

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 31 March 2002, the Group recorded a turnover of HK\$267.8 million representing a decrease of approximately 23% compared with HK\$346.6 million in the previous year. Operating loss for the year decreased from HK\$282.8 million in 2001 to HK\$65.8 million in 2002. Net loss attributable to shareholders was HK\$96.2 million representing a decrease of 70% when compared with the loss of HK\$320.1 million for the same period last year. The Group's basic loss per share was HK6.7 cents.

LIQUIDITY AND FINANCIAL RESOURCES

The Group primarily relied upon internally generated funds and banking facilities to finance its operations. During the year under review, the Group's financial position has further deteriorated from a net worth of HK\$21.2 million at 31 March 2001 to a capital deficiency position of HK\$75.6 million at 31 March 2002 due to the loss attributable to shareholders of HK\$96.2 million. The Group's total assets at 31 March 2002 amounted to HK\$283.5 million including cash and bank balances of HK\$6.9 million, and its consolidated borrowings at the same date including finance lease payables were HK\$247.8 million. Due to the capital deficiency position at 31 March 2002, the gearing ratio, calculated as a percentage of the Group's consolidated borrowings and finance lease payables to net worth, has deteriorated from 11.29 times at 31 March 2001 to a meaningless figure.

CHARGE ON GROUP'S ASSETS AND CAPITAL STRUCTURE

Details of the charge on Group's assets and maturity profile of the Group's borrowings are disclosed in Note 23 of the audited financial statements of the Group for the year ended 31 March 2002.

EXPOSURE TO FOREIGN EXCHANGE FLUCTUATION

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Renminbi and U.S. dollars. Inasmuch as the Hong Kong dollar is pegged to the U.S. dollar, and that there has been minimal fluctuation in exchange rate between Hong Kong dollars and the Renminbi, the Group's exposure to currency exchange risk was minimal.

Management Discussion and Analysis (cont'd)

CONTINGENT LIABILITIES

The contingent liabilities of the Group are disclosed in Note 30 to the audited financial statements of the Group for the year ended 31 March 2002

EMPLOYEES

As at 31 March 2002, the Group had approximately 400 full time managerial, administrative and manufacturing employees. The Group affords competitive remuneration packages to its employees based on prevailing industry practice and provides most of its employees in the PRC with rent-free quarters and messings. Compensation policies are reviewed regularly and are designed to reward and motivate productivity and performance.

No share options were granted during the year under review.