



Quarry



BUSINESS REVIEW AND FUTURE OUTLOOK (Cont'd)

Bio-technology

The Group has considered various high potential business opportunities which require minimal initial investments. In early 2001, a joint venture company, Wuhan Nature's Favour Bio-Engineering Limited ("Nature's Favour"), was formed between the Group and certain Chinese parties including Hua Zhong Agricultural University and local Ministry of Chemical Industry of Hubei Province.

The core business of Nature's Favour is the research and development of bio-pesticide products. By the end of March 2002, the Company had invested a total amount of HK\$8 million in the project and Nature's Favour had applied for five patents and three production licences for its bio-pesticide products in China.

It is anticipated that the first product will be launched into the market by the end of year 2002.

Property Development in Private Sector Participation Scheme ("PSPS")

The Group has interests in the development of two PSPS projects. As at the date of this announcement, both projects have substantially been completed and management expects the occupation permits will be issued in the next few months. The original intention was to dispose of these properties once the occupation permits were obtained.

However, according to the recent decision from government, one of these PSPS projects was excluded from the list of properties to be sold to the public in the next twelve months and the other one would be used for rental purpose. Discussions have been held with government authorities to deal with these PSPS properties and the extra costs incurred. Any decision reached will be reported in due course.

Bio-Technology



FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, the financial position of the Group was improved by funds generated from operations and dividends received from Road King. The level of total borrowings was substantially reduced from HK\$372 million to HK\$235 million throughout the year.

The maturity profile of the borrowings is as follows:

	As at 31st March,	
	2002	2001
	HK\$' million	HK\$' million
Under one year	151	190
In the second year	84	181
In the third to fifth year inclusive	—	1
	<u>235</u>	<u>372</u>

Movements of the total borrowings during the year were as follows:

- In May 2001, the Group paid off the remaining balance of HK\$49 million due to funds managed by HSBC Private Equity (Asia) Limited. During the year, the Group also repaid bank borrowings amounting to HK\$66 million. Subsequent to the disposals of Ngo Kee and the timber business, the Group deconsolidated bank borrowings amounting to HK\$60 million as at 31st March, 2001 granted to these two operations.
- As a result of the disposal of Ngo Kee, the Group still had an outstanding amount of HK\$20 million due to Ngo Kee as at 31st March, 2002. The Board estimates that settlement of such outstanding amount will be sufficiently covered by the Group's entitlement to the Ngo Kee's future profits generated from its existing projects.
- During the year, the Group entered into conditional sale and purchase agreements to dispose of the remaining interests in the development of two PSPS projects. As the disposal arrangement is financing in nature, the Group recognised the considerations received from the disposals together with their accrued interests amounting to HK\$63 million as at 31st March, 2002 as liability.
- Out of the HK\$180 million redeemable exchangeable bond ("Bond"), an amount of HK\$45 million of the Bond was early redeemed in March, 2002. In May 2002, the Group successfully obtained a three years term loan of HK\$150 million from a bank to pay off the remaining balance of the Bond.

FINANCIAL REVIEW (Cont'd)

Liquidity and Financial Resources (Cont'd)

As at 31st March, 2002, the Group's cash and bank balances amounted to HK\$82 million, of which HK\$41 million bank deposits were pledged to secure banking facilities granted to the Group.

In line with the successful monitoring of the level of borrowings, the Group's net finance costs for the year amounted to HK\$28 million (excluding Road King's net finance costs of HK\$51 million during the period in which Road King was a subsidiary of the Group) which was 46.8% lower as compared with that in previous year.

The Group's borrowings and cash balances were principally denominated in Hong Kong and US dollars. Hence, there is no significant exposure to foreign exchange rate fluctuations.

Capital Structure and Gearing Ratio

As a result of reduction of borrowings and increase in shareholders' funds, the net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to shareholders' funds, was reduced from 12.3% to 8.1% during the year. As at 31st March, 2002, the shareholders' funds amounted to HK\$1,884 million, representing HK\$2.43 per share. Increase in shareholders' funds was mainly attributable to the retained profit for the current year.

Pledge of Assets

As at 31st March, 2002, apart from the deposits pledged to secure banking facilities granted, 40 million Road King shares were pledged to secure the redeemable exchangeable bond, 46.5 million Road King shares were pledged to secure the Group's performance in respect of the sale and repurchase of interests in the development of two PSPS projects and 80 million Road King shares were pledged to secure banking facilities granted to the Group.

Contingent Liabilities

The contingent liabilities of the Group reduced from HK\$2,443 million as at 31st March, 2001 to HK\$594 million at 31st March, 2002. The decrease in contingent liabilities was mainly due to the release of guarantees of HK\$1,867 million given to financial institutions for banking and performance bond facilities granted as a result of the disposal of the interest in a PSPS project.

At 31st March, 2002, the Company had an outstanding guarantee to a subsidiary of New World Services Limited that the profit before taxation of its jointly controlled entity in respect of development of a PSPS project should not be less than HK\$70 million.

Chairman's Statement

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March, 2002, the Group had 864 employees (2,158 as at 31st March, 2001), of which 665 (1,263 as at 31st March, 2001) were located in Hong Kong, 160 (834 as at 31st March, 2001) were located in mainland China and 39 (61 as at 31st March, 2001) were located in Taiwan. Total staff costs of the Group for the year ended 31st March, 2002 amounted to HK\$344 million (excluding directors' emoluments).

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance.

CONCLUSION

The Group has realigned its principal activities to focus on its core businesses and strengthen its financial position. With our committed and diligent staff, the Board is optimistic on the Group's performance and future. The Board would like to take this opportunity to extend its heartiest thanks to its entire loyal and hardworking staff.

Zen Wei Pao, William
Chairman

22nd July, 2002