RESULTS

Turnover of the Group for the year under review was approximately HK$441.8 million which represents a 30.4% decrease from about HK$634.4 million in 2000. The net loss attributable to shareholders was approximately HK$329.3 million (2000: HK$173.1 million) and the loss per share for the year was 31.7 cents (2000: HK$23.8 cents).

DIVIDEND

The Board of Directors does not recommend the payment of a dividend for the period ended 30 September 2001 (2000: nil).

BUSINESS REVIEW

The past financial year has been a difficult year for the Group. The construction industry in Singapore was at its worst recession in her recent history, registering a negative 13% growth for the period. Fewer projects were available in the region, thus affecting the turnover as well as the profit margin of the construction business. The liquidity of our subsidiary group of construction companies, the Sum Cheong Group in Singapore had been under pressure in the latter half of the year as the major financial resources of the Sum Cheong Group were generated from its construction projects and support from the Company.

Subsequent to the balance sheet date, the Company and the Sum Cheong Group received demand letters from a major supplier of the Sum Cheong Group, demanding payments of S$16.3 million or HK$71.8 million drawn under a trade facility of S$25 million or HK$110.4 million granted by that major supplier to the Sum Cheong Group. By virtue of a Deed of Guarantee & Indemnity signed on 14 September 1998, the Company was the guarantor of the Sum Cheong Group in relation to the above mentioned trade facility. Although the Company together with the Sum Cheong Group had already repaid approximately S$12.7 million or HK$56.1 million during the past financial year to that major supplier, the management considers that the Group will not be able to meet the demand from that major supplier at present if possible external financing cannot be sourced from outside parties or settlement arrangements cannot be concluded with that major supplier in the near future.

In light of this financial obligation of the Company, the management had been in discussions with the management of the Sum Cheong Group about a proposed management buy-out. In summary, under the proposed management buy-out, the Company will transfer the entire shareholdings in the Sum Cheong Group to the management of Sum Cheong Group together with additional financial support to the Sum Cheong Group, and in return, the management of the Sum Cheong Group will procure the release of all corporate guarantees from the Company in relation to the Sum Cheong Group which amounted to S$34.8 million or HK$153.5 million. The proposed management buy-out will be subject to consents and approvals from relevant parties including the shareholders of the Company, that major supplier and the insurance company providing trade credit and guarantee facilities for the Sum Cheong Group, etc..

The management of the Company believes the proposed management buy-out is one of the available alternatives to effectively discharge the liabilities of the Company under the demand letter received from that major supplier as well as other guarantees and contingent liabilities that arise as the holding company of the Sum Cheong Group. The final terms and details of the proposed management buy-out will be announced in further announcements of the Company once they are concluded and finalized.

Since the change of controlling shareholder of the Company in January 2001, the new management of the Company had been reviewing the assets structure of the Group with a view to discover idle and under-performed assets or assets that borne no strategic and future value in developing the Group's future business. Now, coupled with the pressing need to meet the Company's past financial obligation, the management decided to conserve all near future cash outflow. Accordingly, some previously made investments in companies whose businesses are draining cash in the near future and borne no stragetic and future value to the Group are discontinued and written off during the period. During the period, a total of approximately HK$72.6 million of these investments were written off, out of which HK$33.6 million worth of investments written off were made during the first half of the current period.

REVIEW OF OPERATIONS

Construction

During the period under review, construction projects continued to be the main contributor to the Group's turnover which generate about HK$423.8 million (2000: HK$632.1 million). The construction industry in Singapore during the period was at its bottom phase of recession which registered a double digits negative growth for the year. The largest sectorial decrease was in piling works awarded by the Housing and Development Board in Singapore which had reduced to HK$38 million from previous year of HK$110 million in contract value. On the other hand, the largest sectorial increase was in infrastructure works which included the two Changi Airport projects and Changi Naval Base projects. Faced with a shortage of projects, the Group saw not only fewer orders but also the profits from operations being further depressed by weak tender prices and intense competitions among the competitors.

On geographical segments, Singapore remains to be the main contributor the Group's turnover. For the period under review, turnover from Singapore accounted for about HK$433.2 million (2000: HK$627.2 million) out of the Group's turnover of HK$441.8 million (2000: HK$634.4 million), and was mainly derived from the two airport projects and Changi Naval Base project. The Group had also secured the Jurong Island Area 3B1 project worth HK$185.5 million and the piling contract for Edelweiss Condominium worth HK$19.9 million. Turnover form regions Malaysia and Myanmar continued to decline as the Group had scaled down the operations in these countries due to the extreme difficult construction market conditions.

Internet Operations

Since 2001, the Group started to venture into the Internet-related business although it had contributed minimal to the Group's overall performance for the period. In January 2001, the Company, through its wholly owned subsidiary, acquired Marketspace Commerce International Holding Limited ("MCIH") for a total consideration of HK$68 million satisfied by HK$3 million in cash and the balance by the issue of new shares in the Company. MCIH is an investment holding company whose subsidiaries are principally engaged in the internet-based e-commerce activities, providing software solutions, consultancy and internet services, and the development of internet virtual currency of which MCIH had already built up a respective group of subscribers and clients on its internet virtual currency database. However, in view of the performance of its internet virtual currency operations in the latter half of the financial year and after in-depth discussions with the management of MCIH, the management considered it was the best interests of MCIH to cease its development of internet virtual currency business and focus on its software solutions and internet consultancy services operations.

In July 2001, the Company, through its wholly owned subsidiary, acquired a 19% interest in an "intelligent home" management software company for a cash consideration of HK$38 million. The management believes that although the company is in second year of operations, it has a huge business potential with the "intelligent home" concept, in particular in the PRC market.

FINANCIAL REVIEW

Operations

For the period ended 30 September 2001, the Group's turnover was HK$441.8 million, representing a 30.4% decrease as compared to HK$634.4 million in the previous corresponding period. The decrease in turnover was mainly due to the continued negative growth in the construction industry in Singapore and shortage of both public and private projects available in the region.

The Group incurred a loss from operations of about HK$317.6 million as compared to the loss from operations of HK$172.1 million in the previous corresponding period. The increase in loss from operations for this fifteen-months period was mainly due to the goodwill arising for the acquisition of a subsidiary fully amortised during the period which amounted to HK$67.2 million and the write-off of the Group's long term investments amounted to HK$72.6 million. In addition, due to the delay and inability to complete a number of construction projects on schedule, a provision for foreseeable loss on work-in-progress of HK$79.9 million was provided during the period.

Staffing

At present, the Group had approximately 380 employees, and the staff costs for the period amounted to approximately HK$39.2 million (2000: HK$34.8 million). The employees' remuneration, promotion and salary increment are assessed based on their work performance, work and professional experiences and the prevailing market practice. Following the adoption of the mandatory provident fund scheme in December 2000, the Group's employees in Hong Kong had joined the scheme accordingly.

Pledge of Assets

Fixed deposits amounted to HK$6.6 million (2000: HK$3.0 million) were pledged to financial institutions in connection with the general facilities granted to respective Group companies. During the period, certain machinery were pledged to a financial institution for a term loan repayable within one year of HK$0.5 million (2000: HK$20.7 million). In addition, debentures comprising fixed and floating charges over all assets of certain Group companies are issued to an insurance company and a major supplier of the Group for guarantee and trade credit facilities of HK$110.4 million or S$25 million each (2000: HK$112.8 million or S$25 million each) for the respective Group companies.

Contingent Liability

As at 30 September 2001, save for the potential claims from the litigations in process which the management had been seeking legal advice or in the opinion of the management, no provision is necessary at present, the Group had contingent liabilities not provided for in the financial statements in respect of guarantee facilities and performance bonds amounted to HK$122.3 million (2000: HK$109.8 million).

LIQUIDITY AND CAPITAL RESOURCES

Borrowings

As at 30 September 2001, the Group had total financial borrowings of HK$8.1 million as compared to HK$33.2 million at last financial year end, out of which HK$0.5 million (2000: HK$20.7 million) represents bank loan secured by a charge on the shares in an associate of the Company, and the remaining balance of HK$7.6 million (2000: HK$12.5 million) represents obligations under finance leases and hire purchase contracts. The bank loan bears an interest rate of 5%-8% per annum.

Of the total financial borrowings, approximately HK$5.3 million (2000: HK$17.2 million) is repayable within one year or on demand; approximately HK$2.1 million (2000: HK$13.3 million) repayable after one year but within two years; and approximately HK$0.7 million (2000: HK$2.7 million) repayable after two years but within five years. Since the major business operations of the Group are based in Singapore and the majority of the Group's banking and guarantee facilities are in Singapore dollars, there is minimal exposure in exchange rate risk and therefore the Group does not adopt any exchange rate management policy currently.

During the period, the Group had obtained short term borrowings of HK$47.6 million (2000: nil) repayable within one year with interest rates at prime plus 1% to 2%.

Shareholders' funds of the Group as at 30 September 2001 amounted to approximately HK$44.3 million (2000: HK$232.1 million). Accordingly, the Group's gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at 30 September 2001 was 125.7% (2000: 14.3%). The deterioration in the gearing ratio of the Group was mainly due to the new short term borrowings made during the period for general working capital and the repayment of a major supplier of the Sum Cheong Group purposes .

As at 30 September 2001, the Group had a net current liabilities of HK$139.2 million which means the current assets of the Group will not be able to meet the demand of the current liabilities of the Group at present. In this regard, the management had been in discussions with a major supplier of the Group in possible settlement arrangements, and looking into other external financial resources for the Group.

Capital Investments and Commitments

Except for the acquisitions of the Internet-related investments which were funded from internal financial resources as discussed in the review of operations above and a commitment of fixed investments on certain land in Singapore of HK$23.8 million or S$5.3 million, the Group did not incur or commit any material investment or capital expenditure during the period.

Due to the tight liquidity position of the Group, it is not expected that any material investment or capital expenditure will be made until additional financing can be sourced either from the capital or debt markets in the near future and until the proposed management buy-out or other possible settlement arrangements with the major supplier of the Sum Cheong Group be concluded accordingly.

Capital Structure

On 16 February 2001, a total of 162,500,000 consideration shares at HK$0.40 each were issued for the acquisition of MCIH as mentioned in the review of operations above.

At an extraordinary general meeting of the Company held on 22 February 2001, the shareholders approved an increase in the authorised share capital of the Company from HK$400 million divided into 1,000,000,000 shares of HK$0.40 each to HK$1.6 billion divided into 4,000,000,000 shares of HK$0.40 each by the creation of 3,000,000,000 new shares of HK$0.40 each. The increase in the authorised share capital of the Company is to facilitate any capital raising exercise when circumstances arise in the future.

In June 2001, the Company raised approximately HK$47 million after expenses from a rights issue exercise of 1 rights share at HK$0.40 per rights share for every 8 existing shares held with the bonus share issue on the basis of 3 bonus shares for every rights share taken up. As a result, a total of 124,220,194 rights shares and 372,660,582 bonus shares were issued accordingly.

PROSPECTS

As discussed in the Business Review above, the management considers that the Group will not be able to meet the demand from the major supplier of the Sum Cheong Group at present if possible external financing cannot be sourced from outside parties or settlement arrangements cannot be concluded with that major supplier in the near future. Accordingly, the prospects of the Group to a certain extent will depend on the outcome of the proposed management buy-out and/or possible settlement arrangements with that major supplier as well as the sourcing of other external financial resources for the Group.

Construction

Although the construction market in Singapore still remain in the negative growth zone, the Singapore Government has planned to release more infrastructure works which include new MRT lines, new expressways, reclamation works, water reclamation and waste water projects. The Group is likely to be awarded an infrastructure projects with contract sum around HK$100 million in Pulau Punggol Timur in the near future. The Group has also teamed up with China Railway Construction Co. from PRC to participate in tendering for the MRT circle lines project in Singapore and the structural steel works together with construction of runway and taxiway for the Bangkok New International Airport in Thailand.

Capitalising on the Group's vast experience in mega ports, airport runway and taxiway projects in Singapore, the Group has formed strategic alliance with Singapore partners and are pursuing some mega port projects in Malaysia, Bangladesh, Korea, Cambodia, Philippines, Indonesia and United Arab Emirates. A subsidiary company in Malaysia is expected to be awarded the soil improvement works for the Electrified Double Track Rail project between Rawang and Ipoh of more than HK$30 million in contract value. The Group is also actively tendering some mega port construction projects in Malaysia such as the new Penang Container Port and the Fishery Port in Sibu.

The business in marine plant rental has also picked up and the Group is aggressively marketing the rental services in the region. With the aggressive marketing strategies to market the sales and rental services of our large fleet of equipment and vessels in Singapore and in the region, it is expected to contribute steady revenue from sales and rental activities of equipment and vessels in the coming financial year. Save for the working capital position of the construction group which is crucial not only in completing the present projects but is also intensively required for infrastructure construction projects in the future, the management believes that with the Group's proven track record and expertise, the Group is well positioned to take every opportunity in the construction sector when the construction industry in Singapore and in the region recovers.

Internet Operations

Given the current economic conditions in the internet industry, the management does not expect the Group's investment in the internet-related activities will contribute to the performance of the Group in the near future. The management believes the Group's investments, in the longer term, will contribute potential income and capital appreciation to the Group's overall performance as the economy recovers.

CHANGE OF FINANCIAL YEAR END DATE

In July 2001, the Company has resolved to change the financial year end date of the Company and its subsidiaries from 30 June to 30 September commencing from the year 2001.

ACKNOWLEDGEMENTS

Last but not least, I would like to thank my fellow directors, dedicated employees, our supportive shareholders and our loyal customers and suppliers for their confidence and continued support in the Group.

Cheung Yu Shum, Jenkin
Chairman & Executive Director

Hong Kong
6 February 2002