

Management Discussion and Analysis

Business Review

The Group's turnover for the year decreased by HK\$82 million, or 84% to HK\$15 million. The net profit from ordinary activities attributable to shareholders for the year was HK\$1.2 million, comparing to a net loss of HK\$65 million last year. The Board does not recommend the payment of any final dividend in respect of the year (2003: nil).

The decrease in Group's turnover for the year was primarily due to the disposal of garment, shoes and leather goods business in March 2003. The positive bottom-line was mainly due to the fact that an unrealized gain on other securities of HK\$30 million was recorded for the year. During the year, the Group has continued to keep a strict control over the manufacturing overheads of its car audio operation and diligently look for new business investments for its strategic and organic growth.

Car Audio Business

The sales of car audio products for the year was increased by HK\$3 million or 22%, to HK\$15 million. Stripping off the impairment charges of goodwill of HK\$4 million, the operational loss for this segment was decreased by HK\$2 million or 15% to HK\$10 million.

During the year, the Group's car audio market has associated with shortage of selected ICs, rising raw materials costs and intense price pressures from dominant competitors. Amidst this difficult market situation, the car audio business has experienced further profit margin erosion, longer lead times for product delivery and higher key electronic component inventory holdings. To react to these unfavorable market factors, the Group, intensified its efforts to achieve an effective cost structure by value based outsourcing and leaning its operations. Such remedial initiatives have cushioned against parts of the adverse effects of falling margin and narrowed the increasing operating loss for the year.

To survive with dominant competitors in the existing car audio market, the Group has focused on the smaller market segments where its strength was valued. To increase its competitive flexibility, the Group has been working closely with its business partners on value based outsourcing, trading and product proliferation. During the year, the Group has started to subcontract an assembly works of its products to the business partners and concentrated on the upkeep of its core technology, new products designs and research and development. Several existing models with new features were successfully developed and launched. Product samples approval and the trial productions orders were in the pipeline. The sales and marketing team has aligned its efforts to secure the new sales orders.

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Prospects

Looking ahead, the business landscape of Group's car audio segment will remain highly competitive and challenging. In order to compete in the increasingly difficult car audio market, the Group will continue to put an effective cost structure in place and increase its competitive flexibility through product proliferation and value based outsourcing.

In the area of new investments, the Group will continue to vigorously explore into investment opportunities for its organic growth. With signs of the current global economic recovery, it is optimistic that the Group will leverage its sound financial positions to capitalize on suitable investments with a steady stream of income in the year to come.

Financial Review

The net profit from ordinary activities attributable to shareholders for the year was HK\$1.2 million, comparing to a net loss of HK\$65 million last year. As at 31 March 2004, the Group's net asset value stood at HK\$228 million (at 31 March 2003: HK\$207 million). The Group's overall liquidity and gearing position was improved.

Liquidity and Financial Resources

During the year under review, the Group generally financed its operation with internally generated cash flow and banking facilities. The Group's bank and short term deposits as at 31 March 2004 amounted to HK\$26 million (at 31 March 2003: HK\$21 million).

As at 31 March 2004, the total interest bearing bank borrowings of the Group was maintained at HK\$4 million (at 31 March 2003: HK\$8 million) which are repayable within one year.

As at 31 March 2004, the Group's current ratio was 16.6 times (at 31 March 2003: 11.1 times) based on current assets of HK\$234 million (at 31 March 2003: HK\$202 million) and current liabilities of HK\$14 million (at 31 March 2003: HK\$18 million).

As at 31 March 2004, the banking facilities granted to the Company's subsidiary subject to corporate guarantees given to banks by the Company were utilised to the extent of approximately HK\$Nil (at 31 March 2003: HK\$13 million).

As at 31 March 2004, contingent liabilities not provided for in the financial statements were bills discounted with recourse amounting to HK\$0.1 million (at 31 March 2003: HK\$ Nil).

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Capital Structure

As at 31 March 2004, the Group's gearing ratio was 2% (at 31 March 2003: 4%) based on the total interest-bearing bank borrowings of HK\$4 million (at 31 March 2003: HK\$8 million) and net worth of HK\$228 million (at 31 March 2003: 207 million.).

The Group's bank deposit and borrowings are mainly denominated in Hong Kong dollars. Most of Group's sales and purchases are made in United States dollar and Hong Kong dollar. Therefore, the exchange risks exposed to the Group is minimal.

Significant Investments

As at 31 March 2004, the Group had convertible notes issued by a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with carrying amount of HK10.5 million.

As at 31 March 2004, the Group maintained a portfolio of other securities with fair value of HK\$ 181.2 million. During the year, the Group recorded a realised loss of HK\$1.7 million and an unrealized gain of HK\$29.5 million on other securities respectively.

The interest and dividend income for the convertible notes and other securities for the year was HK\$1.9 million. The Group continues to maintain constant review and adequate control on the performances of its portfolio of investment for the year to come.

Details of Charges on Assets

At 31 March 2004, a fixed deposit of HK\$7 million (2003: HK\$6 million) and an unlisted investment fund of HK\$4 million (2003: HK\$ 3.9 million) were pledged to secure banking facilities granted to the Group.

Material Acquisitions and Disposals

During the year under review, there was no material acquisition or disposal of subsidiaries and associates in the Group.

Employment, Training and Development

At 31 March 2004, the Group has a total of 214 employees of which 25 are based in Hong Kong and 189 are based in the Mainland China. The Group has committed itself to its staff training and development and structured training programs for all employees.

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Remuneration packages are maintained at competitive level and reviewed on a periodic basis. Bonus and share options are awarded to certain employees according to the assessment of individual performance and industry practice.

Code of Best Practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 March 2004.

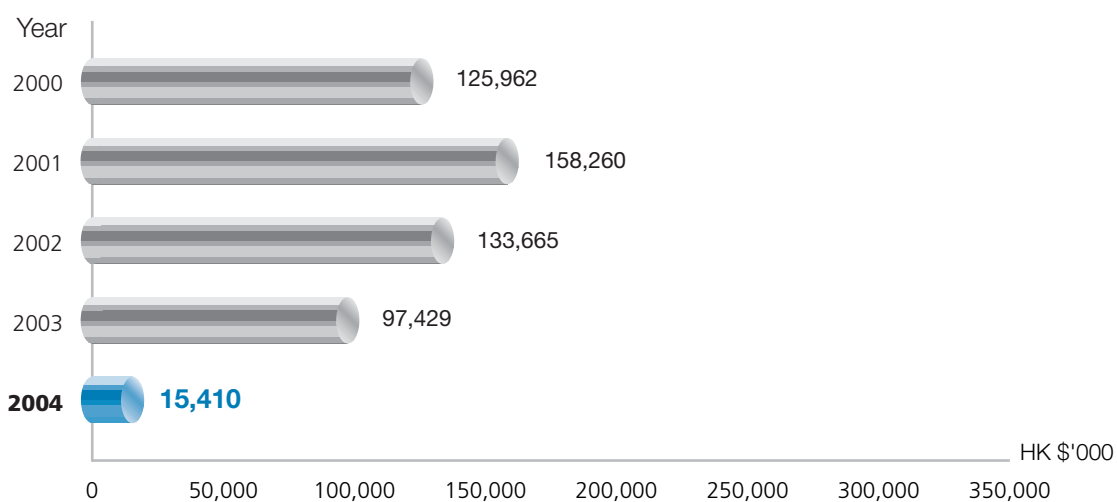
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Financial Highlights

	2003/2004	2002/2003
Turnover	HK\$15,410,000	HK\$97,429,000
Net profit/(loss) from ordinary activities attributable to shareholders	HK\$1,204,000	HK\$(64,698,000)
Basic earnings/(loss) per share	HK0.01 cents	(HK0.75) cents

Turnover

(For the year ended 31 March)



Net Profit/(Loss) from Ordinary Activities Attributable to Shareholders

(For the year ended 31 March)

