The Group has experienced significant changes during the past financial year. Since Sino-i.com Limited ("Sino-i.com") acquired the controlling interest of the Group in September 2000, a series of corporate and debt restructuring exercises have been implemented and as a result, both the corporate structure and financial position will be substantially improved.

The principal activities of the Group extended from a manufacturing operation base to properties investment and development in the People's Republic of China ("the PRC"). Such expansion of business scope enables the Group to capitalize the rapidly growing property market in the PRC. To better reflect our principal business direction, the Company's name has been changed to South Sea Holding Company Limited.

Property Development and Investment in China

The controlling shareholder of the Group, Sino-i.com, has been actively involved in the property market in the PRC since 1991. The injection of property portfolio by Sino-i.com will enable the Group to enjoy the benefit in the strong potential property market in the PRC while the Group is continuing its manufacturing business. The assets injected to the Group comprise a total residential portfolio of not less than 20 millions square feet in gross floor area. Our management believes that the property market in the PRC provides us enormous opportunities due to the huge demand for residential accommodation in major cities in the PRC. Amongst these cities, Shenzhen and Guangzhou are expected to be the most promising.

The significant increase in cross border traffic between Hong Kong and Shenzhen since 1997 has changed the perception of low quality Shenzhen properties amongst Hong Kong residents. As a result of the increasing popularity of Shenzhen properties, the Hong Kong property market is further battered. It is expected that cross-border administration will continue to liberalize and therefore, more Hong Kong residents will find it more economical to live in Shenzhen and work in Hong Kong. The Group will commence its property development in Shenzhen with great enthusiasm this year. This project consists of four phases and will take about 8 years to complete. Upon completion, the project will provide more than 8,500 residential units or approximately 10 million square feet in gross floor area and each phase will have approximately 2,000 units for sale.

Moreover, to keep in line with the properties development strategy, the Group has secured two options to acquire the properties in Guangzhou and Beijing respectively. The residential development in Guangzhou has more than 10 million square feet in gross floor area. This project aims at the younger generation and newly wedded couples in Guangzhou, providing them with a comfortable and relaxed living environment. With the completion of the new airport (one of the largest and busiest airports in the PRC) in the vicinity of the property, the management believes that this project is well positioned to capture market attention.

In addition to the above property project in Guangzhou, the Group is planning to exercise its option on the office development project in Beijing in the near future, and such project is expected to commence early next year. It is anticipated that office rental income will continue to improve in the next few years in Beijing, especially when the PRC enters into the World Trade Organization shortly and the effect of 2008 Olympic fever. The Group intends to hold the properties for long-term investment with expectation of high yield rental income, and will keep on grasping opportunities to expand our rental income portfolio whenever possible.

Manufacturing Business

Due to the continuous loss incurred by the Group's manufacturing business in the past few years, it is almost impossible to continue its operation without dramatic cost cutting measures. In order to rectify the past problems in an efficient manner, the new controlling shareholder appointed KPMG in February 2001 to conduct a business review on the manufacturing arm of the Group. Coupled with this professional review, a series of corporate debt restructuring exercise was executed. The results of these exercises are the improved capitalization and the viability of manufacturing business of the Group.

In order to simplify the complicated and redundant corporate structure of the Group's manufacturing division, it is our intention to embrace various subsidiaries conducting manufacturing business under a wholly owned subsidiary, namely Team Industrial Company Limited ("TICL"). The Company has successfully invited one of the leading electronic manufacturers in Southern China to be a minority shareholder of 35% of TICL. This arrangement is not only beneficial to our capital structure, but also enhances our production capability base. The Group intends to further exploit the brand name of TEAM CONCEPTS in the export market and starts to look at opportunity in distributing our products in the PRC. By having a strong Chinese partner, we will surely be benefited by this business cooperation undoubtedly.

The Group has secured a licensing contract with Little Tikes earlier this year, one of the largest and well-known electronic goods players in the USA, and we are licensed to manufacture and distribute products under the player's brand name. The operation will start in the last quarter of this year. This licensing arrangement will open up a significant market which traditionally could not be exploited by the Group. Upon the completion of the current restructuring, the Group has built a solid foundation for its business to move back on the right track. Should the world economy begin to recover by the end of this year, it is anticipated that we are in well positioned to capture such growth.

Prospect of the Group

The property portfolio injected through the recent injection provides the growth engine for the Group in the next five years. Given its land banks are primarily located at the high economic growth areas, the management will focus on these areas and try to achieve the best results for the shareholders.

The manufacturing division of the Group will continue to improve its operation efficiency. This will complement with the strategy to minimize its production base and expand on product development and R&D areas. The management believes that an effective and efficient operation base is inevitable bedrock for producing products in a higher profit margin situation which in turn secures promising future profit.