



RESULTS

Details of the Group's results for the year ended 31st March 2001 are shown in the consolidated income statement on page 22 of the financial statements and the accompanying notes to the financial statements. Loss attributable to shareholders for the year ended 31st March 2001 was approximately HK\$226 million (2000: Loss HK\$291 million).

SEGMENTAL INFORMATION

The analysis of the consolidated turnover breakdown for the year ended 31st March 2001 by geographical locations and principal activities are provided as follows:

Turnover Breakdown by Geographical Location

	<i>HK'000</i>
Europe	65,331
America	49,528
Asia	20,861
Australia and Oceania	10,569
Others	9,782
	<hr/> 156,071 <hr/>

Turnover and Contribution by Principal Activities

An analysis of Group's turnover and contribution to operating loss for the year ended 31st March 2001 by principal activities is as follows:

	Turnover <i>HK\$'000</i>	Contribution to operating loss <i>HK\$'000</i>
Manufacturing and trading	156,071	(171,355)
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Total	156,071	(171,355) <hr/>

THE GROUP'S LIQUIDITY AND FINANCIAL RESOURCES

The net surplus cash position of the Group as at 31st March 2001 was largely unchanged at HK\$10.3 million compared with HK\$10.4 million in the last corresponding period. Whereas approximately HK\$6.0 million was held in a stakehold account with the Financial Creditors and approximately HK\$4.3 million was used as general working capital of the Group.

There was a slight reduction in the total outstanding payables due to external creditors excluding the outstanding due to the Financial Creditors.

As the Debt Restructuring Agreement has been entered into by the Group and its Financial Creditors on 17 July 2001, the additional capital expenditure for facilitating the conditions to closing are expected to be about HK\$4.3 million. Due to the tight financial position of the Group, the management is currently in the process of negotiating with the agent of the Financial Creditors as to the appropriate arrangement to conclude the conditions to closing.

There are no present plans for material investments on capital assets in the coming year, other than the Group's regular annual capital expenditures required to maintain its growth in sales.

During the year, the Group held an investment property in Tianjin, Innotec Tower which comprises of a commercial podium and certain residential and office units. The Group intends to dispose the property in the coming years. Due to the proposed debt restructuring with the Financial Creditors, the Group is also in the process of disposing its non-core assets.

All financial borrowings of approximately HK\$684.6 million, incomes and expenses of the Group as at 31st March 2001 were dominated in either Hong Kong or US Dollar. Hence, the Group's exposure to fluctuations in the exchange rate is considered to be minimal and there is seldom the need to make use of financial instruments for hedging purposes. The gearing ratio (i.e. total liabilities/total assets) for the year was 162% (2000: 110%)

During the year there was no material acquisition and disposal of subsidiaries and associated companies of the Group.

The Group has adopted a new valuation basis on the valuation of the property, plant and equipment during the year. As a result, there were certain other operating expenses of approximately HK\$54.2 million arising from the deficits on the revaluation of its production properties in the PRC.

The Group's ability to continue as a going concern is dependent upon the successful attainment of profitable and positive cash flow operations and the successful repayment of its scheduled debts.

Save for as disclosed in the financial statements for the year, the Group has no other contingent liabilities.



GROUP BORROWINGS

Details of bank loans and overdrafts repayable within one year or on demand are shown in notes 20 and 26 to the financial statements.

The followings were certain material contracts entered into between the Group and the Financial Creditors in relation to the total outstanding indebtedness owing to the Financial Creditors.

Standstill and Debenture Agreement ("Agreement")

As at 31st March 2001, a number of the Group's companies executed a debenture in favour of the Financial Creditors. The Financial Creditors will be granted a security over the assets and undertakings of the Group (the "Security"). All the Financial Creditors with their loans representing 100% of the Group's total loan outstanding had signed the Agreement with the Group. Under the terms of the Agreement, the Financial Creditors agreed not to make demands or further demands or pursue legal proceedings against the Group in respect of facilities and related interest payments for an initial period up to and including 31st March 2000. The standstill period may be extended each time for a further one-month period at the discretion of the Financial Creditors.

Debt Restructuring Agreement

On 17 July 2001, a Debt Restructuring Agreement has been entered into pursuant to which the existing total indebtedness owed to the Financial Creditors of approximately HK\$660 million by the Group will be refinanced by a combination of (i) rescheduled debts of approximately HK\$360 million and (ii) convertible notes with an aggregate face value of HK\$300 million.

Pursuant to the Debt Restructuring Agreement, the Company should repay the Financial Creditors the rescheduled debts in twenty quarterly installments. Such principal repayment should be paid at three-monthly intervals commencing on the first anniversary of the date of closing. In addition to the minimum principal repayment installment, the Company is also required to make the following additional reduction payments towards the reduction of the rescheduled debts:

- (i) any cash surplus as determined by an independent reporting accountant and/or the agent on a quarterly basis;
- (ii) 100% of the net proceeds from the disposal of any assets of the Group;
- (iii) 40% of the net proceeds from any issue of new shares placement; and
- (iv) 100% of the net proceeds from any debt financing.

GROUP BORROWINGS (Continued)

Debt Restructuring Agreement (Continued)

The period between the date of closing and the last principal repayment installment date is divided into successive interest periods ("Interest Periods"), the first and second of such Interest Periods are of three months duration and all subsequent Interest Periods are of one month's duration. Interest on the rescheduled debts for a particular Interest Period shall accrue at a rate that equals to the sum of HIBOR for the corresponding Interest Period plus a 1.5% margin per annum. The Company should pay that part of such accrued interest representing interest calculated at HIBOR on the last day of such Interest Period. That part of such accrued interest represents the interest calculated at the margin of 1.5% per annum will be deferred and paid by the Company on the date of the last principal repayment installment.

Please refer to the announcement of the Company dated 20 July 2001 for further information on the details of the Debt Restructuring Agreement.