

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 30th April, 2001, the Group recorded a turnover of HK\$5,864.74 million and profit from operating activities of HK\$95.45 million as compared to HK\$5,432.37 million and HK\$63.99 million respectively for the previous year. The increase of HK\$432.37 million in turnover was mainly attributable to an increase in sales volume on bullion trading and expansion in its related operations in Hong Kong and the PRC.

Because of the poor consumer sentiment and the continuing slowdown of Hong Kong's economy over the past few years, the Group's jewellery operation recorded a loss for the first time, and a provision for doubtful debts of HK\$19.08 million was made reflecting the increased credit risk under dampening economic environment. The financial year under review also saw volatility in the equity market and a rapid decline in valuation of listed securities. As a result, a prudent provision of HK\$41.93 million was made against the Group's interest in a jointly controlled entity which had an investment in listed securities. Despite the weak performance in both the jewellery and bullion trading operations, the Group's bullion financing operation reported an improved contribution to the Group's profit from operating activities. The Group also realised a gain of HK\$85.17 million on deemed partial disposal of Trasy Gold for the year ended 30th April, 2001.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, all issued 6% convertible redeemable preference shares had been converted into 147,674,418 ordinary shares of the Company at the conversion price of HK\$0.86 each. The Company also successfully placed 133,780,000 ordinary shares of the Company to independent investors at HK\$0.202 per share, raising net proceeds of approximately HK\$26.2 million.

As at 30th April, 2001, the Group had bank loans and overdrafts of HK\$300.94 million, convertible notes of HK\$163.4 million, gold loan payable of HK\$22.36 million, advances from shareholders of HK\$45 million and promissory notes of HK\$39 million. Of these borrowings, approximately HK\$266.2 million was secured by a charge over certain of the Group's inventories, investment securities and properties. Calculated on the basis of the Group's net borrowings after deduction of cash and bank balances of HK\$1.88 million and gold bullion of HK\$63.32 million over shareholders' funds of HK\$1,110.33 million, the Group had a gearing ratio of 0.455 as at 30th April, 2001.

The Group's bank loans and overdrafts and gold loan payable are principally on a floating rate basis. The convertible notes and promissory notes bear an interest at 5% per annum and are repayable within one year.

As at the balance sheet date, the Group experienced an insufficient working capital. Consequently, the Group has progressively undertaken numerous fund raising exercises to improve the Group's working capital position. Over the past ten months up to February 2002, the Group raised an aggregate sum of approximately HK\$365.08 million from these transactions as follows:

	HK\$'000
Placement of 140,000,000 ordinary shares at HK\$0.143 each	19,500
Placement of 883,987,558 ordinary shares at HK\$0.103 each	90,200
Placement of 518,000,000 ordinary shares at HK\$0.101 each	51,600
Issue of 470,000,000 ordinary shares at HK\$0.1 each	47,000
Issue of 2% convertible bonds repayable in 2005	116,780
Issue of zero coupon convertible bonds repayable in 2005	40,000
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Total net proceeds	365,080
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Management Discussion and Analysis *(Continued)*

Of the 2% and zero coupon convertible bonds in an aggregate sum of HK\$156.78 million issued by the Group subsequent to the financial year, convertible bonds of HK\$74.88 million have already been converted into 1,148,800,000 ordinary shares.

The Group is currently undertaking an issue of zero coupon convertible bonds of up to HK\$81.42 million, details of which are stated in the Company's announcement dated 15th March, 2002. Further appropriate measures will continue to be underway to reduce the Group's short term indebtedness. Should the aforesaid arrangements be in place, the Group's other indebtedness, including the 5% convertible notes of approximately HK\$163.4 million classified under current liabilities as at the balance sheet date, will be conciliated.

EMPLOYEES

During the year under review, an additional of 84,540,000 share options were granted on 22nd June, 2000 to certain directors and employees of the Group pursuant to the share option scheme of the Company which was adopted on 8th November, 1996 and amended on 31st December, 2001 in compliance with the new requirements of the Listing Rules. As at 30th April, 2001, the Group had 147 employees and the total staff costs including directors' remuneration amounted to HK\$35.3 million for the year ended 30th April, 2001.