

Chairman's Statement

The Group operated under extreme difficult conditions in fiscal 2000 and reported a net loss of about HK\$156 million. In August 2000, Marble King International Limited ("Marble King") became the single largest shareholder of the Company and composition of the Board of directors had also undergone some changes.

For the past six months, the Board has been working very diligently towards restructuring the Group both financially and operationally. Tremendous management time and effort were spent in the discussions with the banks and the debentures holder, Stone Church LLC which had served a winding up petition against the Company in December 2000. The Board succeeded in compromising with Stone Church LLC and the winding up petition was dismissed by the Court in early May 2001.

To complete the debts restructuring work, the Board continued to enter into discussions with the banks and endeavor to secure Marble King's support and commitment in their possible capital injection and fund raising scheme for the Company. We are reasonably confident that the Company's major creditors will adopt an accommodating and sympathetic attitude towards the Company and that debts compromising agreements can be reached satisfactorily and on time with them. With that the restructuring scheme can hopefully be implemented successfully and business of the Group can be revived and re-activated in the not so distant future.

On behalf of the Board, I would like to thank all our staff members and directors for their hard work and dedication.

Yeung Kwok Kwong

Chairman

Hong Kong, 31 May 2001