



## MANAGEMENT DISCUSSION AND ANALYSIS

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### RESULTS

For the year ended 31 March 2002, the Group's turnover was HK\$123million (2001: HK\$155 million), a decrease of 21% as compared to the preceding year due to worldwide economic recession and tragic acts of terrorism in the United States. The Group recorded a net loss of HK\$151 million (2001: HK\$317 million). Loss per share was HK\$0.15 (2001: HK\$0.41 as restated). The loss was mainly caused by the net realised holding losses on investments, unrealised holding losses on investments and the impairment loss of long term investments totally amounted to HK\$127 million.

The directors do not recommend the payment of a final dividend for the year ended 31 March 2002.

### REVIEW OF OPERATIONS

The year ended 31st March 2002 was a tough year with deteriorating global and regional economic conditions. The Group had an unsatisfactory result due to extrinsic factors affecting investment and consumption environments with deflation and high unemployment rate in Hong Kong. However, we believe that the Group's portfolio of businesses will have a potential growth with China's successful accession into the World Trade Organization.

### SECURITIES AND FINANCE

The turnover of securities and finance businesses of the Group recorded a decrease of 53% to HK\$21 million (2001: HK\$45 million). Despite the fact that we have been actively participating in underwriting businesses and asset management businesses, a decrease in turnover was recorded in comparison with last year due to the tight investment environment.

During the year under review, the Hang Seng Index dropped by approximately 13.5%, from 12,761 to 11,033 as at year end. Uncertainty in the investment markets led to a substantial decrease in stock trading volume. As a result, the commission income of the Group for the year reduced by 45% in comparison with last year. For the same reasons, the investments of the Group also encountered substantial loss and diminution in value. We have high hopes the situation in the coming year will improve as quite a number of PRC based companies have planned to be listed in Hong Kong. With our strong technical background and market participation, we are able to assist our potential customers on such flotation projects.

The Group's securities and finance businesses have been benefited from the successive cuts in local interest rates and margin financing. In the year, the Group has also tightened its credit control in return we are able to enjoy a reversal of provision for doubtful debts of approximately HK\$11 million.



## TRADING

Early this financial year, the Group sustained severe operating pressures in our garment industry due to global world economic slowdown, especially in Europe and North America. However, the largest challenge was the "9-11" incident in the U.S. which shattered customer confidence and caused a significant drop in the third quarter revenue.

During the year under review, the turnover of trading business amounted to HK\$101 million representing a decrease of 8% as compared to HK\$110 million for the preceding year. It accounted for 83% (2001: 71%) of the overall turnover of the Group. The Group has put extra effort in tightening cost control on sourcing raw materials, to reduce manufacturing cost and scale down operation costs. Although we have been severely affected by the "9-11" incident during the third quarter, sales volume rebounded during the fourth quarter, growth is expected to resume in next year.

## INFRASTRUCTURE

In recent years, China has been growing rapidly in business, economic development, consumer products markets, communication, technology, highway and infrastructure. In 2000, 2001 and first quarter of 2002, the GDP growth rate in China was 8%, 7.3% and 7.6% respectively and the number of car ownership grew rapidly as income levels have gradually been increasing. These factors lead to a higher usage of highways.

The Group has invested in the National Highway 318 in Wuhan that was in operation since 1997 and has brought in steady income since then. The annual traffic flow reached over 6 million vehicles with a growth of approximately 4% as compared to previous year. It has derived a dividend income of about HK\$40 million as compared to approximately HK\$18 million last year due to increase of toll fee by approximately 70% since October 2000 and we have increased our effective interest by approximately 10% with effect from 25 September 2000.

## INVESTMENT

In October 2001, shares of one of the Group's investments, Rainbow International Holdings Limited, which is engaged in the retail and wholesale of branded beauty products in Hong Kong, was successfully listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong with very good response from the financial institutions and public investors with over-subscription of approximately 6 times over the total number of the public offer shares initially for subscription under the public offer.

In December 2001, shares of one of the Group's investment, Inworld Group Limited, which is engaged in the business as a system provider, was also successfully listed on the GEM of the Stock Exchange of Hong Kong with great response approximately 50.8 times the total number of the public offer shares initially available for subscription and for sale under the public offer and under the placing were approximately 10.3 times subscribed and have been conditionally allocated in full.

Several of the Group's investments are undergoing preparation for listing, which we believe will also be successful. With the Group's present financial resources, we are confident that by diversifying investments into different potential industries will bring the Group a better return in the future.



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### LIQUIDITY AND FINANCIAL RESOURCES

On 5 November 2001, shareholders approved in a special general meeting to issue 997,571,580 ordinary shares of HK\$0.01 each in the Company at HK\$0.03 per share by way of rights issue on the basis of 2 rights shares for every 1 share held on that date. The rights issue was over subscribed by approximately 4.6 times the total number of rights shares issued under the rights issue. The Company received a net proceeds of approximately HK\$27 million under the rights issue of which approximately HK\$10 million was used to reduce other borrowings and the remaining approximately HK\$17 million was retained as general working capital of the Group.

As at 31 March 2002, the Group had cash on hand amounted to approximately HK\$100 million and net assets value of HK\$561 million, equivalent to approximately HK\$0.38 per share. Gearing ratio, being the ratio of total interest bearing loans of HK\$159 million to shareholders' fund of HK\$561 million was 0.28 same as the preceding year.

Most of the Group's bank balances and borrowings were denominated in Hong Kong dollars and Renmenbi, risk in exchange rate fluctuation will not be material.

### CONTINGENT LIABILITIES

As at 31 March 2002, the Company had contingent liabilities in respect of corporate guarantees of approximately HK\$207,000,000 (2001: HK\$193,205,000) given to banks in connection with the banking facilities granted to certain subsidiaries, of which HK\$4,267,000 (2001: HK\$6,656,000) had been utilised as at 31 March 2002.

### STAFF

As at 31 March 2002, the Group employed 78 employees (2001: 78). Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

On behalf of the Board

**Styland Holdings Limited**

**Miranda Chi Mei Chan**

*Director*

Hong Kong, 18 July 2002