

## FOREWORDS

I have pleasure to present to the Shareholders the Group's annual report for the year ended 31 March 2003.

## BUSINESS REVIEW

### Business and Segment Information Review

To begin with, the Group's turnover for the year was HK\$31,136,000. This represented an increase of 62.9% as compared to that of last year. The net loss attributable to shareholders amounted to approximately HK\$8,760,000, a decrease of 19.3% compared to that of last year. Basic loss per share is approximately HK1.02 cents.

A point to note, during the year, based on the relationship and support by Deson Development International Holdings Limited ("Deson"), turnover in Building Services (single-trade) and Packaged/Design and Build Contracts projects increased significantly and contributed 60.1% and 29.1% of the total turnover, respectively. More time and efforts are required to pick up the comparatively lower market share of Environmental Engineering Services after restructuring, as the Group has to rebuild the confidence of customers in this field. However, the directors believe that this business segment will have a favourable turnaround in the future.

## PROSPECTS

### Electrical and Mechanical Engineering Services

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 Government of the Hong Kong Special Administrative Region (the "HKSAR") were reactivated, which strengthened the ability of the Group to secure more projects both from the public and private sectors.

Despite 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\$31 million for the year ended 31 March 2003. As at the date of this report, the Group had projects on hand with a total contract sum of over HK\$180 million.

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 the long established expertise in the E&M engineering business and the support by Deson, the directors believe the Group is in a good position to surmount all difficulties and turnaround into sound operation in the not too distant future.

# CHAIRMAN'S STATEMENT

## Property Investment

Subsequent to the balance sheet date, upon the acquisition of Billion Treasure Holdings Limited from Deson on 14 May 2003 at a consideration of HK\$46 million, the Group owned properties comprising 24th, 27th and 28th floors and 19 carparks at Zhongda Square, a 28-storey commercial/office complex with 2 levels of basement carparks on 989 Dongfang Road, Lujiazui, Pudong District, Shanghai, the People's Republic of China. The consideration of the above acquisition was financed by the issuance of new shares of the Company and there is no cash requirement on the Group. As at the date of this report, all the units in 24, 27–28 floors of Zhongda Square were rented out and the directors are convinced that the property investment segment will provide a stable recurring income to the Group in the future.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2003, the Group had total assets of HK\$17,274,000, and current liabilities, deficiency in assets and minority interests of HK\$20,420,000, HK\$3,829,000 and HK\$683,000 respectively. Notwithstanding the deficiency in assets, in the opinion of the Directors, the liquidity of the Group can be maintained in the forthcoming year, after taking into consideration of the post balance sheet event mentioned below.

The Group's total current assets and current liabilities were approximately HK\$16,907,000 and HK\$20,420,000 respectively as at 31 March 2003 and the current ratio was about 0.83. No gearing ratio is calculated as the Group did not have any long term liabilities as at 31 March 2003.

As at 31 March 2003, the Group's aggregate cash amounted to HK\$7,364,000, representing approximately 43.56% of total current assets. The cash balances and convertible notes 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 comprised share capital.

## 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

Details of the contingent liabilities of the Group are set out in note 28 to the financial statements.

## EMPLOYEE SCHEMES

As at 31 March 2003, the Group had 86 employees, none 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\$5,122,000.

## POST BALANCE SHEET EVENT

On 6 March 2003, the Company entered into a provisional sale and purchase agreement (the "Acquisition") with Deson for the acquisition of the entire issue share capital of Billion Treasure Holdings Limited and its shareholder's loan of HK\$40,236,066 for a total consideration of HK\$46,000,000. The total consideration was satisfied by the way of issuing 657,142,857 shares (the "Consideration Shares") of the Company to Super Win Development Limited, a wholly-owned subsidiary of Deson.

In order to facilitate the Acquisition by enabling the Company to issue and allot the Consideration Shares, Directors proposed to reorganise the capital structure of the Company (the "Capital Reorganisation"). The Capital Reorganisation and the Acquisition were approved by the Company's independent shareholders at a special general meeting on 12 May 2003 and were completed on 13 May 2003 and 14 May 2003 respectively.

# CHAIRMAN'S STATEMENT

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## 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.

On behalf of the board

**Tjia Boen Sien**

*Managing Director and Deputy Chairman*

Hong Kong, 24 July 2003