



Management Discussion and Analysis

RESULTS

For the year ended 31 March 2001, the Group reported a net loss of HK\$317 million (2000: Net profit HK\$11 million). Loss per share was HK\$0.87 (2000: Earnings per share HK\$0.26). The Group's turnover for the year ended 31 March 2001 was HK\$155 million (2000: HK\$147 million), an increase of 5% compared to the preceding year. However, the Group for the year had an unsatisfactory result due to extrinsic factors affecting investment and consumption environments.

The directors do not recommend the payment of a final dividend for the year ended 31 March 2001.

PROPOSED BONUS ISSUE OF SHARES

The directors of the Company propose a bonus issue of shares of the Company to the shareholders of the Company on the register of members on 23 August 2001 on the basis of one share of HK\$0.01 of the Company ("Share") for every three Shares held by such shareholders on such date (the "Bonus Issue").

The Bonus Issue is conditional upon the approval of shareholders at a special general meeting of the Company and the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the Shares to be issued pursuant to the Bonus Issue.

A circular setting out the details of the Bonus Issue and incorporating a notice of a special general meeting of the Company to approve the Bonus Issue will be sent to the shareholders of the Company as soon as practicable.

REVIEW OF OPERATIONS

The year 2000 was a year in which we set the tone for our future development within the context of sound finance. The Group had an unsatisfactory result due to extrinsic factors affecting investment and consumption environments. However, the overall performance of the Group's turnover recorded a steady growth and we believe that the Group's portfolio of businesses will have an improvement in the operating environments resulting from the lower interest rate policy implemented by the United States and the continuous prosperity of China.



SECURITIES AND FINANCE

The turnover of securities and finance businesses of the Group recorded an increase of 41% to HK\$45 million (2000: HK\$32 million). Good progress was made in financing and underwriting businesses, with a rise of 129% and 29% respectively in comparison with last year. Our efforts for the year have proven that we are one of the active market participants and receive a favourable response from our clients.

During the second half of the year, Hang Seng Index decreased by approximately 20%, from 16,000 to 13,000 in July this year. As a result, the brokerage income of the Group for the year reduced by 15% in comparison with last year. On the same reason, the investments of the Group also encountered substantial loss and diminution in value, which including the investment in Pacific Century Cyberworks Limited.

It is expected that the global interest rate will be in a comparative lower level in the remaining of the year, and so the securities business will be benefited from the lower cost of bank borrowing and margin financing. In the coming year, the Group will diversify its business to include asset management with a view to provide a wider range of financial services for investors and to establish a solid status in the market.

TRADING

The turnover of trading business for the year amounted to HK\$110 million representing a decrease of 4% as compared to HK\$115 million for the preceding year. It accounted for 71% (2000: 78%) of the overall turnover of the Group. Notwithstanding price competition and unfavourable global consumer market for the year, we continue to competitively position our development plan over potential regions in the world and improve labour and product qualities to meet ever-rising customers' needs. In addition, we take positive steps to carry out a series of tight cost measures and shorten time for collection of book debts in order to minimise the possibility of bad debt and to increase working capital.

INFRASTRUCTURE

Despite a slowdown in global economy, China continues to have a high growth rate. It is an important policy for the Chinese Government to improve the infrastructures so as to increase the efficiency of transportation as well as communication systems between provinces and meet the progress of prosperity.

During the year, the Group increased its effective interest in the National Highway 318 in Wuhan by approximately 10% for approximately HK\$64 million. Since the rapid growth of the regional economy leads to the rising demand for using the Highway, the traffic flow continues to grow despite the recent increase of toll fee by 70%.



INVESTMENT

The Hong Kong Government is implementing its reforms to develop Hong Kong to be a knowledge-based economy and improve the environment to support its long-term goals for developing information technology industry. However, worldwide financial market suffered dramatic decline in 2000 leading to a significant and unfavourable valuation adjustments, especially against high tech investments to Internet companies which caused the Group to make provision for impairment loss of HK\$234 million.

Despite of such temporarily unfavourable conditions, one of the investment of the Group, Riverhill Holdings Limited which is the holding company of Cyber World Technology Limited and is engaged in the development and provision of services in geographic information system, global positioning system, remote sensing and Internet related services, has been successfully listed on the Stock Exchange of Hong Kong Limited in June 2001. The public offer of its shares by way of initial public offer received very good responses from the public investors with an over-subscription of approximate 120 times. The success indicates that the management is capable of capturing potential business and structuring an effective business model to mitigate the possible downside risk when it actually happens. We believe that an upturn in the industry is coming very soon.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2001, the Group had cash on hand amounted to HK\$157 million and net asset value of HK\$678 million, equivalent to approximately HK\$1.89 per share. Gearing ratio, being the ratio of total interest bearing loans of HK\$190 million to shareholders' fund of HK\$678 million was 0.28 as same as the preceding year.

Most of the Group's bank balances and borrowings were denominated in Hong Kong dollars and Renmenbi, risk in exchange rate fluctuation will not be material.



STAFF

As at 31 March 2001, the Group employed 78 employees. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

On behalf of the Board
Styland Holdings Limited

Steven Wang Tai Li
Director

Hong Kong, 12 July 2001