

## 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 2006.

### PRINCIPAL ACTIVITIES

The Group is principally engaged in trading of audio-visual products and home appliance products during the year.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 19 of this annual report.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 March 2006.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

### RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 March 2006, there is no reserve available for distribution. The breakdown of the reserves of the Group is set out in note 22 to the financial statements.

### PARTICULARS OF BANK LOANS AND OTHER BORROWINGS

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Unsecured loans	1,000	4,000
Secured bank loans	—	—

### SUBSIDIARIES AND ASSOCIATES

Particulars of the subsidiaries of the Company as at 31 March 2006 are set out in note 12 to the financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company are set out in note 21 to the financial statements.

No share options has been granted by the Company during the year ended 31 March 2006.

### 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

In the year under review, sale to the Group's five largest customers accounted for 100% of the total sales of the year and sales to the largest customer included therein amounted to 43.50%. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases of the year and purchases from the largest supplier included therein amounted to 82.36%.

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 any customers and suppliers of the Group.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive Directors

Mrs. Pei Chen Chi Kuen Delia (*Chairman*)

Dr. Pei Yaw Liang

Mr. Yang Chun Thomas

### Independent Non-executive Directors

Mr. Cheng Hong Cheung

Mr. Lam Kwok Ming

Mr. Leung Wing On Louis

In accordance with Bye-law 87(1), Mr. Yang Chun Thomas and Mr. Lam Kwok Ming shall retire from his office by rotation at the annual general meeting. Being eligible, Mr. Yang Chun Thomas will offer himself for re-election as an executive director and Mr. Lam Kwok Ming will offer himself for re-election as an independent non-executive director.

The Company has entered into service contracts with Mr. Cheng Hong Cheung and Mr. Leung Wing On Louis respectively. 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 and that the Company has confirmed that all independent non-executive directors are independent.

## REPORT OF DIRECTORS

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

As at 31 March 2006, 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
Mrs. Pei Chen Chi Kuen Delia	Corporate (Note)	71,134,000	19.51%
Dr. Pei Yaw Liang	Family (Note)	71,134,000	19.51%
Mr. Yang Chun Thomas	Personal	186,000	0.051%
Mr. Lam Kwok Ming	Personal	190,000	0.052%

Note:

These shares are beneficially owned by Arko Resources Limited and the entire issued share capital of which is wholly owned by Mrs. Pei Chen Chi Kuen Delia. Dr. Pei Yaw Liang is deemed to be interested in these shares as he is the spouse of Mrs. Pei Chen Chi Kuen Delia.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR EQUITY DERIVATIVES

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and equity derivatives" above and in the share option scheme disclosures in note 21 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or equity derivatives of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other corporate.

### DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director 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 as a 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 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 March	2006	(Restated) 2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PROFITS AND LOSS ACCOUNT					
TURNOVER	<b>36,945</b>	7,802	15,436	37,475	70,364
Profit/(loss) before tax	<b>(882)</b>	(2,204)	32,956	(191,611)	(24,397)
Income tax expense	–	–	–	(29)	–
Profit/(loss) for the year	<b>(882)</b>	(2,204)	32,956	(191,640)	(24,397)
ATTRIBUTABLE TO:					
Equity holders of the Company	<b>(837)</b>	(2,204)	32,956	(155,154)	(24,519)
Minority interest	<b>(45)</b>	–	–	(36,126)	122
	<b>(882)</b>	(2,204)	32,956	(191,640)	(24,397)
BALANCE SHEET					
Non-current assets	<b>421</b>	–	–	6,952	17,381
Net current (liabilities)/assets	<b>(8,084)</b>	(6,786)	(2,159)	(78,368)	83,487
	<b>(7,663)</b>	(6,786)	(2,159)	(71,416)	100,868
Shareholders' funds	<b>(7,623)</b>	(6,786)	(4,582)	(37,616)	100,517
Non-current liabilities	–	–	2,423	–	121
Minority interests	<b>(40)</b>	–	–	33,800	230
	<b>(7,663)</b>	(6,786)	(2,159)	(71,416)	100,868

## CORPORATE GOVERNANCE REPORT

### General

In the opinion of the directors, the Company complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code"), as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report. Save as disclosed in the Company's latest interim report for the six months ended 30 September 2005. Detailed information on the Company's corporate governance practices is set out in Corporate Governance Report included in this Annual Report.

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

## REPORT OF DIRECTORS

### AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 5 June 2003 which was established in accordance with the requirements of the Code of Best Practice (the "Code"), as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with written terms of reference, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The Committee comprises three independent non-executive directors. The Group's audited financial statements for the year ended 31 March 2006 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards and the Stock Exchange's and legal requirements, and that adequate disclosures have been made.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's Bye-laws.

### EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2006 the Group has a total of 13 employees in Hong Kong. The Group regularly reviews remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits such as share option scheme, of which the Directors may, at their discretion, grant options to employees of the Group. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs for the year amounted to HK\$458,000 (2005: HK\$370,000).

The Group did not operate any pension or retirement schemes for its Directors or employees until implementation of MPF in December 2000. The Group has a share option scheme, which was duly approved by the shareholders on 5 September 2001, available for any full-time employees of the Company or any of its subsidiaries, including any executive directors of the Company or any of its subsidiaries. No options have been granted since the approval of the scheme.

### AUDITORS

Messrs. Wong Lam Leung & Kwok C.P.A. Limited, Chartered Accountants, Certified Public Accountants (Practising), retire and a resolution for their re-appointment as auditors of the Company will 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' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the following persons had interests or short positions in the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

<b>Name</b>	<i>Note</i>	<b>Interest in shares</b>	<b>Nature of interest</b>	<b>Percentage of the Company's issued share capital</b>
Arko Resources Limited	(1)	71,134,000	Corporate	19.51%
Tanton Holdings Limited		30,100,000	Corporate	8.25%

*Note:*

- (1) These shares are beneficially owned by Arko Resources Limited and the entire issued share capital of which is wholly owned by Mrs. Pei Chen Chi Kuen Delia.

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.

## SUFFICIENT PUBLIC FLOAT

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

On 28 July 2006, 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.

On behalf of the Board

**Mrs. PEI Chen Chi Kuen Delia**

*Chairman and Managing Director*

28 July 2006