

Directors' Report

The directors of the Company present their annual report together with the audited consolidated financial statements of the Group for the year ended 31st March, 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries during the year were property investment and development.

RESULTS

The results of the Group for the year ended 31st March, 2006 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 30 to 67.

DIVIDEND

The directors do not recommend the payment of a dividend (2005: Nil).

SHARE CAPITAL

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 17 to the consolidated financial statements respectively.

MAJOR PROPERTIES

Particulars of the Group's major completed properties for sale are set out on page 68.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 32.

DONATIONS

During the year, the Group had not made any charitable and other donations (2005: Nil).

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 69 and 70.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st March, 2006 were as follows:

	2006 HK\$'000	2005 HK\$'000
Contributed surplus	191,810	191,810
Retained profits	125,923	127,511
	317,733	319,321

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Directors' Report

DIRECTORS

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

Executive Directors

Mr. Lee Lap
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

Independent Non-executive Directors

Dr. Lee Tung Hai, Leo, G.B.S., LL.D., J.P.
Mr. Chan Siu Kang
Mr. Lo Yiu Hee

Non-executive Director

Mr. Lee Ka Sze, Carmelo

In accordance with the Company's Bye-laws 99, Mdm. Leung Lai Ping and Mr. Lee Ka Sze, Carmelo shall retire from the board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. In addition, Mr. Lee Lap shall be subject to and offer himself for re-election at the forthcoming Annual General Meeting.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company pursuant to paragraph 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the independent non-executive directors and non-executive director has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company from 30th September, 2004 to 31st December, 2006. The appointment shall terminate on the earlier of (i) 31st December, 2006, or (ii) the date on which the director ceases to be director for any reasons pursuant to the Bye-laws of the Company or any other applicable laws.

Other than the aforesaid, none of the directors had any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Lee Lap, aged 63, is the Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has been actively involved in the printed circuit board and electronics industry in Hong Kong since 1968. Mr. Lee is responsible for overall policy and decision making and business development of the Group. Mr. Lee is an honorary citizen of Zhongshan, Shenzhen and Guangzhou in PRC.

Madam Leung Lai Ping, aged 57, is the wife of Mr. Lee Lap. She has been involved in overall policy and decision making and general administration of the Group since 1968.

Mr. Wong Shiu Kee, aged 42, is the Finance Director of the Company. He first joined the Company in 1991 and rejoined the Company in October, 2000. With over 20 years of experience in financial management, he is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and is also a qualified Chartered Secretary designated as ACIS and ACS.

Independent Non-executive Directors

Dr. Lee Tung Hai, Leo, G.B.S., LL.D., J.P., aged 84, is the Chairman of Tung Tai Group of Companies and an independent non-executive or non-executive director of several public listed companies in Hong Kong, including Beijing Enterprises Holdings Limited, K. Wah International Holdings Limited, Asia Financial Holdings Limited, Liu Chong Hing Investment Limited and Shell Electric Mfg. (Holdings) Co., Ltd. In the past three years, Dr. Lee was a former independent non-executive director of Prime Investments Holdings Limited. He is a member of a number of public services committees and heads many social service organisations, including as an Advisor of the Advisory Board of the Tung Wah Group of Hospitals, Chairman of the Association of Chairmen of the Tung Wah Group of Hospitals, Chairman of Friends of Hong Kong Association and Vice President of the China Overseas Friendship Association. Dr. Lee served as a Standing Committee Member of the eighth and ninth National Committee of the Chinese People's Political Consultative Conference; an Adviser on Hong Kong Affairs to Hong Kong & Macau Affairs Office of the State Council and Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for the Hong Kong Special Administrative Region; and a member of the Selection Committee for the first Government of the HKSAR. He has been honoured with awards by different governments, which include Cavaliere di Gran Croce of Italy, O.B.E. of Great Britain, Chevalier Legion d'Honneur of France, Commandeur de l'Ordre de Leopold II of Belgium and Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Dr. Lee has over 40 years of experience in business management.

Mr. Chan Siu Kang, aged 69, is a graduate of the National Taiwan University with bachelor's degree in Electrical Engineering. Mr. Chan has 30 years' manufacturing and senior management experience in the electronics industry. Among which, he has held 20 years in the role as general manager and director.

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Mr. Lo Yiu Hee, aged 48, holds a master's degree in business administration from the Chinese University of Hong Kong. Mr. Lo is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lo has over 20 years of experience in finance and accounting in various listed companies. Mr. Lo was the former executive director of BEP International Holdings Limited, a company listed in Hong Kong. Mr. Lo is presently the Vice Chairman of the Hong Kong General Chamber of Textiles Limited and the Councilor of the CPA Australia, Hong Kong China Division.

Non-Executive Director

Mr. Lee Ka Sze, Carmelo, aged 46, has been an independent non-executive director of the Company since March, 1997. On 30th September, 2004, he was re-designated as a non-executive director of the Company. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and a partner of Woo, Kwan, Lee & Lo.

SENIOR MANAGEMENT

The directors are closely involved in and are directly responsible for all activities of the Group. The board of directors considers that only the above-mentioned three Executive Directors are regarded as members of the Group's senior management.

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of directors and senior employees are set out in note 12 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 31st March, 2006, the interests of the Company's directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), were as follows:

(A) Long Positions in the Shares of the Company

Name of directors	Number of ordinary shares of HK\$0.08 each held				Total	Percentage of total issued shares
	Personal interest	Family interest	Corporate interest	Other interest		
Mr. Lee Lap	37,500,000	37,500,000 <i>(note 2)</i>	884,752,780 <i>(note 1)</i>	–	959,752,780	57.66%
Mdm. Leung Lai Ping	37,500,000	922,252,780 <i>(note 3)</i>	–	–	959,752,780	57.66%

Notes:

- (1) The shares included under the corporate interest of Mr. Lee Lap refer to the 884,752,780 shares held by Lee & Leung (B.V.I.) Limited of which Mr. Lee Lap and his spouse, Mdm. Leung Lai Ping, are owners holding 68% and 32% of its issued share capital respectively.
- (2) The shares held under family interest of Mr. Lee Lap refer to the 37,500,000 shares held by Mdm. Leung Lai Ping under her personal interest.
- (3) The shares held under family interest of Mdm. Leung Lai Ping refer to the 37,500,000 shares held by Mr. Lee Lap under his personal interest and 884,752,780 shares under his corporate interest.

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(B) Long Positions in Shares of Associated Corporations

Name of directors	Name of subsidiary	Number of non-voting deferred shares held
Mr. Lee Lap	Applied Industrial Company Limited	1,000
	Lee Plastics Manufacturing Company Limited	250,000
	Magnetic Electronics Limited	5,000
	Termbray Electronics Company Limited	7,000
Mdm. Leung Lai Ping	Applied Industrial Company Limited	1,500
	Lee Plastics Manufacturing Company Limited	250,000
	Termbray Electronics Company Limited	3,000

Note: All the above non-voting deferred shares are held by the above directors personally as beneficial owners.

(C) Long Positions in Shares Options Granted by the Company

Name of directors	Number of share options outstanding at 1st April, 2005 and 31st March, 2006	Percentage of total issued shares
Mr. Lee Lap	30,000,000	1.80%
Mdm. Leung Lai Ping	30,000,000	1.80%

Note: These share options were granted at an aggregate consideration of HK\$2 on 31st August, 2001 under the share option scheme approved by the shareholders of the Company on 22nd August, 2001 and are exercisable at HK\$0.261 per share at any time between 1st October, 2001 and 30th September, 2006. No options to subscribe for shares in the Company were granted, exercised, lapsed or cancelled during the year. No other share option was outstanding during the year.

Apart from the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Saved as disclosed herein, as at 31st March, 2006, none of the directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.



DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group had entered into transactions with Panda Investment Company Limited (“Panda Investment”) as described in notes 34(a) and (b) to the consolidated financial statements. Mr. Lee Lap and Mdm. Leung Lai Ping have controlling interests in Panda Investment.

During the year, the Group’s property has been leased to Mr. Lee Wing Keung, the son of Mr. Lee Lap, details of which are disclosed in the section headed “Connected Transaction”.

Save as aforementioned, no other contracts of significance in relation to the Group’s business to which the Company, its holding company or any of its subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Listing Rules, the Company discloses that Mr. Lee Lap and Mdm. Leung Lai Ping are interested in companies engaged in property investment and development in Mainland China and Hong Kong (“Competing Business”).

The board of directors of the Company has established procedures to identify any conflict of interest due to the interests of Mr. Lee Lap and Mdm. Leung Lai Ping. If conflict of interest arises, Mr. Lee Lap and Mdm. Leung Lai Ping will abstain from participating in making any decision. The Company is therefore capable of carrying on its business independently of, and at arm’s length from the Competing Business.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

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SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2006, the person interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

(A) Ordinary Share of the Company

Name of shareholders	Capacity	Number of issued ordinary shares of HK\$0.08 each held	Percentage of the issued share capital of the Company
Mr. Lee Lap	Beneficial owner, held by controlled corporation and held by spouse	959,752,780 (note 1)	57.66%
Mdm. Leung Lai Ping	Beneficial owner, held by controlled corporation and held by spouse	959,752,780 (note 1)	57.66%
Lee & Leung (B.V.I.) Limited (note 2)	Beneficial owner	884,752,780	53.15%
Cosmo Telecommunication Inc. (note 3)	Beneficial owner	151,202,960	9.08%
Ms. Jing Xiao Ju	Held by controlled corporation	151,202,960	9.08%
East Glory Trading Limited (note 4)	Beneficial owner	103,397,540	6.21%
Master Winner Limited (note 4)	Held by controlled corporation	103,397,540	6.21%
Mr. Yuan Qinghua	Held by controlled corporation	103,397,540	6.21%

Notes:

- (1) It represents 884,752,780 shares held by Lee & Leung (B.V.I.) Limited, 37,500,000 shares held by himself/herself and 37,500,000 shares of the Company held by his/her spouse.
- (2) Lee & Leung (B.V.I.) Limited is owned 68% by Mr. Lee Lap and 32% by his spouse, Mdm. Leung Lai Ping and its interest in the issued share capital of the Company is included in the interest held by Mr. Lee Lap and Mdm. Leung Lai Ping respectively.
- (3) Cosmo Telecommunication Inc. is a wholly owned by Ms. Jing Xiao Ju.
- (4) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

(B) Share Option

Name	Capacity	Number of share options	Number of underlying shares
Mr. Lee Lap	Beneficial owner	30,000,000	30,000,000
Mdm. Leung Lai Ping	Beneficial owner	30,000,000	30,000,000

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31st March, 2006.

CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Listing Rules, the Company discloses the following continuing connected transaction entered into during the year:

On 11th March, 2005, Termbray (Fujian) Land Development Company Limited, a wholly owned subsidiary of the Company, as lessor and Mr. Lee Wing Keung as lessee entered into a lease agreement, pursuant to which the lessee will lease a residential property in the Hong Kong Island with a saleable area of approximately 306 square metres from the lessor for a term of three years commencing on 16th March, 2005 at a monthly rent of HK\$120,000 (inclusive of rates, management fees, utility charges and maintenance fees of security alarm system) for domestic purposes.

The rental income earned by the Group during the current year is HK\$1,440,000 (2005: HK\$62,000).

Mr. Lee Wing Keung is the son of Mr. Lee Lap, Chairman and Chief Executive Officer of the Company, and, as such, is treated as an associate of Mr. Lee Lap under Rule 14A.11(4)(b) of the Listing Rules and thereby is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the signing of the lease agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

The independent non-executive directors of the Company have reviewed the above transaction and opined that the connected transaction has been entered into:

- (i) in the ordinary and usual course of business of the Company, and
- (ii) on normal commercial terms, and
- (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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SHARE OPTION SCHEME

A share option scheme of the Company was adopted on 22nd August, 2001 as an incentive to the employees of the Group. The directors may, at their discretion, invite full time employees including executive directors of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the directors which will be the higher of a price being not less than 80% of the average closing prices of the shares of the Company on the five trading days immediately preceding the date on which the option is offered or the nominal value of a share. The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised or cancelled and shares in respect of which any options remain outstanding) under the scheme and any other share option schemes will not exceed 10% of the issued share capital of the Company from time to time, excluding any shares issued on exercise of options granted pursuant to the scheme. No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares, exceeding 25% of the aggregate number of shares for the time subject to the scheme. The offer of a grant of share option may be accepted within 28 days from the date of offer with a payment of nominal consideration of HK\$1.00 by the grantee. Each option gives the holder the right to subscribe for one share at the relevant exercise price. The exercisable period of an option should not exceed a period of five years commencing on the expiry of a period of not less than one month after the option is accepted. Full amount of the subscription price of the share must be paid upon the exercise of options.

The scheme will remain in force for a period of ten years commencing on 22nd August, 2001.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") amended the rules for share option schemes under the Listing Rules. The new requirements have become effective from 1st September, 2001 and render some of the provisions of the Company's share option scheme, including the basis of determining the subscription price, no longer applicable. According to the Listing Rules, the subscription price of the options will be determined as the highest of (i) the nominal value of the share of Company, (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option, and (iii) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option. Unless approved by shareholders of the Company in the manner as set out in the Listing Rules, the total number of shares issued and to be issued upon exercise of the options granted to each employee (other than directors of the Group), including both exercised and outstanding options, in any 12 months period must not exceed 1% of the shares of the Company in issue.

On 31st August, 2001, the Company granted pursuant to the scheme to each of Mr. Lee Lap and Mdm. Leung Lai Ping, both being directors of the Company, options to subscribe for 30,000,000 shares at an exercise price of HK\$0.261 per share exercisable at any time between 1st October, 2001 to 30th September, 2006.

During the year, no option was granted, exercised, lapsed nor cancelled pursuant to the scheme. All the said options granted under the scheme, of which 60,000,000 shares to be subscribed for, remained outstanding as at 31st March, 2006.

PROVIDENT FUND SCHEME

The Group has a mandatory provident fund scheme (“MPF Scheme”) managed by a banking group. All staff employed in Hong Kong joined the MPF Scheme. The MPF Scheme is a defined contribution scheme and the assets of which are held separately from those of the Group in independently administered funds. Both of the employer and the employee are required to make mandatory contributions to the MPF Scheme calculated at 5% of the employee’s monthly relevant income, subject to the rules and regulations of the Mandatory Provident Fund Schemes Ordinance. As at 31st March, 2006, the Group had no forfeited contributions (2005: Nil) available to offset future employers’ contributions to the MPF Scheme.

The employees of the Company’s subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefit scheme is to make the specified contributions.

The contribution made by the Group charged to the consolidated income statement in respect of the year are as follows:

	2006 HK\$’000	2005 HK\$’000
Gross employers’ contributions	117	104
Less: Forfeited contributions	–	–
Net contributions	117	104

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, as of the date of this report, there is sufficient public float of the shares of the Company with not less than 25% of the total issued shares of the Company as required under the Listing Rules.

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Bye-laws although there are no statutory restrictions against such rights under the laws in Bermuda.

Directors' Report

AUDITORS

The consolidated financial statements for the three years ended 31st March, 2006 were audited by Messrs. Deloitte Touche Tohmatsu.

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

Lee Lap

Chairman & CEO

Hong Kong, 7th July, 2006