

## BUSINESS REVIEW

The Group's revenue for the year was HK\$10.3 million, representing a decrease of HK\$29.5 million or 74% compared with last year. This decrease was mainly attributable to the loss of disposal of equity investments at fair value through profit or loss of HK\$24.1 million which was included as part of the Group's revenue. The net loss for the year was HK\$46.5 million, compared to a net profit of HK\$25.1 million last year. The Group's net loss for the year was primarily attributable to the loss on disposal of equity investments at fair value through profit or loss of HK\$24.1 million, a fair value loss on equity investments at fair value through profit or loss of HK\$10.1 million and on conversion option derivative of HK\$1.5 million.

During the year, the revenue from electronic products trading increased by HK\$21.4 million to HK\$29.2 million. The marked increase in revenue was mainly due to the sales of other non-car audio electronic products. With the lean cost structure and the contributions from the broader array of electronic products, the operating loss for this electronic products trading substantially reduced by HK\$12.8 million or 81.5% to HK\$2.9 million.

During the year, the Group's car audio market remained highly competitive in terms of rising raw material costs and the cut-throat price pressures. The costs of memory integrated circuits and plastic resin increased substantially and thus further eroded the profit margin of the car audio products. Coupled with the growing popularity of new digital car audio and video products, the demand for the traditional car audio products were severely affected. In order to compensate for the falling sales volumes and diminishing profit margin of car audio products, the Group has decided to put more efforts on developing the trading of other non-car audio electronic products covering broader spectrum of price points, product ranges and market niches.

During the year, the Group has put more resources and efforts in developing close relationships with large-volume distribution channels, strengthening its after-sales services and value-added services. Through reinforcing the sales and marketing team, cooperation with business partners and active participation in trade fair, the Group has traded a wide range of electronic products and expanded the trading business steadily. As a result, the electronic products trading started to contribute to the results of the Group.

The Group has continued to utilise its available fund in treasury investment during the Year. Due to the uncertainty in interest rate and volatile local equity market, this segment incurred a loss on disposal of equity investments at fair value through profit or loss of HK\$24.1 million, a fair value loss on equity investments at fair value through profit or loss of HK\$10.1 million and on conversion option derivative of HK\$1.5 million.

## PROSPECTS

The intense price pressure and rising material costs remain the unfavorable factors adversely affecting the electronic products market in the year to come. To be more competitive and flexible in the competitive electronic products market, the Group would continue to put strict cost control in place and secure more distribution and trading business of new and innovative electronic products.

Looking ahead, it is anticipated that the global economic environment is positive and economic growth momentum will continue, in particular in Mainland China. The fast economic growth in Mainland China will boost various business and industries and create enormous investment opportunities throughout the region. With these positive economic trends, the Group will continue to pursue its prudent strategy to explore business opportunities for diversifying its existing business and revenue streams.

## FINANCIAL REVIEW

The Group's revenue for the year was HK\$10.3 million, representing a decrease of HK\$29.5 million or 74% compared with last year. The Group's revenue principally comprised the sales electronic products of HK\$29.2 million and the loss on disposal of equity investments at fair value through profit or loss of HK\$24.1 million. During the year, the revenue of electronic products increased by HK\$21.4 million or 275% to HK\$29.2 million.

The loss for the year was HK\$46.5 million, comparing to profit for last year of HK\$25.1 million. As at 31 March 2006, the Group's net asset value stood at HK\$357.5 million (at 31 March 2005: HK\$315.9 million). The Group maintained a sound financial position in terms of high assets liquidity and nil debt burden.

## LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group has generally financed its operation with internally generated cash flow and banking facilities. The Group's cash and bank balances and time deposit as at 31 March 2006 amounted to HK\$25.5 million (at 31 March 2005: HK\$90.0 million).

As at 31 March 2006, there were no bank overdrafts, short and long term interest-bearing bank borrowings to the Group (at 31 March 2005: Nil).

As at 31 March 2006, the Group's current ratio was 30.1 times (at 31 March 2005: 34.2 times) based on current assets of HK\$236.3 million (at 31 March 2005: HK\$311.3 million) and current liabilities of HK\$7.9 million (at 31 March 2005: HK\$9.1 million).

As at 31 March 2006, the Group has no contingent liabilities or material commitments for the purchase of property, plant and equipment.

## CAPITAL STRUCTURE

As at 31 March 2006, the Group's gearing ratio, being the total finance lease payables to net worth was 0.04% (31 March 2005: Nil).

The Group's bank deposits and borrowings are mainly denominated in Hong Kong dollars. Most of the Group's sales and purchases are made in United States dollars and Hong Kong dollars. Therefore, the exchange risks exposed to the Group is minimal.

## SIGNIFICANT INVESTMENTS

As at 31 March 2006, the Group had convertible notes issued by a company listed on The Stock Exchange of Hong Kong Limited with carrying amount of HK\$12.5 million. The related interest for the Year was HK\$0.9 million.

As at 31 March 2006, the Group maintained a portfolio of equity investments (including available-for-sale equity investments and equity investments at fair value through profit or loss) with total carrying amount of HK\$315.3 million. The related dividend income for the Year was HK\$4.3 million.

## DETAILS OF CHARGES ON ASSETS

At 31 March 2006, a fixed deposit of HK\$6.7 million (2005: HK\$6.6 million) were pledged to secure banking facilities granted to the Group.

## MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Company has no material acquisition and disposal of subsidiaries and associate.

## EMPLOYMENT, TRAINING AND DEVELOPMENT

At 31 March 2006, the Group had a total of 45 employees of which 22 are based in Hong Kong and 23 based in Mainland China. The Group has committed itself to its staff training and development and structured training programs for all employees.

Remuneration packages are maintained at competitive level and reviewed on a periodic basis. Bonus and share options are awarded to certain employees according to the assessment of individual performance and industry practice.

## APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our appreciation to all management and staff members for their contribution during the past year.

**Wong Howard**

*Chairman*

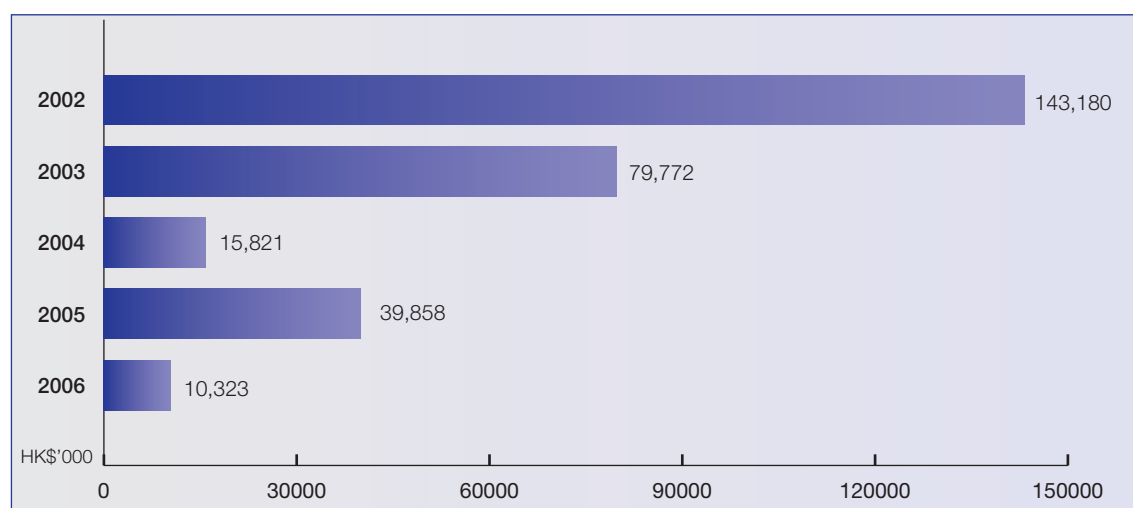
Hong Kong  
20 July 2006

## FINANCIAL HIGHLIGHTS

	2005/2006	2004/2005
Revenue	<b>HK\$10,323,000</b>	HK\$39,858,000
Profit/(loss) for the year attributable to ordinary equity holders of the parent	<b>(HK\$46,482,000)</b>	HK\$25,125,000
Basic earnings/(loss) per share attributable to ordinary equity holders of the parent	<b>(HK4.10 cents)</b>	HK2.67 cents

### Revenue

(For the year ended 31 March)



### Profit/(loss) for the year attributable to ordinary equity holders of the parent

(For the year ended 31 March)

