

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 2004.

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. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 March 2004 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 68.

The directors do not recommend the payment of any dividend in respect of the year.

Summary financial information

A summary of the 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. The amounts for each year in the five year financial summary have been adjusted for the effect of the retrospective changes in accounting policy affecting income tax, as detailed in note 2 to the financial statements. This summary does not form part of the audited financial statements.

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Results

	Year ended 31 March				
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	
Turnover					
Continuing operations	15,410	12,596	28,738	38,894	6,122
Discontinued operations	–	84,833	104,927	119,366	119,840
	15,410	97,429	133,665	158,260	125,962
Profit/(loss) before tax					
Continuing operations	1,204	(72,649)	(53,166)	(158,134)	(17,667)
Discontinued operations	–	6,241	4,870	(120,236)	(178,829)
	1,204	(66,408)	(48,296)	(278,370)	(196,496)
Tax					
Continuing operations	–	1,600	1,420	1,380	–
Discontinued operations	–	–	–	611	121
	–	1,600	1,420	1,991	121
Profit/(loss) before minority interests	1,204	(64,808)	(46,876)	(276,379)	(196,375)
Minority interests	–	110	31	90	–
Net profit/(loss) from ordinary activities attributable to shareholders					
	1,204	(64,698)	(46,845)	(276,289)	(196,375)

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Assets, liabilities and minority interests

	2004 HK\$'000	2003 HK\$'000	31 March		
			2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)
Fixed assets	8,263	12,703	44,221	51,125	60,923
Construction in progress	–	–	1,202	841	764
Investment securities	–	–	8,160	20,160	160
Convertible notes	–	10,500	18,000	50,000	–
Current assets	234,270	202,496	336,478	240,409	559,326
Total assets	242,533	225,699	408,061	362,535	621,173
Current liabilities	14,148	18,262	144,381	140,868	81,321
Interest-bearing bank and other loans	–	–	–	14,634	41,430
Finance lease payables	–	–	–	106	116
Deferred tax liabilities	–	–	1,600	3,020	4,400
Total liabilities	14,148	18,262	145,981	158,628	127,267
Minority interests	–	–	110	–	–
	228,385	207,437	261,970	203,907	493,906

Fixed assets

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 14 to the financial statements.

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 25 and 26 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 27(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

At 31 March 2004, 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 off its debts as and when they fall due. The Company's share premium account and capital redemption reserve, with an aggregate balance of HK\$268,156,000 as at 31 March 2004, may be distributed in the form of fully paid bonus shares.

Charitable contributions

During the year, the Group made charitable contributions totalling HK\$5,500.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 57.8% of the total sales for the year and sales to the largest customer included therein amounted to 20.8%. Purchases from the Group's five largest suppliers accounted for 52.3% of the total purchases for the year and purchases from the largest supplier included therein amounted to 21.6%.

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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. Chan Chun Tung, John and Mr. Tung Tat Chiu, Michael will retire and are eligible for re-election at the Company's forthcoming annual general meeting. Mr. Tung Tat Chiu, Michael will offer himself for re-election as an independent non-executive director whereas Mr. Chan Chun Tung, John will not offer himself for re-election as an executive director at the 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 terms 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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The Company has service agreements with Mr. Wong Yat Fai and Mr. Wu Qing for terms of two years and of sixteen months commencing on 1 April 2003, respectively. The agreements 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 initial 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 32 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 and short positions in shares and underlying shares

At 31 March 2004, the interests and short position of the directors in the share capital of the Company (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position in ordinary shares of the Company:

Name of director	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Chan Chun Tung, John	Beneficial owner	13,000,000	0.14%
Mr. Wong Howard	Beneficial owner	212,990,000	2.28%
Mr. Wong Yat Fai	Beneficial owner	212,990,000	2.28%
Mr. Wu Qing	Beneficial owner	212,990,000	2.28%

The interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

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In addition to the above, as at 31 March 2004, Mr. Wong Howard and Mr. Wong Yat Fai had 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, as at 31 March 2004, none of the directors or chief executives of the Company had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares or debentures

Apart from as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above and in the share option scheme disclosed in note 26 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 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 body corporate.

Substantial shareholders' interests in shares and underlying shares

At as 31 March 2004, the Company has not been notified of any interest nor short position in the shares or underlying shares of the Company amounting to 5% or more of the Company's ordinary shares in issue, as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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.

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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
21 July 2004