

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 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the Group was principally engaged in the trading of logs. In the prior year, the Group was also principally involved in the provision and installation of fire-rated timber door sets and the provision of interior decoration and renovation services. These activities were minimal in the current year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 66.

The directors do not recommend the payment of any dividends in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities 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 68. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and investment property of the Company and the Group during the year are set out in note 6 & 7 to the financial statements.

SHARE CAPITAL

There were 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 14 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Report of the Directors (Continued)

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 15 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's had no reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended) (2005: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 100% of the total sales for the year and sales to the largest customer included therein amounted to 99%. The Group's sole supplier accounted for 100% of the total purchases for the year.

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 or the sole supplier.

DIRECTORS

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

Executive directors:

Mr. Lum Chor Wah, Richard

Mr. Pun Yuen Sang

Mr. Tang Hin Keung, Alfred

Mr. Yeung Tony Ming Kwong (resigned on 30 November 2005)

Independent non-executive directors:

Mr. Leung Chi Hung

Mr. Tsui Robert Che Kwong

Mr. Lam Allan Shu Cheuk

In accordance with the Company's bye-laws, Mr. Lum Chor Wah, Richard and Mr. Pun Yuen Sang will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of the independence from Mr. Leung Chi Hung, Mr. Tsui Robert Che Kwong and Mr. Lam Allan Shu Cheuk, and still considers them to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 13 to 14 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Pun Yuen Sang and Tang Hin Keung, Alfred, have each entered into a service contract with the Company for a term of two years commencing from 1 July 2002, which shall continue thereafter until terminated by either party giving to the other not less than six month's prior written notice, with such notice not expiring earlier than 1 July 2004.

Lum Chor Wah, Richard, has entered into a service contract with the Company for a term of two years commencing from 1 August 2004, which shall continue thereafter until terminated by either party giving to the other not less than six month's prior written notice, with such notice not expiring earlier than 1 August 2006.

Mr. Yeung Tong Ming Kwong had entered into a service contract with the Company for a term of two years commencing on 1 August 2005, which shall continue thereafter until terminated by either party giving to the other not less than six month's prior written notice, with such notice not expiring earlier than 1 August 2007. The service contract was mutually terminated by the Company and Mr. Yeung Tony Ming Kwong on 30 November 2005 as Mr. Yeung Tony Ming Kwong has resigned as a director of the Company on the same day.

Apart from the foregoing, no director has entered into any service agreements with any members of the Group (excluding contracts expiring or determinable by the employee within one year without payment of compensation other than statutory compensation).

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 14(b).

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (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, were as follows:

Long positions in ordinary shares of the Company:

Name of director		Number of shares held through controlled corporation	Percentage of the Company's issued share capital
Mr. Tang Hin Keung, Alfred	<i>Note</i>	134,400,000	20.00
Mr. Pun Yuen Sang	<i>Note</i>	134,400,000	20.00

Note:

Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang are interested in these shares through Pan-Star Nominees Limited, a company which is 40%, 30% and 30% beneficially owned by Mr. Wei Ming, Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang, respectively.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2006, none of the directors had registered an interest or short position in the shares, underlying shares or 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 for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 14(b) 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 director of the Company or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the following interests and underlying shares of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Smart Town Holdings Limited	1	Directly beneficially owned	369,600,000	55.00
Mr. Yeung Tony Ming Kwong	1	Through a corporation	369,600,000	55.00
Mr. Liu Ching Hua	1	Through a corporation	369,600,000	55.00
Ms. Ho Wai Chun Priscilla	2	Interest of spouse	369,600,000	55.00
Ms. Lam Ngar Lan	3	Interest of spouse	369,600,000	55.00
Pan-Star Nominees Limited	4	Directly beneficially owned	134,400,000	20.00
Mr. Wei Ming	4	Through a corporation	134,400,000	20.00

Notes:

- (1) The ordinary shares are held by Smart Town Holdings Limited, which is 50% beneficially owned by Mr. Yeung Tony Ming Kwong and 50% beneficially owned by Mr. Liu Ching Hua.
- (2) Ms. Ho Wai Chun Priscilla is the spouse of Mr. Yeung Tony Ming Kwong, who beneficially owns 50% of the shareholdings of Smart Town Holdings Limited.
- (3) Ms. Lam Ngar Lan is the spouse of Mr. Liu Ching Hua, who beneficially owns 50% of the shareholdings of Smart Town Holdings Limited.
- (4) The ordinary shares are held by Pan-Star Nominees Limited, which is 40%, 30% and 30% beneficially owned by Mr. Wei Ming, Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang, respectively.

Save as disclosed above, as at 31 March 2006, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report of the Directors (Continued)

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, being the latest practicable date prior to the date of this report.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in note 34 to the financial statements.

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, 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, but are subject to retirement by rotation in accordance with the Company's bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 21 to 26.

AUDITORS

On 23 May 2006, Ernst & Young resigned as auditors of the Company and HLB Hodgson Impey Cheng were appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the reappointment of HLB Hodgson Impey Cheung as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lum Chor Wah, Richard
Chairman

Hong Kong
20 July 2006