

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 31st October 2001.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial results**

The Group's unaudited consolidated operating loss before finance costs for the period ended 31st October 2001 recorded approximately HK\$62,149,000 (loss for 2000: HK\$5,652,000). The unaudited consolidated loss attributable to shareholders for the period was approximately HK\$104,140,000 (loss attributable to shareholders in 2000: HK\$216,149,000) and the loss per share was 2.83 HK cents (2000: loss per share 9.34 HK cents).

The Group recorded a turnover of HK\$10,907,000 for the period ended 31st October 2001, a substantial decrease as compared to the turnover of HK\$1,680,361,000 of last period. Such decrease was mainly attributable to the discontinued operations, as reported in the annual results for the year ended 30th April 2001 as RNA Group was no longer subsidiaries of the Group since 18th August 2000.

The loss from operating activities, however, has been reduced substantially by approximately 50% as compared to the same period of last year. Such decrease was mainly attributable to the fact that the Group did not have any share of loss from its associates as compared to the share of loss of HK\$131,538,000 for the same period last year.

### **Liquidity and capital resources**

As at 31st October 2001, the Group has a contingent liabilities of HK\$163,155,000 (2000: HK\$311,155,000), and a net current liabilities of HK\$748,165,000 (2000: HK\$683,931,000).

### **Short term listed investment**

Subsequent to the balance sheet date, 114 million shares of RNA which are now regarded as short term listed investment were further foreclosed after the balance sheet date. Up to the date of approval of the interim accounts, the Group's equity interests in RNA Group were reduced and diluted to approximately 2.17%.

Subsequent to the balance sheet date, 372 million new ordinary shares of Can Do which is now regarded as short term listed investment were issued and allotted to other parties. Up to the date of approval of the interim accounts, the Group's equity interests in Can Do were further diluted to approximately 15.83%.

As at 31st October 2001, all of the above listed investments were pledged to banks and financial creditors to secure general banking facilities granted to the Group.

### Remuneration policy and share option scheme

During the period under review, 200,000,000 and 19,000,000 share options have been granted on 3rd May 2001 and 8th May 2001 respectively to certain employees of the Group, which have been fully exercised, pursuant to the share option scheme of the Company adopted on 27th October 1998. The Group has 8 employees as at 31st October 2001.

### BUSINESS REVIEW

On 9th May 2002, the Company entered into the Restructuring Proposal with, inter alia, the Investor for the proposed restructuring of the Company. The proposed restructuring involved capital restructuring, debt restructuring of the Company, subscription of new shares and capitalisation of loans by the Investor. Pursuant to the Restructuring Proposal, the Investor will inject up to HK\$57.6 million of cash into the Company in exchange for approximately 95% of the enlarged issued share capital of the Company and all the creditors of the Company will settle their claims against the Company in accordance with the terms of the Restructuring Proposal and the schemes of arrangement. The completion of the proposed restructuring is subject to fulfillment of certain conditions precedent as set out in the Restructuring Proposal.

The Board regrets that the Group has incurred substantial losses due to the sustained unfavourable economic conditions. It is the hope of the Board and is for the benefits of the shareholders to have the transaction under the Restructuring Proposal completed as soon as possible and to revitalize the operation of the Group.

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st October 2001, the interests of the directors of the Company and their associates in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under section 31 or Part 1 of the Schedule to that Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein were as follows:

#### Interest in shares in the Company

Name of director	Type of interests	No. of ordinary shares
Mr. Chan Fat Chu, Raymond	Corporate ( <i>Note 1</i> )	180,881,652
	Personal ( <i>Note 2</i> )	304,347,408
Mr. Chan Fat Leung, Alexander	Corporate ( <i>Note 1</i> )	180,881,652
	Personal ( <i>Note 3</i> )	260,889,408

*Notes:*

1. These shares are held by Falcon Investment Company Limited (“Falcon”), a company incorporated in the British Virgin Islands with limited liability and beneficially owned by Messrs. Chan Fat Chu, Raymond and Chan Fat Leung, Alexander and their family members. Messrs. Chan Fat Chu, Raymond and Chan Fat Leung, Alexander are deemed to be interested in these shares in accordance with the SDI Ordinance as Falcon is accustomed to act in accordance with their directions or instructions.
2. These shares are held by Regent Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially owned by Mr. Chan Fat Chu, Raymond.
3. These shares are held by Admiralty Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially owned by Mr. Chan Fat Leung, Alexander.

Save as disclosed herein, none of the directors and their associates has any interests in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

#### **DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Under the share option scheme of the Company approved by the shareholders in the annual general meeting held on 27th October 1998, the Board may, at their discretion invite any full-time employees, including full-time executive directors, of the Group to take up options to subscribe for ordinary shares of HK\$0.025 each of the Company subject to the terms and conditions stipulated in the scheme. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued capital of the Company. The option holders are entitled to subscribe for ordinary shares of HK\$0.025 each in the capital of the Company at any time from the date of acceptance to any date prior to the tenth anniversary of such date. During the period under review, the Company has not granted any share options under the scheme to the directors of the Company.

Apart from the foregoing, at no time during the period was the Company or any of its subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

#### **SUBSTANTIAL SHAREHOLDERS**

As at 31st October 2001, no person known to the directors of the Company, other than the directors of the Company, was directly or indirectly, interested in 10% or more in the equity securities of the Company which were required to be recorded in the register required to be kept under section 16(1) of the SDI Ordinance.