

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group consist of investment holdings, securities dealing and broking, financing, general import and export trading and property redevelopment and investment. There were no significant changes in the nature of the Group's activities during the year.

### RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 21 to 76.

The Directors do not recommend the payment of final dividend.

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and investment property of the Group are set out in notes 17 and 18 to the financial statements, respectively. Further details of the Group's investment property are set out on page 78.

### PROPERTY HELD FOR REDEVELOPMENT

Details of the property held for redevelopment of the Group are set out in note 19 to the financial statements.

### SHARE CAPITAL

Details of movements in the share capital are set out in note 32 to the financial statements.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda 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 during the year are set out in note 34 to the financial statements. Details of movements in the reserves of the Group during the year are set out on page 25.

## Report of the Directors

### DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for distribution were HK\$77,946,000. Under the laws of Bermuda, the Company's share premium account, in the amount of HK\$35,831,000, may be distributed in the form of fully paid bonus shares.

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 77. This summary does not form part of the audited financial statements.

### DIRECTORS

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

#### *Executive Directors*

Ms. Yeung Han Yi Yvonne

Ms. Chan Chi Mei Miranda

Mr. Wu Ho Fai David (appointed on 13 April 2006)

Ms. Zhang Yuyan (appointed on 13 April 2006)

Mr. Cheung Hoo Win (appointed on 1 June 2006)

Mr. Tam Wing Fai Johnny (Managing Director) (resigned on 1 June 2006)

Mr. Ching Suet Ming (resigned on 1 April 2006)

#### *Independent Non-Executive Directors*

Mr. Lim Man San David (*Chairman*)

Mr. Yeung Shun Kee Edward

Mr. Chow Pat Kan

In accordance with the Company's Bye-laws 99, Mr. Yeung Shun Kee Edward and Ms. Chan Chi Mei Miranda shall retire and be eligible for re-election at the forthcoming annual general meeting.

In accordance with the Company's Bye-laws 102(B), Mr. Wu Ho Fai David, Ms. Zhang Yuyan and Mr. Cheung Hoo Win shall retire and be eligible for re-election at the forthcoming annual general meeting.

### DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2006, the interests and short positions of the directors of the Company (the "Directors") in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein or which were required to be 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 Companies were as follows:

### (a) Interest in ordinary shares of HK\$0.01 each in the Company:

Name of Directors	Number and nature of interest			Shareholding percentage
	Family interests	Personal interests	Total	
Ms. Yeung Han Yi Yvonne ("Ms. Yeung")	369,995,967 (Note)	30,000,000	399,995,967	21.38%
Ms. Chan Chi Mei Miranda	–	39,288	39,288	0.00%

Note:

Mr. Cheung Chi Shing Kenneth ("Mr. Cheung") personally held 299,995,967 shares of the Company. As Mr. Cheung is the sole shareholder of K.Y. Limited ("KY"), he was deemed to have interests in 60,000,000 shares of the Company held by KY and Mr. Cheung is further deemed to be interested in 10,000,000 shares of the Company held by K.C. (Investment) Limited, a wholly owned subsidiary of KY.

Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 369,995,967 shares of the Company that Mr. Cheung is beneficially interested.

## Report of the Directors

### (b) Rights to acquire ordinary shares of HK\$0.01 each in the Company:

Name of Director	Capacity	Number of share options	Exercise period of share options	Exercise price of share options HK\$	Approximately shareholding percentage
Tam Wing Fai Johnny	Beneficial owner	17,000,000	13 Nov 2003- 12 Nov 2006	0.0228	0.91%

*Note:*

The above share options were granted under the share option scheme of the Company. None of the share options has been exercised during the year. Mr. Tam resigned on 1 June 2006 and his options have lapsed accordingly.

All the interests stated above represented long positions. At 31 March 2006, no short positions were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept under Section 352 of the SFO.

Save as disclosed above, at 31 March 2006, none of the directors of the Company had any interest or short position whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

### DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, either direct or indirect, in any contract of significance to the businesses of the Group to which the Company or any of its subsidiaries was a party during the year.

### SUBSTANTIAL SHAREHOLDERS

The Register of Substantial Shareholders maintained under Section 336 of the SFO shows that, at 31 March 2006, the Company had been notified of the following interests in the Company:

	<b>Number of shares</b>	<b>Percentage</b>
Mr. Cheung ( <i>Note 1</i> )	399,995,967	21.38%
Ms. Yeung ( <i>Note 2</i> )	399,995,967	21.38%
Mr. Lin Wen (林文先生) ("Mr. Lin") ( <i>Note 3</i> )	165,050,000	8.82%
Mr. Sun Jin Lin (孫進林先生) ("Mr. Sun") ( <i>Note 3</i> )	150,800,000	8.06%
Mr. Rajkumar M Daswani ( <i>Note 4</i> )	112,411,667	6.01%

*Notes:*

1. Please refer to the note under the heading "Directors' Interest in Securities" for details of Mr. Cheung's beneficial interests in the shares of the Company. Mr. Cheung is the spouse of Ms. Yeung and accordingly deemed to be interested in the 30,000,000 shares of the Company beneficially interested by Ms. Yeung.
2. Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 369,995,967 shares beneficially interested by Mr. Cheung.
3. The interests of Mr. Lin and Mr. Sun are set out based on their notifications given to the Company on 20 August 2002 pursuant to the SFO. The Company wrote to Mr. Lin and Mr. Sun to inquire their then shareholdings in the Company on 14 June 2004. On 13 December 2004, the Company received a letter from Mr. Lin, claiming that he held approximately 5 million shares of the Company, which was substantially different from the record of Mr. Lin's interests available from the web site of the Stock Exchange and the Company. The Company tried to seek valid notification under the SFO from Mr. Lin and Mr. Sun. However, up to the date of this annual report, the Company had not received any further response from Mr. Lin or Mr. Sun.
4. The interests of Mr. Rajkumar M Daswani are set out based on his notification given to the Company on 1 April 2004 pursuant to the SFO. On 7 December 2004, the Company wrote to Mr. Rajkumar M Daswani for his shareholding in the Company and received a letter dated 13 December 2004 from Mr. Rajkumar M Daswani that he and Shalini R Daswani in joint account held 114,731,667 shares of the Company as at 30 September 2004. The Company didn't receive valid notification pursuant to the SFO from Shalini R Daswani.

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

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

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's single largest and five largest customers combined accounted for 17% and 45%, respectively, of the Group's total sales, whereas purchases from the Group's single largest and five largest suppliers combined accounted for 15% and 57%, respectively, of the Group's total purchases.

None of the Directors 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 its Directors as at the latest practicable date prior to the issue of this report, the public float of the share of the Company is sufficient.

### AUDITORS

Li, Lai & Cheung will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Li, Lai & Cheung as auditors and to authorise the Board to fix their remuneration.

On behalf of the Board

**Wu Ho Fai David**

*Director*

Hong Kong, 21 July 2006