

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group consist of the marketing and distribution of electronic components, and the design, manufacture and sale of electronic products. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2005 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 27 to 74.

An interim dividend of HK2.8 cents per ordinary share was paid on 7 January 2005. The directors recommend the payment of a final dividend of HK16 cents per ordinary share in respect of the year, to shareholders on the register of members on 23 August 2005. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There was no movement in either the Company's authorised or issued share capital during the year. Details of the Company's share capital are set out in note 28 to the financial statements.

Details of movements in the Company's share options during the year, together with the reasons therefor, are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law (2004 Revision) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 March 2005, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law (2004 Revision) of the Cayman Islands, amounted to HK\$177,850,000, of which HK\$64,813,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$156,300,000, may be distributed in the form of fully paid bonus shares.

SUMMARY FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 March				
	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	2,287,354	1,771,473	1,689,296	1,194,465	1,100,080
PROFIT/(LOSS) BEFORE TAX	242,376	142,397	17,298	(52,198)	20,907
Tax	(32,266)	(16,427)	(4,732)	(395)	(5,035)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	210,110	125,970	12,566	(52,593)	15,872

ASSETS AND LIABILITIES

	As at 31 March				
	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	1,050,889	794,299	569,373	487,115	500,508
TOTAL LIABILITIES	(576,992)	(487,454)	(357,885)	(316,373)	(316,451)
NET ASSETS	473,897	306,845	211,488	170,742	184,057

DIRECTORS

The directors of the Company during the year and at the balance sheet date were:

Executive directors:

Mr. So Yuk Kwan (*Chairman*)

Mr. Lee Jeong Kwan (*CEO*)

Mr. So Chi On (*CEO*)

Mr. Lai Yat Hung, Edmund

Mr. Lai Yun Wing (resigned on 1 April 2005)

Independent non-executive directors:

Dr. Hon. Lui Ming Wah, SBS, JP

Mr. Charles Edward Chapman

Mr. Wong Ka Kit (appointed on 30 September 2004)

In accordance with articles 95 and 112 of the Company's articles of association, Mr. So Yuk Kwan, Mr. Lee Jeong Kwan and Mr. Wong Ka Kit will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The terms of appointment of the independent non-executive directors will expire when they are required to retire by rotation in accordance with the Company's articles of association.

The Company has received annual confirmation of independence from each of Mr. Lui Ming Wah, Mr. Charles E. Chapman and Mr. Wong Ka Kit pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers the independent non-executive directors to be independent as at the date of this report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2005, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long position in shares of the Company

(a) Interests in shares of the Company

Name of director	Capacity	Number of shares held and nature of interest		Total	Percentage of interest in the Company's issued share capital
		Personal interest	Other interest		
Mr. So Yuk Kwan	Founder of a discretionary trust	–	133,034,300 (<i>Note</i>)	133,034,300	32.84
Mr. Lee Jeong Kwan	Beneficial owner	3,000,000	–	3,000,000	0.74
Mr. So Chi On	Beneficiary of a trust	–	133,034,300 (<i>Note</i>)	133,034,300	32.84
Mr. Lai Yat Hung, Edmund	Beneficial owner	3,742,607	–	3,742,607	0.92
Mr. Lai Yun Wing	Beneficial owner	5,964,900	–	5,964,900	1.47

Note: B.K.S. Company Limited, which is a wholly-owned subsidiary of Credit Cash Limited, is the legal and beneficial owner of 133,034,300 shares of HK\$0.10 each in the issued share capital of the Company. The entire issued share capital of Credit Cash Limited is held by Trident Corporate Services (B.V.I.) Limited, which is the trustee of a discretionary trust, the beneficiaries of which include Mr. So Chi On and other family members of Mr. So Yuk Kwan.

(b) Interests in underlying shares of the Company

The interests of the directors and chief executives in the share options of the Company are separately disclosed in note 29 to the financial statements.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Long position in shares of the Company *(continued)*

Save as disclosed above, as at 31 March 2005, none of the directors or chief executives had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 29 to the financial statements, 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 directors 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2005, so far as is known to, or can be ascertained after reasonable enquiry by the directors and the chief executives of the Company, the persons or corporations (other than the directors and chief executive of the Company) who had interests of 5% or more of the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Long position in shares of the Company

Name	Number of shares held	Percentage of interest in the Company's issued share capital
B.K.S. Company Limited ("BKS")	133,034,300 <i>(Note)</i>	32.84
Credit Cash Limited ("CCL")	133,034,300 <i>(Note)</i>	32.84
Trident Corporate Services (B.V.I.) Limited ("Trident")	133,034,300 <i>(Note)</i>	32.84
Madam Yeung Kit Ling	133,034,300 <i>(Note)</i>	32.84
Madam Leung Hoi Man	133,034,300 <i>(Note)</i>	32.84

Note: 133,034,300 shares in the Company were beneficially held by BKS which is a wholly-owned subsidiary of CCL. CCL is a company wholly-owned by Trident, which is the trustee of a discretionary trust, the beneficiaries of which include Mr. So Chi On, Madam Yeung Kit Ling and other family members of Mr. So Yuk Kwan. Madam Leung Hoi Man is the spouse of Mr. So Chi On. Therefore, BKS, CCL, Trident, Madam Yeung Kit Ling and Madam Leung Hoi Man were interested in the same block of shares.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Save as disclosed above, as at 31 March 2005, the Company has not been notified by any other person or corporation, other than the directors of the Company whose interests are set out above, having interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions amounting to HK\$557,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30.0% of total sales. Purchases from the Group's five largest suppliers for the year accounted for approximately 75.2% of the Group's total purchases and purchases from the largest supplier included therein amounted to approximately 23.4%.

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 suppliers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules (which was in force prior to the amendments on 1 January 2005 and remains applicable for accounting periods commencing before 1 January 2005) throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code as all of the directors, excluding the Managing Director, without limitation to the non-executive directors, are subject to retirement by rotation and are eligible for re-election at the annual general meeting in accordance with the Company's articles of association.

Report of the Directors

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Having made specific enquiries of all the directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

AUDITORS

Ernst & Young 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

So Yuk Kwan

Chairman

Hong Kong

28 July 2005