

OPERATION REVIEW

During the period under review, the principal activities of the Group are property investment and development, and the manufacture of electronic learning aids and consumer electronic products. No turnover was recorded for the Group's property division during the year.

US remains our core market which accounted for 36.2% of the Group's turnover. Although the retail sentiment in US has been weakened, especially after the 911 terrorist attacks, the Group was able to explore new markets in Asia, especially Japan and Malaysia. During the period, Asia became the largest source of revenue for the Group, which accounted for 49.3% of the Group's total turnover.

Electronic Learning Aids ("ELA")

During the year under review, turnover from the ELA division was HK\$147.1 million (15 months ended 31 March 2001: HK\$280.5 million) and a segment loss of HK\$40.5 million (15 months ended 31 March 2001: segment loss of HK\$179.7 million) was recorded. The reduction in segment loss is due to the improvement in operating efficiency. Looking ahead, the management will continue to further strengthen our product capability in order to secure the existing clients as well as new customers opportunities.

Original Equipment Manufacturing ("OEM")

Turnover was HK\$64.6 million (15 months ended 31 March 2001: HK\$239.4 million) and a segment loss of HK\$2.3 million (15 months ended 31 March 2001: a segment profit of HK\$8.3 million) was recorded during the year. The decline in turnover was mainly due to a general slow down in demand from our existing customers. Despite the sluggish worldwide economic condition, the management sees no sign of material adverse impact on its performance, but will continue to expand this division once the market conditions improve.

Property development and investment in the PRC

Although turnover is yet to be reflected during the year under review. Town planning approval in respect of the Liu Wan Project has been obtained from the governing authority, and construction will commence in the fourth quarter of 2002 and cash inflow is expected in the coming years. Since the Nanjing project has already commenced its development, profit contribution is expected in the next financial year.

FINANCIAL REVIEW

Turnover for the period under review was HK\$215.3 million (15 months ended 31 March 2001: HK\$675.4 million) and a net profit of HK\$52.2 million (15 months ended 31 March 2001: net loss of HK\$628.5 million) was recorded. The net assets value of the Group as at 31 March 2002 was HK\$2,355.5 million, representing a value of HK\$0.08 per share. The decline in turnover was mainly due to the discontinued telecommunication division which had been making loss for the past years. In addition, the turnaround from loss making into profit making signifies the strength and determination of the new management to rebuilt and re-engine the organization.

Liquidity and Financial Resources

As at 31 March 2002, the Group's aggregate bank borrowings increased to HK\$709.3 million (2001: HK\$157.6 million) and HK\$210 million convertible loan notes remained outstanding (2001: Nil). The increase in bank borrowings is due to the bank loan attached to a newly acquired subsidiary during the year. Subsequent to the financial year end, a bank loan of HK\$187.8 million was repaid.

As at 31 March 2002, the Group's gearing ratio was 39%.

As at 31 March 2002, fixed assets with the net book value of HK\$93.5 million and charge over land held for development and all its sale proceeds of land lot no. K708-5 at Liu Wan, Shekou, the PRC were pledged as securities for banking facilities.

The Group has no contingent liabilities at 31 March 2002.

As majority of the Group's transactions are quoted in the US or Hong Kong currencies, the Group's exposure to exchange fluctuation is relative low.

Employees

As at 31 March 2002, the Group had approximately 1,162 employees (2001: 1,030 employees), of which 42 were based in Hong Kong, 1,105 were based in the PRC and 15 were based in overseas. The salaries and allowances of employees for the year ended 31 March 2002 were about HK\$42.4 million (2001: HK\$104 million).