

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

During the period, the Group restructured its investments by acquiring a controlling interest in Kin Wing Chinney (BVI) Limited (“Kin Wing”), a former associate of the Group, in May, 2001 and disposing its entire interest in Jackson Mercantile to Chinney Alliance in September, 2001. As a result, there have been significant changes to the assets and liabilities of the Group since 31st March, 2001. Total assets and liabilities of the Group at period end have been increased to HK\$1,924 million (as at 31st March, 2001: HK\$1,411 million) and HK\$804 million (as at 31st March, 2001: HK\$284 million) respectively.

Total interest-bearing debts increased as a result of subscribing for a principal sum of HK\$141 million of the 10% convertible bonds issued by a wholly-owned subsidiary of Hon Kwok and consolidating the interest-bearing debts of the construction group amounting to HK\$84 million at period end. As at 30th September, 2001, the Group’s total interest-bearing debts were HK\$364 million. Approximately 84% of the debts were due and repayable within one year. After deducting the cash and bank balances of HK\$121 million, the net interest-bearing debts of the Group were HK\$243 million (as at 31st March, 2001: HK\$62 million).

The period-end gearing ratio, as measured by the net borrowings over the shareholders’ funds, was 21.7% (as at 31st March, 2001: 5.5%).

Funding and treasury policies

There are no significant changes in the Group’s funding and treasury policies.

Pledge of assets

Certain inventories, trade debts, intercompany debts due from associates, investments in securities, properties and machineries having an aggregate book value of HK\$257 million as at 30th September, 2001 and shares in certain associates were pledged to secure borrowings of the Group.

Contingent liabilities

There have been no material changes to the contingent liabilities of the Group since 31st March, 2001.

Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employs approximately 4,000 people in Hong Kong, in other parts of the People’s Republic of China and overseas. There are no significant changes in the remuneration policies and benefits to the employees of the Group.