Zen Wei Pao, William
Chairman

Dear shareholders,

The board of directors (the "Board") of the Company announces that the audited consolidated profit after tax of the Group for the financial year ended 31st March, 2001 was HK$176 million representing an increase of 9.8% as compared with the results of the previous year. The Board considers the Group's performance satisfactory in such difficult year.

The Board does not recommend the payment of a final dividend in respect of the year ended 31st March, 2001.

BUSINESS REVIEW AND FUTURE OUTLOOK

Highway and Expressway

Road King continues to perform well and contributed profit of about HK$140 million to the Group. It recorded an audited net profit after tax of HK$428 million for the year ended 31st December, 2000 and an unaudited net profit after tax of HK$186 million for the six months ended 30th June, 2001. During the year, the Group received total dividends of HK$104 million from Road King.

Since its formation in 1994, Road King has performed extremely well and becomes the source of steady cash flow for the Group. Road King by itself will prudently but continuously search for business opportunities taking into consideration of the market environment.

As announced by Road King on 28th June, 2001, Road King entered into conditional agreements with its joint venture partners to sell its entire 50% interests in the Jieyang Highway Network for the aggregate consideration of RMB530.8 million (equivalent to approximately HK$496 million). The disposal is currently under government approval procedures.

Construction

The Shatin short piling incident has affected materially the profitability and future growth potential of the Group's construction division in the short and medium terms. Despite this, the construction division still managed to achieve a profit of HK$50 million for the year as compared with a loss of HK$62 million (which included a provision of HK$60 million for the piling incident) in last year.

Highway

BUSINESS REVIEW AND FUTURE OUTLOOK (Cont'd)

However, the Group has encountered difficulty in obtaining new construction contracts in Hong Kong. The aggregate value of contracts in hand of the Group's construction division fell from about HK$16.4 billion (of which about HK$9.3 billion has yet to be completed) at the end of March, 2000 to about HK$12.4 billion (of which about HK$5.7 billion has yet to be completed) at the end of March, 2001.

As announced on 15th May, 2001, the Group conditionally agreed to sell the entire interest in Ngo Kee Construction Company Limited, the Group's building construction division, to a wholly-owned subsidiary of New World Services Limited for a consideration of HK$43 million.

Quarrying

The quarry division contributed about HK$7 million for this year, which was 7.9% higher than that of last year. The performance of quarry division was still affected by the slow down in property developments in the private and public sectors, which in turn reduced the overall demand in aggregates and stone products during the year. However, the Group remains confident that this business line will remain profitable in the next few years.

Building Material

In this financial year, this division contributed a moderate profit of about HK$3 million. Sundart Timber Products Company Limited ("Sundart"), a 65% owned subsidiary of the Group, continues to perform satisfactory despite the challenging market condition and the stagnant building sector. Sundart has been diversifying its business from the traditional timber door and floor business to a much wider range of fitting-out works.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, the Group raised new financing of HK$89 million through shares placement to a subsidiary of New World Development Company Limited and HK$180 million through redeemable exchangeable bond ("Bond") issued to an independent third party. The financial position of the Group was further improved by the internal funds generated from operations and the dividends received from Road King during the year. The level of total borrowings was substantially reduced from HK$1,185 million (HK$554 million if excluded the PSPS syndicated loan) to HK$372 million throughout the year.

Construction

FINANCIAL REVIEW (Cont'd)

The maturity profile of the borrowings was as follows:

	As at 31st March,	
	2001	2000
	HK$' million	*HK$' million*
Under one year	**190**	504
In the second year	**181**	46
In the third to fifth year inclusive	**1**	635
	372	1,185

Movement of the total borrowings during the year was:

(a) In June 2000, the Group disposed of its 49% interest in a wholly-owned subsidiary, First Star Development Limited ("First Star"), which participates in the development of a Private Sector Participation Scheme project in Hung Hom Bay. As the Group does not have unilateral control on First Star subsequent to the disposal, the syndicated loan of First Star, of which HK$631 million was included in the balance of other borrowings as at 31st March, 2000, was not consolidated in the balance of other borrowings as at 31st March, 2001.

(b) In July 2000, the Company issued to an independent third party in cash at par a HK$180 million Bond.

(c) The Group managed to pay off HK$168 million out of a total amount of HK$217 million as at 31st March, 2000 due to funds managed by HSBC Private Equity (Asia) Limited. The remaining balance of HK$49 million outstanding as at 31st March, 2001 was settled in May 2001. Apart from the above, repayments of bank and other borrowings amounting to HK$194 million were made during the year.

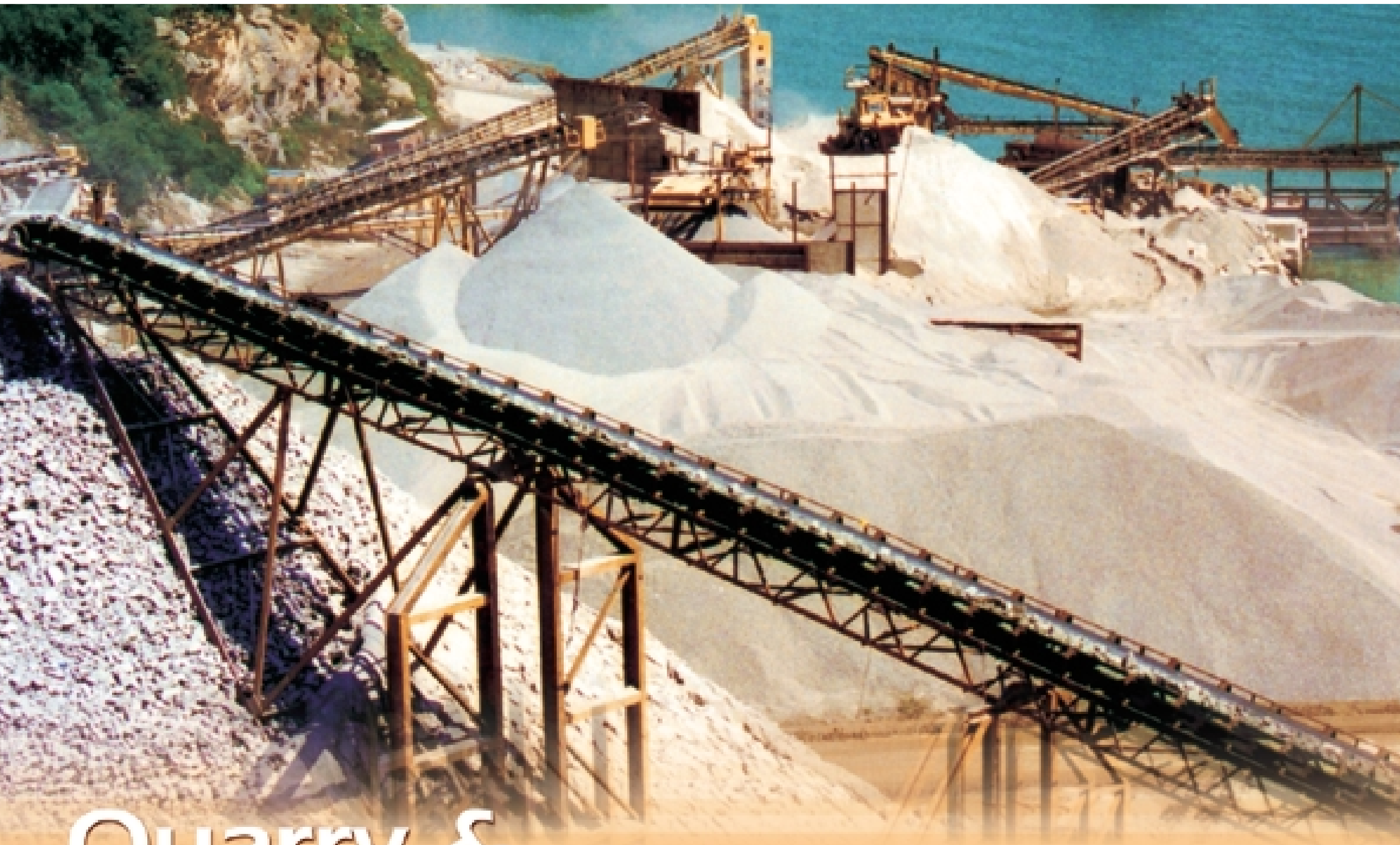
As at 31st March, 2001, the Group's cash and bank balances amounted to HK$152 million, of which HK$36 million bank deposits were pledged to secure banking facilities granted to the Group.

In line with the successful monitoring of the level of borrowings, the Group's net finance costs for the year amounted to HK$47 million, reduced by 28.9% as compared with that in last year.

The Group's borrowings and cash balances were principally denominated in Hong Kong and US dollars. Hence, there is no significant exposure to foreign exchange rate fluctuations.

Capital Structure and Gearing Ratio

As a result of reduction of borrowings and increase in shareholders' funds, the net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to shareholders' funds, was significantly reduced from 67.8% (25.9% if excluded the PSPS syndicated loan) to 12.3% during the year. As at 31st March, 2001, the shareholders' funds amounted to HK$1,795 million, representing HK$2.32 per share. Increase in shareholders' funds was mainly attributable to the retained profit for the current year, the placement of shares less cancellation of shares repurchased and share of an associate's reserve movement during the year.



Quarry & Building Material

FINANCIAL REVIEW (Cont'd)

Pledge of Assets

As at 31st March, 2001, the Group's bank deposits amounting to HK$36 million were pledged and the benefits under certain construction contracts were assigned to banks to secure banking facilities granted to the Group. In addition, 40 million shares of Road King were pledged to secure the Bond.

Contingent Liabilities

The contingent liabilities of the Group increased from HK$444 million as at 31st March, 2000 to HK$2,443 million as at 31st March, 2001. The increase of contingent liabilities was mainly due to the HK$1,750 million guarantee given to financial institutions in respect of banking facilities given to First Star which was reclassified from as a subsidiary at 31st March, 2000 to as a jointly controlled entity at 31st March, 2001, and an additional amount of outstanding performance bonds in respect of construction contracts of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March, 2001, the Group had 2,158 employees, of which 1,263 were located in Hong Kong, 834 were located in mainland China and 61 were located in Taiwan. Total staff costs of the Group for the year ended 31st March, 2001 amounted to HK$370 million (excluding directors' emoluments).

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. Salaries and wages are normally reviewed on an annual basis by reference to the prevailing market condition and based on individual performance appraisal. On top of regular remuneration, discretionary bonus and share options are granted to eligible staff on a merit basis. Other fringe benefits, such as medical insurance and retirement benefit, are also provided.

CONCLUSION

Following the piling incident, the Group has adopted a cautious strategy to put its feet firmly on the ground. The Group has been realigning its principal activities to focus on its core businesses and to dispose of its non-core operations. The primary objective is to consolidate and strengthen its financial position.

Despite the difficult time ahead, the Board is still optimistic on the Group's performance and future. With our excellent management and diligent staff, the Board is confident to overcome all the difficulties. The Board would also like to take this opportunity to extend its heartiest thanks to its entire loyal and hardworking staff.

Zen Wei Pao, William
Chairman

20th July, 2001