

Business Review

The Group's turnover for the Year was approximately HK\$158 million, representing an increase of 25% over last year. The loss from ordinary activities attributable to shareholders increased by 41% to 278 million when comparing with that of last year.

The Group's performance for the Year was in the main adversely plagued by the highly competitive business environment of retail market in PRC, diminution in the value of technology related investment securities and unrealized loss on high-tech securities. The increase in turnover was primarily contributed by the car audio business which accounted for about 25% of the Group's turnover and brought in a positive contribution of approximately HK\$4 million.

During the Year, the retail market in PRC remained very competitive, the sales of the Group's garments and shoes were stagnant and the relevant gross profit has decreased. The drop in gross profit became pronounced in the second half of the Year when the Group experienced an extreme price pressures on its products. To counteract these adverse changes, the Group has intensified its efforts to adopt more aggressive marketing strategies, reinforce its customer loyalty, increase its brand awareness and control its operating costs.

Amid such stiff competition and mounting price pressures, the Group has been facing an increasingly difficult operating environment of retail market in PRC. Given the continuous sluggishness of retail market in PRC, the Board believes that this situation will remain in a short period. With a view to mitigating the operational loss, the Group has closely monitored the progress on its action plan under which a strict control was kept over the operating costs and the capital expenditures.

During the Year, riding on the heels of a boom high technology business, the Group has made investments in the area of internet related and e-commerce business with an aim to diversifying its existing business and creating synergistic benefits. These investments have benefited the Group in building up strategic alliances, leveraging relationships with renowned partners and obtaining a window into the telecommunication and information technology industries. The Group has been progressing steadily in this strategic direction until the bursting of technology bubbles in the market worldwide in the second half of the Year. In the light of a significant correction of the values in high-tech investments, the Board has taken a series of prudent and prompt corrective actions which include slowing down the development on high speed internet access operation, making adequate provisions on the investment in internet related business and the high-tech securities portfolio. Despite the unexpected precipitous downturn in high technology market, the Board is confident that the

cyclical fall in the high technology investment has bottomed out and it will have a rebound from the valley when its market sentiment is improved. Therefore, the Group is still cautiously optimistic about the long term prospect of these investments.

Prospect

Under the unfavorable external market conditions in terms of intense competition and falling gross profit, the Board is of opinion that the garment and shoes business will be less likely capable of supporting as a core business of the Group and generating significant contributions in the year ahead. As such, the Group will continue to closely monitor the progress of the Group's garment and shoes operation and the remedial action plans are in place to restructure and reposition the Group's existing business and operation.

Internet and information technology is sweeping through the global business world and changing the way in which companies operate their business. High technology based business will, therefore, become increasingly important avenue for the Group's diversification and development of its new core business. Taking advantages of new business opportunities created by internet and information technology, the Group will continue to capture the future trend, increase its strategic flexibility and venture into the high technology business.

With a view to the rapid pace of changes in the dynamic global high technology market, the Group will be more prudent and selective in approaching strategic partners and assessing the business viability and financial risks of the related business models and investment projects. Moving along with venturing into high technology sector, the Group will also seek investment opportunities in traditional industries which can open up new rays of steady income. Through the amalgamation of traditional industries with the information and high technology, the Group will actively spawn and develop its new core business in the future.

Liquidity and Financial Resources

During the Year, The Group generally financed its operation with internally generated cash flow, banking facilities and proceeds of placing of new shares. The Group's bank and short term deposits as at 31 March 2001 amounted to approximately HK\$25 million.

At 31 March 2001, certain leasehold land and buildings and land use right, with an aggregate net book value of approximately HK\$23 million and fixed deposit of HK\$22 million were pledged to secure banking facilities granted to the Group.

At 31 March 2001, the total interest bearing bank and other loans of the Group was approximately HK\$93 million (at 31 March 2000: HK\$69 million). The long term interest bearing bank and other loans of the Group amounted to approximately HK\$15 million (at 31 March 2000: HK\$41 million), which are repayable in the second year.

The Group's gearing ratio at the Year end was 7.2% (at 31 March 2000: 8.2%) based on the long term interest bearing bank and other loans of HK\$15 million (at 31 March 2000: HK\$41 million) and net worth of HK\$207 million (at 31 March 2000: HK\$498 million).

At 31 March 2001, the Company had contingent liabilities in relation to guarantees given to banks in connection with facilities granted to certain subsidiaries amounting to approximately HK\$34 million (at 31 March 2000: HK\$36 million).

The Group's bank deposit and borrowings are mainly denominated in Hong Kong dollars. Most of Group's sales and purchase are made in United States dollars and Hong Kong dollars. Therefore, the exchange risks exposed to the Group is minimal.

During the Year, the Group has placed 997,000,000 new shares at HK\$0.02 per share, representing 19.98% of its existing issued share capital. The net proceeds of approximately HK\$19.5 million was used as additional working capital of the Group.

Subsequent to the balance sheet date, the Group has placed 1,197,000,000 new shares at HK\$0.03 per share, representing 19.99% of its existing issued share capital. The net proceeds of approximately HK\$34.8 million was used as additional working capital of the Group.

Employment, Training and Development

At 31 March 2001, the Group has a total of 1,042 employees of which 63 are based in Hong Kong and 979 based in PRC. The Group has committed itself to its staff training and development and structured training programs for all employees.

Remuneration packages are maintained at competitive level and reviewed on a periodic basis. Bonus and share options are awarded to certain employees according to the assessment of individual performance and industry practice.

Appreciation

On behalf of the Board of Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication throughout the Year.

By order of the Board

Chan Chun Tung, John

Chairman

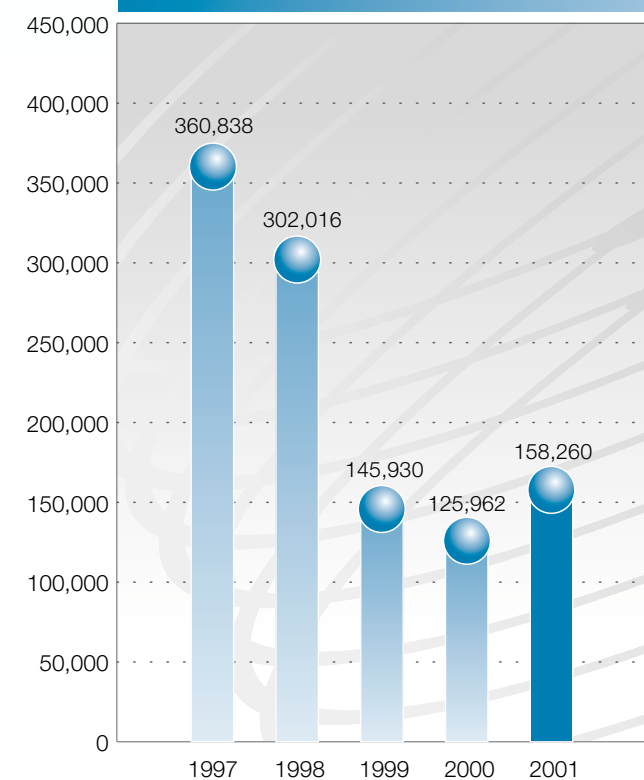
Hong Kong, 23 July 2001.

Financial Highlights

	2000/2001	1999/2000
Turnover	HK\$158,260,000	125,962,000
Net loss from ordinary activities attributable to shareholders	HK\$(277,669,000)	(196,375,000)
Basic loss per share	HK5.41 cents	HK11.86 cents

Turnover

(For the year ended 31 March)



Net Profit/(Loss) From Ordinary Activities Attributable to Shareholders

(For the year ended 31 March)

