

BUSINESS REVIEW

Construction

The following three contracts with a total value of approximately HK\$1 billion were completed:–

- Construction of Tuen Mun Area 52, Phase 3
- Redevelopment of Lady Ho Tung Hall, Hong Kong University Phase I & II; and
- Pak Shek Kok Reclamation for Dumping, Stage II

The other existing contracts were all progressed smoothly and on schedule.



Construction of Tuen Mun Area 52, Phase 3

During the year under review, our construction division was confirmed in the Hong Kong Housing Authority's M2 list of contractors and also included in the list of the Quality Maintenance Contractor (QMC). Being one of the Quality Maintenance Contractors, our construction division will enjoy preferential tender opportunities on maintenance sector offered by the Housing Authority.

In order to ensure that our construction division is well poised to undertake more large scale of construction projects in a more efficient and cost effective manner, tremendous efforts and resources have been devoted in exploring the possibilities in applying innovative construction methods such as the e-Construction Management System and e-Project Solution in our construction business.

Minor fitting-out works at Administration Block,
Aberdeen Police Training School

Furthermore, the management believes that good quality staff is the most essential element for the success of the business. With a view to further strengthening our construction team, more professional and experienced staff have been recruited.



Redevelopment of Lady Ho Tung Hall,
Hong Kong University Phase I & II

Joint Venture has been formed with a large international construction firm for undertaking large construction projects from both the private and public sector. This provides an excellent opportunity for both construction teams to share the latest techniques and practices with each other.

Industrial and E-commerce

With the effective measures in streamlining the management structure, improving the quality of products and imposing stringent production process control, the manufacturing division for the high precision machine parts was able to change its loss position into profitable business during the year under review.



Construction of Upper Wong Tai Sin Estate, Phase 4

The Group has also participated in the manufacturing of printed circuit board which production was commenced in April 2000. The progress of the manufacturing of printed circuit board has been affected by the fierce competition and depressed market for computer and telecommunication related products. Nevertheless, the manufacturing company for the printed circuit board has taken this opportunity to increase its competitiveness by concentrating its resources in enhancing the quality of its products and enlarging its customers base. It is targeted to have a fruitful return from this printed circuit board business within the next two years.

Production line for production of high precision machine parts at Dongguan factory

On e-business, i-LegalService was successfully released to public and formed jointly promotion activities with other communication companies in the first quarter of 2001. It has since been offering an online business services to legal professionals, accountants and small and medium enterprises.

FINANCIAL REVIEW

The Group has incurred a loss in the amount of approximately HK\$5.6 million for the year as compared to a loss in the amount of approximately HK\$8.5 million for last year.

As at March 31, 2001, the Group has cash on hand in the amount of HK\$45 million.



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The Group has been relying on its internal funding rather than bank borrowings to finance its working capital. As at March 31, 2001, our Group only utilized banking facilities in the amount of HK\$19.8 million as compared to HK\$33.8 million for last year. In June 2001, the Group has committed a project loan in the amount of HK\$20 million for financing the working capital of the newly awarded construction contract. The Group's investment properties and grab dredgers have been pledged to bank as securities for the banking facilities. All the borrowings were on floating rate basis.

At the balance sheet date, the Group had a contingent liability in respect of performance bonds established in the amount of HK\$20 million for the construction contracts.

Effective measures have been carried out with a view to streamlining the operations of the Group and controlling the operating costs. The management will continue to closely monitor its cost control policy so as to maintain a healthy cash position for the Group.

PROSPECT

The continual downturn of the property and building sectors as well as the competitive pricing in the industry will have significant impact on the forthcoming performance of the participants in the construction industry.

To stay ahead of competition and to maintain our prominent position in the construction industry, our management will continue to place its emphasis on upgrading the quality of work and implementing new technologies in operation automation and project management.

Our construction division is confident that we will meet the stringent standards that the Government has enforced for enhancing the overall quality of the public sector works.

Subsequent to the year end, our construction division has successfully secured the following three new public sector contracts with total contract value of HK\$376 million:—

- the Construction of Building 5, Science Park at Pak Shek Kok, Phase 1b, New Territories;
- Term Contract for Maintenance and the Vacant Flat Refurbishment for Lei Yue Mun District; and
- the Redevelopment of Upper Wong Tai Sin Estate, Phase 4 Office Fitting-Out Works



Impression of Building 5, Science Park
at Pak Shek Kok, Phase 1b

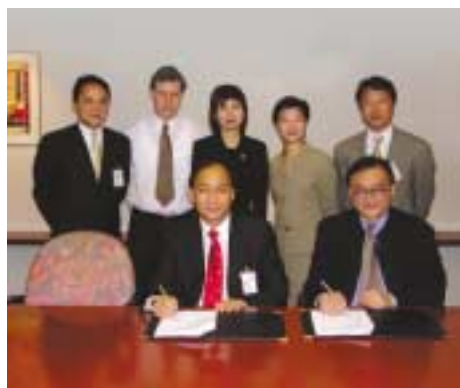
Two other tenders with total contract value of approximately HK\$900 million are in the short-list of our clients for consideration.

The management intends to apply the newly developed technologies such as the e-Construction Management System and e-Project Solution for the newly awarded contracts. It is believed that a significant improvement on quality and efficiency should be achieved, thereby reducing the project cost and resulting in a more profitable position.

Our industrial division will continue to focus our resources in maintaining the good quality of products and diversifying our products range and customers' base. Our manufacturing company for the high precision parts has been following this strategy on products and customers' diversification by producing high precision metal products to manufacturers of medical and optical equipments. It is believed this strategy will bring in encouraging return.



Part of the high precision machine parts products



Signing ceremony with Tradelink, the new strategic investor of i-LegalService

Recently, the business of i-LegalService has attracted recognition from Tradelink Electronic Commerce Limited ("Tradelink"), a private company with HKSAR Government holding the largest single shareholding. Tradelink has been providing trusted e-commerce service to the Hong Kong trading community since 1997. As a shareholder and business partner, Tradelink will join forces with i-LegalService to develop an application service provider version secure Document Exchange and Document Management System ("DMS") for law firms. The DMS is expected to be launched in the 1st quarter of 2002.

The Group has proceeded cautiously with its diversification plan through making strategic investments. In selecting investment projects, the Group places emphasis on management skill, technical expertise, innovation and technological advancement. The Group has converted the convertible note into 25% equity in a profitable and leading Hi Tech Smart Card enterprise in June 2001. This Hi Tech Smart Card enterprise is now seeking for listing on the Hong Kong Growth Enterprise Market.

The Group also holds an investment through a convertible note in a company that has investment in e-commerce business and interests in communication network in China.

Chairman's Statement

With a view to maintain a high caliber and good quality working team for the Group, regular training programs such as the Enhancement Management Training Program for managers and Safety Program for the site staff will continue to be conducted.



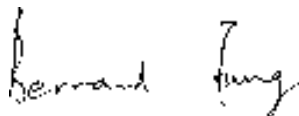
In-house safety practice in action

EMPLOYEES

The Group currently employs 116 staff in Hong Kong and 489 workers in PRC. The Group ensures that its employee's remuneration packages are competitive. During the year, share options have been granted to the directors in recognition of their contributions to the Group.

APPRECIATION

On behalf of the board, I would like to take this opportunity to thank all the staff members for their hard work and dedication to the Group for the past years.



FUNG WING MOU, BERNARD

Chairman

Hong Kong, 20 July, 2001