

*Chairman's Statement***OVERVIEW**

For the year ended 31st March, 2002, the Group continued to operate under an extremely tough environment due to the slowdown in the local property market. The change in the government policy of Home Ownership Scheme also affected the business of the Group. With stringent cost control, effective project management and in spite of a significant decrease in turnover, the Group recorded an operating profit of HK\$6.5 million compared with a loss of HK\$29.8 million last year. Profit attributable to shareholders was HK\$6.7 million (loss of HK\$27.6 million in last year) and earnings per share increased to HK2.7 cents (loss of HK11.66 cents per share in last year).

DIVIDEND

The Board of Directors does not recommend the payment of any final dividend for the year (2001: Nil). As no interim dividend was paid during the year (2001: Nil), no dividend will be paid for the entire year (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March, 2002, the outstanding value of construction contracts and civil engineering contracts of the Group on hand amounted to approximately HK\$79 million and HK\$182 million respectively.

During the year, building construction continued to be dampened by a sluggish property market. In order to maintain its competitiveness, the Group reduced its work force substantially and controlled its expenses effectively by streamlining the organisation and internal control procedures. All construction and civil engineering projects of the Group on hand were progressed and completed on schedule with details as shown below:

Construction Projects

During the year, the Group was awarded a construction contract of Lam Tin Primary School in Lam Tin Estate Redevelopment, Kwun Tong. This project commenced in February, 2002 and is targeted for completion in July, 2003. The project includes the construction of thirty classrooms and ancillary facilities.



Dr CHOW Yei Ching

Chairman's Statement

Other construction contracts were completed with following details:

	<i>Completion Date</i>
1. Jockey Club School of Chinese Medicine Building at Hong Kong Baptist University	July, 2001
2. Home-Ownership Estate at King Shan Court, Phase II at Hammer Hill Road, Kowloon	March, 2002
3. The Professional Complex Development at The Hong Kong Polytechnic University	February, 2002
4. Public Housing Estate at Tin Shui Wai Area 105, Phase 1	August, 2001
5. Home-Ownership Estate at Tin Shui Wai Area 110, Phase 2	September, 2001



Home-Ownership Estate at King Shan Court, Phase II



The Professional Complex Development at The Hong Kong Polytechnic University

*Chairman's Statement***Civil Engineering Projects**

During the year ended 31st March, 2002, the civil engineering contracts on hand include:

	<i>Target Completion Date</i>
1. Construction of Seawalls and Reclamation at Tseung Kwan O Port Development at Area 137, Stage 2	Late 2003
2. Remaining Work in Yung Shue Wan Development Engineering Works, Phase 1	Mid 2002
3. Maintenance and Repairs to Seawalls, Piers and Other Port Works (2000-2001)	Mid 2002
4. Jordan Road Reclamation Phase III and Remaining Engineering Works	Late 2002



Construction of Seawalls and Reclamation at Tseung Kwan O Port Development at Area 137, Stage 2

Jordan Road Reclamation Phase III and Remaining Engineering Works



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Other Business

As most of the contracts in supplying concrete were long term, operating profit of Yue Xiu Concrete Company Limited, an associated company of the Group, maintained at a satisfactory level.

PROSPECTS

The economic repercussions of the September 11 terrorist attacks on the US had seriously affected world trade and global financial markets. The overall economic growth of Hong Kong was inevitably affected by the global economic slowdown and local exports were drastically declined last year. The first quarter of 2002 remained extremely slow with the GDP shrank by 0.9% year-on-year basis. Private consumption expenditure has been largely constrained by climbing unemployment rate and the persistent deflation. It is anticipated that local property market and construction industry will remain sluggish in the near future.

However, increase in property transactions is expected as buyers' confidence gradually returns. The initiatives taken by the HKSAR Government, such as the moratorium on the sale of Home Ownership Scheme flats, flexible land sale policy and the re-organisation of the internal structure, have indicated to the public a clear policy in property market. The policy of the Government will further be strengthened by the implementation of the "responsibility system" in July 2002. Furthermore, following the reduction of local interest rates in eleven times in 2001, mortgage interest rates are at a historically low level and the level of affordability is strongest on record. All these would induce investors to enter the property market and the recent performance of first hand property sales is encouraging.

Despite signs of recovery in the US economy from recession, the Hong Kong economy is beset by various cyclical and structural problems and looks unlikely to benefit from the US recovery in the short term. Looking forward, the Group will strive to enhance efficiency in project management and cost control. The Group will also capitalize on its expertise and experience in the construction industry so as to enhance the value to its shareholders.

APPRECIATION

2001 has been a bumpy year for Hong Kong, during which the Group has been confronted by many challenges in both economic and political aspects. On behalf of the Board, I would like to take this opportunity to truly thank all staff for their concerted effort which has enabled the Group to move through these rough time safely.

CHOW Yei Ching

Chairman

Hong Kong, 11th July, 2002