MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The financial year ended 31 March 2003 proved to be a very difficult year for the Company as the turnover of the Group shrank to HK$123 million from HK$257 million, a drop of 52%. The drop was due to intense competition in the calculator market as well as the disappearance of Euro converter market, which the Group relied on in the previous year. The gross margin also turned into a gross loss this year due to lower selling prices as a result of intense competition of the industry.

The loss from operating activities deteriorated from HK$40 million last year to HK$262 million, largely due to write-off of slow-moving, damaged inventories and Euro converters amounting to HK$128 million, provision for slow-moving inventories amounting to HK$16 million, write-off of fixed assets amounting to HK$30 million, loss on disposal of fixed assets amounting to HK$13 million and loss in respect of discounts given in collection of trade debts amounting to HK$33 million and write-off of deposits recoverable of HK$10 million.

Net loss from ordinary activities attributable to shareholders was HK$263 million (2002: HK$63 million), representing a net loss per share of HK9.05 cents (2002: HK2.42 cents).

LIQUIDITY AND FINANCIAL RESOURCES

The Group has raised approximately HK$40.7 million, net of issue expenses, by way of an open offer of 437,508,000 Offer Shares. The Group has used the proceeds for reducing the level of Group's bank borrowings and to finance the Group's working capital. The Group has also used part of the proceeds of approximately HK$20.0 million to finance the acquisition of 10% equity interest in Shanghai Jianhua Satellite Communication Co., Ltd.

As at 31 March 2003, the Group had total cash and bank balances of approximately HK$123,000 (31 March 2002: HK$34.3 million). The gearing ratio, calculated as a percentage of total debts to equity, is 169% (2002: 29%) as at 31 March 2003.

In order to improve the Group's financial position, immediate liquidity, cash flows, profitability and operations, the directors have adopted several financing measures which have been completed or to be completed subsequent to the balance sheet date together with other measures in progress at the date of this report which further discussed in note 1 to the financial statements.

In the opinion of the directors, in light of the measures taken to date as detailed in note 1 to the financial statements, the Group will have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future.

EMPLOYEES

As at 31 March 2003, the Group has employed approximately 578 staff, principally in Hong Kong and the PRC. The remuneration package of the employees is determined by various factors including their experience and performance, the market condition, industry practice and applicable employment law.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's trading activities were principally denominated in Hong Kong dollars, United States dollars and China Renminbi. As the exchange rate of Renminbi against Hong Kong Dollar was relatively stable during the year while the United States dollars are pegged against Hong Kong Dollar, the management considers the fluctuations among these currencies as minimal and should not expose the Group to excessive currency fluctuation risk.

PLEDGE OF ASSETS

At 31 March 2003, the Group's banking facilities were secured by the following:

(i) legal charges on certain properties owned by two (2002: two) related parties;

(ii) unlimited continuing guarantees executed jointly and severally by Mr. Tong Yiu Lun and Ms. Wu Pik Ying, former directors of the Company; and

(iii) corporate guarantees from the Company.

CONTINGENT LIABILITIES

As at 31 March 2003, the Group's had not provided any contingent liabilities. While the Group had bills discounted with recourse of approximately HK$4 million as at 31 March 2002.

Duan Chuan Liang
Chairman

Hong Kong
30 July 2003