shareholders, a significant portion of the HK$246.9 million loss should be non-recurring. HK$26.1 million is a "one-off" provision for accrued staff leave and retirement benefits and HK$169.6 million is related to impairment in property values. Together these comprise 79.3% of the net loss. All of the latter HK$169.6 million loss are writeoffs or provisions, and though impair the balance sheet, do not affect cashflow nor do they reduce your Group's cash position. Nevertheless, a more transparent and prudent balance sheet always offers a more objective and fair view for shareholders, management and investors.

HK$26.1 million provision includes HK$8.6 million for staff leave and HK$17.5 million to make up for the shortfall in retirement fund scheme which, despite being ranked as the top performing scheme by Watson Wyatt over the past 10 years, has been affected by recent global declines in equity markets. Going forward, with the introduction of the defined contribution MPF scheme, such shortfall is unlikely to recur.

HK$169.6 million impairment in property value includes HK$127.0 million for the Group's headquarters at Hsin Chong Center, HK$12.2 million (HK$21.9 million in 2002) for stock of carparks in Lung Mun Oasis, Tuen Mun, HK$20.3 million (HK$10.0 million in 2002) for the residual 11 year lease at No. 3 Lockhart Road, and HK$15.0 million (HK$53.4 million in 1998) for 22.5% interest in Novotel Century Harbourview, offset by a HK$8 million writeback upon the disposal of a property interest in Tianjin, the People's Republic of China ("PRC"). Hsin Chong Center was acquired in 1997 for renovation into an industrial/ office building as a hedge against then escalating rental costs. Your Group started using Hsin Chong Center as its headquarter since April 1999. With the provision, the assets is now carried at a value of HK$700 per square foot, a level below construction cost reflecting the severely depressed state of Hong Kong's property market. Previously your Group rented premises at Devon House, Quarry Bay and was paying HK$32.7 per square foot. The relocation would have led to a net saving of approximately HK$7.8 million since usage had rents remained at such level. Unsold carparks at Lung Mun Oasis are legacy of commercial portion remained unsold of a Private Sector Participation Scheme development in Tuen Mun completed in 1998. No. 3 Lockhart Road was a 'Build, Operate & Transfer' project intended to produce both construction profits and recurring income. Novotel Century Harbourview is a 3-star hotel operating in Sai Wan district since 1999 and its performance may likely be affected by the impact of the atypical pneumonia on the tourist industry. Hence carrying value is marked down to HK$870,000 per room. Despite the provisions, the last three projects have remained profitable. Cumulative provisions for these assets represent 55.7%, 61.6%, 57.1%* and 59.1% of their original costs. From hindsight these assets were untimely acquisitions, but with our own office needs serviced, new property forays are unlikely.

* The leasehold interest in No. 3 Lockhart Road has a limited tenor of 20 years from inception and your Group has an unexpired lease term of 11 years. The percentage provision stated includes cumulative amortization of the leasehold interest as well as cumulative impairment written-off.

The core building construction and civil engineering activities produced a marginal loss of HK$7.1 million, while a loss of HK$10.4 million was attributable to the discontinued piling and foundation operations. Though much of the loss incurred is due to severe competition in light of the contraction in both public and private construction works, a significant portion is due to poor execution in our civil works. The entire civil engineering team has been revamped and new monitoring measures established, the singularly important one being the strengthened commercial department.

Overall the post mortem shows our core strength is in our building construction work, with potential in our civil engineering. Where we went askance is in digressing into property investments. Since last year, the Group has embarked on a new and clear strategic direction. Nonetheless the fruition of such strategy will take time and results will not be evident in the short term. Progress is being made, initially and internally as in the 12.4% decrease in overhead, and going forward, externally as new revenue sources are developed. As the Managing Director's report makes clear, progress has been made in certain strategic directions, none the least being our efforts in the PRC. There are no assured results, but shareholders can be assured of a committed team and transparent assessments.

In view of the net loss for the year, your Board does not recommend the payment of a final dividend for the year. Total distribution per share for the year is therefore nil (2002: nil).

BUSINESS OF THE GROUP

Founded in 1939, the Group is primarily engaged in construction work in Hong Kong, PRC and Southeast Asia in both the private and public sectors. Being one of the few vertically-integrated construction firms in Hong Kong, your Group is able to perform a wide range of construction services including a) design and build; b) management contracting; c) superstructure construction; d) civil engineering work; e) electrical and mechanical installation; and f) renovation and fitting-out work.

CORPORATE FOCUS

Strategy — The Board believes that management should always concentrate their efforts on the Group's core businesses — construction and construction related businesses — areas in which the Group has significant comparative advantage and goodwill due to its focus on "***Quality & Service***" and positive track record over the last six decades. Its involvement in real estate development has been curtailed and limited to running off existing projects.

The Board believes that your Group's two-prong operational strategy of focusing on a) value added work and b) structuring contractual terms more creatively, maximises benefits to your Group and its clients. The Group remains focused on institutional and quality conscious clients which generally are willing to pay a premium on quality and timeliness of work.

Execution — Your Group's vertical integration and range of competence permit it to compete for a very broad spectrum of projects. Though this has the onus of higher overhead associated with more qualified personnel, it is countered by our flexibility in targeting cyclical opportunities and market niches.

Strategically, a certain proportion of your Group's operations has been structured as joint venture. With joint ventures, your Group can grow its core businesses by partnering with companies with complementary areas of expertise and quickly expand into new construction or construction-related fields while minimising risks and costly outlays. Though as associates, the Group cannot account for its share of turnover and outstanding contracts, the underlying economic benefits are no less.

Investor Relations — Your Group's Board and its management are appreciative of shareholders' support throughout the industry's difficult period. The current restructuring aims to maximise shareholder value whilst focusing on its core businesses.

DIRECTORS, MANAGEMENT AND STAFF

To preserve the market competitiveness of your Group, the Board pay close attention to the human resources policy to recruit and retain talents so that adequate human resources are deployed. Remuneration policy for your Group has been designed to align management's and staff's interest with shareholders. In order to enhance cost efficiency, the Board has approved a proposition to freeze the salary of all the five executive directors of the Company at the beginning of the fiscal year. As at 31st March, 2003, the Group employed a total of 597 (2002: 670) and 179 (2002: 82) Hong Kong and PRC full-time employees respectively that included the directors of the Group. There is a slight increase in executive directors' emoluments at HK$9.1 million (2002: HK$9.0 million). The remuneration includes a discretionary bonus portion of HK$0.9 million (2002: HK$2.3 million), which is based on a fixed formula tied to profits and return on equity. Such formula was approved by the Board in 1992. To enhance staff productivity, the Group also provides in-house and external training programmes for all level of staff.

Dr. Meou-tsen Geoffrey Yeh has retired from both the Chairmanship and the Board of the Company with effect from 24th August, 2002. The Board, management and staff would like to express their deepest appreciation to Dr. Yeh's leadership and vision over the years, without which the Company would not have attained its industry position today.

Messrs. Kin-fung Jeffrey Lam, Kwok-kuen Peter Lau and Richard Paul Margolis were appointed as Independent Non-Executive Directors ("INEDs") with effect from 24th August, 2002.

Mr. Jeffrey Lam is the managing director of Forward Winsome Industries Limited, a toys manufacturing company. He is also the deputy chairman of Federation of Hong Kong Industries and a general committee member of the Hong Kong General Chamber of Commerce. He also holds a number of other public positions including membership on Business Advisory Group and Transport Advisory Committee of The Hong Kong Special Administrative Region. Mr. Lam was awarded the Hong Kong Young Industrialists Award in 1989. He was also appointed as a member of the Audit Committee of the Company with effect from 20th September, 2002.

Mr. Peter Lau is the chairman of Giordano International Limited ("Giordano"), a listed company in Hong Kong. Mr. Lau is also an INED of Fairwood Holdings Limited. Prior to joining Giordano, he had over 12 years' accounting experience in both the public and private sectors in Canada.

Mr. Richard Margolis is a consultant to Merrill Lynch (Asia Pacific) Limited. He has 15 years' experience in institutional stockbroking and investment banking business. Prior to joining the private sector in Hong Kong in 1986, he served in the British Diplomatic Service for over 13 years and was closely involved in Sino-British negotiations on Hong Kong's future. He is an INED of China Oilfield Services Limited and a member of the Listing Committee of the Stock Exchange. He was a member of Hong Kong Securities and Futures Advisory Committee from 1992 to 1996. Mr. Margolis was appointed as the Chairman of the Audit Committee of the Company with effect from 20th September, 2002. He resigned both as a Director and the Chairman of the Audit Committee on 28th February, 2003 as he has taken up a new position with Rolls Royce Plc., based in Beijing and was obliged to give up his directorship in the Company.

Mr. Anthony Francis Rademeyer was appointed as an INED of the Company with effect from 18th March, 2003. Mr. Rademeyer is the Head of Corporate, Investment Banking and Markets, Asia-Pacific of The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in Hong Kong.

On 13th June, 2003, Mr. Tobias Josef Brown was appointed as an INED and the Chairman of the Audit Committee. Mr. Brown is the managing director of UCL Asia Limited, which is one of the largest direct investment groups in terms of liquid capital in Hong Kong. He also serves as the non-executive chairman of Noble Group Limited, which is Hong Kong-based, Singapore main-board listed and Asia's largest supplier of strategic raw materials. Mr. Brown currently sits on the boards of a number of corporations in Asia, including American Standard China Plumbing Products Limited, Bendigo Mining NL and Compass Technology Company Limited. Mr. Brown has over 17 years of experience in direct investments in Asia.

The Board would like to express a warm welcome to Messrs. Jeffrey Lam, Peter Lau, Richard Margolis, Anthony Rademeyer and Tobias Brown for joining the Board and express its deepest appreciation to Mr. Margolis for his invaluable contribution to the Company in the period of his directorship of the Company.

Mr. Yao Kang, an INED, aged 78, has retired from the Board on 1st July, 2002 upon expiry of the term of appointment.

Mr. David Wylie Gairns, an INED, aged 67, has retired from the Board and the Chairman of the Audit Committee on 1st September, 2002.

Mr. Brian Robertson, an INED, has resigned from the Board of the Company with effect from 18th March, 2003 as he has taken up a new position with the HSBC in New York.

The Board and senior management would like to express their appreciation to Messrs. Yao Kang, David Gairns and Brian Robertson for their invaluable contribution to the Group in the past.

Lastly, I would like to extend my heartfelt appreciation to all staff members for their dedication and contribution to the Group.

V-nee YEH

Chairman

Hong Kong SAR, 4th July, 2003