



## FOREWORDS

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

During the year under review, the Group has achieved satisfactory operating results even though the economy of Hong Kong is still pending for recovery. The Group has strengthened its core businesses in both construction business and property development and investment business.

## BUSINESS REVIEW

The Group's turnover for the year was HK\$409,088,000 which represented a decrease of 36.4% as compared to that of last year. The net profit attributable to shareholders amounted to approximately HK\$7,804,000. Basic earnings per share is approximately 0.16 HK 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.

## BONUS ISSUE OF WARRANTS

In order to provide Shareholders with a further opportunity to participate in the growth of the Company and strengthen the Company's working capital position, the Directors recommended an issue of bonus warrants on the basis of one unit of subscription rights of warrants for every five existing shares held, to Shareholders (except Overseas Shareholders) whose names appear on the register of members of the Company on 13 August 2002. The warrants will entitle the holders hereof to subscribe for new shares of the Company at an initial exercise price of HK\$0.033 per new share, subject to adjustment, at any time between the date of issue of the warrants (expected to be 15 August 2002) and 14 August 2004, both days inclusive.

## PROSPECTS

### Construction business

The Group will uphold the on-going parallel development of its construction business in both the People's Republic of China ("PRC") and Hong Kong construction industries. 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 included in the List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Works Bureau of the Government of the Hong Kong Special Administrative Region ("HKSAR"), which enables the Group to carry out public building construction work. Besides, the Group successfully acquired the controlling interests in KEL Holdings Limited ("KEL") in August 2000. With the reactivation of all of its 11 licenses held under the List of Approved Contractors for Public Works under Works Bureau of The Government of the HKSAR, the Group can take an active part in the construction business development, together with KEL, to achieve a synergical effect.



New projects such as main contractor for construction of a commercial complex (German Centre) in Shanghai, main contractor for the construction of a 5 storey mixed building for Saint Joseph Home for the Aged, Sheung Shui, New Territories, main contractor for construction of a 14 storey residential block in 8A - 8F Shiu Fai Terrace, Stubbs Road, Hong Kong, renovation works in ground floor, first floor and New Face, Sogo Department Store and a 2-year term contract for Design and Construction of fitting out works: Kowloon and New Territories – Eastern Region were awarded. At the date of this report, the Group has secured contracts on hand with a total contract sum of over HK\$800 million. The Directors believe that Beijing, PRC having won the right to host the 2008 Olympic Games and the recovery of the Hong Kong economy will have a positive impact on the Group's construction business.

### **Property development and investments**

Retrospectively speaking, in July 2000, the Group acquired a land lot for high-class residential property development near the Botanical Gardens 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, this property development site is named as "Park View". The Directors believe that the price of the apartments developed in that area will be over RMB 6,000 per sq. metre, and the aggregate sales revenue is expected to be over RMB 300 million. Pre-sale of Blocks 1 and 2 of this site commenced on 21 June 2002 with a positive response, the Directors are confident that this project will have a meaningful contribution to the turnover and profit of the Group in the coming years. As Shanghai is developing into a metropolis serving as an international financial, information and transportation centre, this project will have great market potential and bright prospects by virtue of its unique Botanical Gardens surroundings. In addition, Phase III of Asian Villas, Haikou, Hainan Province is under construction and will be completed by the end of Year 2002. The Directors expect that the aggregate sales revenue stands over RMB75 million.

Together with the renting out of all units in 24, 27-28 floors of Zhong Da Square, Shanghai, PRC the Directors are convinced that the property investment segment will provide a stable recurring income to the Group.

The joining of the World Trade Organisation 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 systems**

The Group has favourably expanded its construction related business into the development of intelligent buildings system which provides a turnkey solution from system design to maintenance services. During the year, the Group formed alliances with intelligent building systems companies in Japan, Israel and Taiwan to enhance its development in intelligent buildings system. Products were launched to market recently with favourable feedback and inquiry. 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 great marketing potential which will become one of the principal operations of the Group.



## Development of Fitness Centres

Subsequent to the opening of Shanghai Megafit in October 2000, Fitness Concept Limited ("Fitness Concept"), an associate of the Group, had entered into an operating lease for a term of 5 years with a hotel operator to operate Sensations Spa & Fitness Centre at Crowne Plaza, a 5-star resort hotel in Shenzhen. The centre has a gross floor area of approximately 1,080 m<sup>2</sup>. It provides spa and variety of beauty and body treatments for ladies as well as a fitness club and swimming pools facilities for both genders. It has admitted over 100 members since its soft opening in December 2001. In March 2002, Fitness Concept entered into a management agreement with a property developer in Wuhan to operate Wuhan Megafit in Truroll Plaza, Wusheng Road, Wuhan for a term of 5 years. The centre has a gross floor area of approximately 3,000 m<sup>2</sup>. More than 800 members were admitted since its soft opening in June 2002. Fitness Concept plans to open more Fitness and Spa & Fitness Centres in major cities in the PRC in the coming year by adopting the management and operation lease business models.

## AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company.

## SUMMARY

The Group's on going parallel development of its construction business in both the PRC and Hong Kong and the significant achievement in the property investment business in PRC, were confirmed by the satisfactory operating results in current year. In the future, the Group will further strengthen the development of its core business in construction business and property development and investment business, together with the launch of the Group's 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  
10 July 2002