

# Management Discussion and Analysis

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## FINANCIAL RESULTS

The Group's audited consolidated operating loss before finance costs for the year ended 30th April 2002 recorded approximately HK\$97,097,000 (loss for 2001: HK\$281,789,000). The audited consolidated loss attributable to shareholders for the year was approximately HK\$179,698,000 (loss attributable to shareholders in 2001: HK\$774,688,000) and the loss per share was 4.56 cents (loss per share in 2001: 32.02 cents).

The Group recorded a turnover of HK\$21,089,000 for the financial year ended 30th April 2002, a decrease of 98% or HK\$1,709,648,000 as compared to the turnover of HK\$1,730,737,000 of last year. Such decrease was mainly attributable to the lack of contribution from the discontinuing operations of sales of gold bullion and bullion financing and sales of jewellery products as discussed in note 4 to the accounts, since August 2000. Considering only the turnover generated from the continuing operations of property investment and management consultancy, corporate investment and financial services, there was only a modest drop of 14% from HK\$24,562,000 of last year.

Loss from operating activities attributed from the continuing operations had also been improved during the year to HK\$179,800,000 from HK\$774,201,000 of last year. Such improvement was mainly due to the following:

1. A reduction in general and administrative expenses from HK\$163,560,000 to HK\$30,616,000;
2. A reduction in provision for impairment losses on short term listed investments from HK\$255,508,000 to HK\$62,705,000;
3. A reduction in provision for accounts receivable from HK\$82,997,000 to HK\$865,000;
4. A reduction in finance costs from HK\$118,094,000 to HK\$74,330,000; and
5. No more share of losses of associates as compared to HK\$345,536,000 of last year and a reduction of share of loss of jointly controlled entities from HK\$23,685,000 to HK\$8,373,000.

## SUBSIDIARIES AND ASSOCIATES

As disclosed in the Annual Report for the financial year ended 30th April 2001, the Group's investments in RNA Holdings Limited and Can Do Holdings Limited were reclassified as "short term listed investments" during the year ended 30th April 2001.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's liabilities included indebtedness of HK\$587 million as at 30th April 2002 (2001: HK\$613 million) which comprised bank loans and overdrafts of approximately HK\$111 million (2001: HK\$116 million), unsecured promissory notes of approximately HK\$357 million (2001: HK\$357 million) and other secured and unsecured borrowings of approximately HK\$119 million (2001: HK\$140 million). Of these borrowings, approximately HK\$162 million was secured by a charge over certain of the Group's investment property and short term listed investments. As the Company reported a consolidated deficiency in assets of HK\$734 million as at 30th April 2002, the calculation of the gearing ratio of the Group is not applicable.

As at 30th April 2002, the Group had consolidated net current liabilities of HK\$818,311,000 (2001: Net current liabilities of HK\$683,931,000). Such change was primarily attributable to the provision for impairment losses on short term listed investments, a reduction in receivables and deposits, an increase in temporary deposits, accounts payable and accruals, an increase in amounts due to directors, and reduction in short term loans.

## **Management Discussion and Analysis** *(Continued)*

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The Group's bank loans and overdrafts are principally on a fixed interest rate basis. The promissory notes of HK\$357,175,000, bearing interest at 8% per annum, were due in December 2000. Due to the Group's failure to repay the loan amount, the note holder had filed writ of summons to demand for the repayment of the amount due and petition for the winding-up of the Company. Thus, the Company has been involved in a material litigation in respect of allegation made by the promissory note holder for the outstanding amount payable together with the interest of approximately HK\$41,033,000 accrued thereon. It is not possible to determine the outcome of this proceedings with reasonable certainty at this stage and in the opinion of the directors of the Company, the outstanding amounts will be settled upon the completion of debt restructuring proposal as referred to in note 2 to the accounts.

### **FOREIGN EXCHANGE**

There was no exposure in exchange rates fluctuation and thereby no related hedges were made by the Group for the year ended 30th April 2002.

### **CONTINGENT LIABILITIES**

Details of contingent liabilities of the Group are disclosed in the note 27 to the accounts.

### **REMUNERATION POLICY AND SHARE OPTION SCHEME**

During the year under review, the Company has granted 200,000,000 and 19,000,000 share options to certain employees of the Group on 3rd May 2001 and 8th May 2001 respectively, which have been fully exercised, pursuant to the share option scheme of the Company adopted on 27th October 1998. The Group has incurred staff costs of HK\$14,377,000 for the year and has 5 employees as at 30th April 2002.