

CHAIRMAN'S STATEMENT

BACKGROUND

Trading of shares of the Company on the Hong Kong Stock Exchange resumed on 15 May 2003 following the suspension of trading from 23 April 2002 as the result of the actions of the former management.

On 29 April 2002, the former chairman of the Company, Mr. Hon Tung Keung, on behalf of the then board of directors announced that the Group was experiencing financial and operational difficulties which resulted in the Company's stated inability to satisfy the requirement of maintaining tangible assets of sufficient value or a sufficient level of operation for continuing listing.

A special general meeting of the Company was held on 21 June 2002 when all the previous directors of the Company (except those previous directors who had resigned prior to such special general meeting and except one of the independent non-executive directors who was not removed) were removed, and a new board of directors were elected and appointed by the shareholders ("Current Directors").

The new board immediately reviewed the operation and found that many of the Group records were in the possession of the former management in Shanghai. The new board has taken all reasonable steps to regain control over the operations, and have repeatedly requested and demanded access to the Group's operations and books and records in Shanghai, but without success.

In preparing the financial statements, the Current Directors are only able to ascertain the affairs of the Group (except the subsidiaries related to the operation in Shanghai) after 21 June 2002, thus the auditors' report or the financial statements for the year ended 31 March 2003 is qualified. Details of the qualifications are contained in the auditors' report.

CHAIRMAN'S STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the year, the Group recorded a consolidated turnover of HK\$11,315,000 as compared to HK\$10,080,000 for the year ended 31 March 2002, and a loss of approximately of HK\$5,957,000 as compared to a loss of approximately HK\$55,914,000 for the year ended 31 March 2002. All the turnover of the Group during the year was derived from the new distribution business of computer related products and consumer electronics products in the PRC, including Hong Kong. The new business was established in December 2002. The loss for the current year was mainly due to an unrealized loss on short-term listed investments of HK\$5,462,000. The Current Directors believed that all the turnover in last corresponding year was derived from the operations in Shanghai. As explained earlier, the Current Director could no longer control these operations and therefore there was no turnover recorded for these operations during the year. The Current Director therefore did not have sufficient information to comment on the fluctuations of the turnover, the results, the performance ratios, and other matters as compared to last year.

Liquidity and Financial Resources

As at 31 March 2003, the Group only held a minimal cash deposits of HK\$521, which represented the cash balance that the Current Directors could access to. The current ratio was 0.13 (2002: 0.90) and as there was no long term liabilities or loans due from the Group, thus no gearing ratio was presented.

Capital and Funding Structure

The Company did not issue any new equity during the year as trading in shares of the Company was suspended from 23 April 2002 to 15 May 2003. There was no change in the capital structure of the Company. During the year, the Group was mainly financed by a major shareholder. To the best knowledge of the Current Directors, the Group did not have any bank borrowings. The amount due to the major shareholder is in Hong Kong Dollars, bears an interest rate of Hong Kong prime rate plus 2% per annum. The Group will rely on internal generated cash flows and the proceeds from the propose Rights Issue to finance the future working capital requirements. The Group's exposure to fluctuations in exchange rates is minimal as all the sales or purchases are determined either in Hong Kong Dollars or US Dollars. The Group has not made use of any financial instruments for hedging purposes.

CHAIRMAN'S STATEMENT

Significant Investments Held

The Group still holds approximately 40 million shares in DigiTel Group Limited ("DigiTel"), a company listed on the GEM board of the Stock Exchange. Trading in the shares of DigiTel is currently suspended and we have made an appropriate provision against the value of such short-term listed investments. Apart from the aforesaid, the Group did not hold any investment of significant value to the Group. The Current Directors have not made any material acquisition or disposal after they were appointed on 21 June 2002. There was no charge to any of the assets of the Group.

Litigation and Contingent Liabilities

The Current Directors noted from an announcement dated 29 April 2002 made by the former directors that a verbal demand notice was received from one of the creditors demanding immediate settlement of outstanding payments of approximately RMB 9.6 million. However, the Current Directors of the Company have been unable to find any evidence of such a debt existing or find any evidence which might indicate the identity of the alleged creditors. No letters, reminder and/or demand notes have been received by the Company and no claim or winding up petition has been filed by such alleged creditors despite the fact that over a year has now passed. The Current Directors consider the risk in relation to the alleged liability turning out to be a valid liability to be remote, although the risk may still exist. Save for the aforesaid, the Current Directors are not aware of any litigation or contingent liabilities in those companies that the Current Directors are able to control. However, as the Current Directors still cannot access to all the books and records and do not have full understanding to the affairs before 21 June 2002 when they were appointed, the Current Directors disclaim any liabilities related to the completeness of the disclosure of claims, commitments and contingent liabilities in this financial statements.

Number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes

As at 31 March 2003, besides the 5 directors, the Group had 10 full-time staff. 8 of which were employed by our agent in the PRC for the distribution business. 2 staff were in Hong Kong. Staff were paid fixed salaries and/or sales commissions depending on their job nature. The Group did not have any valid share option scheme and have not granted any options during the year. However, the Group offered discretionary year-end bonus based on individual merit. No bonus was paid during the year. The Group also offered necessary in-house training programs for all staff.

CHAIRMAN'S STATEMENT

PROSPECT

In December 2002, the Company started a new operation to distribute certain integrated circuits to DVD drivers manufacturers. During the year, this distribution business recorded a turnover of approximately HK\$11 million, representing all the turnover of the Group. DVD players are becoming one of the most popular home entertainment products and a standard feature of personal computers. Manufacturers of DVD players in Europe, Taiwan and the United States are seeking cheaper solutions and tend to outsource their manufacturing to OEM factories in the PRC. Against the background, the Current Directors are hopeful that there will be an increasing demand from DVD driver manufacturers in the PRC for integrated circuits distributed by the Group.

Pursuant to an announcement dated 14 May 2003, the Company has entered into a conditional agreement with Mr. Ko Chun Shun, Johnson ("Mr. Ko"), a shareholder of the Company, of which Mr. Ko agreed to underwrite the Rights Issue to raise approximately HK\$7.42 million before expenses. On the same date, the Company proposed a share consolidation by consolidating every 10 issued and unissued shares of the Company of HK\$0.01 each into one new share of HK\$0.10 each.

Going forward, the Company will need to continue to strengthen its capital base and liquidity for future expansion and working capital needs. The management will seek opportunities to enhance the Group's financial and capital structure and to explore different investment opportunities that are synergistic and beneficial to the Group.

Wilton Timothy Carr Ingram

Non-executive Chairman

Hong Kong, 18 June 2003