



FOREWORDS

I have pleasure to present to the Shareholders the Group's annual report for the year ended 31 March 2001.

During the year under review, the Group has achieved satisfactory operating results even though the economy of most Asian countries is still pending for recovery from the Asian financial crisis. The Group has strengthened its core business and operation by exploring new market segment and business strata.

RESULTS

The Group's turnover for the year was HK\$643,199,000. This represented an increase of 50.9% as compared to that of last year. The net profit attributable to shareholders amounted to approximately HK\$13,407,000, a decrease by 3.9% from last year. Basic earnings per share is approximately HK0.28 cents.

DIVIDENDS

In order to preserve the Group's funds for future development, the Board of Directors (the "Directors") does not recommend the payment of any dividend in respect of the year.

BUSINESS REVIEW

The increase in the Group's turnover for the current year is due to the success of the Group's strategic expansion in the construction business in Hong Kong and other business sectors. Projects such as Stanley Prison Phase II, 2 years' term contracts for Design and Construction of Fitting Out Works to Building from the Architectural Services Department of the Government of Hong Kong Special Administrative Region ("HKSAR"), and main contract for the construction of residential building in Chi Kiang Street have generated significant turnover and profit contribution to the Group for current year.

Moreover, the Group has scored a significant achievement in its property investment business. The Group has successfully disposed of four levels of Zhong Da Square, Shanghai in the People's Republic of China (the "PRC") and over 99% of the 130 residential units of Asian Villas, Phase I, Haikou, Hainan Province in the PRC which made a meaningful turnover and profit contribution during the year.



PROSPECTS

During the year under review, the Group has obtained significant achievement in expanding its market strata through the acquisition and alliance with strategic entities. As a result, the strategic development has strengthened the competitiveness and operating capability of the Group in the coming future.

Construction business

The Group will uphold the on-going parallel development of its construction business in both the PRC and Hong Kong construction industries. After the year end date, new projects such as acting as the main contractor for construction of commercial buildings in 12-14 Pak Sha Road, construction of residential buildings in 87 Repulse Bay Road, construction of composite building at 412-418 Ma Tau Wai Road and interior fitting out works in Empire Kowloon Hotel with aggregate main contract sum over HK\$100 million were awarded. With its proven track record and expertise in the main contracting business as well as alliance with strategic partners, in March 2001, the Group was granted List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Works Bureau of the Government of the HKSAR which enable the Group to carry out public building construction works. During the year, the Group successfully acquired the controlling interest in KEL Holdings Limited ("KEL"), a company whose shares are listed on The Stock Exchange of Hong Kong Limited. KEL and its subsidiaries, (collectively, the "KEL Group") is specialised in the design, supply, installation and maintenance of electrical and mechanical engineering services. With the financial and technical support of the Group, KEL Group successfully uplifted all 11 existing licences under the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Works Bureau of the Government of the HKSAR. The operation of the KEL Group is supposed to provide a synergical effect to the Group's construction business through vertical integration. This will enhance the competitiveness and profit margin of the Group's construction business. The Directors believe that Beijing, PRC won the right to host the 2008 Olympic Games, will have a positive impact on the Group's construction business.

Property development and investments

During the year, the Group has acquired a land lot for high-class residential property development near the Botanic Garden in Shanghai. The land measures 35,235 sq. metres and has a plot ratio of 1.4. The site can be developed into middle and high-class apartments with floor areas of approximately 50,000 sq. metres. The Directors believe that the price of the apartments developed in that area will be over RMB6,000 per sq. metre, and the aggregate sales revenue are expected to be over RMB300,000,000. As Shanghai is developing into a metropolis serving as an international financial, information and transportation centre, the project will have great market potential and bright prospects by virtue of its unique Botanic Garden surroundings. In addition, Phase II of the Asian Villas, Haikou, Hainan Province is under construction and over 60% out of the 354 residential units under Phase II has been pre-sold with the contract sum over RMB80,000,000. The Directors believe



Property development and investments (continued)

that the joining of the World Trade Organisation and commencement of Asia Pacific Economic Conference in Shanghai will have a positive impact to the PRC property market and property investments will continue to provide meaningful contribution to the Group's operating results in the coming years.

The development of intelligent buildings system

The Group has expanded its construction related business into the development of intelligent buildings system which provides a turnkey solution from system design, equipment supply, installation, testing and commissioning, to maintenance services. The Group is developing jointly with the City University of Hong Kong a LAN-based Intelligent Management System (LIMS) which include a web-based platform to integrate virtually unlimited sub-systems related to Building Management System (BMS), Office Automation System (OAS), and Communication & Network System (CNS), etc. The LIMS has also developed its first intelligent product called i-panel under the brand name of "Desoni" which is launched to the market recently. Product demonstration has been held to public with favourable feedback and inquiry. Subsequent to the year end, the Group also formed alliances with intelligent buildings systems companies in Japan, Israel and Taiwan to strengthen its development in intelligent buildings system. The Directors believe that the alliances will provide a variety of solutions and related products to the intelligent buildings system, and the development of the intelligent buildings system is of very great marketing potentiality which will become one of the principal operations of the Group.

Development of Fitness Centres

The first fitness centre with gross floor area over 4,000 sq. metres was established in Hua Hai Zhong Lu, Shanghai in October 2000. It is regarded as a high growth business and the Group intends to set up a chain of large scale, comprehensive, high quality, professional and affordable fitness centres under the brand name of "Megafit" in the PRC. The fitness centre has admitted more than 3,000 members since its soft opening in October 2000 and is planning to open additional fitness centres in prime cities in the PRC in the coming years. As Beijing, PRC has won the right to host the 2008 Olympic Games, the Directors believe that such event will stimulate the public's enthusiasm in sports and thus the fitness equipment business will provide a favourable contribution to the Group.

AUDIT COMMITTEE

The Company established an Audit Committee in November 1999 in compliance with the Code of Best Practice of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Committee comprises two Independent Non-Executive Directors. The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal controls.



SUMMARY

The Group's strategic expansion in the construction business in Hong Kong and other business strata, and the significant achievement in the property investment business in PRC, were confirmed by the satisfactory operating results in current year. In the coming future, the Group will further strengthen the development of its core business in construction, property development and investment, and fitness equipment, together with the launch of its newly developed intelligent buildings system to the market. On the other hand, the Group will keep on seeking new opportunities and corporate development so as to enhance the profitability of the Group.

ACKNOWLEDGEMENTS

On behalf of the Directors, I would like to express my heartfelt thanks to our Shareholders for their continued support and to our staff for their hard work. We will carry on dedicating our efforts towards the Group's long-term development.

Tjia Boen Sien

Managing Director and Deputy Chairman

Hong Kong
26 July 2001