

Directors' Report

The Directors are pleased to present their report together with the audited financial statements for the Group and the Company for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associated companies are shown in notes 13-14 and 30 to the financial statements. An analysis of the Group's turnover and contribution to results by principal activity of operations is set out in note 3 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 22.

The Directors recommend the payment of a final dividend for the year ended 31 March 2006 at the rate of HK1.20 cents (2005: HK1.00 cent) per share, payable on 9 October 2006 to all persons registered as shareholders on 8 September 2006. The transfer of books and register of members of the Company will be closed from 5 September 2006 to 8 September 2006, both days inclusive. Payment of the final dividend is conditional upon the passing of an ordinary resolution at the forthcoming annual general meeting.

SHARE CAPITAL AND RESERVES

Details of movements in issued share capital and reserves during the year are set out in notes 19 and 20 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 62.

FIXED ASSETS

Details of movements in fixed assets are set out in note 12 to the financial statements.

MAJOR SUBSIDIARIES

Details of the major subsidiary companies as at 31 March 2006 are set out in note 30 to the financial statements.

LOANS AND BORROWINGS

Details of loans and borrowings are set out in note 21 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers being trade customers and tenants of the Group accounted for 25% of the Group's turnover, the largest trade customer accounting for 6%. The five largest suppliers of goods and services accounted for 38% of the Group's expenditure on goods and services, the largest supplier of goods and services accounting for 17%.

DONATIONS

During the year, the Group has made charitable donations amounting to HK\$10,000 (2005: HK\$15,000).

DIRECTORS

The Directors in office during the year and up to the date of this report were:

Executive Directors

Mrs. Rossana WANG GAW

Mr. Goodwin GAW

Mr. Kenneth GAW

Ms. Jane Kwai Ying TSUI

Independent Non-executive Directors

Dr. Charles Wai Bun CHEUNG, JP

The Hon. Bernard Charnwut CHAN

Mr. Arnold Tin Chee IP

and their biographical details are set out on pages 14 to 15.

In accordance with the Company's Bye-Laws, Ms. Jane Kwai Ying Tsui and Mr. Arnold Tin Chee Ip retire, and being eligible, offer themselves for re-election.

Neither Ms. Jane Kwai Ying Tsui nor Mr. Arnold Tin Chee Ip has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation other than statutory compensation.

Directors' Report

DISCLOSURE OF DIRECTORS' INTERESTS

As at 31 March 2006, the following Directors of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

Long position in shares of the Company

	Personal interests	Interests held by controlled corporation	Interests held by family trust	Total	%
Rossana Wang Gaw	–	15,934,364 ¹	123,148,701 ³	139,083,065	18.08
Kenneth Gaw	1,805,527	8,453,375 ²	27,537,243 ⁴	37,796,145	4.91
Jane Kwai Ying Tsui	600,750	–	–	600,750	0.08

1 Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,934,364 shares.

2 Mr. Kenneth Gaw owns the entire issued share capital of Fortune South China Limited, which was beneficially interested in 8,453,375 shares.

3 Family trust of which Mrs. Rossana Wang Gaw is the sole beneficiary held an aggregate of 123,148,701 shares.

4 Family trust of which Mr. Kenneth Gaw is a beneficiary held an aggregate of 27,537,243 shares.

Long position in underlying shares of the Company

	Number of share options	Exercise price (HK\$)	Date of grant	Exercise period
Rossana Wang Gaw	8,389,277	1.5405	06/03/97	06/03/97 to 05/03/07
Goodwin Gaw	9,931,596	1.8897	24/10/96	24/10/96 to 23/10/06
	7,711,593	1.5405	06/03/97	06/03/97 to 05/03/07
Kenneth Gaw	9,931,596	1.8897	24/10/96	24/10/96 to 23/10/06
	7,711,593	1.5405	06/03/97	06/03/97 to 05/03/07
Jane Kwai Ying Tsui	2,336,847	1.8897	24/10/96	24/10/96 to 23/10/06
	2,336,846	1.5405	06/03/97	06/03/97 to 05/03/07

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Long position in shares of associated companies

Name of company	Name of director	Number of shares held by controlled corporation	%
Grandsworth Pte. Ltd.	Rossana Wang Gaw	1*	50.0
Grandsworth Pte. Ltd.	Kenneth Gaw	1*	50.0
Pioneer Hospitality Siam (GBR) Ltd.	Rossana Wang Gaw	475,000*	47.5
Pioneer Hospitality Siam (GBR) Ltd.	Kenneth Gaw	475,000*	47.5
Keencity Properties Ltd.	Rossana Wang Gaw	4,721,034*	47.5
Keencity Properties Ltd.	Kenneth Gaw	4,721,034*	47.5
Pioneer iNetwork Ltd.	Rossana Wang Gaw	1*	50.0
Pioneer iNetwork Ltd.	Kenneth Gaw	1*	50.0

* Interested by Mrs. Rossana Wang Gaw and Mr. Kenneth Gaw represented the same interests and were therefore duplicated amongst these two directors for the purpose of the SFO.

Save as disclosed above, as at 31 March 2006, none of the Directors of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

DISCLOSURE OF SHAREHOLDERS' INTERESTS

As at 31 March 2006, so far as the Directors were aware, the following persons (other than a director or chief executive of the Company) who had interests or long or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Long positions of shareholders in shares of the Company

Name of shareholder	Number of shares	%
Asset-Plus Investments Ltd.	68,076,076	8.85
Forward Investments Inc.	181,388,105	23.58
Intercontinental Enterprises Corporation	123,148,701	16.01
Prosperous Island Limited	65,939,293	8.57

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Long positions of other persons in the shares of the Company

	Interests held by controlled corporation	Interests held by family trust	Total	%
Rossana Wang Gaw	15,934,364 ¹ (L)	123,148,701 ² (L)	139,083,065	18.08

1 Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,934,364 shares.

2 Family trust of which Mrs. Rossana Wang Gaw is the sole beneficiary held an aggregate of 123,148,701 shares.

L: Long position in shares

Save as disclosed above, the Directors were not aware of any other persons (other than a director or chief executive of the Company) who, as at 31 March 2006, had interests or long or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract with any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

No Director had a material beneficial 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.

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

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda, the jurisdiction in which the Company was incorporated.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of the annual report, there was a sufficient public float of the Company.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 16 to 20.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the shares of the Company.

SHARE OPTION SCHEME

Details of share option scheme are set out in note 27 to the financial statements.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as “related parties” under the applicable accounting standards. Details of these transactions are set out in note 28 to the financial statements.

AUDITORS

During the year, Fan Mitchell & Co. resigned and Wong Brothers & Co was appointed as auditors of the Company to fill the casual vacancy. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Wong Brothers & Co as auditors of the Company.

On Behalf of the Board

Rossana Wang Gaw

Chairman

Hong Kong, 11 July 2006