

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK0.5 cent per ordinary share (2003: HK0.5 cent per ordinary share) to shareholders whose names appear on the Register of Members of the Company on 5 January 2005. The dividend will be paid on 10 January 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 4 January 2005 to Wednesday, 5 January 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim 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., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:30 pm on Monday, 3 January 2005.

RESULTS FOR THE INTERIM PERIOD

The Group recorded an unaudited consolidated profit attributable to shareholders for the six months ended 30 September 2004 ("this period") of approximately HK\$15,022,000, down 25.6% from HK\$20,196,000 for the previous corresponding period.

Turnover for this period was approximately HK\$788,218,000, up 16.3% from HK\$677,894,000 for the previous corresponding period.

Gross profit margin decreased slightly to 4.5% for this period from 5.0% for the previous corresponding period.

BUSINESS REVIEW

Construction, Maintenance, Civil Engineering and Other Contracts

During this period, the following substantial construction contracts were successfully completed by Able Engineering Company Limited ("Able"), a wholly owned subsidiary of the Company:

- Conversion and Extension to Existing Aided Schools – Group 3 under School Improvement Programme Phase IV Package 3
- Conversion and Extension to Existing Aided Schools – Group 1 Final Phase Package 5
- Conversion and Extension to Existing Aided Schools – Group 1 Final Phase Package 4
- Conversion and Extension to Existing Aided Schools – Group 1 Final Phase Package 1
- Main Building Works for Proposed International Christian Quality Music Secondary and Primary School
- Construction of a 24-Classroom Primary School at Hing Ping Road, Tuen Mun, N.T.

BUSINESS REVIEW (Continued)

Construction, Maintenance, Civil Engineering and Other Contracts (Continued)

- Construction of a Primary School and Two Secondary Schools in Area 13, Tseung Kwan O
- Extension of Oi Kwan Road Baptist Church at 36 Oi Kwan Road, Wanchai

During this period, the following substantial road and drainage, waterworks and slope works contracts were successfully completed by Excel Engineering Company Limited ("Excel"), a wholly owned subsidiary of the Company:

- Proposed Residential Development at Tin Sui Wai Lot No. 24 Area 33 N.T. Temporary Public Transport Terminus (PTT) and Public Access Road Contract Works
- Hong Kong International Distribution Centre (HIDC) Sewage Connection Work

During this period, Able was awarded the following substantial contract with an aggregate contract value of approximately HK\$275 million:

- Construction of Second Primary & Second Secondary School in Area 104, and a Primary School at Junction of Tin Shing Road and Tin Pak Road, Tin Shui Wai, N.T.
- Outstanding and Defect Rectification Works to Residential Tower at Beacon Hill Road

Excel was awarded the following substantial contracts with an aggregate contract value of approximately HK\$40 million:

- The Drainage Upgrading Works Along Tin Wing Road, Tin Shui Wai, N.T.
- Outline Agreement No. 4600002385 for Distribution Cable Trenching and Laying Works in the CLP Power, North Region
- HEC Contract No. 04/8001 for Trenching Works for 132kV Cable Overlaying From Kennedy Road to Hennessy Road

As of 30 September 2004, the total and outstanding values of the Group's substantial contracts on hand were approximately HK\$2,750 million and HK\$1,630 million respectively. These contracts will be completed in around two years' time.

Diversification of business

To cope with the shrinkage in the public sector of the construction market in Hong Kong as a result of the cut in Government budget for public works, the Directors have been seeking opportunities to diversify the Group's business.

BUSINESS REVIEW (Continued)

Property redevelopment

On 25 June 2004, the Group acquired a 3-storey residential detached house with a site area of approximate 3,964 sq. feet at No. 9 Belfran Road, Kowloon (Section C of Kowloon Inland Lot No. 3281). The Company has decided to demolish the existing house on this property and redevelop the property into residential units for sale. Currently, this redevelopment project is at the planning stage and the construction work is expected to commence at the beginning of 2005 and complete in 2006.

PRC markets

On 9 August 2004, the Company entered into a framework agreement with Beijing Municipal Engineering Group Co., Ltd. ("Beijing Municipal") whereby the Company proposed to acquire 20% equity interest in Beijing Municipal for the consideration of new shares to be issued by the Company. Beijing Municipal is a state-owned enterprise registered in the People's Republic of China and is primarily engaged in the design, construction, engineering, consulting and management of various large-scale projects, including road and bridge, waterworks, sewerage treatment plants, underground works, city squares (such as Tiananmen Square), airport runways, stadiums, garbage treatment plants, Beijing subway and railway and other infrastructure projects in China and other countries (such as Pakistan, Sri Lanka, etc.).

Beijing Municipal possesses the government license issued by the Ministry of Construction to carry out the infrastructure, public utilities, airport runways, roads and city railway engineering and construction projects in China. Beijing Municipal has well established track record, experience as well as qualification in large-scale infrastructure projects in China and, in particular, Beijing. In view of the 2008 Olympic Game to be held in Beijing, the Board holds a positive view about the construction market in Beijing. Therefore, if the framework agreement proceeds, the proposed acquisition of the Beijing Municipal will provide an exceptional opportunity for the Company to expand its business to China and to broaden its earning base. Currently, the Company is still in negotiation with Beijing Municipal with regard to a formal agreement.

FINANCIAL REVIEW

Liquidity

At 30 September 2004, the Group had bank balances and cash in hand of approximately HK\$106,767,000 (excluding pledged time deposits of approximately HK\$32,172,000), an increase of 4.1% from HK\$102,522,000 at 31 March 2004. Current ratio, measured as total current assets divided by total current liabilities, was 1.62 at 30 September 2004 (31 March 2004: 1.57).

FINANCIAL REVIEW (Continued)

Financial resources

The Group used net cash of approximately HK\$5,891,000 in its operating activities during this period. Bank borrowings increased to approximately HK\$20,006,000 at 30 September 2004 from HK\$80,000 at 31 March 2004. As a result, the gearing ratio, measured on the basis of total bank borrowings and finance lease payables as a percentage of total shareholders' equity, also increased to 9.7% at 30 September 2004 (31 March 2004: 0.1%). The Group's borrowings are principally on a floating rate basis and denominated in Hong Kong dollars.

Total banking facilities, comprising primarily bank overdrafts, term and revolving loans, amounted to approximately HK\$270.5 million at 30 September 2004, of which approximately HK\$182.2 million was unutilised.

Charges on assets

At 30 September 2004, the Group's banking facilities were secured by (i) charges on the investment properties and the property under redevelopment of the Group with aggregate carrying values at 30 September 2004 of HK\$26 million and HK\$42 million respectively; (ii) charges over the Group's time deposits of approximately HK\$32.2 million plus any interest accrued thereon; (iii) assignment of certain contracts together with charge over the bank accounts maintained with the bank for the purpose of receiving income from those contracts; and (iv) corporate guarantees given by the Company to the total extent of HK\$202 million.

PROSPECTS

As the Government is still cautious about public works spending, the construction market conditions remain tough. Nevertheless, benefited from a series of the PRC Government's supporting policies, the general economy in Hong Kong, in particular the property market, has shown considerable recovery. Therefore, the Directors have confidence that the anticipated completion of redevelopment and sale of the property project at Belfran Road, Kowloon Tong in 2006 will generate satisfactory results.

Subsequent to the end of the "SARS" crisis and the implementation of the Individual Visit Scheme around late 2003, the rebound of the retail markets in Hong Kong has led to substantial increases in retail shop rentals. On 1 October 2004, the Group entered into a provisional agreement for sale and purchase to acquire from an independent third party the properties at Shop Nos. G29A2, G28, G65, G64A, G64B, G27A, G27B, G26A and G26B on Ground Floor of Portion B, Argyle Centre Phase 1, No. 688 Nathan Road, Kowloon for a consideration of HK\$180,000,000. This transaction will be completed on or before 13 January 2005. 30% of the consideration of these properties will be paid by the Company's internal resources whereas 70% will be funded by bank loan. The Company intends to hold these properties for long-term investment purposes. Seeing a general upward trend in the retail shop rentals, the Directors believe that there will be increases in the rentals for these shops when the existing tenancy agreements are due for renewal or new tenancy agreements are negotiated in February to March 2005. Therefore, the Directors believe that these shops will provide the Group with a steady and satisfactory income source.