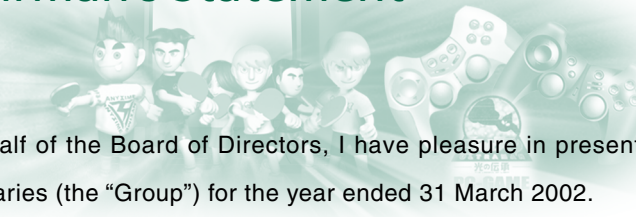


# Chairman's Statement



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 2002.

## Management Discussion and Analysis

### Business Overview

The audited net loss of the Group for the year ended 31 March 2002 amounted to HK\$67,821,000. 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 able to identify a number of ways to improve the Group's business operations. In view of the business environment today, the Group has been diversifying its business into 5 major sectors: wireless gaming accessories, on-line educational contents and games, computer hardware distribution, telecommunications as well as sub-contracting services. Over the past 2 years, the management has significantly improved both the business and manufacturing operations of the Group. Taking into account the products that the Company has developed, the directors are confident that the Company's financial position will be significantly improved in the near future.

For the year ended 31 March 2002, the Group's turnover increased by approximately 107% to approximately HK\$28,620,000 as compared to the corresponding figure for 2001. The Group's turnover was mainly derived from three principal businesses, namely, sub-contracting services, audio and visual products and components as well as trading of computers and hardware and software.

#### *Trading of computers and hardware and software*

For the year ended 31 March 2002, the Group recorded approximately HK\$23,462,000 in sales of computers and hardware and software. The Group purchases personal computer components for assembly and markets to both individual and corporate end users. The Group will continue to develop more products in representing the Principles for marketing the related products to markets in both Hong Kong and the People's Republic of China (the "PRC"). The Group will also enhance the Corporate sales channel and after sales services.

For the same year, the Group has successfully launched many new software titles to markets in Taiwan, the PRC and Hong Kong. Some of the highly popular titles include Shaolin Soccer and Pork Chop and Friends educational games. The Group will soon be launching a new title to the market of which the Group has obtained the relevant license from Japan for the use of the Ultraman image for developing PC games.

# Chairman's Statement

## *Sub-contracting services*

During the year under review and subsequently, the Group has significantly improved the facilities in QingXi and is now pleased to report that the factory is in full production capacity in three major areas, namely, molding, plastic injection and electronic assembly. The factory is being utilised for manufacturing the Group's line of products as well as providing sub-contracting services to third party manufacturers to earn sub-contracting income.

During the year 2001, the Group had resolved both technical and operational issues in relation to the HI-CL production facilities, which are located in XinHui, the PRC. The Group is currently seeking the best way of manufacturing the products in a more economical way and continues to seek appropriate marketing channels for the products.

## **Future Business and Prospects**

### *Electronic toys and wireless gaming accessories*

The acquisition of Bits Tech Inc. in wireless gaming accessories during the year ended 31 March 2002 represented a notable development and significant diversification of the Group's business. The gaming accessories business of the Group is based upon the three major platforms in the world, namely: Sony Playstation Series, Microsoft X-Box and Nintendo Game Cube. The Group has either obtained license or been authorised to produce official branded products. In this up-coming year, the Group expects to launch not less than 5 different products for these three major platforms and all of them are wireless through the use of the latest Radio Frequency technology (RF).

As of the date of this report, the Group has obtained orders from various customers. The marketing and promotion activities are continuing with great success. The Group believes that this remarkable technology shall bring in an improvement not only in terms of revenue, but also in profitability as well as the financial position of the Group as a whole. The Group will continue to develop more gaming accessories through the use of the RF technology and it is the Group's objective to bring a new revolution of technology to the Gaming Industry.

### *Publication and Distribution of Computer Games*

In view of the PC gaming market today and in line with general market trend, the Group has decided to restructure its software team and devote more resources in developing on-line gaming sites and accessories products. The aim of such is not only for traditional on-line gaming but also with various applications such as educational content and mobile phone software accessories features. The Group has established a new Research & Development team based in the PRC and down-sized the team in Hong Kong as part of its cost reduction measures. This will help the Group to stay competitive in the market.

# Chairman's Statement



## *Telecommunications Services*

The recent acquisition of Faithful Technologies Limited has brought a new opportunity to the Group to diversify into the Telecommunications industry. The Group has recently launched and now offers a one-stop mobile services package namely Sim-One to customers in Hong Kong. The idea is to provide accessibility of mobile network cross borders between Hong Kong and Mainland China in the use of a single mobile Sim card with two mobile numbers that will enable customers to receive calls from Hong Kong and Mainland China at IDD charges instead of international roaming charges. Since its launch, the service has received good responses from the market. This investment is expected to bring a decent return and improve the profitability of the Group.

## *Electronic Plush Toys*

The Group is currently in business alliance with a company in Hong Kong for developing a brand new series of electronic plush toys. The Group is responsible for the development of electronic modules and as of the date of this report, there are 3 products in trial production and 5 more products under development. The Group is continuing to evaluate the market potential in this respect before full scale production.

## **Significant Investment and Material Acquisition/Disposals**

For the year under review, the Group has made an acquisition of a subsidiary of which is engaging in development and manufacturing of wireless gaming accessories. The Group has received a number of responses in ways of marketing the products in different countries as well as from the gaming console manufacturers for developing new products and accessories. This promising acquisition will enhance the Group in both its financial capability and market presence.

## **Liquidity, Financial Resources and Funding**

The Group had net current liabilities of HK\$9,025,000, 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 2002, is 0.45. 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 Group and its shareholders to do so.

# Chairman's Statement

## **Employees**

The Group employs approximately 30 staff in Hong Kong and approximately 200 staff in the PRC. Total staff costs for the year under review amounted to approximately HK\$11,428,000. 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.

## **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 2002 are set out in the audited financial statements.

## **Appreciation**

I would like to take this opportunity, on behalf of the Board of Directors, to extend my sincere appreciation to all suppliers, customers, shareholders, board members as well as staff for their hard work and valuable contribution.

**Tang Yiu Wing**

*Chairman*

Hong Kong, 23 July 2002