BUSINESS REVIEW

The Group's turnover for the Period was approximately HK$60 million, representing a decrease of 30% over the corresponding period of last year. The net loss attributable to shareholders for the Period decreased by 73% to HK$10 million as compared to that of the corresponding period of last year. The Board does not recommend the payment of any dividend in respect of the Period (2000: nil).

The decrease in turnover reflected the continuous difficulty in the trading environment of garment and shoes retail market in the PRC. The market competition was keen and downward price pressure was mounting up. Operating in a deteriorating business environment, the Group has experienced a significant sales decline in its garment business.

During the Period, a good deal of effort was placed in controlling the operational costs and optimizing the capital expenditures. The resulting cost savings has helped cushion the diminishing gross profit resulting from the declining sales. The remedial action plan was well underway with a steady progress made in repositioning the Group's garment and shoes business. With its well established retail distribution channels in the PRC, the Group has aggressively identified quality franchise partners in order to further reduce its operating costs and credit risks.

The Group's initiative for diversification into high technology based business has continued. However, the momentum and the pace in this direction was fairly slow amidst the global decline in high technology sector. During the Period, the Group has continued to capitalize on the synergy between the traditional business and the high technology business through acquisitions and strategic alliances. Under the austerity of the risk and cost control, the existing invested projects have been tightly managed and start up operations for new projects are on the right track to commence.

PROSPECT

Following the tragic event of September 11, the likelihood of a further global economic downturn has risen. The difficult trading environment of garment and shoes retail market in the PRC will persist. In view of these events, it is uncertain that the Group can maintain this turnover in the second half of this financial year, particularly in the US car audio market.

The Group will continue to put in place the remedial action plan so as to tightly control the operational costs and reposition its existing business. The Group will alert to the aftermath of the tragic event of September 11 and take appropriate measures to adapt to the impending difficult economic environment in the year to come.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group generally financed its operation with internally generated cash flow, banking facilities and the proceeds from the placing of new shares. The Group's bank and short term deposits as at 30 September 2001 amounted to HK$37 million.

At 30 September 2001, certain leasehold land and building and land use right, with a net book value of approximately HK$26 million, were pledged to secure banking facilities granted to the Group.

At 30 September 2001, long term interest bearing bank and other loans of the Group amounted to HK$8 million (at 31 March 2001: HK$15 million), which was a secured loan repayable in the second year.

The Group's gearing ratio at the end of the Period was 2.99% (at 31 March 2001: 7.2%) based on the long term interest bearing bank and other loans of HK$8 million (at 31 March 2001: HK$15 million) and net worth of HK$267 million (at 31 March 2001: HK$207 million).

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

On 11 June 2001, the Company placed 1,197,000,000 new shares at HK$0.03 per share, representing 19.99% of its total issued share capital at that time. The net proceeds of approximately HK$34.8 million had been used for additional working capital of the Group. On 3 August 2001, the Company placed 1,436,560,000 new shares at HK$0.025 per share, representing 19.99% of its total issued share capital at that time. The net proceeds of approximately HK$34.8 million had been used for additional working capital of the Group.

With cash and marketable securities on hand as well as banking facilities, the Group's liquidity position remains healthy and the Group has sufficient financial resources to meet its commitments and working capital requirements.

EMPLOYMENT, TRAINING AND DEVELOPMENT

At 30 September 2001, the Group had a total of 1,125 employees of which 52 are based in Hong Kong and 1,073 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 periodical basis. Bonus and share options are awarded to certain employees according to the assessment of individual performance and practice in the industry.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2001, the interests of the directors of the Company in the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

Ordinary shares of the Company	**Nature of interest**
Name of Director	**Personal**
Chan Chun Tung, John	13,000,000

The interests of the directors in the share options of the Company are separately disclosed in the section "Directors' rights to acquire shares".

In addition to the above, Messrs. Wong Howard, Wong Yat Fai and Chan Chun Tung, John hold shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying the minimum company membership requirements.

Save as disclosed above, none of the directors of the Company or their associates has any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in SDI Ordinance or as otherwise notified