

BUSINESS REVIEW

The Group's consolidated turnover for the six months ended 31 October 2001 was HK\$342.4 million (2000: HK\$391.4 million). During the period, manufacturing and trading of office furniture and building materials accounted for 82.7% of the Group's turnover while the supply and installation of kitchen cabinets contributed the remaining 17.3%.

The Group's loss before taxation for the six months ended 31 October 2001 was HK\$41.8 million (2000 profit: HK\$7.6 million). Loss per share amounted to 1.03 cents, compared to profit per share of 0.26 cents in the same period last year.

About 53.0% of the Group's turnover was attributable to the China market excluding Hong Kong (the "PRC market"). The Hong Kong and overseas market accounted for 43.5% and 3.5% respectively.

With the gradual improvement of market conditions of the Hong Kong residential market, our kitchen cabinet division was able to speed up the delivery of kitchen cabinets to most of the developers. Therefore, the turnover of our kitchen cabinet division has increased by about HK\$40 million over the same period last year. However, this increase could not make up the shortfall in office furniture business in Hong Kong.

The drop in gross profit was mainly due to the significant decline in the turnover of office furniture business in the Hong Kong market by HK\$71 million over last year's comparable figure, representing a drop of approximately 44%. In addition, fierce competition in the industry brought about by the deteriorating economic condition and poor market demand in Hong Kong has further squeezed the gross profit margin.

On the contrary, the Group derived a steady income stream from the PRC market in terms of turnover and profit contribution. Even though there was a slight drop in the turnover of office furniture, there was a moderate growth in the turnover of building materials.

The Group has been able to sustain its sound financial position. At 31 October 2001, the Group's total cash on hand and total bank borrowings aggregated to HK\$74.4 million and HK\$73.0 million (30 April 2001: HK\$85.8 million and HK\$60.2 million) respectively. The bank borrowings were secured by bank deposits of HK\$6.0 million (30 April 2001: HK\$6.0 million) and legal charges on the properties of the Group with an aggregate net book value of HK\$172.6 million (30 April 2001: HK\$182.5 million).

Shareholders' funds were maintained at a level of HK\$566.5 million as at 31 October 2001. The gearing ratio as measured by total bank borrowings to capitalization is 12.9% during the period under review.