

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK\$37 million and gross profit of approximately HK\$1.5 million, representing an increase of approximately 374% and 128% respectively as compared to the corresponding period of last year. However, the gross profit margin was decreased from 8% to 4% as compared with previous year.

The Group's loss attributable to equity holders of the Company was approximately HK\$837,000 (2005: HK\$2,204,000).

### OPERATION AND BUSINESS REVIEW

The Group engaged in trading and distribution of electronic home appliance. The demand for quality and price competitive products in South East Asia market boosted the Group's sales volume. However, the increase in product costs cut down the profit margin. The Group launched its DVD players under the Company's registered brand name "Vision Tech" to the Hong Kong market in November 2005.

### PROSPECT

In view of the relatively low profit margin of our existing business, the management of the Group has taken steps and new measures in sourcing new business. The Group has entered into arrangements to set up retail shops for electronic home appliance under the brand name "Haier". In April 2006, we have launched our first retail shop in Hong Kong. With the experience of our first retail shop, we will continue to set up several retail shops. The Group will also focus on obtaining project base supply contracts for our existing products.

Apart from the retail business, the Group will further develop market network for our trading and distribution business.

### LIQUIDITY

During the year ended 31 March 2006, the Group generally finance its short-term funding requirements with cash from operation and loan financed by a director. The amount due to a director was HK\$9,429,000 (2005: HK\$1,594,000). The Group did not raise any bank borrowing during the year and its current ratio was 0.52 as at 31 March 2006 (2005: 0.33).

For the year ended 31 March 2006, the Group did not subject to any significant exposure to foreign exchange rate risk. Hence, no financial instrument for hedging was employed.

### CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2006.