Management Discussion and Analysis

FINANCIAL RESULTS

The Group's audited consolidated loss after tax for the year ended 31 March 2002 amounted to approximately HK$26.36 million (2001: HK$151.56 million). Loss per share for the year was HK$0.03, showing a great improvement of HK$0.27 as compared with the previous year.

DIVIDEND

The Board of Directors does not recommend the payment of any dividend in respect of the financial year ended 31 March 2002(2001: Nil).

BUSINESS REVIEW

In early August 2001, the Group finally completed the sale of its toy business, which had dragged the Company's growth for the last five years. It put a stop to further heavy recurring losses. With the substantial reduction in cash operating losses together with the continuous financial support from its major shareholder, Open Mission Assets Limited ("Open Mission"), the Group has managed to repay all the outstanding bank loans and accrued interests. The disposal of the toy operation resulted in a gain of about HK$4.5 million from writing back the previous year's provision for impairment of fixed assets.

Between the period of November 2001 and May 2002, the Group disposed of a total of 15 shop units of CTS Centre in Guangzhou, the PRC for a total consideration of HK$142.4 million. The properties were purchased for rental but subsequently the properties were sold after receiving offers from local property agents. The Group believed that the sale will better improve its liquidity position. The profit in the disposal of the properties will be fully reported in the coming financial year ending 31 March 2003.

In investment securities the Group currently holds 17.66% effective interest in Techwayson Holdings Limited ("Techwayson"), 23% effective interest in 阿爾波地實業（深圳）有限公司 Albordy Industrial Limited ("阿爾波地"), formerly known as 博廣通科技實業（深圳）有限公司 Broadlink Technology Limited, and 33.36% effective interest in 銅陵華瑞電子材料有限公司 Tongling Huarui Electronic Materials Co. Ltd. ("銅陵華瑞").

In January 2002, Techwayson was appointed by Rockwell Automation Limited ("Rockwell") as its distributor of some of Rockwell's products in Guangdong Province. Rockwell is one of the largest industrial automation product suppliers in the United States. Currently, Techwayson is in negotiation with General Electric Transportation for the establishment of a joint venture in automation products and services. Major projects that are still under negotiation include Shenzhen Metro Railway, Shenzhen Airport Logistics Centre. Techwayson also intends to develop international market for its proprietary products, SMARTHome, typically for housing and building automation. For the 12 months ended 30 June 2001, Techwayson reported an audited net profit of approximately RMB60.43 million (about HK$57 million). As Techwayson declared no dividend for its financial year ended 30 June 2001, the Company received no dividend income during the period under review in respect of the investment in Techwayson. For the nine months ended 31 March 2002, Techwayson had an unaudited net profit of RMB37.45 million (about HK$35.3 million).

Management Discussion and Analysis

阿爾波地 is a foreign wholly-owned enterprise established in Shenzhen, the PRC for the provision of technology services related to the cable TV industry. However, the outlook of the business was hindered due to the local regulatory control. Instead, 阿爾波地 has re-focused its business direction. With its existing facilities, it is now mainly engaged in the design and sale of web-based software related to personal financial planning and management and accounting trainings programs. In February 2002, the first batch of its software has been made available in the market. Up to June 2002, 阿爾波地 has sold over 79,000 copies of the software of approximately RMB20 million (about HK$18.87 million). For the 12 months ended 31 December 2001, 阿爾波地 reported an audited net loss of approximately RMB10.46 million (about HK$9.87 million). As 阿爾波地 declared no dividend for its financial year ended 31 December 2001, the Company received no dividend income during the period under review in respect of the investment in 阿爾波地.

In end 2001, the Group acquired 33.36% effective interest in 銅陵華瑞 which is a sino-foreign joint-venture enterprise established in Tongling, Anhui, the PRC. The remaining 66.64% interest in 銅陵華瑞 are held by Tongling Economy Technology (Group) Corporation as to 24.52%, Techwire, a wholly owned subsidiary of Techwayson, as to 18.52%, Sino-Swiss partnership fund as to 22.48% and Cavitec AG (Switzerland) as to 1.12%. 銅陵華瑞 is primarily engaged in the production and distribution of copper clad laminate products, which are mainly used in the production of printed circuit board (PCB) for electronic products. Therefore, the sales of its products are highly related to the PCB industry. Following the recovery of the worldwide electronics market in the fourth quarter of 2001, 銅陵華瑞 expects to increase its sales production. For the 12 months ended 31 December 2001, 銅陵華瑞 reported an audited net profit of approximately RMB5.69 million (about HK$5.4 million) and declared no dividend for the year. Currently, the Group is negotiating to acquire further interest in 銅陵華瑞 as to have a majority control. Up to date, no term has been reached and the negotiation is still in preliminary discussion stage.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 March 2002, the Group's total assets amounted to approximately HK$396 million (2001: approximately HK$232 million), an increase of HK$164 million or about 70% when compared with the previous year. The increase was mainly due to the acquisition of certain properties in the PRC and 33.36% effective interest in 銅陵華瑞.

The Group's net asset value per share as at 31 March 2002 was HK$0.39 per share as compared to HK$0.14 per share as at 31 March 2001.

Loss per share for the year under review was HK$0.03, a great improvement as compared with the previous year's loss of HK$0.30. The improvement was mainly due to the substantial reduction of other operation expenses by 78% and the increased number of shares in issue during the year.

Management Discussion and Analysis

During the year, Open Mission advanced additional HK$9.5 million to the Group as working capital and for repayment of bank borrowings. After repayment of all the bank loans and part of the shareholder's loan during the year, the Group had cash and bank balance of approximately HK$2 million at the balance sheet date (2001: about HK$0.67 million).

As at 31 March 2002, the Group had a working capital ratio of 1:2.06 (2001: 1:13.45) and a current liabilities to equity ratio of 1:17.96 (2001: 1:0.59) with equity being defined as the total of capital and reserves.

Finance costs for the year amounted to HK$4.25 million (2001: HK$6.37 million), an decrease by 33% which was largely due to the waiver from Open Mission of the accrued interest for the year under review.

The Group has no significant capital commitment as at 31 March 2002 which would require a substantial use of the Group's present cash resources or external funding.

Treasury Policy and Exposure to Fluctuation in Exchange Rates

As at 31 March 2002, the Group had cash and bank balance of approximately HK$2 million (2001: approximately HK$0.67 million) which are mainly derived from loan from Open Mission and proceeds from the disposal of the toys business. Cash is generally placed in short term deposits denominated in Hong Kong dollars and are mainly for working capital.

At present, the Group's major investments and business activities are in the PRC, the income from these investments will be in Renminbi or Hong Kong dollars, the exposure to foreign exchange risk is minimal. The Group has not arranged any financial instruments for hedging purposes. The management will continue to monitor the foreign exchange exposure of the Group and will take necessary prudent measures if deemed appropriate.

Contingent Liabilities

As at 31 March 2002, the Group had no contingent liabilities.

Charges on assets

All fixed deposits of the Group as at 31 March 2002 have been pledged to banks to secure obligations and liabilities of the Company owed or to be owed to the banks in relation to the security given by the banks for payment of tax debts owed by a subisidiary of the Company to the Inland Revenue Department.