

Message from Chairman

BUSINESS OVERVIEW

Financial Situation and Restructuring of the Group

As a result of the Group's financial position, Provisional Liquidators were appointed on 21 June 2003. Details of the Group's financial situation refer to note 2 to the accounts. The progress of the restructuring of the Group refers to the note 3(i) to the accounts and the circular of the Company dated 10 June 2004.

Failure to Obtain Access to the Books and Records of Certain Subsidiaries

Due to (a) the liquidation of certain subsidiaries or their immediate holding companies; and (b) the seizure of the major assets and production facilities of the subsidiaries under the court orders as security for the unsettled claims, the Directors have not been able to obtain access to the books and records of these subsidiaries and considered that control to have been lost.

Business Review & Prospects

During the year, the Group registered a loss of HK\$36 million, compared to a loss of HK\$897 million in the previous period. The turnover was further reduced from approximately HK\$138 million in 2002 to approximately HK\$59 million in 2003. The Group's turnover of both 2002 and 2003 were solely derived from GW France, an overseas subsidiary operating in France and the only operating subsidiary of the Group during the year. Without the financial support from the Group since the Group was in severe financial difficulties in 2002, the business capacity of GW France was substantially scaled down. GW France was then liquidated in 2004. Besides, due to shortage of fund to maintain the operation, since November 2002, the Group's major production facilities at the Huizhou Industrial Estate, the PRC, including the factory premises, machines and equipment, have been leased to TCL King Electrical Appliance (Huizhou) Co. Ltd., an independent third party. However, the rental income and the production facilities have subsequently been seized pursuant to PRC court orders for repayment of bank loans. The Group's business activities have been significantly reduced since then.

At present, the Group has still maintained its principal activities of manufacture and sales of consumer electronic products which mainly include conventional television, home theatre and DVD. To improve the profit margin, the Group has been engaged in research and development of TFT-LCD TV. Sales of TFT-LCD TV has started in the first half of 2004. Since the Group's main production facilities in Huizhou have been leased and frozen as mentioned above, the Group at present is mainly engaged in providing customers with our product design, specification and solution in the manufacturing process while the production is subcontracted to subcontractors.

Liquidity, Financial Resources & Funding

Given that the Group has been under provisional liquidation, all banking facilities have been frozen. Financial assistance from the investor and cash inflow from operation are, at present, the major sources of funding for the Group. It is expected that the creditors' indebtedness due by the Company will be released and discharged in its entirety if the restructuring for the Group can be successfully completed so that the Group will have sufficient working capital to restore its normal operations.

Contingent Liabilities & Employees

Due to the failure to obtain access to the books and records of certain subsidiaries as explained above, no detailed analyses on contingent liabilities and employees' training & remuneration policy are made for the period ended 31 December 2003.

REVIEW BY THE AUDIT COMMITTEE

Due to the severe financial difficulties of the Group and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, up to the date of this report the Company is unable to appoint one additional Independent Non-Executive Director as required by Rule 3.10 of the Listing Rules. However, the audited accounts of the Group for the year ended 31 December 2003 have been reviewed by the Audit Committee of the Company which comprises the two Independent Non-Executive Directors namely Messrs. Lee Shue Shing and Mr. Wu Xiaoke.

By order of the Board

Wu Shaozhang

Chairman

Hong Kong, 5 November 2004