

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 2005.

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 and securities investment and trading. 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 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 68.

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

Closure of register of members

The Register of Members of the Company will be closed from Friday, 19 August 2005 to Thursday, 25 August 2005 (both days inclusive) during which period no transfer of shares of the Company will be registered.

In order to qualify for attending the Company's forthcoming Annual General Meeting to be held on Thursday, 25 August 2005, all transfer of shares of the Company accompanied by the relevant shares certificates and transfers forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 18 August 2005.

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 audited financial statements and reclassified as appropriate, is set out below. The amounts for the three years ended 31 March 2003 in the five year summary have been adjusted for the effect of the retrospective changes in the accounting policy affecting income tax. This summary does not form part of the audited financial statements.

Report of the Directors

Results

	Year ended 31 March				
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)	2002 <i>HK\$'000</i> (Restated)	2001 <i>HK\$'000</i> (Restated)
Turnover					
Continuing operations	39,858	15,821*	(5,061)*	38,253*	17,983*
Discontinued operations	–	–	84,833	104,927	119,366
	39,858	15,821	79,772	143,180	137,349
Profit/(loss) before tax					
Continuing operations	25,125	1,204	(72,649)	(53,166)	(158,134)
Discontinued operations	–	–	6,241	4,870	(120,236)
	25,125	1,204	(66,408)	(48,296)	(278,370)
Tax					
Continuing operations	–	–	1,600	1,420	1,380
Discontinued operations	–	–	–	–	611
	–	–	1,600	1,420	1,991
Profit/(loss) before minority interests	25,125	1,204	(64,808)	(46,876)	(276,379)
Minority interests	–	–	110	31	90
Net profit/(loss) from ordinary activities attributable to shareholders	25,125	1,204	(64,698)	(46,845)	(276,289)

* the realised profit and loss, dividends and interest arising from securities investment and trading were included as part of the Group's turnover in the current year. The comparative amounts have been reclassified to conform with the current year's presentation.

Report of the Directors

Assets, Liabilities and Minority Interests

	2005 HK\$'000	As at 31 March			
		2004 HK\$'000	2003 HK\$'000	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)
Fixed assets	172	8,263	12,703	44,221	51,125
Construction in progress	–	–	–	1,202	841
Investment securities	–	–	–	8,160	20,160
Convertible notes	13,500	–	10,500	18,000	50,000
Current assets	311,331	234,270	202,496	336,478	240,409
Total assets	325,003	242,533	225,699	408,061	362,535
Current liabilities	9,093	14,148	18,262	144,381	140,868
Interest-bearing bank and other loans	–	–	–	–	14,634
Finance lease payables	–	–	–	–	106
Deferred tax liabilities	–	–	–	1,600	3,020
Total liabilities	9,093	14,148	18,262	145,981	158,628
Minority interests	–	–	–	110	–
	315,910	228,385	207,437	261,970	203,907

Fixed assets

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 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 24 and 25 to the financial statements.

Report of the Directors

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

Distributable reserves

At 31 March 2005, 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\$310,556,000 as at 31 March 2005, may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

In the year under review, the turnover attributable to the five largest customers of the Group accounted for less than 30% of the Group's total turnover for the year. Purchases from the Group's five largest suppliers accounted for 51% of the total purchases for the year and purchases from the largest supplier included therein amounted to 20%.

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.

Report of the Directors

Directors

The directors of the Company during the year were:

Wong Howard

Wong Yat Fai

Wu Qing

Chan Chun Tung, John (retired on 26 August 2004)

Lo Ki Yan, Karen (resigned on 21 February 2005)

Li Chi Ming *

Tung Tat Chiu, Michael *

Wan Ngar Yin, David * (appointed on 27 September 2004)

* *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 bye-law 98 of the bye-laws of the Company, Mr. Wong Howard and Mr. Li Chi Ming will retire as directors of the Company by rotation at the forthcoming annual general meeting. In addition, pursuant to bye-law 103(B) of the Company's bye-law, Mr. Wan Ngar Yin, David, who was appointed by the board of directors of the Company during the year, will retire at the Company's forthcoming annual general meeting. The above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence from Mr. Li Chi Ming, Mr. Tung Tat Chiu, Michael and Mr. Wan Ngar Yin, David and as at the date of this report still considers them to be independent.

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 9 to 10 of the annual report.

Report of the Directors

Directors' service contracts

Mr. Wong Howard has a service contract with the Company for a term of two years commencing on 1 February 2005, which are subject to termination by either party giving not less than three months' written notice.

The Company has service agreements with Mr. Wong Yat Fai and Mr. Wu Qing for a term of two years and of sixteen months commencing on 1 April 2003 and 1 August 2004, respectively. The agreements are subject to termination by either party giving not less than three months' written notice.

All the independent non-executive directors have entered into letter of appointment with the Company for an initial term 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.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Directors' remuneration

The directors' fees are subject to shareholders' approval at general meetings. The directors' remuneration is determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

Directors' interests in contracts

Save as disclosed in note 30 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.

Report of the Directors

Directors' interests and short positions in shares and underlying shares

At 31 March 2005, the interests of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures 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 Issuers (the "Model Code"), 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. Wong Howard	Beneficial owner	212,990,000	1.88%
Mr. Wong Yat Fai	Beneficial owner	212,990,000	1.88%
Mr. Wu Qing	Beneficial owner	212,990,000	1.88%

In addition to the above, as at 31 March 2005, 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 then minimum company membership requirements.

Save as disclosed above, as at 31 March 2005, none of the directors or chief executive 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.

Directors' rights to acquire shares or debentures

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.

Report of the Directors

Substantial shareholders' interests in shares and underlying shares

As at 31 March 2005, the following interests of 5% or more of the Company's issued share capital were recorded in the register of interests required to be kept pursuant to Section 336 of the SFO:

Name of shareholder	Long/Short position	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
Radford Capital Investment Limited (Note a)	Long	Interests held by a controlled corporation	927,820,000	8.19%
Dollar Group Limited (Note b)	Long	Beneficial owner	928,000,000	8.19%
Coupeville Limited (Note b)	Long	Interests held by a controlled corporation	928,000,000	8.19%
Heritage International Holdings Limited (Note b)	Long	Interests held by a controlled corporation	928,000,000	8.19%

Notes:

- a. Radford Capital Investment Limited held the interests in the share capital of the Company via its wholly owned subsidiary "Winning Horse Limited".
- b. Dollar Group Limited was wholly owned by Coupeville Limited which was a wholly-owned subsidiary of Heritage International Holdings Limited. Accordingly, Coupeville Limited and Heritage International Holdings Limited were deemed to be interested in the 928,000,000 shares of the Company held by Dollar Group Limited.
- c. As at 31 March 2005, Findco Enterprises Limited, China Travel Service (Hong Kong) Limited (the holding company of Findco Enterprises Limited), Alton Services Limited (the holding company of China Travel Service (Hong Kong) Limited), China Travel International Investment Hong Kong Limited (the holding company of Alton Services Limited), China Travel Service (Holdings) Hong Kong Limited (the holding company of China Travel International Investment Hong Kong Limited) and 中國之中國旅行社總社 (the holding company of China Travel Service (Holdings) Hong Kong Limited), were interested in the 2,500,000,000 underlying shares of the Company, being the convertible notes to be issued by the Company as partial consideration for the acquisition of the entire equity interest in Sociedade De Fomento Predial Fu Wa (Macau) Limitada. Subsequent to the balance sheet date, the aforesaid convertible notes were not issued due to the termination of the said acquisition.

Report of the Directors

Directors' interests in competing business

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.

Post Balance Sheet Events

Details of the significant post balance sheet events of the Group are set out in note 31 to the financial statements.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to the accounting period commencing on 1 January 2005, throughout the accounting year covered by the annual report.

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors (the "Own Code") on terms no less exacting than the required standard set out in the Model Code. Based on specific enquiry of the Company's directors, the directors confirmed that they complied with the required standard set out in the Model Code and the Own Code, throughout the accounting period covered by the annual report.

Report of the Directors

Audit committee

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee (the "Audit Committee") in 1999 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). In accordance with the requirements of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, the terms of reference of the Audit Committee were revised on 26 July 2005 in terms substantially the same as the provisions set out in the Code on Corporate Governance Practices.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review the relationship with the auditors of the Company. The Audit Committee comprises three members, Mr. Tung Tat Chiu, Michael (Chairman of the Audit Committee), Mr. Li Chi Ming and Mr. Wan Ngar Yin, David who are the independent non-executive directors of the Company. The Audit Committee had reviewed with senior management of the Group and external auditors the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting process including the review of the Company's consolidated financial statements for the year ended 31 March 2005.

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
26 July 2005