

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 2002.

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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
By principal activities:				
Trading of				
Audio-visual products	35,048	111,477	(11,959)	(28,791)
Other home appliance products	34,526	2,466	(11,781)	(546)
Assembling and distribution of goods				
Rear projection TV	-	16,338		(3,619)
DVD players	-	16,941		(8,764)
Digital cameras	790	450	(255)	(951)
	<u>70,364</u>	<u>147,672</u>	<u>(23,995)</u>	<u>(45,534)</u>
Less: net interest expenses			(402)	-
Less : taxation			-	217
			<u>(24,397)</u>	<u>(47,317)</u>

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2002, are set out in the consolidated profit and loss account on page 21.

The directors do not recommend the payment of a final dividend for the year ended 31 March 2002.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 March 2002, there is no reserve available for distribution. The breakdown of the reserves account is set out in note 21 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 13 to the accounts.

PARTICULARS OF BANK LOANS AND OTHER BORROWINGS

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

	2002	2001
	HK\$'000	HK\$'000
Trust receipt loans	-	48,205
Obligation under hire purchase	313	314
Bank overdrafts	-	997
Secured Bank loans	66,458	-

SUBSIDIARIES AND ASSOCIATES

Particulars of the subsidiaries of the Company as at 31st March 2002 are set out in note 14 to the accounts.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital of the Company are set out in note 20 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.

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 2002, 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 complete 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 results, assets and liabilities of the Group for the last five financial years are summarised as follows:

Year ended 31 st March	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
PROFIT AND LOSS ACCOUNT					
TURNOVER	70,364	147,672	335,641	368,466	279,973
(Loss)/profit before taxation	(24,397)	(47,534)	49,956	32,410	34,015
Taxation credit/(charge)	-	217	(635)	(4,407)	(6,074)
Minority interests	(122)	1,960	(2,546)	(46)	-
(Loss)/profit attributable to shareholders	(24,519)	(45,357)	46,775	27,957	27,941
BALANCE SHEET					
Fixed assets	17,381	27,268	23,049	14,308	16,378
Net current assets	83,487	85,270	134,078	81,263	67,534
	100,868	112,538	157,127	95,571	83,912
Shareholders' funds	100,517	111,996	154,219	95,056	82,100
Non-current liabilities	121	434	121	274	1,812
Minority interests	230	108	2,787	241	-
	100,868	112,538	157,127	95,571	83,912

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

Charles Chan, Ip & Fung C.P.A. Limited was appointed auditors of the Company to fill the vacancy occasioned by the resignation of PricewaterhouseCooper in August 2002.

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.

CHANGE OF SUBSTANTIAL SHAREHOLDERS

On 25th June 2002, Arko Resources Limited, a company wholly and beneficially owned by Mrs. Pei Chen Chi Kuen Delia, informed the Company that it had purchased 70,000,000 shares of the Company from Perfect Class Investment Limited and became the single largest and substantial shareholder of the Company.

SUFFICIENT PUBLIC FLOAT

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

On 10 June 2003, 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

10 June, 2003