

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise design and manufacture of electrical appliances, trading of merchandise and property development business. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by geographical segment is set out in note 6 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 34.

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 86.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision 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, SALE OR REDEMPTION OF SECURITIES

On 28 September, 2005, the Company placed out 91,504,969 ordinary shares of HK\$0.10 each of the Company at a price of HK\$0.10 per share through a placing agent, Get Nice Investment Limited, to not less than six independent individual(s), institutional, other professional and/or private placees. The placing price represented a premium of about 16.3% to the closing price of HK\$0.086 per share as quoted on the Stock Exchange on 15 September 2005, being the date on which the terms of the placing was fixed. Upon completion of the placing, the gross proceeds of the placing were HK\$9.2 million and the net proceeds from the placing of HK\$8.5 million. The net proceeds from the placing were used as general working capital of the Company.

The Company has not redeemed any of its shares during the year. Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$30,780,000 (2005: HK\$68,030,000).

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Cheng Tun Nei (<i>Chairman</i>)	(appointed on 10 February 2006)
Mr. Kwok Hon Lam (<i>Vice Chairman</i>)	
Dr. Siu Miu Man (<i>Chief Executive Officer</i>)	(appointed on 10 February 2006)
Mr. Kwok Hon Ching	(resigned on 10 February 2006)
Mr. Kwok Hon Kau, Johnny	(resigned on 21 September 2005)
Mr. Chau Kwok Wai	(resigned on 26 October 2005)
Mr. Lee Yu Leung	(re-designated on 21 September 2005 and resigned on 10 February 2006)
Mr. Kwok Chi Hang, Peter	(appointed on 21 September 2005)
Mr. Loo Pak Hong	(appointed on 26 October 2005)

Non-executive Director:

Mr. Chow Cheuk Lap	(re-designated on 4 August 2005 and resigned on 12 September 2005)
Mr. Lee Yu Leung	(appointed on 12 September 2005 and re-designated as Executive Director on 21 September 2005)
Ms. To Wing Yee, Janice	(appointed on 1 December 2005)

Independent Non-executive Directors:

Mr. Chow Cheuk Lap	(re-designated as Non-Executive Director on 4 August 2005)
Mr. Lee Ho Man, Eric	(resigned on 12 September 2005)
Mr. Wong Lung Tak, Patrick	(resigned on 31 October 2005)
Mr. Wong Tik Tung	(appointed on 12 September 2005 and resigned on 10 February 2006)
Mr. Chan Kwok Wai	(appointed on 12 September 2005 and resigned on 10 February 2006)
Mr. Yeung Lung Sang Sam, Lennon	(appointed on 21 September 2005 and resigned on 3 October 2005)
Mr. Tsun Kok Chung, Richard	(appointed on 26 October 2005 and resigned on 22 December 2005)
Mr. Liu Kam Lung	(appointed on 10 February 2006 and resigned on 1 March 2006)
Mr. Chan Sun Kwong	(appointed on 10 February 2006)
Mr. Fung Kwan Yin, James	(appointed on 10 February 2006)
Mr. Chow Nim Sun, Nelson	(appointed on 1 March 2006)

REPORT OF THE DIRECTORS

DIRECTORS (continued)

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Mr. Kwok Hon Lam, Mr. Loo Pak Hong and Ms. To Wing Yee, Janice, being one-third of the directors for the time being, retire by rotation at the forthcoming annual general meeting. Save for Mr. Loo Pak Hong and Ms. To Wing Yee, Janice who have indicated that they would not seek for re-election at the forthcoming annual general meeting, the other retiring director, Mr. Kwok Hon Lam, being eligible, has agreed to offer himself for re-election. Mr. Cheng Tze Kit, Larry will be proposed for election as executive Director of the Company and Mr. Yeung Chee Tat will be proposed for election as non-executive Director of the Company at the forthcoming annual general meeting to fill the vacancies following the retirement of Mr. Loo Pak Hong and Ms. To Wing Yee, Janice.

DIRECTORS' SERVICE CONTRACTS

None of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

BIOGRAPHICAL DETAILS 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 13 to 15.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, none of the Directors had any direct or indirect material interest in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party save in respect the following:

- (a) on 28 February 2006, Mr. Cheng Tun Nei, the chairman of the Board, provided an unsecured loan of HK\$6 million to the Group at the interest rate of prime lending rate as quoted by Hang Seng Bank Limited plus 1%. Such loan is repayable on or before 28 August 2006;
- (b) on 1 March 2006, the Company entered into a tenancy agreement with a company wholly-owned by Mr. Cheng Tun Nei, the chairman of the Board, and his spouse for the lease of an office for a term of 2 years at a monthly rental of HK\$73,340; and
- (c) on 1 March 2006, a subsidiary of the Company entered into a tenancy agreement with a company wholly-owned by Mr. Kwok Hon Lam, a Director, and his spouse for the lease of a residential property for a term of 33 months at a monthly rental of HK\$45,000.

INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE

As at 31 March 2006, the interests and short positions of the Directors and chief executive of the Company 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) as recorded in the register maintained by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interest in the Shares

Name of Directors	Capacity	Number of Shares	Approximate percentage of issued share capital of the Company
Mr. Cheng Tun Nei (Note 1)	Beneficial owner and family interest	155,648,000	20.25%
Mr. Kwok Hon Lam (Note 2)	Beneficial owner and family interest	87,460,000	11.38%

Notes:

1. Out of 155,648,000 Shares, 152,952,000 Shares are directly beneficially owned by Mr. Cheng Tun Nei and 2,696,000 Shares are held by his spouse Ms. Li Wa Hei.
2. Mr. Kwok Hon Lam is interested in 87,460,000 Shares: out of the 87,460,000 Shares, 12,460,000 Shares are directly beneficially owned by Mr. Kwok Hon Lam; 75,000,000 Shares are held by Armstrong Inc., which is a discretionary trust established by Madam Hui Mei Heung for the benefit of the family members of Mr. Kwok Hon Lam. Ms. Cheng Shuk Man is deemed to hold the 87,460,000 Shares by virtue of her being the spouse of Mr. Kwok Hon Lam.

Save as disclosed above, as at 31 March 2006, none of the Directors or the Company's chief executive had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations.

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

INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 March 2006, so far as was known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company), as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, had notified the Company of relevant interests in the issued share capital of the Company:

Name of Substantial Shareholders	Capacity	Number of Shares	Approximate percentage of issued share capital of the Company
Ms. Li Wa Hei (<i>Note 1</i>)	Beneficial owner and family interest	155,648,000	20.25%
Equity Trustee Limited (<i>Note 2</i>)	Trustee	225,000,000	29.27%
Ms. Cheng Shuk Man (<i>Note 3</i>)	Family interest	87,460,000	11.38%
Mr. Kwok Hon Ching (<i>Note 4</i>)	Beneficial owner and family interest	83,900,000	10.91%
Ms. Lee Shu Noo (<i>Note 5</i>)	Family interest	83,900,000	10.91%
Mr. Kwok Hon Kau, Johnny (<i>Note 6</i>)	Beneficial owner and family interest	83,900,000	10.91%
Ms. Leung Wai Shan, Christina (<i>Note 7</i>)	Family interest	83,900,000	10.91%
Ms. Hui Mei Heung (<i>Note 8</i>)	Founder of discretionary trust	75,000,000	9.76%
Armstrong Inc. (<i>Note 9</i>)	Directly beneficially owned	75,000,000	9.76%
Prominent Field Inc. (<i>Note 6</i>)	Directly beneficially owned	75,000,000	9.76%
Saramade Company Limited (<i>Note 4</i>)	Directly beneficially owned	75,000,000	9.76%

INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (continued)

Notes:

1. Out of 155,648,000 Shares, 2,696,000 Shares are directly beneficially owned by Ms. Li Wa Hei and 152,952,000 Shares are held by her spouse Mr. Cheng Tun Nei.
2. Equity Trustee Limited is the trustee of the discretionary trusts mentioned in the notes 3 and 5 below and the note 2 in section 3 “Disclosure of Interests by Directors” above.
3. Ms. Cheng Shuk Man is deemed to hold the 87,460,000 Shares by virtue of her being the spouse of Mr. Kwok Hon Lam.
4. Mr. Kwok Hon Ching is interested in 83,900,000 Shares: out of the 83,900,000 Shares, 8,900,000 Shares are directly beneficially owned by Mr. Kwok Hon Ching; 75,000,000 Shares are held by Saramade Company Limited, which is a discretionary trust established for the benefit of the family members of Mr. Kwok Hon Ching.
5. Ms. Lee Shu Noo is deemed to hold the 83,900,000 Shares by virtue of her being the spouse of Mr. Kwok Hon Ching.
6. Mr. Kwok Hon Kau, Johnny is interested in 83,900,000 Shares: out of the 83,900,000 Shares, 8,900,000 Shares are directly beneficially owned by Mr. Kwok Hon Kau, Johnny; 75,000,000 Shares are held by Prominent Field Inc., which is a discretionary trust established for the benefit of the family members of Mr. Kwok Hon Kau, Johnny.
7. 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.
8. Ms. Hui Mei Heung is the founder of the discretionary trust as mentioned in the note 2 in section 3 “Disclosure of Interests by Directors” above.
9. 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 Ms. Hui Mei Heung for the benefit of the family members of Mr. Kwok Hon Lam.

As at the 31 March 2006, save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 32.9% of the total sales for the year and sales to the largest customer included therein amounted to 8.4%. Purchases from the Group's five largest suppliers accounted for approximately 23.8% 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\$70 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.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 30 to the financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Group have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

(1) Connected transactions

On 28 February 2006, Mr. Cheng Tun Nei, the chairman of the Board, provided an unsecured loan of HK\$6 million to the Group at the interest rate of prime lending rate as quoted by Hang Seng Bank Limited plus 1%. Such loan is repayable on or before 28 August 2006;

(2) Continuing connected transactions

- (a) On 1 March 2006, the Company entered into a tenancy agreement with Gold Regent International Limited, a company wholly-owned by Mr. Cheng Tun Nei, the chairman of the Board, and his spouse, for the lease of an office for a term of 2 years at a monthly rental of HK\$73,340; and
- (b) On 1 March 2006, Anex Electrical Company Limited, a subsidiary of the Company entered into a tenancy agreement with Mountain-Dew Limited, a company wholly-owned by Mr. Kwok Hon Lam, a Director, and his spouse, for the lease of a residential property for a term of 33 months at a monthly rental of HK\$45,000.

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.

SUBSEQUENT EVENTS

On 30 June 2006, rights issue of one rights share for every existing share together with an issue of two bonus warrants for every five rights shares was made, at an issue price of HK\$0.10 per rights share, resulting in the issue of 768,641,743 shares of HK\$0.10 each for a total cash consideration. As a result, a total of 307,456,696 warrants were issued which entitling the holders thereof to subscribe for new shares at an initial subscription price of HK\$0.10 per share upon exercise of one warrant. The gross proceeds amounted to HK\$76,864,000 and the net proceeds from the rights issue of HK\$74 million. The net proceeds from rights issue will be used for investment in property sector in PRC, repayment of trust receipt loans due in July 2006 and reduction of the Group's indebtedness and retaining as general working capital.

AUDITORS

Messrs. Ernst & Young resigned as auditors of the Company with effect from 24 November 2005 and Messrs. CCIF CPA Limited was appointed as auditors of the Company to fill the casual vacancy following the resignation of Messrs. Ernst & Young.

Messrs. CCIF CPA Limited 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

Cheng Tun Nei

Chairman

Hong Kong

24 July 2006