



Management Discussion and Analysis

Financial Review

The Group's turnover for the year ended 31 March 2001 was HK\$346,576,000 which represented a decrease of 33.7 percent when compared with last year figure. The decrease in turnover was mainly due to the Group's loss-making operations in Shantou and Zhangjiang being subcontracted during the year to a third party and the joint venture partner respectively as these two factories produce lower quality products for the domestic market in which the Group no longer wishes to operate due to low margins.

The Group incurred a loss attributable to shareholders of HK\$304,373,000 (2000: HK\$120,404,000) which was arrived at after making provision for permanent diminution in value of long term investments and a jointly-controlled entity in the PRC, loss on reclassification of subsidiaries to other investments, deficit on revaluation of leasehold land and buildings and investment properties and provision for doubtful debts on trade and other receivables.

Liquidity and Financial Resources

The Group relied mainly upon internally generated funds and banking facilities to finance its operations. As at 31 March 2001, the total net assets and bank loans and other borrowings of the Group were HK\$21,191,000 (2000: HK\$248,012,000) and HK\$229,994,000 (2000: HK\$252,481,000) respectively.

Details of charge of the assets and maturity profile of borrowings of the Group were disclosed in note (21) of the audited financial statements of the Group for the year ended 31 March 2001.

During the year, certain of the Group's banks withdrew and reduced the facilities granted to the Group and the Group has had difficulty in repaying short term bank loans on time. In view of the liquidity problems faced by the Group as disclosed in the two published announcements dated 30 July 2001 and 15 August 2001 respectively, the management has been in active negotiation with the Group's bank creditors in Hong Kong with a view to finalizing a debt restructuring term sheet. In the meantime the Group has the support of its bank creditors in Hong Kong and has been granted an informed standstill on the repayment of all principal and interest owing to them of approximately HK\$193,000,000 as at 30 June 2001.