

CHAIRMAN'S STATEMENT

OVERVIEW

Year 2000 has been the most challenging year for the Group. The Group needed to face not only very difficult operating conditions in the Hong Kong construction sector, but also the lack of bank credit facilities to finance its operations, following the announcement of an interim standstill arrangement of the Company together with its then major shareholder, Guangdong Investment Limited ("GDI", together with its subsidiaries, the "GDI Group") with their financial creditors on 4 March 1999. In addition, the Company had announced an orderly winding down of the operations of the Group's principal subsidiary, Full Arts Metal Works Limited, and its subsidiaries ("Full Arts Group") on 27 March 2000. Following such announcement, the Group's operations had been limited to the extent of discharging the Group's existing commitments. As a result, the Group's turnover and the scale of operations have reduced significantly in the year.

As explained below, subsequent to the year end date, Hi Sun Limited ("Hi Sun") has acquired a controlling interest in the Company from GDI in March 2001. It is now Hi Sun's intention to continue the existing businesses of the Group and to explore other suitable business opportunities.

GROUP RESULTS

The audited consolidated turnover and net loss attributable to shareholders for the year were HK\$77 million (A\$18 million) (1999: HK\$109 million (A\$21 million)) and HK\$82 million (A\$19 million) (1999: HK\$332 million (A\$66 million)) respectively. The net loss attributable to shareholders for the year was reported after including a provision of doubtful trade debts of HK\$19 million (A\$4 million) (1999: HK\$104 million (A\$20 million)) and provision against contract work in progress of HK\$6 million (A\$1 million) (1999: HK\$131 million (A\$26 million)).

BUSINESS REVIEW

During the year, although the Group still operated under an extremely difficult operating environment, it had continued its efforts to complete the existing projects. Projects such as the E-Wah A Kung Ngam and Tai Po I18 were completed before the end of the year. Phase I of Belcher Garden was completed in November 2000 and Phase II is expected to be completed in year 2001. Apart from completing the projects as planned, the Group has reached settlement agreements with contractors on the billable amounts in respect of outstanding variation works on a number of projects.

MANAGEMENT OUTLOOK

The Restructuring

Referring to the announcement made on 4 March 1999, the Group had joined its then major shareholder, GDI, and the financial creditors of the GDI Group in negotiating the restructuring of the financial liabilities of the GDI Group.

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In December 2000, the comprehensive restructuring of the GDI Group (other than certain excluded companies) was completed. As previously announced, the Group had never been included in the restructuring arrangements of GDI Group except to the extent that certain financial creditors of the Group with the benefit of guarantees and or letters of comfort issued by GDI were also included in the restructuring. Under the arrangement, the outstanding amount due and owing by the Group to its financial creditors of approximately HK\$209 million (A\$48 million) was assumed by or assigned to GDI. In addition, a contingent liability of HK\$20 million (A\$5 million) in respect of a performance bond facility was also assumed by GDI.

The Board of Directors believes that the impact of the developments described above which have the effect of relieving the Group of its indebtedness to financial creditors are extremely positive for the Group.

Prospects of the Group

Our then major shareholder, GDI, will focus on the core businesses such as utilities and infrastructure. The Group thus became a non-core business of GDI since GDI's adoption of its restructuring plan which involves disengaging from non-core business such as that of the Company.

On 10 February 2001, GDI entered into a conditional sale and purchase agreement (the "Agreement") with Hi Sun Limited, a British Virgin Islands company, under which GDI would sell 48,138,892 shares in the capital of the Company (representing 57.16 per cent of its issued share capital) to Hi Sun. The Agreement was completed on 3 March 2001.

Pursuant to the Agreement, upon its completion on 3 March 2001, the net indebtedness of the Group owed to the GDI Group of approximately HK\$358 million (A\$92 million) (which includes the HK\$209 million (A\$48 million) owed to financial creditors assumed by or assigned to GDI on 22 December 2000 as mentioned above) was also waived by the GDI Group (the "Waiver"). After the Waiver, the Group no longer has any bank indebtedness. It has also turned the Group from a net liability position to a pro forma net asset position of approximately HK\$11 million (A\$3 million) at the year-end date.

Referring to the general offer document issued by Hi Sun on 9 March 2001, Hi Sun intends to continue the existing businesses of the Group and will conduct a thorough review of the existing operations of the Group. Although there is no definite plan or strategy by Hi Sun at present, it is envisaged that certain organizational restructuring exercises will be implemented to strengthen and enhance the performance of the Group. Whatsoever, Hi Sun will continue to explore suitable business opportunities and new investments that are beneficial to the Group so as to maximize shareholder's value.

CONVERSION OF CONSOLIDATED FINANCIAL INFORMATION

The accounting records of the Group are maintained in Hong Kong dollars. Unless otherwise stated, all amounts included in this Statement, the Report of the Directors and the Management's Discussion and Analysis have been converted into Australian dollars at the prevailing exchange rates at the end of the year of A\$1.00 = HK\$4.321, or at the end of 1999 of A\$1.00 = HK\$5.065, or for post balance sheet transactions at the latest practical exchange rate prevailing as at 9 March 2001 of A\$1.00 = HK\$3.909, whichever is appropriate.

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I would like to take this opportunity to thank all my fellow Directors and members of staff for their dedicated services, support and contributions during the year.

Li Huazhong

Chairman

Hong Kong, 30 March 2001