

## FOREWORDS

I have pleasure to present to the Shareholders the Group's annual report for the year ended 31 March 2002.

## BUSINESS AND SEGMENT INFORMATION REVIEW

The Group's turnover for the year was HK\$19,117,000. This represented an increase of 36% as compared to that of last year. The net loss attributable to shareholders amounted to approximately HK\$10,860,000. Basic loss per share is approximately HK1.48 cents. During the year, based on the relationship and support by Deson Development International Holdings Limited ("Deson"), Building Services (single-trade) projects contributed more than 50% of the total turnover. More time and efforts are required to pick up the comparatively lower market share of Packaged/Design and Build Contracts and Environmental Engineering Services upon restructuring, as the Group has to rebuild the confidence of customers in these two fields. However, the directors believe that these business segments can turn around in the future.

## PROSPECTS

The Group's core business is electrical and mechanical (E&M) engineering and maintenance projects in both public and private sectors. In May 2001, all the 11 licences held under the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Works Bureau of the HKSAR Government were reactivated, which strengthen the ability of the Group to secure more projects both from the public and private sectors.

In spite of the weak local economy and the keen competition within the local construction industry, the Group was still able to conclude projects with a total contract sum of over HK\$ 15 million for the year ended 31 March 2002. Since the date of this report, the Group has secured projects with a total contract sum of over HK\$35 million. On 11 October 2001, the Group proposed to enter into continuing connected transactions with Deson for the provision of E&M engineering services by the Group to Deson. This proposal was approved by the shareholders of the Group on 22 November 2001. The Group will keep exploring the E&M engineering business in the PRC construction market with the assistance of Deson which has extensive connections in the PRC construction industry. To fully utilize the synergy effect, the Group will work closely with Deson in packaged E&M installation which includes the intelligent building engineering services systems. Apart from this, the Group will also seek every opportunity of market niche and will broaden the type of business activities.

The directors will continue to devote great efforts to re-establishing its high reputation and viable status of the Group which it possessed in the E&M engineering industry before. With the Group's strong foundation and long established expertise in the E&M engineering business and the support by Deson, the directors believe the Group is in a position to turn around into a sound operation in the not too distant future.

# CHAIRMAN'S STATEMENT

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2002, the Group had total assets of HK\$22,459,000, and current liabilities, non-current liabilities, shareholders' equity and minority interests of HK\$7,128,000, HK\$9,675,000, HK\$4,928,000 and HK\$728,000 respectively.

The Group maintained a satisfactory working capital during the year. The Group's gearing ratio at the year end was 63%, which was calculated based on the long term borrowings of HK\$9,675,000 and long term capital of HK\$15,331,000.

The Group's long term borrowings represented convertible notes issued under the schemes. The notes, which bear interest at a rate of 2% per annum and are convertible into new shares of the Company at a conversion price of HK\$0.10 per share at any time up to 1 September 2003, being the third anniversary of the date of the issue. The convertible notes and cash balances were principally denominated in Hong Kong dollars. Hence, there is no significant exposure to foreign exchange rate fluctuation.

## CAPITAL STRUCTURE

The Group's long term capital represented share capital and convertible notes. Details of convertible notes are discussed in the section "Liquidity and capital resources" above.

## RISK OF CURRENCY FLUCTUATION

The Group's receivables and payables were dominated mainly in Hong Kong dollars and Renminbi. Since Hong Kong dollars and Renminbi are relatively stable, we consider the exchange risk is not significant.

## CONTINGENT LIABILITIES

As at 31 March 2002, there were no material contingent liabilities to the Group.

## EMPLOYEE SCHEMES

As at 31 March 2002, the Group had 74 employees, one of whom was based in the PRC.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, discretionary bonuses are linked to individual performance as recognition of and reward for value creation.

## CHARGES ON GROUP ASSETS

The Group's banking facilities are secured by the Group's time deposits of HK\$5,500,000.

## ACKNOWLEDGEMENT

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  
30 May 2002