



FINANCIAL REVIEW

On 20 August 2000, the HK\$40 million convertible note (the “Note”) was fully retired and as a result, the Group’s gearing ratio, expressed as a percentage of total liabilities over total net assets of the Group, improved from 49.1% at the beginning of the year to 39.2% as at 31 March 2001. The working capital of the Group declined from HK\$61.4 million at the beginning of the financial year to HK\$46.5 million at the balance sheet date. A substantial part of such a decline was due to the de-consolidation of cash and cash equivalent items, film rights and other receivables of the Cosmedia Companies from those of the Anex group. Furthermore, part of the funds needed for the repayment of the Note was derived from the reduction in working capital requirements in inventories and trade accounts receivable during the year under review.

The Group has HK\$22.5 million interest bearing loans consisted of a HK\$3.9 million secured bank loan and other borrowings of HK\$18.6 million. The aforesaid loans comprise approximately 6.7% (2000: 100%) thereof that is repayable within one year, 89.4% repayable within the second year and the balances of 3.9% repayable in the third year. All borrowings are denominated in Hong Kong dollars. As at 31 March 2001, the Group had total cash and cash equivalents amounting to HK\$9.7 million. The total unutilized banking facilities as at the year-end was HK\$7.5 million. These facilities can be utilized by the Group to provide funding for its operational requirements.

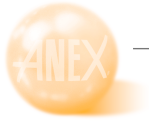
SEGMENTAL INFORMATION

The core business of design and manufacture of electrical appliances recorded a small growth in sales over last year but the merchandise trading business was affected by the re-structuring of one of its major customers during the year, which resulted in a decrease in sales of 78%. The said re-structuring is now completed and we expect sales of the merchandise trading division will recover in the coming year.

Sales from the distribution of films, television dramas and sports programmes was not included in the Group’s turnover as Cosmedia Companies became associates of the Group since the beginning of the financial year.

CHARGE ON ASSETS

Certain properties of the Group situated in Hong Kong were pledged to secure general banking facilities granted to the Group. These properties comprised leasehold land and buildings at a total net book value amounting to HK\$17.4 million (2000: HK\$18.6 million) and investment properties with a carrying value of HK\$3.3 million (2000: HK\$3.4 million) as at the year end.



CONTINGENT LIABILITIES

The Group had contingent liabilities of HK\$1.5 million (2000: nil) in respect of bills discounted with recourse with a bank as at 31 March 2001.

EXPOSURE TO EXCHANGE RISK

The Group has little foreign exchange exposure as its sales revenue was principally denominated either in Hong Kong dollars or in U.S. dollars and its borrowings are in Hong Kong dollars.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year.