The Group recorded consolidated loss attributable to shareholders of HK$32.8 million for the year ended 31st March, 2001 compared to HK$51.2 million for the previous financial year 1999/2000. Loss per share was HK$0.03 compared to HK$0.136 of 1999/2000 taking into account the debt-to-equity conversion and new issue of shares during the year.

Loss from operations was HK$5.1 million compared to HK$11.6 million of 1999/2000 reflecting that despite profit margin reduced, stringent cost control had effectively improved the results

Commentary on major variances of the constituent elements in the Group's consolidated income statement and balance sheet

Consolidated profit and loss account

	2001	2000
	HK$'000	*HK$'000*
Turnover Slight sales drop included the effects of considerable decrease in orders from the last year's top customer and substantial increase in sales to Wal-Mart and Kmart.	**305,277**	326,624
Gross profit Profit margin was significantly reduced as a result of severe competition and unfavourable shift of sales mix from higher-margin gift items to lower-margin items.	**44,867**	72,425
Other revenue This included $7.4 million provision written back upon settlement reached on a litigation and $2.1 million gain on disposal of Climax Building, the Company's previous headquarters in Hong Kong.	**12,639**	16,375
Distribution costs Distribution costs basically reduced in line with the decreased turnover. Marketing and product development costs were limited.	**(15,380)**	(20,693)
Administrative expenses Reduction of administrative expenses was due to the effect of cost saving measures implemented in the current and previous year.	**(54,279)**	(73,358)
Other operating expenses Severance payments of $4.7 million were incurred in previous year.	**(2,532)**	(6,379)
Loss from operations Despite gross profit dropped, reduction in operating expenses and certain non-recurrent revenues helped to limit the loss from operations.	**(5,141)**	(11,630)

	2001 HK$'000	2000 HK$'000
Finance costs	**(27,545)**	(42,922)
Finance costs were substantially reduced because interest expenses decreased as a result of the debt-equity conversion and partial repayment of debts upon the completion of debt restructuring during the year.		
Net loss for the year	**(32,766)**	(51,164)
In summary, (1) gross profit dropped significantly, (2) effective costs saving in operation and (3) substantial reduction in interest expenses.		

Consolidated balance sheet

	2001 HK$'000	2000 HK$'000
Property, plant and equipment	**52,020**	89,885
Disposal of Climax Building completed during the year. No additional capital investments in machinery for the year.		
Inventories	**71,990**	63,130
Overall inventory level were under control while raw materials increased for the pre-production of large-quantity orders from Wal-Mart.		
Bank balances and cash	**32,615**	45,331
Pledged bank balance of HK$10 million have been applied to repay part of total bank debt. Cash used to procure raw materials for confirmed orders.		
Creditor and accrued charges	**52,236**	56,807
Litigations with provisions of HK$10.8 million were settled during the year (HK$7.4 million had been written back).		
Bank borrowings	**86,664**	602,311
Bank debts amounted to HK$423 million under Bank Debt Restructuring Agreement were converted into shares of the Company. Proceeds of HK$20.1 million from the surrender of Climax Building applied to repay bank debt. The level of bank debt was substantially reduced at the year end. At the year end date, the Group's ratio of net bank debts to share holders equity was 64%.		

Capital structure and debt restructuring

On 11th January, 2001, the Group attracted $100 million capital injection from an independent third party, who then became the Company's majority shareholder, as part and parcel to the completion of the long pursuing bank debt restructuring in which approximately 423 million of bank debt and accrued interest were converted into equity shares in the Company.

The restructuring resumed the Group's financial health and restoration of normal operation.

Sources of finance and current liquidity

The new money facility of HK$ 10 million continued to provide to the Group by Standard Chartered Bank subsequent to the restructuring and will expire on the anniversary date of the restructuring.

In light of the likelihood of economy recovery for the coming year and the lowered borrowing level, the Group feels optimistic to obtain financial supports for its turned-around business.

During the year, the Group's operations generated net cash outflow of HK$5 million. This was mainly due to procurement of large volume of raw materials at the last months for production of large confirmed orders. It is projected that the cash flow would be improved considerably because of increased orders. Hence it is expected that the Group is able to ensure its normal business operations as well as its obligations in repaying the rescheduled bank debt.

Financial risk management

Upon completion of the bank debt restructuring, all the Group's bank debts were converted into HK dollar. While US dollar would continue to denominate the Group's major foreign currency receipts, it is the Group's view that the current link between HK dollar and US dollar will be maintained and the mechanism will continue to function in the foreseeable future.

As the debt level has been reduced to a more acceptable level, the Group believes that with the release of the great financial burden, the Group is empowered to restore its normal operation and subsequently bring the businesses into the right track.