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 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The audited net loss of the Group for the year ended 31 March 2003 amounted to approximately HK$122 million. However, a substantial amount of this net loss was of exceptional and non-recurring nature. The Board of Directors has resolved not to recommend a payment of dividend for the year.

The Group's turnover for the year under review totalled approximately HK$23 million, representing a decrease of approximately 18% as compared to the corresponding period for 2002. This was attributable to the adverse economic conditions throughout the year, lack of working capital for the most part of the financial year to maintain, expand and develop the Group's business activities, and the failure of the projects of wireless gaming accessories and HI-CL pollution-free foamed products to generate any significant turnover.

Apart from amortisation of goodwill for approximately HK$13 million charged to the Income Statement for the year, the Group had written off the remaining balance of goodwill totalling approximately HK$23 million. This is necessary as it is unlikely the future economic benefits that are attributable to the businesses will flow to the Group. In fact, these businesses have been either under compulsory liquidation, still suffering from loss, or failed to produce significant turnover.

Significant Investments, Acquisition and Disposal

The partly owned subsidiary engaged in production, publication and distribution of computer games has been under compulsory liquidation. The minority shareholders have refused to contribute any working capital to this subsidiary in proportion to their respective shareholdings in this company. Also, this company continued to suffer from operating loss and there seems to be no chance of turnaround. The Group considers not worthwhile to inject any financial and management resources to rescue this subsidiary. As a result, the Group had to write off the investment cost in this subsidiary.

In October 2000, the Group paid a deposit of HK$15 million for the acquisition of the entire equity interest in a company engaged in trading of mobile phones and related accessories and, by a supplemental agreement with the vendor, extended the completion to 30 September 2002. The acquisition has not been completed on that date as the target company failed to reduce its indebtedness to a level acceptable to the Group and is being sued by its creditors. Although the Board is negotiating with the vendor for the recovery of this deposit, it is prudent to make a full provision against this deposit.

In view of the low interest rate prevailing in Hong Kong and worldwide, the Group has resumed securities trading during the second half of the financial year and has generated an unrealised holding gain of approximately HK$12 million by marking to market on the balance sheet date. Also, the listed securities are a liquid form of investment which can be realised for cash whenever the need arises, especially when the Group has been facing several litigations involving claims of substantial amounts.

Settlement of Litigations

On a positive side, the Group has, subsequent to the balance sheet date, reached an out of court settlement with the 1st defendant under High Court Action No. 7551 of 2000 on the advice of legal advisers. Briefly speaking, in December 1998, the Company gave on behalf of the 2nd defendant a guarantee for US$4.76 million plus interest in favour of the 1st defendant under the equipment supply contract entered into between the 1st defendant (as supplier) and the 2nd defendant (as purchaser). The 2nd defendant failed to pay all the sums due under the contract to the 1st defendant and the 1st defendant resorted to the guarantee and demanded the Company to pay the outstanding balance plus interest due by the 2nd defendant to the 1st defendant starting late 1999. After then, the Company had repaid approximately HK$17 million to the 1st defendant pursuant to the guarantee. In this case, the Company as the plaintiff claimed approximately HK$17 million plus interest, damages and cost against several defendants. The 1st defendant counter-claims the Company for approximately HK$19 million being the outstanding balance under the guarantee plus interest, damages and cost.

The settlement involves the Company paying HK$5.85 million to the 1st defendant and both parties dismissing their respective claims and counter-claims against each other and responsible for their respective shares of legal costs and interest. Completion of the settlement took place in late July 2003. On the other hand, the net book value of the equipment seized in connection with this case and being stored in Canada had been written down by approximately HK$5.36 million to HK$1.17 million to reflect the estimated fair market value of this equipment. Such write-down had also been incorporated in the financial statements for the financial year under review.

The Group has also settled another case after the balance sheet date involving a claim of a substantial amount. During the year ended 31 March 2001 the defendant being sued by a wholly-owned subsidiary of the Company for unpaid sub-contracting charges for HK$1.05 million had counter-claimed the Company for HK$20 million. The settlement involved the defendant dismissing the counter-claim against the Company of HK$20 million, paying HK$250,000 to the Company, keeping the equipment previously owned by the Company and the subsidiary dismissing the claims for sub-contracting charges. This settlement resulted in a write-down of the Company's tangible fixed asset of approximately HK$5.35 million to reflect an impairment loss based on the asset's net selling price of HK$250,000.

Future Business and Prospects

After continued and heavy losses incurred by the Group for the past several years, the primary objective of the Board is to minimise the losses from incurring in the future. Substantial amounts of provisions had been made in the financial statements for the financial year under review so that management can focus on the future operating performance of the Group.

Now, the Group has basically settled all the litigations involving claims of significant amounts against the Group which may have a detrimental effect on the Group if not handled properly. The completion of the open offer in early 2003 greatly improved the liquidity and financial position of the Group. Most of the problems, whether operational, financial, or legal, faced by the Group have recently been satisfactorily resolved. The Board can devote more time on the development and expansion of the Group business activities.

In June 2003, the Group entered into a conditional agreement for the acquisition of a company established in the People's Republic of China (the "PRC") with limited liability engaged principally in the manufacture and sale of knitted and woven garments in Shanghai. If the acquisition is successful, it will provide an opportunity for the Group to diversify into the garment manufacturing industry in the PRC, and hopefully will generate satisfactory return to the Group. The consideration is to be satisfied by an unsecured loan of HK$20,000,000 bearing an annual floating interest rate equivalent to 1% per annum over the prime rate. The unsecured loan is to be advanced by New Times Finance Limited, a wholly owned subsidiary of New Times Group Holdings Limited, which is a substantial shareholder of the Company.

The Board continues to look for new investment opportunities that will generate favourable return to the Group.

Liquidity, Financial Resources and Capital Structure

Owing to the continual heavy losses incurred by the Group for the past several years, the Group experienced shortage of working capital to run its operations for the most part of the financial year. During this difficult period, the Group resorted to short-term borrowings and/or delayed in paying creditors.

In November 2002, the Company raised approximately HK$1.1 million by issuing 74.6 million new shares to an independent third party under a general mandate granted by the shareholders at the last annual general meeting held on 28 August 2002.

In January 2003, the Company completed an open offer on the basis of 9 offer shares for every existing share held to all shareholders with their registered address, as shown on the register of members, in Hong Kong. The Company issued approximately 4,030 million offer shares at HK$0.01 per offer share. Up to 31 March 2003, the proceeds received by the Company of approximately HK$40.3 million were used as to approximately HK$2 million as expenses related to the open offer, as to approximately HK$20 million for the repayment of the Group's debts, as to approximately HK$15 million for investment in Hong Kong listed equity securities and as to approximately HK$2 million as general expenses for the operations of the Group and the remaining balance of approximately 1.3 million remained unused as working capital of the Group.

The proceeds from the open offer greatly improved the liquidity and financial position of the Group. The Group's net current liabilities position of approximately HK$9 million and HK$14.3 million as at 31 March 2002 and 30 September 2002 respectively turned round to a net current assets position of approximately HK$11.75 million as at 31 March 2003.

The Group's total assets and net current assets as at 31 March 2003 amounted to approximately HK$34,645,000 and HK$11,754,000 respectively. The Group's current assets as at 31 March 2003 amounted to approximately HK$31,440,000 and comprised inventories of approximately HK$793,000, trade and other receivables of approximately HK$1,757,000, other investments of approximately HK$26,680,000 and cash and cash equivalents of approximately HK$2,210,000.

The Group's gearing ratio, calculated on the basis of the Group's total liabilities over total shareholders' funds as at 31 March 2003, is 1.35.

Since the functional currency of the Group's operations is Hong Kong dollars, the directors consider that the potential foreign exchange exposure of the Group is limited.

Employees

The Group employs approximately 43 staff in Hong Kong and approximately 18 staff in the PRC. Total staff costs for the financial year under review amounted to approximately HK$7,232,000. 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 2003 are set out under the heading of "Litigations" in Note 34 to the 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, 28 July 2003