

# Chairman's Statement

During the year (i) the Company succeeded in completing a rights issue to raise net proceeds of approximately HK\$6,600,000; (ii) the Group succeeded in disposing certain of its vessels to service its indebtedness; and (iii) the Group has secured the financial support of certain related companies which have refinanced the secured borrowings of the Group that were overdue, into secured long term loans.

## **PROPOSED SHARE CONSOLIDATION AND CREATION AND ISSUANCE OF PREFERENCE SHARES (THE "PROPOSAL")**

The relevant resolutions for the Proposal have been passed in the Company's special general meeting held on 22 August 2003. The implementation of the Proposal is however subject to the ruling of the Supreme Court of Bermuda after the inter parte hearing on 28 October 2003 regarding an injunction application by the Joint Petitioners (as defined in the Company's Circular dated 1 August 2003). It is expected that implementation of the Proposal could restructure the Group's overall debt portfolio, reduce its debt leverage, and enhance its asset base so as to revitalize the Group's earning capacity.

## **SCHEME OF ARRANGEMENT**

The Schemes of Arrangement of the Company and of its 24 subsidiaries under Section 166 of the Companies Ordinance (collectively "Scheme") became effective on 28 April 2000. The legal basis of the Scheme has been further confirmed by the judgement of the Court of Final Appeal on 3 December 2001. At present, the Company and the Scheme Administrator could not agree with each other regarding quantification of the Disposal Proceeds and the Shortfall under the Scheme. In an effort to resolve the dispute, the Company has submitted an offer to the Scheme Administrator (acting on behalf of the Scheme Creditors) to purchase all the remaining Scheme Assets and to discharge its undertaking in respect of the Shortfall. It is expected that a formal modification of the Scheme will be able to provide a vigorous settlement of all the outstanding matters under the Scheme.

The Company is now working with its professional advisors to draft up the documents for such proposals. It is targeted to conclude and implement such proposals as soon as possible.

## **LITIGATIONS**

Although more details of the following litigations have been included in the Company's previous announcements and in note 2(c) to the financial statements in this Annual Report, it would be contributable to lay down here a brief update for information purpose.

1. As disclosed in the Company's Circular dated 1 August 2003, the Joint Petitioners lodged on 3 April 2003 an amended Section 111 Petition with the Supreme Court of Bermuda against the Company (the "Amended Petition") primarily in respect of the subscription of shares in the Company by Harbour Front Limited ("Harbour Front") on 18 May 2001 and certain consequential issues. Pending judgement for the Company's application for security for costs against the Joint Petitioners, there is no further proceedings under the Amended Petition.

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### LITIGATIONS *(Continued)*

2. Two of the Group's principal operating subsidiaries have succeeded in settling with one of the Group's major customer for recovery of trade receivables amounted to HK\$6,500,000.
3. As disclosed in the Company's Circular dated 1 August 2003, on 9 June 2003, a winding-up order was granted against Universal Dockyard Limited ("Dockyard"), a subsidiary of the Company. Save for the litigation costs and expenses incurred, the winding-up order will not have any material adverse impact on the financial position, business or operation of the Group as before the winding-up, Dockyard has no business nor net tangible assets of substance.

### RESULTS OF THE YEAR

As the local and regional market have not yet been fully recovered and the futile legal proceedings as mentioned above are still affecting the Group, operating results were unavoidably impacted. For the year ended 31 July 2003, the Group recorded a net loss of HK\$18.3 million and an operating loss of HK\$4.5 million.

### PROSPECTS

The Group's vessels are now free from disposal and foreclosure pressure. Certainty in the continued use of such vessels could be offered and assured to the Group's clients. This has greatly enhanced the Group's competitiveness in securing award of contracts. Therefore, the Group could take up more contracts whether hiring of vessels or construction of marine works which could generate surplus income.

With a fleet comprising various engineering vessels, the Group is exploring all opportunities in the region and especially in mainland China to improve its core business and at the same time to seek for possible diversification. Taking advantages of its strong base in marine engineering, the Group is also actively pursuing new business opportunities in general engineering work for example infrastructure development involving reclamation and general civil engineering.

**Leung Yu Oi Ling, Irene**

*Chairman*

Hong Kong

27 November 2003