

MANAGEMENT DISCUSSION AND ANALYSIS

During the period from 1st April, 2000 to 31st August, 2000, the Group was suffered from financial difficulties. Subsequently, receivers and managers were appointed on 1st September, 2000. From 1st September, 2000 to 31st March, 2001, the Group was under receivership and managed by the receivers and managers. Accordingly, the business operations were only maintained at a minimum level.

REVIEW OF OPERATING RESULTS

Since 1st September, 2000, the Group was under the control of receivers and managers. Due to the shortage of working capital, almost all business operations were temporarily ceased and the overall operating results were adversely affected.

The turnover of the Group was HK\$66 million (2000: HK\$177 million), a decrease of 63% compared with the corresponding period last year. Net loss for the year amounted to HK\$334 million (2000: HK\$248 million).

Loss from operations was HK\$93 million (2000: HK\$56 million). Provision for bad and doubtful debts amounted to HK\$20 million (2000: nil). The administrative expenses were reduced to HK\$51 million (2000: HK\$70 million).

BUILDING MATERIALS DIVISION

Turnover of this division decreased to HK\$66 million (2000: HK\$171 million) which represents a decrease of 61% as compared to the previous year. This accounted for 100% of the Group's turnover. Operating loss amounted to HK\$89 million (2000: HK\$51 million).

CERAMICS PRODUCTION MACHINERY DIVISION

Turnover was nil (2000: HK\$7 million). Operating loss amounted to HK\$4 million (2000: HK\$5 million).

CERAMICS TILES MANUFACTURING PLANTS

Ceramics tiles manufacturing plants suffered loss during the year under review. The ceramics tiles manufacturing plants almost ceased operation during the financial year under review.

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LIQUIDITY AND FINANCIAL RESOURCES

For the financial year under review, the Group was operated in a net liabilities position.

As at 31st March, 2001, the Group recorded consolidated net liabilities of HK\$1,122 million (2000: HK\$787 million) as a result of the net loss of HK\$334 million for the financial year under review.

As at the end of the financial year, the Group had consolidated net current liabilities of HK\$1,103 million (2000: HK\$988 million). The total interest bearing debts amounted to HK\$823 million (2000: HK\$829 million).

CHARGES ON GROUP'S ASSETS

During the year ended 31st March, 1999, the Group had entered into the standstill arrangement ("Standstill") with bankers, finance lease creditors and holder of convertible note and executed debentures all dated 23rd September, 1998 ("Debenture") in favour of such parties. Pursuant to which all the Group's assets, other than those assets already pledged to secured creditors prior to the date of the Debenture were charged to secure the outstanding liabilities to these parties.

On 1st September, 2000, receivers and managers were appointed pursuant to the Debenture.

CONTINGENT LIABILITIES

As at 31st March, 2001, the Group was contingently liable for HK\$24 million (2000: HK\$5 million) in respect of the guarantees given to banks and financial institutions.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March, 2001, the Group, not including its associates and subsidiaries not consolidated, employs approximately 24 staff in Hong Kong. Remuneration is determined by reference to their qualifications and experience of the staff concerned. Salaries are reviewed annually. Other benefits include medical insurance and mandatory provident fund to all eligible staff.