

## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY AND FINANCIAL RESOURCES

As at March 31, 2001, the Group had net current liabilities of HK\$150 million (2000: net current assets of HK\$3.41 million) and a current ratio of 0.64 (2000: 1.01). Cash, bank balances as at March 31, 2001 were HK\$16 million (2000: HK\$23 million). Gearing ratio which is expressed as a ratio of total liabilities (including minority interests) to shareholders' funds was 3.1 (2000 : 0.92).

Total borrowings including a finance lease and a hire purchase contract as at March 31, 2001 amounted to HK\$95.5 million (2000 : HK\$13.2 million), of which HK\$88 million was due within one year from the balance sheet date and HK\$7.5 million was due after one year. All these borrowings were interest bearing and at floating interest rate . As at March 31, 2001, the Group had bank overdrafts of HK\$24.5 million (2000: HK\$13.2 million) included in the total borrowings. Borrowings are mainly denominated in Hong Kong Dollars and exchange rate fluctuations had no material impact on the Group's borrowings.

At a result of heavily invested in two new products lines, namely LCD and telecommunications products, the Group, as at March 31, 2001, had technically in breach of a covenant in respect of banking facilities. The amount of such banking facilities utilised was HK\$57 million as at March 31, 2001. The Group currently entered into an informal standstill with its principal bankers for its outstanding banking facilities and continues negotiation is being conducted between the Group and its bankers to improve the Group's financial situation.

### LITIGATIONS AND ARBITRATION

A U.S. company through its solicitor in Hong Kong served on Kessel Electronics (H.K.) Limited ("Kessel Electronics"), a wholly-owned subsidiary of the Company, a writ of summons on August 19, 1999 alleging copyright infringement by Kessel Electronics in respect of certain operation system software loaded in certain electronic organiser products of the Group. Progress of this litigation is reported in note 37 to the financial statements.

Further, other litigations and arbitration have been disclosed in notes 2 & 41 to the financial statements.