## OPERATION REVIEW

Although the Company had announced to wind down the operation of the Group's principal subsidiary, Full Arts Metal Works Limited, and its subsidiaries ("Full Arts Group") on 27 March 2000, the Group's principal activities were still the design, supply and installation of curtain wall systems in year 2000. In accordance with the wind down strategy, the operations of the Group's activities were limited to completing the existing ongoing projects, collecting the outstanding receivable amounts and negotiating with contractors on the billable amount in respect of outstanding variation works of Full Arts Group. Hence, the business activities of the wholesale supply of sanitary-ware and kitchen cabinets have become minimal in the current year. As a result, the Group's turnover and scale of operations have been drastically reduced in the year.

Turnover contributed by construction works performed amounted to HK$76 million (A$18 million), representing a decrease of approximately 16% from 1999. Turnover from wholesale supply of sanitary-ware and kitchen cabinets was only HK$1 million (A$0.1 million) in this year, representing a decrease of 97% from 1999.

In 2000, the Group has completed the projects of E-Wah A Kung Ngam, Tai Po 118 and Phase I of Belcher Garden. Phase II of Belcher Garden is progressing as planned and is expected to be completed in year 2001.

Subsequent to the year end, Hi Sun has acquired a 57.16% interest in the Company from GDI in March 2001, and it is now Hi Sun's intention to reactivate and continue the existing business of the Group.

## FINANCIAL REVIEW

The Group's turnover in 2000 was HK$77 million (A$18 million) as compared to HK$109 million (A$21 million) in 1999, a decrease of 29%. The Group's operating loss was reduced from HK$309 million (A$61 million) in 1999 to HK$53 million (A$12 million) in 2000. The net loss attributable to shareholders for year 2000 was HK$82 million (A$19 million) as compared to the net loss of HK$332 million (A$66 million) in 1999.

The result in 2000 has improved as the management has put efforts to collect the delinquent debts, to speed up the process in negotiating with the Group's contractors for the unbilled variation works and to finalize the projects' accounts, and to exercise strict control over costs and overheads. As a result, gross profit margin in 2000 increased to 12% from 10% in 1999. Administrative expenses were reduced from HK$64 million (A$13 million) in 1999 to HK$32 million (A$7 million) in 2000, representing a decrease of 51%. The provision for doubtful debts and provision against contract work in progress were HK$19 million (A$4 million) and HK$6 million (A$1 million) in 2000 respectively, representing a decrease of 82% and 95% respectively as compared with 1999.

Loss per share was reduced from HK$3.95 (A$0.78) in 1999 to HK$0.97 (A$0.22) in 2000. Based on 84,218,010 shares in issue, the net liability per share as at 31 December 2000 was HK$4.06 (A$0.94).

## LIQUIDITY AND FINANCIAL POSITION

The Group generally finances its operation with internally generated cash flows and, up until the acquisition by Hi Sun of a controlling interest in the Company from GDI in March 2001, financial support from its then major shareholder, GDI.

For the year ended 31 December 2000, the Group obtained loan financing from GDI of approximately HK$3 million (A$1 million), excluding the bank indebtedness assumed by or assigned to GDI at 22 December 2000 as mentioned below. In addition, loans were obtained from a then fellow subsidiary company in the GDI Group, Yue Sheng Finance Limited, of approximately HK$16 million (A$4 million). These loans from the GDI Group were mainly used to settle the amounts due to various creditors and bankers.

As of 31 December 2000, the Group had bank balances of HK$12 million (A$3 million). Before the completion of the restructuring of GDI Group (other than certain excluded companies) with its financial creditors on 22 December 2000, the Group had aggregate outstanding bank borrowings of approximately HK$209 million (A$48 million). In addition, it had a contingent liability under a performance bond facility of approximately HK$20 million (A$5 million).

In December 2000, the comprehensive restructuring of the GDI Group (other than certain excluded companies) was completed. Under the restructuring arrangement, the outstanding amount due and owed by the Group to its financial creditors of approximately HK$209 million (A$48 million) was assumed by or assigned to GDI and became instead amount owed by the Group to the GDI Group. In addition, a contingent liability of HK$20 million (A$5 million) in respect of a performance bond facility was also assumed by GDI.

## CHANGE OF CONTROLLING SHAREHOLDER AND CAPITAL STRUCTURE

On 10 February 2001, GDI entered into a conditional sale and purchase agreement (the "Agreement") with Hi Sun, a British Virgin Islands company, under which GDI has disposed of 48,138,892 shares in the capital of the Company (representing 57.16 per cent of its issued share capital) to Hi Sun. The Agreement was completed on 3 March 2001.

Pursuant to the Agreement, upon its completion on 3 March 2001, the net indebtedness of the Group owed to the GDI Group of approximately HK$358 million (A$92 million) (which includes the HK$209 million (A$48 million) owed to financial creditors assumed by or assigned to GDI on 22 December 2000 as mentioned above) was also waived by the GDI Group (the" Waiver"). After the Waiver, it turned the Group from a net asset deficiency position to a pro forma net asset position of approximately HK$11 million (A$3 million) at the year-end date.

## HUMAN RESOURCES

The total number of employees of the Group as at 31 December 2000 was 35, a drop of 52% as compared with the same date of last year. During the year, the Group adopted very tight control over head counts and salaries in order to preserve sufficient cash flow for the Group.