

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group's are (i) hotel operations, (ii) design, development and distribution of hi-tech electronic products, (iii) trading of electronic products related materials, 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 2006 is set out in note 16 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest customers accounted for 41.9% of the Group's total sales. The largest supplier accounted for 11.3% of the Group's total sales.

During the year, the Group's five largest suppliers accounted for 82.4% of the Group's total purchases. The largest supplier accounted for 65.4% 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 2006 are set out in the consolidated income statement on page 24.

The Directors do not recommend the payment of a dividend and no dividend was paid during the year under review (2005: Nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 35 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 95 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 17 to the financial statements.

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SHARE CAPITAL

Details of the share capital of the Company are set out in note 34 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2006 are set out in note 20 to the financial statements.

BORROWINGS

Particulars of the Group's bank loans and other borrowings are set out in notes 28 and 29 to the financial statements.

RETIREMENT BENEFIT SCHEMES

Information on the retirement benefits schemes of the Group is set out in note 38 to the financial statements.

DIRECTORS

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

Executive directors

LO Oi Kwok, Sheree	(appointed on 16 May 2006)
WONG Man Hon, Frederick	(appointed on 13 June 2006)
LIU Xue Lin	(resigned on 13 March 2006)
ZHANG Fang Hong	(resigned on 6 June 2006)
YAO Ke Ming	(resigned on 6 September 2005, reappointed on 1 November 2005 and resigned on 14 January 2006)
NI Ling	(appointed on 6 June 2005 and resigned on 17 January 2006)
SUN Yuming	(appointed on 6 June 2005 and resigned on 1 January 2006)
SHI Hao, Simon	(resigned on 6 June 2005, reappointed on 1 November 2005 and resigned on 9 January 2006)
CHANG Kuan Hsi	(appointed on 6 September 2005 and resigned on 1 January 2006)
LIN Chia Chin	(appointed on 6 September 2005 and resigned on 1 January 2006)
PENG Sheng Bo	(appointed on 1 November 2005 and resigned on 4 April 2006)
Chen Simo	(appointed on 23 February 2006 and removed on 15 June 2006)
QIU Jing	(appointed on 23 February 2006 and removed on 15 June 2006)
CHUNG Wilson	(appointed on 15 May 2006 and removed on 15 June 2006)
YEUNG Ming Kwong	(appointed on 15 May 2006 and removed on 15 June 2006)

Independent non-executive directors

DOUGLAS Gary Drew	(appointed on 9 June 2006)
SHUM Ming Choy, John	(re-designated from non-executive director on 15 June 2006)
KWONG Wai Tim, William	(re-designated from non-executive director on 15 June 2006)
LIU Kwok Fai, Alvan	(resigned on 28 February 2006)
CHOW Siu Tong	(resigned on 15 June 2006)
LAI Ka Chu	(resigned on 3 March 2006)
WONG Tam Yee	(appointed on 28 February 2006 and retired on 15 June 2006)
IP Man Tin, David	(appointed on 28 February 2006 and retired on 15 June 2006)

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Non-executive directors

SHUM Ming Choy, John	(appointed on 16 May 2006 and re-designated to independent non-executive director on 15 June 2006)
KWONG Wai Tim, William	(appointed on 16 May 2006 and re-designated to independent non-executive director on 15 June 2006)
CHENG Keli	(appointed on 12 June 2006 and retired on 15 June 2006)
XU Xuechuan	(appointed on 12 June 2006 and retired on 15 June 2006)
LAM Ping Cheung	(appointed on 16 May 2006 and resigned on 15 June 2006)

In accordance with Bye-Law 102(B) of the Company's Bye-Laws, Messrs. Douglas Gary Drew, Lo Oi Kwok, Sheree, Wong Man Hon, Frederick, Shum Ming Choy, John and Kwong Wai Tim, William 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 2006, none of the directors nor their associates had any interests or short positions in the Shares or underlying Shares of the Company or any of 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").

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INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2006, 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	Nature of interest	Number of underlying shares (long position)	% of issued share capital	Number of shares		% of issued share capital
				Long position	Short position	
Kevin Charles McCabe	Corporate interest	50,036,000*	4.71%	200,000,000	—	18.84%
Scarborough Group Ltd	Interest of controlled corporation	50,036,000*	4.71%	200,000,000	—	18.84%
Scarborough Group Holdings plc	Interest of controlled corporation	50,036,000*	4.71%	200,000,000	—	18.84%
Scarborough Property Company plc	Interest of controlled corporation	50,036,000*	4.71%	200,000,000	—	18.84%
SPC Group plc	Interest of controlled corporation	50,036,000*	4.71%	200,000,000	—	18.84%
Scarborough Developments (China) Limited	Interest of controlled corporation	50,036,000*	4.71%	200,000,000	—	18.84%
Skywill Agents Limited	Interest of controlled corporation	50,036,000*	4.71%	200,000,000	—	18.84%
Scarborough Holdings Limited	Interest of controlled corporation	50,036,000*	4.71%	200,000,000	—	18.84%
Top Flying Investment Limited	Security interest	50,036,000*	4.71%	—	—	—
Top Flying Investment Limited	Registered shareholder	—	—	200,000,000	—	18.84%

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

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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 2006, 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.

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 ex-major shareholder, Open Mission Assets Limited ("Open Mission"), advanced to the Group amounting to HK\$52,218,000 (2005: HK\$11,220,000) and the Company amounting to HK\$32,928,000 (2005: HK\$4,588,000). To show its continuous financial support, Open Mission has agreed to waive the Group HK\$4,921,000 (2005: HK\$2,161,000) and the Company HK\$4,508,000 (2005: HK\$2,039,000) interest accruing on the shareholder's loan. During the year, the Group and the Company repaid Open Mission amounting to HK\$407,000 (2005: HK\$7,493,000) and HK\$Nil (2005: HK\$Nil) respectively. Moreover, Open Mission assigned the amounts of HK\$67,594,000 and HK\$62,871,000 due by the Group and the Company respectively, to Mr. Suen Cho Hung and waived the amount due from the Group of HK\$114,264,000 (2005: HK\$Nil) and the Company of HK\$Nil (2005: HK\$Nil) during the year.

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 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.

On 1 June 2006, receivers were appointed by the Noteholder with regards to the assets charged and a statutory demand from the Noteholder demanding payment of approximately HK\$141,439,000 together with interest due was received on 28 July 2006. Details of further information are set out in note 31 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 2006 and there had been no exercise of convertible securities, options, warrants or similar rights during the year.

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

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

DIRECTORS' INTEREST 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 business of the Company during the year ended 31 March 2006 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 2006, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, except that the non-executive directors and the independent 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.

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 the 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.

OUTLOOK

By considering the Company's significant net current liabilities and net liabilities position, the directors have devoted their effort to improve the liquidity of the Company. The directors and members of the senior management of the Company have embarked on various methods of fund raising. On 16 June 2006, the Company entered into a letter of intent (the "LOI") with Sunderland Properties Limited ("Sunderland") in relation to the grant of an exclusive right to Sunderland for a period of 3 months (the "Exclusive Right") to arrange and procure two additional underwriters to underwrite a rights issue exercise for the Company to raise funds in the approximate amount of HK\$318 million before expenses and to assist the Company in negotiating the settlement plan with the Company's creditors. According to the LOI, the Exclusive Right granted was expired on 16 September 2006. Sunderland has issued a letter on 6 November 2006, which was accepted by the Company, to confirm the extend of the Exclusive Right to 31 December 2006.

Due to Deconsolidation of Subsidiaries, (Goldwiz Tongling and Goldwiz Shenzhen) mentioned as above, the principally activities of the Group for the next financial year is expected to be hotel operations.

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On 1 June 2006, receivers were appointed by Hutchison Hotels Holdings (International) Limited ("HHHIL") with regards to the assets charged by a wholly owned subsidiary of the Company, Pacific Peace in favour of HHHIL that included but not limited to (i) a share mortgage over all the issued shares in the Company's wholly owned subsidiary which holds the entire interest in Harbour Plaza Kunming Co., Ltd. for the hotel operations of Risdon Limited ("Risdon"), incorporating an assignment of the shareholder's loan due from Risdon and (ii) a mortgage over 100% of Risdon's equity interest in the Harbour Plaza, pursuant to the share mortgage deed dated 8 November 2002 entered into between Pacific Peace and HHHIL ("Share Mortgage").

On 28 July 2006, the Company received a statutory demand from HHHIL demanding payment of approximately HK\$141,439,000 together with interest due from the Company to HHHIL within 21 days after the date of service of the statutory demand on the Company.

On 21 August 2006 after the expiry of the 21 days period prescribed in the statutory demand, Hutchison International Limited ("HIL") issued a letter to the Company that HIL has instructed its lawyer to proceed with the issuance of a winding up petition against the Company. On the same date, the receivers issued a letter to the Company that the receivers would sell the assets charged under the Share Mortgage by way of tender and the preparation work for the tender exercise was in the final stage and it was expected to commence in the near future.

Further details are set out in the announcements dated 8 June 2006, 27 July 2006, 31 July 2006 and 28 August 2006 issued by the Company.

Sunderland has issued settlement proposals to HHHIL on 12 June 2006, 21 July 2006, 31 July 2006, 24 August 2006, 19 September 2006, 5 October 2006 and 21 October 2006, respectively.

In Sunderland's settlement proposal dated 21 October 2006, Sunderland offered HK\$70 million payment in cash after the signing of Sale & Purchase Agreement ("S&P") between HHHIL and Sunderland of the overdue convertible note (the "Overdue Note"). And the outstanding balance of the Overdue Note, which is guaranteed by a bank, shall be paid within six months after the signing of the S&P.

On 3 November 2006, HHHIL replied that "given the fact that the Overdue Note was already well past due, and given their security position, HHHIL expected full and upfront (i.e. in one tranche) recovery in cash of entitlements under the Overdue Note and its underlying security."

The directors of the Company and Sunderland is still trying to approach HHHIL and the receiver to settle relevant matters.

AUDITORS

In the preceding three year, CCIF CPA Limited, 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

DOUGLAS Gary Drew

Chairman

Hong Kong, 6 November 2006