

Report of 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 31 March 2003.

PRINCIPAL ACTIVITIES

The Group is principally engaged in trading of audio-visual products and other home appliance products during the year. The analysis of turnover and contribution to loss before taxation by principal activities and geographical location is as follows:

	Turnover		Contribution to loss before taxation	
	2003 HK\$'00	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
By principal activities:				
Trading of				
Audio-visual products	-	35,048	-	(11,959)
Other home appliance products	37,475	34,526	(189,374)	(11,781)
Digital cameras	-	790	-	(255)
	<u>37,475</u>	<u>70,364</u>	<u>(189,374)</u>	<u>(23,995)</u>
Less: net interest expenses			(2,237)	(402)
			<u>(191,611)</u>	<u>(24,397)</u>
By geographical locations:				
The Hong Kong Special Administrative Region ("Hong Kong")	-	-	-	-
The People's Republic of China excluding Hong Kong ("PRC")	37,475	70,364	(191,611)	(24,397)
	<u>37,475</u>	<u>70,364</u>	<u>(191,611)</u>	<u>(24,397)</u>

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2003, are set out in the consolidated profit and loss account on page [27].

The directors do not recommend the payment of a final dividend for the year ended 31 March 2003.

RESERVES

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

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 March 2003, there is no reserve available for distribution. The breakdown of the reserves account is 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.

PARTICULARS OF BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loan and other borrowings are as follows

	2003 HK\$'000	2002 HK\$'000
Trust receipt loans	-	-
Obligation under hire purchase	-	313
Bank overdrafts	-	-
Secured Bank loans	66,458	-

SUBSIDIARIES AND ASSOCIATES

Particulars of the subsidiaries of the Company as at 31st March 2003 are set out in note 12 to the accounts.

SHARE CAPITAL AND SHARE OPTIONS

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2003, the five largest customers of the Group accounted for approximately 30% of the Group's total turnover, with the largest customer accounted for approximately 10%.

The five largest suppliers for the year ended 31 March 2003 accounted for approximately 70% of the Group's total purchases, with the largest supplier accounted for approximately 25%.

At no time during the year were the directors, their associates, or any shareholder of the Company who to the knowledge of the directors owned more than 5% of the Company's share capital had any interest in these major customers and suppliers.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year and up to the date of this report are:

Executive Directors

Pei Chen Chi Kuen (Chairman)

Sin Woon Ching

Chow Yeung Tuen, Richard (resigned on 24 April 2002)

Lai Siu Hung (resigned on 24 April 2002)

Hui Ching Shan (resigned on 24 April 2002)

Chan Ying Fong (appointed on 24 April 2002 and resigned on 27 June 2002)

Lau Wing Tai (appointed on 24 April 2002 and resigned on 27 June 2002)

Leung Chung Sang (appointed on 24 April 2002 and resigned on 27 June 2002)

Ko Sai Shing (appointed on 24 April 2002 and resigned on 27 June 2002)

Fong Fong Yoko (appointed on 27 June 2002 and resigned on 21 January 2003)

Hung Wai Sum, David (appointed on 27 June 2002 and resigned on 2 October 2002)

Keung Kau Ying (appointed on 27 June 2002 and resigned on 2 October 2002)

Tsin Wai (appointed on 27 June 2002 and resigned on 21 January 2003)

Keung Chau Yuet (appointed on 6 July 2002 and resigned on 21 January 2003)

Chan Chi Fai (appointed on 6 July 2002 and resigned on 21 January 2003)

Lung Yau Wai (appointed on 6 July 2002)

Yang Chun, Thomas (appointed on 7 October 2002)

Pei Yaw Liang	appointed on 7 October 2002
Ho Kit Wan	appointed on 7 October 2002 and resigned on 9 December 2002
Kong Hau Keung, Norman	appointed on 4 October 2002 and resigned on 9 December 2002
Kwong Kam Kwan Alex	appointed on 9 December 2002
Lau Hing Tat	appointed on 26 October 2002 and resigned on 31 March 2004

Independent Non-Executive Directors

Fung Derrick	appointed on 24 January 2002 and resigned on 24 April 2002
Yeung Chun Wah, Daric	appointed on 17 October 2001
Chan Shun Chi	appointed on 26 October 2002 and resigned on 31 March 2004
Cheng Hong Cheung	appointed on 26 October 2002
Lam Kwok Ming	appointed on 23 October 2002

In accordance with the Company's bye-law 87(1), Sin Woon Ching and Lung Yau Wai, Mr. Yeung Chun Wah, Daric retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

There is a service contract between the Company and Mr. Cheng Hong Cheung. None of the directors has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

A letter has been received from each of the independent non-executive directors to confirm his independence pursuant to rule 3.13 and that the Company has confirmed that all independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND EQUITY DERIVATIVES

As at 31 March 2003, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and equity derivatives of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be entered in the register referred to therein pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:-

Name of director	Nature of interests	Number of ordinary shares held	Approximate percentage of interest in the Company
Ms. Pei Chen Chi Kuen, Delia (chairman of the Board and Managing Director)	Corporate (Note1)	71,134,000	19.51%
Yang Chun Thomas	Personal	186,000	0.051%
Lam Kwok Ming	Personal	190,000	0.052%

Note 1:

ARKO Resources Limited (“ARKO”) holds beneficial interest in these 71,134,000 shares and the entire issued share capital of ARKO is wholly owned by Pei Chen Chi Kuen, Delia.

DIRECTORS’ INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

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.

MANAGEMENT CONTRACT

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.

DIRECTORS' INTERESTS 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, required to be disclosed pursuant to Rule 8.10 of the Rules governing the Listing of Securities on the Stock Exchange.

FIVE YEAR SUMMARY

The result, assets and liabilities of the Group for the last five financial years are summarized as follows:

Year ended 31 st March	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
PROFITS AND LOSS ACCOUNT					
TURNOVER	37,475	70,364	147,672	335,641	368,466
				49,956	32,410
(loss)/profit before taxation	(191,611)	(24,397)	(47,534)		
Taxation credit/(charge)	(29)	-	217	(635)	(4,407)
Minority interest	36,126	(122)	1,960	(2,546)	(46)
(Loss)/profit attributable to shareholders	(155,154)	(24,519)	(45,357)	46,775	27,957
BALANCE SHEET					
Fixed assets	6,952	17,381	27,268	23,049	14,308
Net current assets	(78,368)	83,487	85,270	134,078	81,263
	(71,416)	100,868	112,538	157,127	95,571
Shareholders' funds	(37,616)	100,517	111,996	154,219	95,056
Non-current liabilities	-	121	434	121	274
Minority interest	33,800	230	108	2,787	241
	(71,416)	100,868	112,538	157,127	95,571

COMPLIANCE WITH THE 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 the date of commencement of trading of its shares 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.

COMPLIANCE WITH THE MODEL CODE

In the accounting period covered by the annual report, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by directors.

AUDITORS

Messrs. Wong Lam Leung & Kwok C.P.A. Limited was appointed as auditors of the Company on 17 October 2003 to fill the vacancy occasioned by the resignation of Messrs. Charles Chan Ip & Fung C.P.A. Limited, and that Messrs. Charles Chan Ip & Fung C.P.A. Limited was appointed auditors of the Company to fill the vacancy occasioned by the resignation of Messrs. Moores Rowland on 1 April 2003. There have been no other change of auditors in the last three years.

Messrs. Wong Lam Leung & Kwok C.P.A. Limited will retire and a resolution for their re-appointment as auditors for the coming year is to be proposed at the forthcoming annual general meeting.

PURCHASE, SALE OR REDEMPTION OF SHARES

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.

CONNECTED TRANSACTIONS

During the year, the Group had no transactions with related parties.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of

the SFO

Name	Interest in shares	Nature of interest	Percentage of
			The Company's
	<i>(Note)</i>		Issued share capital
ARKO Resources Limited	71,134,000	Direct beneficial owner	19.51%

Note: The relationship between Mrs. Pei Chen Chi Kuen Delia and ARKO Resources Limited is disclosed under the heading “Directors’ and Chief Executive’s interests and short position in shares, underling shares and equity derivatives” above.

Save as disclosed above, no person had registered an interest in the issued share capital of the Company that was required to be recorded under Section 336 of the SFO.

PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has published amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) on 30 January 2004. Subject to specific transitional arrangements in respect of some of the new provisions, the revised Listing Rules became effective on 31st March 2004. The revised Listing Rules have imposed certain new requirements which have to be reflected in the articles of association/bye-laws of all issuers.

To align the bye-laws of the Company with the revised Listing Rules, the Board proposes that certain provisions in the bye-laws of the Company be amended to comply with the revised Listing Rules, details of which will be set out in a circular to be dispatched to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 27 July 2004 to 30 July 2004, both days inclusive, during which period no transfer of shares will be registered.

A transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Abacus Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 26 July 2004 in order to ascertain shareholders' rights for the purpose of attending and voting at the forthcoming Annual General Meeting of the Company.

SUFFICIENT PUBLIC FLOAT

The Company has suspended trading of the Shares on the Stock Exchange since 6 February 2003

On 18 June 2004, the latest practicable date prior to the printing of the annual report, to the knowledge of the directors, there is a sufficient public float before the suspension of trading.

APPRECIATION

Although the operating results for the financial year under review were again unsatisfactory, the Company and its Board believe that more effort must be required to improve the performance in the challenging years ahead. In the mean time, the Board would like to thank all the staff for their hard work and hope to have their continuous support and patience in the years ahead.

On behalf of the Board

Mrs PEI Chen Chi Kuen Delia

Chairman and Managing Director

18 June, 2004