

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 comprise the design and manufacture of electrical appliances and the trading of merchandise. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss 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 18 to 54.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and 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.

RESULTS

	Year ended 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	280,937	239,205	221,130	212,683	205,174
Net profit/(loss) from ordinary activities attributable to shareholders	(1,313)	(9,252)	4,220	(15,770)	(23,651)

ASSETS, LIABILITIES AND MINORITY INTERESTS

Total assets	229,641	240,370	206,056	206,830	231,520
Total liabilities	(79,065)	(100,014)	(57,209)	(62,364)	(70,816)
Minority interests	(275)	(176)	(84)	(32)	(24)
	150,301	140,180	148,763	144,434	160,680

FIXED ASSETS

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

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital and share options are set out in notes 25 and 26 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws 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 2005, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$68,030,000.

EMPLOYEES AND REMUNERATION POLICY

The Group employs an average total of 2,164 (2004: 1,911) employees mostly in Hong Kong and Mainland China. The Group regularly reviews its employees' pay levels and its performance bonus system to ensure that the remuneration policy is competitive within the relevant industries.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 48% of the total sales for the year and sales to the largest customer included therein amounted to 19%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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 and five largest suppliers.

ORDERS ON HAND

At the date of this report, the Group had outstanding orders on hand valued at approximately HK\$91 million. This is equivalent to approximately four months' business volume of the Group. The directors regard this level of orders as satisfactory and they are confident that work orders can be maintained at this level.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Kwok Hon Ching (*Chairman*)
Kwok Hon Lam (*Chief Executive Officer*)
Kwok Hon Kau, Johnny
Chau Kwok Wai

Independent non-executive directors:

Chow Cheuk Lap
Lee Ho Man, Eric
Wong Lung Tak, Patrick

In accordance with articles 86 and 87 of the Company's bye-laws, Messrs. Chau Kwok Wai and Wong Lung Tak, Patrick will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Messrs. Chow Cheuk Lap, Lee Ho Man, Eric and Wong Lung Tak, Patrick, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 13 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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 of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are 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

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 2005, the interests of the directors in the share capital of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 positions in ordinary shares of the Company:

Name of director	Notes	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
		Directly beneficially owned	Beneficiary of a trust	Total	
Kwok Hon Ching	(a), (c)	8,900,000	75,000,000	83,900,000	18.3%
Kwok Hon Kau, Johnny	(b), (c)	8,900,000	75,000,000	83,900,000	18.3%
Kwok Hon Lam	(c)	8,900,000	75,000,000	83,900,000	18.3%
Lee Ho Man, Eric		2,000,000	–	2,000,000	0.4%
Chau Kwok Wai		1,000,000	–	1,000,000	0.2%

Notes (a) to (c) above are detailed in the explanatory notes in the section headed "Substantial shareholders' and other persons' interests in shares" below.

Save as disclosed above, as at 31 March 2005, none of the directors had registered an interest 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 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

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

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Saramade Company Limited	(a)	Directly beneficially owned	75,000,000	16.4%
Prominent Field Inc.	(b)	Directly beneficially owned	75,000,000	16.4%
Armstrong Inc.	(c)	Directly beneficially owned	75,000,000	16.4%
Equity Trustee Limited	(d)	Trustee	225,000,000	49.2%
Kwok Lee Shu Noo	(a)	A beneficial owner and through spouse	83,900,000	18.3%
Leung Wai Shan, Christina	(b)	A beneficial owner and through spouse	83,900,000	18.3%
Hui Mei Heung	(c)	Beneficial owner	75,000,000	16.4%
Cheng Mei Chu	(c)	A beneficial owner and through spouse	83,900,000	18.3%
David Michael Webb		A beneficial owner and through a controlled corporation	23,012,000	5.0%

Notes:

- (a) The 75,000,000 shares are held by Saramade Company Limited, which is a trustee of a unit trust owned by a discretionary trust established for the benefit of the family members of Mr. Kwok Hon Ching. Mrs. Kwok Lee Shu Noo is deemed to hold the 83,900,000 shares by virtue of her being the spouse of Mr. Kwok Hon Ching.
- (b) The 75,000,000 shares are held by Prominent Field Inc., which is a trustee of a unit trust owned by a discretionary trust established for the benefit of the family members of Mr. Kwok Hon Kau, Johnny. Ms. Leung Wai Shan, Christina is deemed to hold the 83,900,000 shares by virtue of her being the spouse of Mr. Kwok Hon Kau, Johnny.

- (c) The 75,000,000 shares are held by Armstrong Inc., which is a trustee of a unit trust owned by a discretionary trust established by Madam Hui Mei Heung for the benefit of the family members of Kwok Hon Lam. Ms. Cheng Mei Chu is deemed to hold the 83,900,000 shares by virtue of her being the spouse of Mr. Kwok Hon Lam.
- (d) Equity Trustee Limited is the trustee of the discretionary trusts mentioned in notes (a), (b) and (c) above.

Save as disclosed above, as at 31 March 2005, no person, other than the directors of the Company, whose interests are set out in the section headed “Directors’ interests in shares” above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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.

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 Rules Governing the Listing of Securities on the Stock Exchange (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 as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the bye-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company’s code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company’s directors, the directors confirmed that they have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

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

Kwok Hon Ching

Chairman

Hong Kong

25 July 2005