Financial Result

The Group reported a consolidated loss attributable to shareholders of HK$151.5 million for the financial year, compared with a corresponding loss of HK$134.7 million of the previous financial year.

Loss per share for the year was HK$0.30, a decrease of HK$0.07 compared with the previous year. This decrease was mainly due to the increased number of shares in issue during the year as several issuances had been made for the acquisition of new business and investments.

Turnover of the Group recorded a substantial decrease for the year reflecting the discontinuance of the general trading business, the arrangement for an independent third party taking over the management of the Group's toy manufacturing and export operation and retailing business in China since end May 2000, and the complete phasing out of the toy retailing business in Hong Kong.

The Group's net loss for the year was very substantial mainly due to exceptionally large provision for impairment in value of the fixed assets and further provision made resulting from the intended disposal of the toy manufacturing and export operations after the year end. Fortunately the cash operating loss for the year was much reduced compared to the corresponding period of the preceding year, following the arrangement for a manager taking over the management of the Group's toy operations at end May 2000.

Financial position

The large reduction in cash operating loss together with the financial support from Open Mission Assets Limited, the major shareholder of the Company, enabled the Group to repay more than HK$50 million, in principal, to the creditor banks during the year. In fact, by end June 2001, with further financial support from Open Mission, the Group has repaid, in full, all the outstanding bank borrowings plus the accrued interest.

Current liabilities at year end totalled HK$120.7 million. However, HK$89 million (grouped under Trade and other payables in the balance sheet) of which represented the purchase consideration for the acquisition of Broadlink Technology Limited due to the vendors and has been entirely settled by the issuance of the Company's shares subsequent to balance sheet date.

After the year end, subject to the completion of the intended disposal of the toy operations, and with further financial support from Open Mission, the net current liabilities position of the Group will disappear; the Group's ratio of current assets to current liabilities will return to approximately 1:1.

The substantial reduction in property, plant and equipment, inventories and trade and bills payable over the year reflected mainly the phasing out of the Group's toy operations. The huge decrease in both mortgage loans receivable and other payables over the year resulted from the disposal of the entire interest of a subsidiary company engaged in the development of the Fantasy Garden and Grand Garden in December 2000 to improve the Group's cash flow.

Other non-current financial assets totalling HK$175.87 million included the Group's 17.66% and 23% interest in Techwayson and Broadlink respectively. As the acquisition of all the new investments/business was or shall be financed by proceeds on placement of the Company's shares and/or issuance of the Company's shares, it has greatly improved the liquidity and cash-flow of the Group.

During the year, Open Mission advanced additional HK$14 million to the Group as working capital and for repayment of bank borrowings.

Shareholders' funds at year end was decreased by HK$24 million over the year to approximately HK$71.2 million reflecting the huge loss and provisions recorded for the year, partially offset by issuances of the Company shares for acquisition of new business/assets by the Group and for raising funds through placement of shares. The shareholders' funds will be increased by another HK$89 million to approximately HK$160.2 million subsequent to year end when the Company issuing further 100 million and 78 million shares at HK$0.5 per share to settle the purchase consideration of Broadlink in April and July 2001 respectively .

Cash and Treasury Management

The financial objective throughout the year under review focused on the reduction of bank borrowings.

To carry out this objective, the Group minimized the cash operating loss by arranging for an independent third party to take over the toy manufacturing and export operations and retailing business in China in May 2000. Inventories were liquidated. Surplus properties such as workshops and car parking spaces at Shatin, residential units in Guangzhou and Shanghai were sold. Unprofitable businesses such as the joint venture of an OEM factory specialized in plush toys, the property development business, and retailing business in Hong Kong were either disposal of or closed.

On the other hand, the Group managed to raise funds from the stock market through two placements of the Company's shares during the year and generate a total of approximately HK$70 million. These proceeds together with further issuances of the Company's shares were used to finance acquisition of Techwayson, Broadlink and certain shop units in Guangzhou.

With further advances totalling HK$14 million from Open Mission, during the year the Group was able to repay over HK$55 million to the creditor banks to reduce the loan, overdraft and bills payable, to settle bank interest, and to set up deposits as collateral for issuing guarantees by the banks on behalf of the Group.

By end June 2001, all bank borrowings plus the accrued interests due to the banks have been paid in full. At present, the Group's major investments and business activities are in China; the income from these investments will be in Renminbi. As there is no forward exchange market for Renminbi, hedging cannot be done.