

BUSINESS REVIEW

For the year under review, the Group recorded a consolidated turnover of HK\$336.5 million, representing a drop of 29.8% from the previous year, and a net loss of HK\$601.9 million.

The year 2001 was a challenging year for the Group due to the sluggish property market conditions. Despite the improvement in housing affordability as a result of the fall in prices and the cuts in interest rate, confidence in the residential sector remained fragile with the demand for residential units still stagnant. The abundant supply of residential units further aggravated the market situation, resulting in less construction projects being undertaken. Due to keen competition, sales price has been continuously under pressure, which squeezed the profit margin of the Group. Turnover from wholesaling of marble and granite products and marble fittings reduced from HK\$202.5 million to HK\$106.5 million while turnover from construction contracts reduced from HK\$190.5 million to HK\$89.3 million. The Group suffered a loss of HK\$130.3 million from wholesaling and marble fittings and HK\$140.8 million from construction contracts. The Group also prudently made a provision for inventories of HK\$130.2 million and a provision for doubtful debts of HK\$107.3 million.

Design and programming fee, management and maintenance fee of computer facilities and information technology service income received during the year totalled HK\$9.0 million. However, operating cost was high although cost control measures have been undertaken to mitigate the cost, resulting in a loss for this sector. On the other hand, the Group's investments in www.hkcyber.com, www.hkstock.com.hk, www.gameplayers.com.hk and www.astprince.com were adversely affected by the downturn of the Internet related industry. Share of loss of associates for the year amounted to HK\$42.9 million. The management expects that the unfavourable market conditions will continue and will take a cautious approach towards investments in the Internet business.

The local stock market has been dragged down by the reversal of the global market sentiment and the economic slowdown. As a result, the Group encountered a loss of HK\$160.8 million from sale of trading securities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2001, the Group had a net current asset balance of HK\$94.2 million (2000: HK\$560.5 million) and a current ratio of 2.2 (2000: 8.7). Cash and bank balances as at 31 March 2001 were HK\$6.7 million (2000: HK\$7.0 million). Gearing ratio which is expressed as a ratio of total liabilities and minority interests to shareholders' funds was 0.7 (2000: 0.1).

The Group's short term unsecured bank loan as at 31 March 2001 amounted to HK\$22.5 million while bank overdraft amounted to HK\$7.6 million, all of which were denominated in Hong Kong dollars. Cash and cash equivalents were held mainly in Hong Kong dollars, United States dollars and Renminbi. The Group had no significant exposure to foreign exchange fluctuation.

As at 31 March 2001, the Group's contingent liabilities were HK\$21.8 million, representing outstanding performance bonds in respect of contract works of HK\$20.5 million and discounted bills with recourse of HK\$1.3 million.

EMPLOYEES AND REMUNERATION POLICIES

The Group had approximately 400 employees as at 31 March 2001. The Group's remuneration policies are in line with prevailing market practices and formulated on the basis of performance and experience of the employees. Training is also provided to improve the calibre of the staff.

The Company maintains a share option scheme, pursuant to which share options are granted to directors and senior executives to provide them with incentive interests in the growth of the Group.

PROSPECTS

With the global economy continuing to show signs of slowdown, it is expected that the local market conditions will not revive in the short run. The Group's strategy is to concentrate its resources on the marble and granite business and enhance its operational efficiency by adopting more stringent cost control measures. By focusing on the core competencies of the Group, the management will make every endeavour to turn adversity into opportunity and achieve better returns for shareholders.

APPRECIATION

On behalf of the Board, I would like to extend my sincere thanks and appreciation to all our staff for their hard work and commitment and to our bankers, customers, suppliers and shareholders for their continued support.

Leung Kwok Kui

Chairman

Hong Kong, 27 July 2001