

On behalf of the board of directors, I have pleasure in presenting the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2001.

Management Discussion and Analysis

Business Overview

The audited net loss of the Group for the year ended 31 March 2001 amounted to HK\$82,506,000. The board of directors has resolved not to recommend a payment of dividend for the year.

Since the existing management took over the office of the Group in August 2000, the new management has been reviewing the Group's existing business operations and identifying ways to improve them. In view of the unfavourable business environment in the consumer electronics industry, the Group has pursued strategies to diversify into new business areas. In particular, the Group recognises the important roles that eco-friendly and high technology play in the development of the global economy and the increasing concern over environmental protection in the new millennium. It is envisaged that eco-friendly and high technology investment projects offer the potential to improve the Group's profit earning power and strengthen its financial positions.

For the year ended 31 March 2001, the Group's turnover increased by approximately 145% to approximately HK\$13,818,000 as compared to the corresponding figure for 2000. The Group's turnover was mainly derived from three principal businesses, namely, distribution and retailing of computers and computer-related products, provision of sub-contracting services and trading of consumer electronic products.

Distribution and retailing of computers and computer-related products

For the year ended 31 March 2001, the Group recorded approximately HK\$12,548,000 in sales of computers and computer-related products, which was mainly contributed by two newly acquired subsidiaries during the latter half of the year. The Group purchases personal computer components for assembly and sale to individual and corporate end users through two recently established retail outlets in Hong Kong. The Group plans to establish distribution networks in the People's Republic of China (the "PRC") for distribution of computers and computer-related products in the near future.

Provision of sub-contracting services

During 1999, due to the poor market demand for consumer electronic products and adverse economic conditions, the Group had temporarily downsized its manufacturing activities. During the year under review, the Group underwent a restructuring of its activities whereby its new management endeavoured to reorganise the Group's manufacturing operations. The Group has utilised its production facilities located in Qingxi, the PRC, to provide sub-contracting services to third party manufacturers to earn sub-contracting income and rental income.

The Group's production facilities located in Qingxi are capable of producing various moulds to the Group to manufacture HI-CL products and to third party manufacturers to earn manufacturing income.

Chairman's Statement

Trading of consumer electronic products

As a result of the Group's diversification into new business areas, the Group's trading of consumer electronic products has decreased. The Group's primary objective is to realise working capital by disposing of the Group's inventories on hand.

Future Business Prospects and Plans

Manufacturing and trading of HI-CL products

The acquisition of a HI-CL production line and related production facilities during the year ended 31 March 2000 represented a marked development in the Group's diversification strategies into the eco-friendly and high technology arena. These HI-CL production facilities will enable the Group to produce eco-friendly industrial packaging and food containers using HI-CL. HI-CL is a patented material which is pollution free, biodegradable, harmless and non-toxic that can be used to produce a wide range of products including disposable tableware, industrial packaging and food containers for portioned agricultural/fishery products.

During the year ended 31 March 2001, the Group has resolved certain technical and operational issues relating to the HI-CL production facilities, which are located in Xinhui, the PRC. In particular, the Group has identified a suitable lower-cost and higher-performance alternative as raw materials for producing HI-CL food containers, resulting in superior quality products with refined finishing. As at the date of this report, the production line has been installed and trial production is being carried out. The Group anticipates that commercial production will commence in the near future and that these HI-CL food containers will be marketed and distributed in Hong Kong and the PRC first and then to other overseas markets.

Publication and distribution of computer games

During the year ended 31 March 2001, the Group acquired a 31.3% associate which is engaged in the production, publication and distribution of computer games. At the date of this report, the Group is in negotiation with a major European computer games publisher to distribute its products.

Manufacturing and supply of motherboards, add-on cards and computer games related products

During the year ended 31 March 2001, the Group has obtained R&D services from a company with experienced design engineers to develop a wireless joypad for use with the computer games consoles manufactured by a leading Japanese company. Negotiations are currently underway with this Japanese company for the Group to manufacture these wireless joypads on an Original Design Manufacturing basis. The Group is also in negotiation with a well-known international company to distribute its products including motherboards and add-on cards in Hong Kong and Taiwan. Given the Group's experience in the consumer electronic products industry, the Group will be able to diversify into these new business areas if these negotiations materialise.

Other potential investment projects

The Group has previously announced its intention to establish CD-R and DVD replication lines in Hong Kong or North America. The Group is currently conducting further research and evaluating various alternatives in this regard.

In addition to the above, the Group has put great effort in pursuing investment opportunities and has identified several promising investment projects, including the proposed acquisition of a PRC property development company and a Hong Kong company which engages in the trading of mobile phones and communication equipment. Negotiations with the owners of these investment projects are currently underway.

The Group considers itself well positioned to benefit from the vast opportunities brought by the continual growth in the Hong Kong and the PRC economy and the PRC's imminent accession to the World Trade Organisation. The Group will continue to look for investment projects with promising returns while actively pursuing the existing businesses, with the aim of achieving higher returns for its shareholders.

Significant Investments and Material Acquisitions/Disposals

For the year under review, the Group recorded a net loss on disposal of investments in listed securities of approximately HK\$28,148,000 and net holding losses of HK\$2,697,000 on the Group's investments in listed securities. Dividend income totaling approximately HK\$1,025,000 was received by the Group during the year under review. Certain of the Group's investments in listed securities have been disposed of subsequent to the balance sheet date so as to enable the Group to realise the investments and contribute to increased holding of cash in a volatile market.

Material acquisitions made by the Group during the year under review include the acquisition of two subsidiaries which engage in distribution and retailing of computers and computer-related products in Hong Kong, and the acquisition of an associate which engages in production, publication and distribution of computer games in Hong Kong.

Liquidity, Financial Resources and Funding

The Group had net current assets of HK\$33,991,000, insignificant amount of borrowings and no long term liabilities at the balance sheet date. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 31 March 2001, is 0.23.

To improve the Group's working capital and finance the acquisition of and/or investment in good business ventures and/or companies identified by the Group, the Group will, at the appropriate time, consider raising funds by suitable means if it is considered to be in the best interests of the Company and its shareholders to do so.

Chairman's Statement

Employees

The Group employs approximately 50 staff in Hong Kong and approximately 153 staff in the PRC. Total staff costs for the year under review amounted to approximately HK\$9,196,000. The Group's remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on annual basis based on performance appraisals and other relevant factors.

The Company maintains a share option scheme under which share options are granted to certain eligible directors and full-time employees. Details of the share option scheme are set out in the audited financial statements.

Charges on Assets and Contingent Liabilities

There were no charges on the Group's assets. Details of the Group's contingent liabilities as at 31 March 2001 are set out in the audited financial statements.

Appreciation

Finally, on behalf of the Board, I wish to extend our sincere thanks to the customers, all the shareholders, and the Board members as well as staff for their continued support and dedicated contribution.

Tang Yiu Wing

Chairman

Hong Kong, 23 July 2001