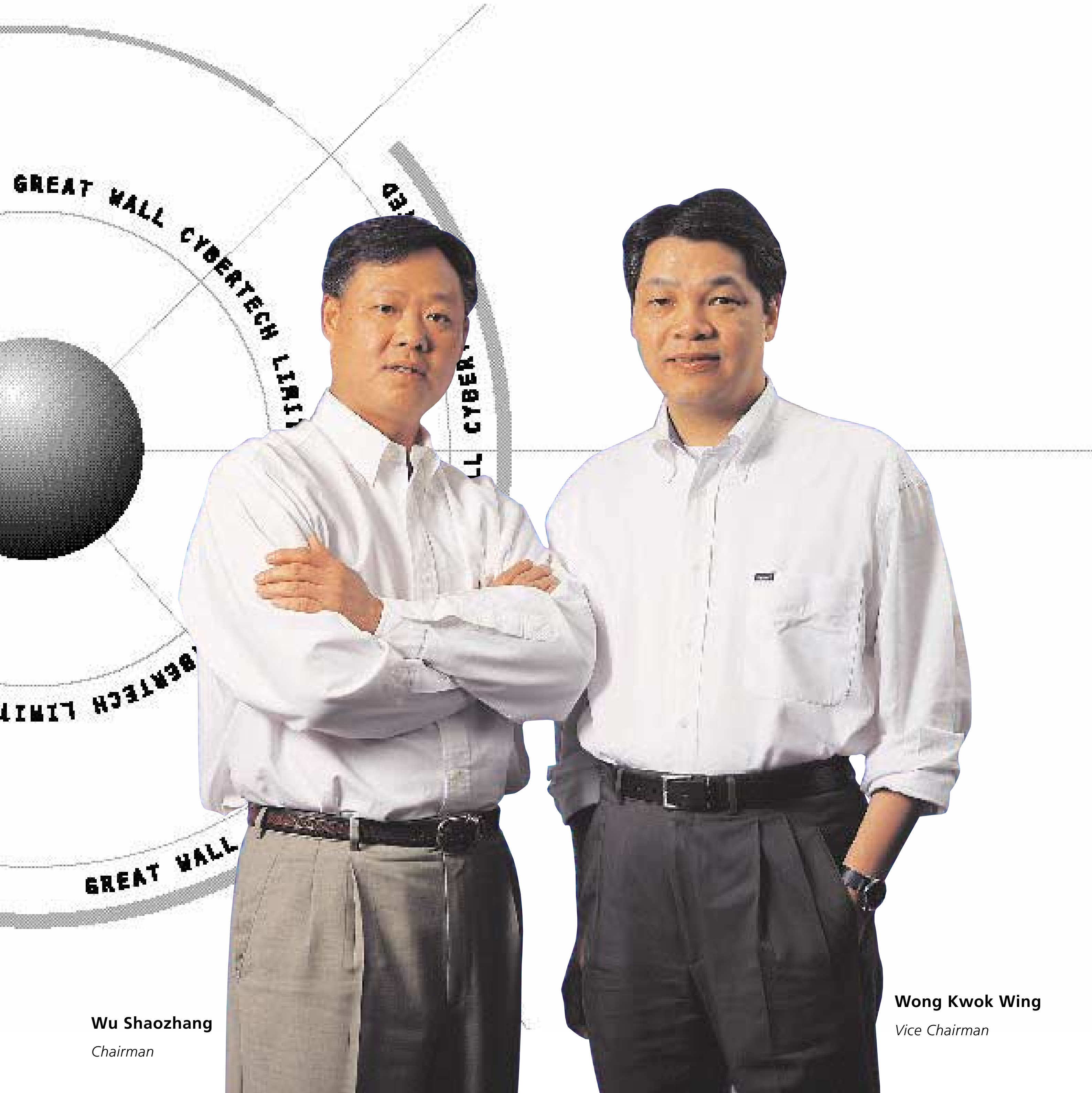

Wu Shaozhang
Chairman

Wong Kwok Wing
Vice Chairman

Business Overview

The audited net loss of the Group for the year ended 31 March 2002 amounted to HK$959,225,000. The Board of Directors has resolved not to recommend a payment of dividend for the year.

The existing management has been able to identify a number of ways to restructure the Group's business operations since the first quarter of 2002. The Group will implement plans to reduce operational expenses through partnership with major players in the market with a view to increasing the turnover as well as improving fixed asset utilization. In view of the business environment today, the Group has been focusing its business into mobile phone and air-conditioner.

For the year ended 31 March 2002, the Group's turnover decreased by approximately 27% to approximately HK$1,910,214,000 as compared to corresponding figure for 2001. The Group's turnover was mainly derived from three principal businesses, namely Television, Audio visual products and Component.

Television

For the year ended 31 March 2002, the Group recorded approximately HK$1,505,215,000 in sales of television, a decrease of approximately HK$807,009,000 from previous year. The market condition of television in the PRC continued to deteriorate. Sales price has decreased by as much as 25%, which has significantly eroded the gross margin during the year. In addition, the Group has gone through a clearance exercise for inventory items.

Audio visual products

For the year ended 31 March 2002, the Group recorded approximately HK$308,776,000 in sales of Audio visual products, an increase of approximately HK$156,475,000 from previous year. Buyers of these consumer electronics are mainly from America, Europe, Japan and Australia.

Future Business and Prospects

The Group will continue to shift its focus from the PRC market to overseas market to improve its profit margin. In addition, the Group will enhance its profitability on its current business by teaming up with other major players in the market.

The Group continues its restructuring plan which has commenced since January 2002. Further cost cuttings will be implemented in the production and administration aspect of the Group.

The Group will dispose of non-productive operations which do not generate sufficient income to sustain the operation themselves with a view to containing cash outflow. The Group is also formulating plans to liquidate some of its idle assets. The proceeds will be used for working capital.

At the end of the first quarter of 2002, the Group has launched Rowa brand mobile phone in the PRC through a new joint venture set up to manage the mobile phone business. The Group believes the mobile phone business will have major contributions in the future.

Significant Investment and Material Acquisition/Disposals

During the year under review, the Group has increased its effective equity shareholding in Guangdong Rowa Air-conditioner Limited from 39.5% to 40.1%.

During the financial year under review, the Group has increased its effective equity shareholding in Great Wall Bio-Chemical Technology Company Limited from 65% to 83.33%, which now holds the joint venture pharmaceutical company, known as Wuhan Hualong Bio-Chemical Pharmaceutical Co., Ltd., an effective equity shareholding of 42.5%.

During the financial year under review, injection of share capital by minority interests of Huifeng Electronics (China) Limited resulted in a dilution of our equity shareholding in Huifeng Electronics (China) Limited, causing a 65% deemed disposal of our interests in Huifeng Electronics (China) Limited.

Liquidity, Financial Resources and Funding

The Group had net current liabilities of HK$324,603,000 with substantial bank & other borrowings of HK$743,135,000, and long-term liabilities of HK$16,829,000 at the balance sheet date. The gearing ratio, calculated on the basis of total liabilities over total shareholders' fund as at 31 March 2002, is 3.53. The Directors have considered the disposal of assets and certain non-core business in order to reduce the Group's borrowings. 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.

Employees

The Group, including its subsidiaries but excluding associates, employed approximately 120 staff in Hong Kong and approximately 6,300 staff in the PRC. Total staff costs for the year under review amounted to approximately HK$180,102,000. 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

Charges on the Group's assets and contingent liabilities as at 31 March 2002 are set out in note 16 and 34 to the audited financial statements respectively.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises two independent non-executive Directors, namely Messrs. Lee Shue Shing and Wu Xiaoke.

The audited financial statements of the Group for the year ended 31 March 2002 have been reviewed by the Audit Committee.

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.

By Order of the Board
Wu Shaozhang
Chairman

Hong Kong, 15 October 2002