

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consisted of the manufacturing, trading and distribution of car audio equipment and other merchandise, the trading of securities, and the provision of Internet and Internet-related services. During the year, the Group disposed of and discontinued its manufacturing, trading and distribution of garments, shoes and leather goods business, further details of which are included in note 6 to the financial statements. There were no other changes in the nature of the Group's principal activities during the year.

Results

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 70.

Summary financial information

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

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Results

	Year ended 31 March				
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i> <i>(Restated)</i>
Turnover					
Continuing operations	12,596	28,738	38,894	6,122	–
Discontinued operations	84,833	104,927	119,366	119,840	145,930
	97,429	133,665	158,260	125,962	145,930
Profit/(loss) before tax					
Continuing operations	(68,249)	(53,166)	(158,134)	(17,667)	–
Discontinued operations	6,241	4,870	(120,236)	(178,829)	(48,843)
	(62,008)	(48,296)	(278,370)	(196,496)	(48,843)
Tax					
Continuing operations	–	–	–	–	–
Discontinued operations	–	–	611	121	(144)
	–	–	611	121	(144)
Loss before minority interests	(62,008)	(48,296)	(277,759)	(196,375)	(48,987)
Minority interests	110	31	90	–	–
Net loss from ordinary activities attributable to shareholders	(61,898)	(48,265)	(277,669)	(196,375)	(48,987)

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Assets, Liabilities and Minority Interests

		31 March			
	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(Restated)</i>
Fixed assets	12,703	44,221	51,125	60,923	69,047
Construction in progress	–	1,202	841	764	603
Investment securities	–	8,160	20,160	160	160
Convertible note receivable	10,500	18,000	50,000	–	–
Current assets	202,496	336,478	240,409	559,326	361,404
Total assets	225,699	408,061	362,535	621,173	431,214
Current liabilities	18,262	144,381	140,868	81,321	112,908
Interest-bearing bank and other loans	–	–	14,634	41,430	6,175
Finance lease payables	–	–	106	116	1,410
Total liabilities	18,262	144,381	155,608	122,867	120,493
Minority interests	–	110	–	–	–
	207,437	263,570	206,927	498,306	310,721

The results of the Group for the year ended 31 March 1999 and the assets and liabilities of the Group as at 31 March 1999 have been restated to take into account a prior year adjustment, as a result of a change in the accounting policy for deferred business development costs which was made in the year ended 31 March 2000.

Fixed assets and construction in progress

Details of movements in the fixed assets and construction in progress of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

Share capital and share options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements.

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Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

At 31 March 2003, the Company had no reserves available for distribution. In accordance with the Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution or the payment of dividends to shareholders provided that the Company is thereafter able to pay its debts as and when they fall due. The share premium account and capital redemption reserve, with an aggregate balance of HK\$259,955,000 as at 31 March 2003, may be distributed in the form of fully paid bonus shares.

Charitable contributions

During the year, the Group made charitable contributions totalling HK\$20,000.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 87.5% of the total sales for the year and sales to the largest customer included therein amounted to 32.9%. Purchases from the Group's five largest suppliers accounted for 24.4% of the total purchases for the year and purchases from the largest supplier included therein amounted to 6.8%.

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As far as the directors are aware, none of the directors of the Company, or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Directors

The directors of the Company during the year were:

Wong Howard

Chan Chun Tung, John

Lo Ki Yan, Karen

Wong Yat Fai

Wu Qing

Li Chi Ming *

Tung Tat Chiu, Michael *

* Independent non-executive directors

The independent non-executive directors are appointed initially for one year and thereafter their appointment is subject to renewal on an annual basis in accordance with their employment contracts.

In accordance with clause 98 of the bye-laws of the Company, Mr. Wong Yat Fai and Mr. Wu Qing will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

Biographies of directors and senior management

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 of the annual report.

Directors' service contracts

Mr. Wong Howard and Ms. Lo Ki Yan, Karen have service contracts with the Company for a fixed term of two years commencing on 1 February 2003, which are subject to termination by either party giving not less than three months' written notice.

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On 1 April 2000, the Company entered into service agreements with Mr. Wong Yat Fai and Mr. Wu Qing for a fixed term of three years commencing on 1 April 2000. The service agreements were subject to termination by either party giving not less than six months' written notice. Subsequent to the balance sheet date on 1 April 2003, the service agreements with Mr. Wong Yat Fai and Mr. Wu Qing were renewed for terms of two years and of sixteen months commencing on 1 April 2003, respectively, and are subject to termination by either party giving not less than three months' written notice.

Mr. Chan Chun Tung, John has a service contract with the Company for a fixed term of three years commencing on 1 April 1998, which has remained effective thereafter until terminated by either party.

Both of the independent non-executive directors have entered into service contracts with the Company for terms of one year and are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment, other than statutory compensation.

Directors' interests in contracts

Save as disclosed in note 35 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' interests in shares

At 31 March 2003, the interests of the directors and their associates in the share capital of the Company and its associated corporations, as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or notified to the Company, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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Ordinary shares of the Company

Name of director	Number of shares held	Nature of interest
Chan Chun Tung, John	13,000,000	Personal

The interests of the directors in the share options of the Company are separately disclosed in note 29 to the financial statements.

In addition to the above, Mr. Wong Howard and Mr. Wong Yat Fai have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Directors' rights to acquire shares or debentures

Apart from as disclosed under the heading "Directors' interests in shares" above and in the share option scheme disclosures in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, 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 body corporate.

Share option scheme

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, the detailed disclosures relating to the Company's share option scheme have been moved to note 29 to the financial statements.

Substantial shareholders

The Company has not been notified of any interest in the Company's issued share capital as at 31 March 2003 amounting to 10% or more of the ordinary shares in issue which is required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

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Directors' interests in competing businesses

During the year and up to the date of this report, no directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report.

Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company. The present members of the audit committee are Mr. Li Chi Ming and Mr. Tung Tat Chiu, Michael.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wong Howard

Executive director

Hong Kong
17 July 2003