

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited accounts of the Company and of the Group for the year ended 31st March 2001.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in:

- i sale and distribution of audio-visual electronic products including larger-sized colour televisions ("TVs"), DVD players, camcorders, key components for DVD players and other middle-to-high-end electronic products in Hong Kong and in the People's Republic of China excluding Hong Kong (the "PRC"); and
- ii assembly and distribution of rear projection colour TVs and DVD players in the PRC.

An analysis of the Group's turnover and contribution to (loss)/profit before taxation by principal activity and geographical location for the year is as follows:-

	Turnover		Contribution to (loss)/profit before taxation	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Trading of				
Audio-visual products	111,477	218,943	(28,791)	30,059
Other home appliance products	2,466	-	(546)	-
Assembling and distribution of goods				
Rear projection colour televisions	16,338	73,003	(3,619)	18,909
DVD players	16,941	43,695	(8,764)	7,222
Digital cameras	450	-	(951)	-
	147,672	335,641	(42,671)	56,190
Less: Net interest expenses			(4,863)	(6,234)
			(47,534)	49,956
By geographical location:				
Hong Kong	71,335	125,327	(19,511)	4,208
The PRC	76,337	210,314	(28,023)	45,748
	147,672	335,641	(47,534)	49,956

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March 2001 are set out in the consolidated profit and loss account on page 21.

The directors do not recommend the payment of a final dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 18 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 11 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 17 to the accounts.

PARTICULARS OF BANK LOANS AND OTHER BORROWINGS

As at 31st March, 2001, the Group's trust receipt loans, obligations under hire purchase contract and bank overdrafts amounted to approximately HK\$48 million, HK\$0.7 million and HK\$1 million respectively.

SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31st March 2001 are set out in note 12 to the accounts.

REPORT OF THE DIRECTORS**MAJOR CUSTOMERS AND SUPPLIERS**

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:-

	%
Purchases	
- the largest supplier	65
- five largest suppliers combined	89
Sales	
- the largest customer	10
- five largest customers combined	40

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers mentioned above.

DIRECTORS

The Directors during the year and up to the date of this report were:-

Ms SIN Woon Ching
(appointed on 20th June 2001)

Ms PEI CHEN Chi Kuen, Delia
(appointed on 20th June, 2001)

Mr WONG Chi Fai
(appointed on 20th June 2001)

Ms FAN Man Seung, Vanessa
(appointed on 20th June 2001)

Ms MOK Fung Lin, Ivy
(appointed on 20th June 2001)

* Mr CHING Wai Man
(appointed on 20th June 2001)

* Mr WAN Chi Keung, Aaron
(appointed on 20th June 2001)

Mr HUNG Kam Ming
(resigned on 20th June 2001)

Mr WONG Fai Tung
(resigned on 22nd January 2001)

Mr CHEUNG Yue Chit
(resigned on 5th March 2001)

Mrs HUNG CHAN Kin Sun, Rebecca
(resigned on 20th June 2001)

* Mr CHEUNG Ming Man
(resigned on 20th June 2001)

* Mr ZENG Zhi Jie
(retired on 28th September 2000)

* Mr AU Wing Lun
(appointed on 3rd July 2000 and resigned on 20th June 2001)

* Independent non-executive Directors

Ms Sin Woon Ching, Ms Pei Chen Chi Kuen, Delia, Mr Wong Chi Fai, Ms Fan Man Seung, Vanessa, Ms Mok Fung Lin, Ivy, Mr Ching Wai Man and Mr Wan Chi Keung, Aaron shall retire at the forthcoming annual general meeting in accordance with Article 86 of the Company's bye-laws and being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**EXECUTIVE DIRECTORS**

Ms SIN Woon Ching, aged 35, was appointed as executive director of the Company in June 2001. She is responsible for the overall strategic planning and business development of the Company. She has over 8 years' experience in trading of consumer products and building materials in the PRC and about 10 years' experience in the property investment in the PRC and Hong Kong.

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Ms. PET CHEN Chi Kuen, Delia, Badge of Honour, JP, aged 62, was appointed as executive director of the Company in June 2001. She is responsible for assisting Ms Sin in the formulation of strategies and general management of the Group. She is the Member of The Chinese People's Political Consultative Conference Shanghai Committee. She is a registered nurse of the United Kingdom and has over 30 years' experience in education field.

Mr. WONG Chi Fai, aged 45, was appointed as executive director of the Company in June, 2001. He has over 20 years' experience in finance and management spanning a diverse range of businesses from manufacturing to property investment and development. He is an associate of the Hong Kong Society of Accountants and a fellow of the Association of Certified Accountants. He is also the joint managing director of Emperor International Holdings Limited and a director of Emperor (China Concept) Investments Limited, Emperor Technology Venture Limited and Global Food Culture Group Limited, the securities of all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, he is an executive director and compliance officer of Emperor Entertainment Group Limited, the securities of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Ms. FAN Man Seung, Vanessa, aged 38, was appointed as executive director of the Company in June 2001. She is a solicitor qualified in Hong Kong and holds a master degree in Business Administration. She is also the joint managing director of Emperor International Holdings Limited and a director of Emperor (China Concept) Investments Limited, Emperor Technology Venture Limited and Global Food Culture

Group Limited, the securities of all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, she is an executive director of Emperor Entertainment Group Limited, the securities of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Ms. MOK Fung Lin, Ivy, aged 36, was appointed as executive director of the Company in June 2001. She is a solicitor qualified in Hong Kong and the United Kingdom and holds a master degree in Business Administration. She is also an executive director of Emperor International Holdings Limited and Emperor (China Concept) Investments Limited, the securities of both of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Mr. CHING Wai Man, aged 41 was appointed as independent non-executive director of the Company in June 2001. He holds a master degree in Business Administration and is an accounting graduate of Baptist University and is an associate member of the Hong Kong Society of Accountants. He has over 10 years' experience in auditing, tax planning, corporate finance and trading.

Mr. Wan Chi Keung, Aaron JP, aged 52, was appointed as independent non-executive director of the Company in June 2001. He is an Associate of the Institution of Business Agents, an Associate of the Land Institute (London), an Associate of the Chartered Institute of Arbitrators and a Fellow of The Institute of Administrative Accounting. He is engaged in the business of property valuation and property auction and has over 15 years' related experience.

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SENIOR MANAGEMENT

Mr CAI Guo Liang, aged 49, is the deputy general manager of the Group. He joined the Group in July 1999 and is responsible for overseeing the entire operation of the Beijing Durban's plants in Beijing and Panyu, the PRC. He graduated from University of Nanjing and has worked in No. 3 Research Institute of the MII for over ten years.

Mr WONG Yung Kuen, Benjamin, aged 47, is the senior manager of the accounts department of the Group. He joined the Group in August 2000. He is an associate member of the Hong Kong Society of Accountants. He is a fellow member of the Chartered Association of Certified Accountants and an associate of CPA Australia. He has over 16 years' experience in financial management and accounting.

Mr LAM Siu Bung, aged 36, is the company secretary of the Group. He joined the Group in March 2000 and holds a master's degree in business administration and is an associate of HKICS and an associate of Association of the Institute of Chartered Secretaries & Administrators. He has over 10 years' experience in company secretaryship, finance and manufacturing business.

DIRECTORS' SERVICE CONTRACTS

Each of the former executive directors, Mr Hung Kam Ming, Mr Wong Fai Tung, Mr Cheung Yue Chit and Mrs Hung Chan Kin Sun, Rebecca, had entered into service contracts with the Company for a term of five years commencing on 2nd December 1999 and each of the respective service contracts were terminated once the related executive directors resigned from his/her directorship.

Save as disclosed herein, none of the Directors of the Company has entered into any service contracts with any companies in the Group (excluding contracts expiring and determinable by the employer within one year without the payment of compensation, other than statutory compensation).

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at to date, the interests of the Directors in the share capital and listed securities of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), which require disclosure pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:-

NAME OF DIRECTOR	NUMBER OF SHARES HELD				TOTAL
	CORPORATE INTERESTS	FAMILY INTERESTS	PERSONAL INTERESTS	OTHER INTERESTS	
Ms <u>SIN Woon Ching</u> (notes 1 and 2)	75,000,000	-	-	-	75,000,000

Note 1:

Active Market Investments Limited ("Active Market") holds beneficial interest in these 75,000,000 shares and the entire issued share capital of Active Market is wholly owned by Ms. Sin Woon Ching.

Note 2:

All these 75,000,000 shares have been pledged to Emperor Securities Limited pursuant to a First Share Charge dated 20th June 2001 entered into between Emperor Securities Limited as lender and Active Market as chargor. The 75,000,000 shares are also subject to a Second Share Charge dated 20th June 2001 entered into between Emperor Capital Limited as lender and Ms Sin Woon Ching as chargor.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the year, the Group entered into the financing transactions with Durban Company Limited ("Durban Co"), a wholly-owned subsidiary of the Company (20% of the share capital of Durban Co previously owned by Mr. SEO In Seok, an ex-director of Durban Co, was acquired by the Group during the year).

Durban Co does not have any banking facilities of its own and it utilises the banking facilities available to other companies of the Group to purchase goods for carrying on its trading business and bears all interest charges and costs incurred by these group companies from time to time which are attributable to Durban Co. For the year ended 31st March 2001, there was no purchase of goods by Durban Co through the group companies (2000: HK\$12,000,000).

The Directors of the Company are of the view that the financing transactions have been carried out in the ordinary course of business and that the maximum aggregate value of the cost of goods purchased by Durban Co through the group companies being outstanding and remaining due to suppliers at any one time is estimated to amount to approximately HK\$4,800,000 (2000: HK\$12,000,000).

The financing transactions are regarded as connected transactions as defined in the Listing Rules.

In the opinion of the Directors of the Company, these transactions were conducted in the ordinary course of the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under a share option scheme approved by the shareholders of the Company, the board of Directors of the Company may, at its discretion, grant options to eligible employees of the Group, including executive Directors, to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company from time to time. No options have been granted to the Directors up to the date of this report.

At no time during the year was the Company, its holding company and its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration for the whole or any substantial part of the business of the Company were entered into or existed during the year.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at to date, the interests of substantial shareholders, being 10% or more of the Company's issued share capital, other than Directors or the chief executives of the Company, in the shares of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance were as follows:

NAME	NUMBER OF SHARES	% OF EQUITY INTEREST
Emperor Securities Nominees Limited (notes 1 and 2)	75,000,000	34.88%

Note 1:

Active Market holds beneficial interest in these 75,000,000 shares which are registered in the name of Emperor Securities Nominees Limited. The entire issued share capital of Active Market is wholly owned by Ms. Sin Woon Ching.

Note 2:

All these 75,000,000 shares in the share capital of the Company have been pledged to Emperor Securities Limited pursuant to a First Share Charge dated 20th June 2001 entered into between Emperor Securities Limited as lender and Active Market Investments Limited as chargor. The 75,000,000 shares are also subject to a Second Share Charge dated 20th June 2001 entered into between Emperor Capital Limited as lender and Ms. Sin Woon Ching as chargor.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

PENSION SCHEME

From 1st December 2000, the Group started its contributions to a mandatory provident fund scheme which is a defined contribution retirement scheme available to all Hong Kong employees of the Group. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries.

During the year, the Group also started contributing to defined contribution retirement schemes organised by relevant local government authorities in the PRC available to employees of its subsidiary operating in the PRC at a rate of 11% to 19% on the basic salaries of these employees in the PRC.

INTEREST IN COMPETING BUSINESS

None of the Directors of the Company has interest in a business which competes or may compete with the business of the Group.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules since listed on the Stock Exchange, except that the independent non-executive Directors of the Company are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's bye-laws

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

Two Independent non-executive Directors Mr Ching Wai Man and Mr. Wan Chi Keung, Aaron were appointed as members of the audit committee on 20th June 2001 as former members Mr. Zeng Zhi Jie retired on 28th September 2000, Mr. Cheung Ming Man and Mr. Au Wing Lun resigned from their directorship on 20th June 2001.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the board of Directors of the Company on the audit committee established date. The principal activities of the audit committee include the review and supervision of the Group's financial reporting process and internal controls.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Sin Woon Ching
Chairperson

Hong Kong, 30th July 2001