



## FOREWORDS

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

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 stood at HK\$529,273,000 which represented an increase of 29.38% as compared with the corresponding period of last year. The net profit attributable to shareholders amounted to approximately HK\$7,927,000 representing an increase of 1.58% from last year. Earnings per share is approximately HK0.17 cents.

The Group's major business segment comprises construction contracting, property development and investment. During this year, the Group already completed projects such as the renovation works in ground floor, first to fourth floors, twentieth floor, basement one and the New Face of Sogo Department Store, renovation works of the office area and the gymnasium spaces at first and third floors of YWCA, 1 Macdonnell Road and the main contractor for construction of a 24-storey high composite building in No. 412 – 418 Ma Tau Wai Road, Kowloon.

More to note, during this year, the Group sold certain units in Phase II and Phase III, Asian Villas, Haikou, Hainan Province and certain units in Block 1 to 8 of Parkview Garden, Shanghai, which contributed a meaningful turnover and profit to the Group.

## PROSPECT

### Construction business

The Group will uphold an on-going parallel development of its construction business in both the People's Republic of China ("PRC") and Hong Kong. With its proven track records and expertise in the main contracting business, the Group is now 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 (the "HKSAR"). Together with the 11 licenses held under the List of Approved Contractors for Public Works under Works Bureau of The Government of the HKSAR by KEL Holdings Limited and its subsidiaries ("KEL Group"), the Group can take an active part in the construction business development, together with KEL Group, to achieve a synergistic effect.



It is pleased to note that during this year, new projects such as the main contractor for construction of a commercial complex (German Centre) in Shanghai, the main contractor for the construction of a 5-storey mixed building for Saint Joseph Home for the Aged, Sheung Shui, New Territories, the main contractor for construction of a 14-storey residential block in 8A – 8F Shiu Fai Terrace, Stubbs Road, Hong Kong, the main contractor for all construction works of Gateway Plaza, Phase III, Shanghai and a 2-year term contract for Design and Construction of fitting out works: Kowloon and New Territories – Eastern Region were awarded. As at the date of this report, the Group has contracts on hand with a total contractual sum of over HK\$750 million. The Directors fully 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 double-functioning positive impact on the Group's construction business in time to come.

## **Property development and investment**

The high-class residential property development project, Park View, near the Botanical Gardens in Shanghai is under construction by the Group into middle and high-class apartments with total gross floor areas of approximately 56,000 sq. metres. Block 1-8 of Parkview Garden has been completed as at the balance sheet date. The development of the Park View project is expected to be completed by the end of 2003. Up to the date of this report, certain units of the Park View project were sold with a total contract sum of over RMB160 million. As Shanghai is vigorously developing into a metropolis serving as an international financial, information and transportation center, 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 was completed and certain units were sold with a total contractual sum of over RMB30 million. The Directors are confident that these two projects will have a significant contribution to the turnover and profit of the Group in these two years.

Noteworthy is the fact that the Directors believe the opening of the Universal Studios in 2006 and the hosting of the World Expo in 2010 which will have a positive impact on the PRC property market and the property development and investment segment will continue to provide a sizable contribution to the Group's operating results in the coming years.

## **The development of intelligent buildings system**

The Group has favourably expanded its construction related business into the development of intelligent buildings system which provides a turnkey solution from system design in particular to maintenance services. The Group has already formed alliances with intelligent building systems companies in Japan, Israel and Taiwan to enhance its development in intelligent buildings system in that 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 subsequently become one of the principal operations of the Group.



## LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2003, the Group had total assets of HK\$635,778,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK\$358,067,000, HK\$2,900,000, HK\$263,922,000 and HK\$10,889,000, respectively.

The Group continued to maintain a low gearing ratio, at 1% (2002: 18.6%). It was calculated based on the long term borrowings of HK\$2,900,000 (2002: HK\$65,273,000) and long term capital of HK\$277,711,000 (2002: HK\$351,753,000).

Most bank borrowings are Hong Kong prime rate based and the Group expects a favourable effect due to the low interest rate environment. The bank borrowings and cash and bank balances were principally denominated in Hong Kong dollars and Renminbi. Hence, there is no significant exposure to foreign exchange rate fluctuations.

## CAPITAL STRUCTURE

The Group's long-term capital mainly comprised of shareholders' equity which is confirmed with the low gearing ratio as discussed in the section "Liquidity and capital resources" above.

## RISK OF CURRENCY FLUCTUATION

The Group's receivables and payables were denominated mainly in US dollar, Hong Kong dollar and Renminbi. Since Hong Kong dollar is linked to US dollar, and Renminbi is relatively stable, we consider the exchange risk is not significant.

## CONTINGENT LIABILITIES

Details of the significant contingent liabilities of the Group are set out in note 31 to the financial statements.

## EMPLOYEE SCHEMES

As at 31 March 2003, the Group had 163 employees, 12 of whom were 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 bonus and share options are linked to individual performance as recognition of and reward for value creation.

## CHARGES ON GROUP ASSETS

Details of the charges on assets of the Group are set out in note 24 to the financial statements.



## AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice (the "Code"), 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.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's bye-laws.

## 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  
24 July 2003