RESULTS

Turnover of the Group for the year under review was approximately HK$302.3 million which represents a 31.6% decrease from about HK$441.8 million in 2001. The Group's loss attributable to shareholders was approximately HK$115.4 million for the year (2001: HK$329.3 million) and the loss per share for the year was 7.7 cents (2001: 31.7 cents).

DIVIDEND

The Board of Directors does not recommend the payment of a dividend for the year ended 30 September 2002 (2001: nil).

BUSINESS REVIEW

The past financial year has still been a difficult year for the Group. As mentioned in the 2001 Annual Report and throughout this financial year, the management had been focusing on the debt restructuring of the Group and the disposal of a major subsidiary group of construction companies in Singapore, namely the Sum Cheong Group. The debt restructuring of the Group and the disposal of the Group's entire interest in the Sum Cheong Group was finally concluded in September 2002. Under the disposal, the Company was released from its obligations under the corporate guarantee issued to ECICS-Coface Guarantee Company (Singapore) Ltd. ("ECICS") and Mitsui & Co., Ltd. ("Mitsui"), the guarantor and trade supplier of the Sum Cheong Group respectively for an aggregate of approximately S$48.9 million (approximately HK$220.1 million), and all other commitment, liabilities and contingent liabilities which may arise as the holding company of the Sum Cheong Group.

To facilitate the disposal of the Sum Cheong Group, the Company entered into a debt restructuring agreement with China Strategic Holdings Ltd. ("CSH") and Grand Orient Ltd ("Grand Orient") in August 2002 that CSH agreed to grant a new loan facility to the Company of amount up to approximately HK$48.6 million and Grand Orient agreed to grant indulgence to the Company in respect of the repayment of the indebtedness.

In April and June 2002, the Group acquired a construction and a retail business in Hong Kong to strengthen the earnings stream of the Group. These newly acquired business contributed approximately HK$11.2 million and HK$21.6 million in turnover for the Group respectively.

FINANCIAL REVIEW

Operations

For the year ended 30 September 2002, the Group's turnover was HK$302.3 million, representing a 31.6% decrease as compared to HK$441.8 million in the previous corresponding period. The decrease in turnover was mainly due to the decrease in turnover in its major subsidiary group of companies, Sum Cheong Group (as included in discontinuing operations) from approximately HK$ 435.4 million in the last corresponding period to approximately HK$266.3 million in this year. This was mainly due to the prolonged negative growth in the construction industry in Singapore. Apart from the discontinuing operations, the Group had recorded a turnover of HK$36.0 million in its operations in the Hong Kong segment, representing a 662.5% increase as compared to HK$6.4 million in the previous corresponding period. The increase was mainly due to the shift of focus of the Group for business in Hong Kong and diversification in business in various industries.

The Group incurred a loss from operations of about HK$101.8 million as compared to the loss from operations of HK$317.6 million in the previous corresponding period, representing a decrease of 67.9%. The decrease in loss from operations for the year was mainly due to the reduction in operating expenses from about HK$292.7 million in last year to about HK$101.6 million this year.

Staffing

At present, the Group had approximately 120 employees after the disposal of the Sum Cheong Group in Singapore, and the staff costs for the year amounted to approximately HK$24.7 million (2001: HK$39.2 million). The employees' remuneration, promotion and salary increment are assessed based on their work performance, work and professional experiences and the prevailing market practice.

Pledge of Assets

As at 30 September 2002, no fixed deposits (2001: HK$6.6 million) was pledged to financial institutions and the Group had certain assets pledged to financial institutions for term financing amounted to HK$1.1 million, of which HK$0.1 million is repayable within one year (2001: HK$0.5 million).

Contingent Liability

As at 30 September 2002, the Group had no contingent liability and the contingent liabilities in respect of guarantee facilities and performance bonds amounted to HK$122.3 million in last financial year had been released upon the completion of the disposal of the Sum Cheong Group during the year.

LIQUIDITY AND CAPITAL RESOURCES

Borrowings

As at 30 September 2002, the Group had total financial borrowings of HK$1.2 million as compared to HK$8.1 million at last financial year end, of which HK$1.1 million (2001: HK$0.5 million) represents mortgage loan secured by a property of a subsidiary, and the remaining balance of HK$0.1 million (2001: HK$7.6 million) represents obligations under finance leases and hire purchase contracts. The bank loan bears an interest rate of 4%-4.125% per annum.

Of the total financial borrowings, approximately HK$0.1 million (2001: HK$5.3 million) is repayable within one year or on demand; approximately HK$0.1 million (2001: HK$2.1 million) is repayable after one year but within two years; and approximately HK$1 million (2001: HK$0.7 million) is repayable after two years but within five years.

As at 30 September 2002, the Group had term borrowings of HK$117.2 million (2001: HK$47.6 million) repayable after one year but within two years with interest rates at prime rate plus 1% to 2% per annum.

Shareholders' funds of the Group as at 30 September 2002 was at a deficit amounted to approximately HK$102.0 million (2001: surplus of HK$44.3 million). Accordingly, the gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds was not applicable for this year (2001: 125.7%).

As at 30 September 2002, the Group had a net current asset of approximately HK$11.4 million (2001: net current liabilities of HK$139.2 million) but had net deficit of approximately HK$102.0 million (2001: net assets of HK$44.3 million). The recovery from a net current liabilities to a net current asset position was due to the debt restructuring exercise of the Group during the year where the repayment of the term borrowings of the Group was extended and reclassified as long term liabilities in the financial statements. Nevertheless, the Group will look into the debt and equity markets in the near future to raise further working capital of the Group and strengthen the asset value of the Group.

Capital Investments and Commitments

Except for the acquisitions of the new construction and retail business which were funded from term borrowings, 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.

Capital Structure

During the year, the capital structure of the Group remains unchange. Subsequent to the balance date, the board of directors announced on 19 December 2002 that proposals would be put forward to the shareholders for the share consolidation and capital reduction (collectively as "Capital Reorganisation"). The share consolidation will be made whereby every ten shares of HK$0.40 each in the issued and unissued share capital of the Company will be consolidated into one consolidated share of HK$4.00 each and fractions of a consolidated share will not be issued. After the share consolidation, the nominal value of the issued and unissued consolidated shares will be reduced from HK$4.00 to HK$0.01 each pursuant to the capital reduction.

PROSPECTS

After the disposal of the Sum Cheong Group, the Group will focus on its construction business in Hong Kong and diversify its business in retail trading.

Due to the sustained economy recession and sluggish property market in Hong Kong, the operating environment in construction and engineering business remains difficult. Intense competitions also exerted downward pressure on the tender prices. In view of the unfavorable market situation, the Group expects the performance of the construction and engineering business in Hong Kong for the coming year is still under pressure.

As to the retail business, the global economy has not shown significant sign of recovery and the tourism industry still remains depressed in general. Nevertheless, with increasing effort made by the HKSAR Government in supporting the development of tourism business in Hong Kong, which includes development of new tourist attractions as well as the opening of the Disneyland, the Group believes the tourists particularly from the PRC visiting Hong Kong will increase gradually. The Group's retail business will definitely benefit from that and the outlook is optimistic.

Going forward, the Group will continue to explore new business and investment opportunities with good potential as to diversify the Group's business and bring in new sources of income. It will also consider measures to enhance efficiencies and may consider any business rationalization whenever it deems appropriate after evaluation of existing business and future development plan from time to time, in order to improve its financial position and enhance shareholders' value as a whole.

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
13 February 2003