

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

The Group's turnover for the year ended 31 March 2002 was approximately HK\$698 Million when compared with HK\$833 Million for the year ended 31 March 2001, a decrease of 16.2%. Operating loss for the year was approximately HK\$19.7 Million as compared with HK\$53.7 Million for the previous year. There was a further provision for impairment in value of hi-tech investments of HK\$19.6 Million when compared with the provision of HK\$75.2 Million for the previous year. The Company also incurred legal expenses to the extent of approximately HK\$7.9 Million in litigation raised by the shareholders and such exceptional cost was of a non-recurrent nature.

During this fiscal year, the Group also expands its business to the maintenance of building works and the return in such kind of business is promising to the Group. In this connection, the Group incurred additional administrative costs in the development of this new business.

Building Services Engineering

The marked slow down in housing developments in both public and private sectors continued throughout the year under review with no improvements in the availability of building services projects. As a result, the Group continued to face a very fierce competition amongst eligible contractors and the margins for profits in building services and related trading activities are comparatively lower than that of previous years. As at 31 March 2002, the Group's uncompleted contracts on hand was approximately HK\$558 Million while that of the last year was approximately HK\$435 Million.

Broadband Connectivity

In view of the fact that the performance of broadband connectivity business was unlikely to improve in the near future, the Board had decided to cease the business of broadband connectivity in the year under review. It was expected that no further material loss would be incurred resulted from the cessation of the broadband connectivity business.

Karaoke on Demand

The performance of karaoke on demand systems was affected by the poor economy of Hong Kong during the year and was likely to continue in the coming year. On 26 March 2002, the Group entered into a reorganisation agreement ("Reorganisation") with the existing partners in relation to the operation of Binary KOD Limited ("Binary KOD") and its subsidiaries ("Binary KOD Group"). Details of the Reorganisation were set out in the Company's public announcement dated 28 March 2002.

Following the completion of the Reorganisation, the Group's interest in Binary KOD Group was diluted from approximately 45.76% (being the effective interest held by the Group) to approximately 32%. The Group's interest in Binary KOD Group was further diluted to approximately 22.3% following a private placement carried out by Binary KOD on 31 March 2002. Accordingly, the Group deemed to become an investor of Binary KOD Group as at the year end under review.

BUSINESS PROSPECTS

The recent announcement of a rise of unemployment rate to 7.7% and the deflation in consumer expenditures continued for four consecutive years from 1998 indicated that the local economy was in recession and that improvements are expected quite remote in the near future. Under the present circumstances, the local market of the building services industry will remain poor in the coming year. However, when the worldwide economy improves, the recovery of the local economy from its bottom can be expected.

Following China's successful bid to host the 2008 Olympic Games and the proposed developments of holiday resorts in Macau, there could be opportunities in China and Macau. The Group therefore continues to concentrate the development of its core building services business both in Hong Kong and in the Greater China area based upon the Group's expertise and competitive advantage in this specialist trade. Our directors remain optimistic of satisfactory performance of the Group in the coming fiscal year.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank outgoing directors Messrs. Barry John BUTTIFANT, James BLAKE and Bernard POULIOT, who had resigned from the Board during the year, for their valuable contribution to the Group during relevant period of their services. At the same time, I would like to welcome Messrs. YU Sek Kee, Stephen, OU Ka Chi, HONG Yiu, YUEN Yiu Bun, Kenneth and LI X Sinclair as new members to the Board.

Finally, I would like to express my appreciation to my fellow directors and all staffs for their dedication and contribution during this period of adverse market conditions.

Wong Sai Wing, James
Chairman

Hong Kong Special Administrative Region
19 July 2002