

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statement of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group's are (i) design, development and distribution of hi-tech electronic products, (ii) trading of electronic products related materials, (iii) hotel operations and (iv) strategic investments in the PRC.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by business segments and geographical segments for the year ended 31 March 2005 is set out in note 15 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest customers accounted for 70.5% of the Group's total sales. The largest customer accounted for 33.1% of the Group's total sales.

During the year, the Group's five largest suppliers accounted for 72.8% of the Group's total purchases. The largest supplier accounted for 36.9% of the Group's total purchases.

None of the directors, their associates or any shareholder of the Company, which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had beneficial interest in any the Group's five largest suppliers or customers.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2005 are set out in the consolidated income statement on page 15.

The Directors do not recommend the payment of a dividend and no dividend was paid during the year under review (2004: Nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 37 to the financial statements.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 43 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 60 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 36 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2005 are set out in note 19 to the financial statements.

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BORROWINGS

Particulars of the Group's bank loans and other borrowings are set out in notes 29 and 30 to the financial statements.

RETIREMENT BENEFITS SCHEMES

Information on the retirement benefits schemes of the Group is set out in note 39 to the financial statements.

DIRECTORS

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

Executive directors

LIU Xue Lin	
YAO Ke Ming	
NI Ling	(appointed on 6 June 2005)
SUN Yuming	(appointed on 6 June 2005)
CHEN Ying Feng	(resigned on 27 August 2004)
LIM Ka Thiam	(resigned on 27 January 2005)
Simon SHI Hao	(resigned on 6 June 2005)

Independent non-executive directors

LIU Kwok Fai, Alvan	
CHOW Siu Ting	
LAI Ka Chu	(appointed on 28 September 2004)

In accordance with Bye-Law 99(A) of the Company's Bye-Laws, Mr. Chow Siu Tong shall retire from office by rotation at the forthcoming annual general meeting. Mr. Chow being eligible will offer himself for re-election at the meeting. The non-executive directors are subject to retirement by rotation as required by the Company's Bye-Laws.

In accordance with Bye-Law 102(B) of the Company's Bye-Laws, Messrs. Lai Ka Chu, Ni Ling and Sun Yuming shall hold office until the forthcoming annual general meeting of the Company and being eligible will offer themselves for re-election at the meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31 March 2005, the interests and short positions of the Directors in the Shares or underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) to be entered into the register maintained by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Number of Shares Corporate Interest	Approximate Shareholding
Mr. Liu Xue Lin	Long position – 200,000,000*	18.84%
	Short position – 50,360,000*	4.71%

* The above Shares are held through Open Mission Assets Limited, which is beneficially owned by Mr. Liu Xue Lin.

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INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2005, so far as was known to the Directors, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of the Group or had any options in respect of such capital:

Name	Note	Nature of interest	Number of underlying shares	Number of Existing Shares		Percentage of issued share capital
				Long position	Short position	
Kevin Charles McCabe	1	Corporate interest	250,036,000*	–	–	23.55%
Scarborough Property Group plc	1	Interest of controlled corporation	250,036,000*	–	–	23.55%
Scarborough Property Company plc	1	Interest of controlled corporation	250,036,000*	–	–	23.55%
SPC Group plc	1	Interest of controlled corporation	250,036,000*	–	–	23.55%
Scarborough Developments (China) Limited	1	Interest of controlled corporation	250,036,000*	–	–	23.55%
Skywill Agents Limited	1	Interest of controlled corporation	250,036,000*	–	–	23.55%
Scarborough Holdings Limited	1	Interest of controlled corporation	250,036,000*	–	–	23.55%
Top Flying Investment Limited	1	Security Interest	250,036,000*	–	–	23.55%
Open Mission Assets Limited	1	Beneficial owner	–	200,000,000#		18.84%
		Beneficial owner			50,360,000#	4.71%
Mr. Siu Ting	2	Beneficial owner	–	84,000,000	–	7.9%

1. * These shares represent the same security interest held by Top Fly Investment Limited.

The shareholding is duplicated in the section headed "Directors Interests and Short Positions in Shares, Underlying Shares and Debenture" disclosed above.

2. The Shares are held in the name of HKSCC Nominees Limited.

Save as disclosed above and in the section headed "Directors Interests and Short Positions in Shares, Underlying Shares and Debentures" and so far as was known to the Directors, as at 31 March 2005, there were no other persons who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 5% or more of the nominal value of any class of share capital rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company and its associated corporation, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, the Company's major shareholder, Open Mission Assets Limited ("Open Mission"), continued to advance to the Group amounted to HK\$11,220,000 (2004: HK\$118,521,000) and the Company amounted to HK\$4,588,000 (2004: HK\$16,604,000). To show its continuous financial support, Open Mission has agreed to waive the Group HK\$2,161,000 (2004: HK\$1,243,000) and the Company HK\$2,039,000 (2004: HK\$1,243,000) interest accruing on the shareholder's loan. During the year, the Group and the Company repaid Open Mission amounting to HK\$7,493,000 (2004: HK\$3,246,000) and Nil (2004: HK\$2,294,000) respectively. Moreover, Open Mission has assigned to a financial institution its shareholder's loan owing by the Group for securing the loan of HK\$21,200,000 (2004: Nil) borrowed by a subsidiary of the Company. During the year, Mr. Liu Xue Lin, a director of the Company, has given personal guarantees for securing loans of HK\$115,200,000 (2004: HK\$94,000,000) borrowed by subsidiaries of the Company.

Other than disclosed above, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the year end or any time during the year.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The convertible note ("CN") issued to Hutchison International Limited (the "Noteholder") on 8 November 2002 was expired on the maturity date being 8 November 2004. During the conversion period, the Noteholder did not convert in whole or any part of the principal amount outstanding being HK\$155 million under the CN into Shares of the Company. Pursuant to the CN, the Company shall be obliged to make redemption of the outstanding principal amount of the CN when it received the certificate of the CN from the Noteholder. As at the date of this report, the Company has not yet received the certificate of the CN from the Noteholder. The Noteholder of the CN has not taken any legal action against the Company due to the Company's default in repayment of all obligations of the Company in full under the CN due on 8 November 2004; however, the Noteholder of the CN has the right to exercise its right under the mortgages. As mentioned in the Company's announcement dated 29 November 2004, the Company has received verbal consent from the Noteholder for the extension of payment for the redemption of the CN to allow the Company to seek for refinancing. Details of the mortgages and other further information are set out in note 33 to the financial statements.

Save as disclosed above, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 March 2005 and there had been no exercise of convertible securities, options, warrants or similar rights during the year.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.20 of the Listing Rules, the Directors report the following details in respect of the advances made by a subsidiary of the Company to its customer, Silver Pentium Sdn. Bhd. ("Silver Pentium"). As at 31 March, 2005, the amount due from Silver Pentium to that subsidiary was approximately HK\$59.4 million (the Receivables), which represented about 12% of the total market capitalisation of the Company as at 31 March, 2005. The Receivables, which were unsecured and interest free, represented trade receivables from Silver Pentium arising in the ordinary course of business of the Group and for the sale of certain electronic products related materials. In May 2005, about HK\$55 million out of the Receivables was settled by Silver Pentium. Silver Pentium is not a connected person (as defined in the Listing Rules) of the Company.

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PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors is interested in any business which compete or are likely to compete, either directly or indirectly, with the businesses of the Company during the year ended 31 March 2005 and up to the date of this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws although there are no restrictions against such rights under the laws in Bermuda.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not throughout the year ended 31 March 2005, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules in force prior to 1 January 2005, except that the non-executive directors of the Company were not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-Laws of the Company.

AUDIT COMMITTEE

To comply with the revised Code of Best Practice as set in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited, the Company has set up an audit committee (the "Committee") with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive Directors.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITORS

In the preceding three years, CCIF CPA Limited (formerly known as Charles Chan, Ip & Fung CPA Ltd.), Certified Public Accountants, has been the auditors of the Company. A resolution will be submitted to the annual general meeting of the Company to re-appoint CCIF CPA Limited as auditors of the Company.

On behalf of the Board

LIU Xue Lin

Chairman

Hong Kong, 21 July 2005