

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. Details of the principal activities of the principal subsidiaries and associate are set out in notes 18 and 19 to the financial statements, respectively. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS AND BONUS ISSUE OF SHARES

The Group's profit 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 24 to 100.

The Board of Directors recommend the payment of a final dividend of HK7 cents per ordinary share (2005: HK12 cents) in respect of the year to shareholders on the register of members on 17 August 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet. Together with the interim dividend of HK3 cents per ordinary share distributed in January 2006, this represents a total dividend of HK10 cents per ordinary share (2005: HK15 cents) for the year.

PROPOSED BONUS ISSUE OF SHARES

The Board of Directors has also resolved to recommend a bonus issue of shares of HK\$0.10 each in the share capital of the Company on the basis of one bonus share (the "Bonus Share(s)") for every ten existing shares held by shareholders of the Company whose name appear on the register of members of the Company at the close of business on 17 August 2006. The Bonus Shares will rank pari passu in all respects with the existing issued shares except that they will not carry any right to receive the final dividend for the year ended 31 March 2006.

The bonus issue is conditional upon (a) the approval of the shareholders of the Company; (b) the granting by the Bermuda Monetary Authority of the relevant permissions in respect of the bonus issue (if required); and (c) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the Bonus Shares. A circular, containing, among other matter, details of the bonus issue will be sent to shareholders of the Company in due course.

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 restated/reclassified as appropriate, is set out on page 104. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the Company and the Group and the investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 101 to 102.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 16 to the financial statements. Further details of the Group's properties under development are set out on page 103.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

Details of movements in the Company's convertible notes, share capital and share options during the year, together with the reasons therefor, are set out in notes 31, 33 and 34 to the financial statements, respectively.

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$229,109,000 (2005: HK\$252,901,000 as restated). In addition, the Company's share premium account, in the amount of HK\$422,291,000 (2005: HK\$372,362,000), may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the total sales for both of the current and prior years. In the year under review, purchases from the Group's five largest suppliers accounted for 83% (2005: 71%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 40% (2005: 45%) 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 and five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Tang Ching Ho

Ms. Yau Yuk Yin

Mr. Chan Chun Hong, Thomas

Independent non-executive directors:

Dr. Lee Peng Fei, Allen, CBE, JP

Mr. Wong Chun, Justein, MBE, JP

Mr. Siu Yim Kwan, Sidney, S.B.St.J.

Mr. Siu Kam Chau

In accordance with clause 87 of the Company's bye-laws, Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas and Mr. Siu Yim Kwan, Sidney will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Dr. Lee Peng Fei, Allen, Mr. Wong Chun, Justein, Mr. Siu Yim Kwan, Sidney and Mr. Siu Kam Chau and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 of the annual report.

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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 41 to the financial statements, 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 or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2006, the interests of the directors in the share capital, underlying shares and debentures 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 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, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse	Through controlled corporation	Other		
Mr. Tang Ching Ho	737,226	737,224 (Note (a))	2,696,672 (Note (b))	31,192,155 (Note (c))	35,363,277	15.74
Ms. Yau Yuk Yin	737,224	3,433,898 (Note (d))	–	31,192,155 (Note (e))	35,363,277	15.74

Notes:

- (a) Mr. Tang Ching Ho was taken to be interested in those shares in which his spouse, Ms. Yau Yuk Yin, was interested.
- (b) Mr. Tang Ching Ho was taken to be interested in those shares in which Caister Limited, a company which is wholly and beneficially owned by him, was interested.
- (c) Mr. Tang Ching Ho was taken to be interested in those shares by virtue of being the founder of a discretionary trust, namely, the Tang's Family Trust.
- (d) Ms. Yau Yuk Yin was taken to be interested in those shares in which her spouse, Mr. Tang Ching Ho, was interested.
- (e) Ms. Yau Yuk Yin was taken to be interested in those shares by virtue of being a beneficiary of the Tang's Family Trust.

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 under the heading "Directors' interests and short positions in shares and underlying shares and debentures" above and in the share option scheme disclosures in note 34 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 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.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 34 to the financial statements.

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

At 31 March 2006, the following interests of 5% or more of the issued share capital 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:

Name	Notes	Number of shares	Percentage of the Company's issued share capital
Accord Power Limited		31,192,155	13.89%
Trustcorp Limited	(a)	31,192,155	13.89%
Newcorp Ltd.	(b)	31,192,155	13.89%
Newcorp Holdings Ltd.	(c)	31,192,155	13.89%
Mr. David Henry Christopher Hill	(d)	31,192,155	13.89%
Ms. Rebecca Ann Hill	(e)	31,192,155	13.89%
Mr. David William Roberts	(f)	31,192,155	13.89%

Notes:

- (a) Accord Power Limited is wholly owned by Trustcorp Limited in its capacity as the trustee of the Tang's Family Trust. Accordingly, Trustcorp Limited was taken to be interested in those shares held by Accord Power Limited.
- (b) Trustcorp Limited is a wholly-owned subsidiary of Newcorp Ltd.; accordingly, Newcorp Ltd. was taken to be interested in those shares in which Trustcorp Limited was interested.
- (c) Newcorp Ltd. is wholly-owned subsidiary of Newcorp Holdings Ltd.; accordingly, Newcorp Holdings Ltd. was taken to be interested in those shares in which Newcorp Ltd. was interested.
- (d) Mr. David Henry Christopher Hill owned 35% interest in the issued share capital of Newcorp Holdings Ltd. and was therefore taken to be interested in the shares in which Newcorp Holdings Ltd. was interested.
- (e) Ms. Rebecca Ann Hill is the spouse of Mr. David Henry Christopher Hill and was therefore taken to be interested in the shares in which Mr. David Henry Christopher Hill was interested.
- (f) Mr. David William Roberts owned 35% interest in the issued share capital of Newcorp Holdings Ltd. and was therefore taken to be interested in the shares in which Newcorp Holdings Ltd. was interested.

Save as disclosed above, as at 31 March 2006, no persons, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" 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.

CORPORATE GOVERNANCE

The Company is committed to maintain 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 10 to 15.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDIT COMMITTEE

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 40 to the financial statements.

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

Tang Ching Ho
Chairman

Hong Kong, 14 July 2006