

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries were principally engaged in the publication of comics books, multimedia development and operation of restaurants in Hong Kong. On 30 April 2005, the Group completed the discontinuation of its restaurant operations.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2006, the largest and the top five suppliers of the Group accounted for approximately 21% and 35% respectively of the Group's total purchases. The largest and the top five customers of the Group accounted for approximately 49% and 91% respectively of the Group's total turnover.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have a beneficial interest in any of the Group's five largest suppliers or customers during the year.

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 37.

An interim dividend of HK0.2 cent per share amounting to HK\$1,582,000 was paid to shareholders during the year. The directors now recommend the payment of a final dividend of HK0.2 cent per share to the shareholders on the register of members on 23 August 2006, amounting to HK\$1,849,000, and the retention of the remaining profit in reserves.



DISTRIBUTABLE RESERVES

In addition to accumulated profits, under the Bermuda Companies Act, the contributed surplus account of the Company is also available for distribution to its shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 March 2006 is HK\$104,768,000 (2005: 98,348,000).

SHARE CAPITAL

During the year, convertible notes with an aggregate principal amount of HK\$50,133,600 were converted into 100,267,200 ordinary shares of HK\$0.02 each at HK\$0.5 per share.

During the year, registered holders of share options exercised their rights to subscribe for the 29,984,000 ordinary shares. At the balance sheet date, the Company had outstanding 31,808,000 share options. Exercise in full of such options would result in the issue of 31,808,000 additional shares.

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

CONVERTIBLE NOTES

Convertible notes (the "Notes") of the Company were issued on 19 October 2004 upon completion of the agreement for the sale and purchase of 49% equity interests in Jade Dynasty Holdings Limited ("JDH") dated 17 August 2004. The Notes are convertible into shares of the Company at a price of HK\$0.5 (subject to adjustments) and will be matured on 18 October 2007. The Notes bear interest on the outstanding principal from the date of issue to the date of redemption or conversion at a rate of 2% per annum payable in arrears semi-annually. During the year, certain registered holders of the Notes converted the Notes of an aggregate principal amount of HK\$50,133,600 into 100,267,200 ordinary shares.



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FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 94.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 19 to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Mr. Tong Kai Lap (*Chairman*)
Mr. Wan Siu Lun (*Deputy Chairman*)
Mr. Wong Chun Keung (*Deputy Chairman*)
Mr. Ko Chi Keung (*Chief Executive Officer*)
Mr. Kwong Chi Tak

Non-executive director:

Mr. Zhang Lichen (appointed on 3 January 2006)

Independent non-executive directors:

Mr. Ho Yiu Ming
Mr. Kwong Chi Keung
Mr. Ma Fung Kwok

In accordance with bye-law 86(2B) of the Company's Bye-laws, any director appointed during the year will retire at the forthcoming annual general meeting and are eligible for re-election.

In accordance with bye-laws 87(1) of the Company's Bye-laws, every director should be subject to retirement by rotation at the annual general meeting at least once every three years and are eligible for re-election.



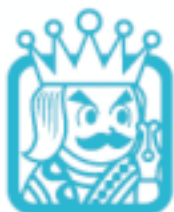
No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each independent non-executive director is the period of two years or up to his retirement by rotation in accordance with the Company's Bye-laws.

In accordance with bye-laws 87(1) of the Company's Bye-laws, Mr. Tong Kai Lap will retire by rotation and, being eligible, for re-election. In addition, pursuant to bye-law 86(2B) of the Company's Bye-laws, Mr. Zhang Li Chen will hold office until the forthcoming annual general meeting. Messrs. Tong Kai Lap and Zhang Li Chen will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party 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.



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE NOTES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 March 2006, the interests of the directors and their associates in the shares and convertible notes 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 (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 Companies, were as follows:

(A) Long position in the shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Mr. Tong Kai Lap ("Mr. Tong") (Note)	Founder of discretionary trust	7,500,000 ordinary shares	1.20%
Mr. Tong (Note)	Beneficial owner	2,664,000 ordinary shares	1.20%
Mr. Wan Siu Lun	Beneficial owner	3,000,000 ordinary shares	0.36%
Mr. Wong Chun Keung	Beneficial owner	3,464,200 ordinary shares	0.41%
Mr. Ko Chi Keung	Beneficial owner	800,000 ordinary shares	0.09%
Mr. Kwong Chi Tak	Beneficial owner	1,392,000 ordinary shares	0.16%

Note: Interest in the issued shares shown in this row is beneficially owned by Rapid Alert International Limited, a company controlled by a family trust of which Mr. Tong is the founder. Accordingly, Mr. Tong is deemed to be interested in these shares. Combining shareholding of discretionary trust and beneficial owner, Mr. Tong holds 10,164,000 shares of the Company, representing 1.20% of the issued shares of the Company.



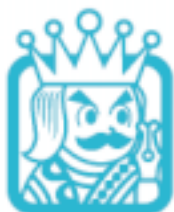
(B) Interests in convertible notes and unissued shares of the Company (Note 1)

Name of director	Capacity	Principal amount of convertible notes interested HK\$	Number of unissued shares interested
Mr. Tong (Note 2)	Founder of discretionary trust	1,387,200	2,774,400
Mr. Tong (Note 3)	Interest of spouse	1,275,733	2,551,466
Mr. Wong Chun Keung	Beneficial owner	577,600	1,155,200
Mr. Kwong Chi Tak	Beneficial owner	165,333	330,666

Notes:

- (1) The convertible notes were issued by the Company on 19 October 2004 upon completion of an agreement for the sale and purchase of 49% equity interests in JDH dated 17 August 2004. The conversion shares falling to be issued upon exercise of the conversion rights attaching to the convertible notes are unissued shares in which the directors had interests. The respective numbers of unissued shares disclosed above are arrived at based on the initial conversion price of HK\$0.50 per share and assuming full conversion of the convertible notes.
- (2) Interest in the convertible notes and the unissued shares shown in this row is beneficially owned by Rapid Alert International Limited, a company controlled by a discretionary trust of which Mr. Tong is the founder. Accordingly, Mr. Tong is deemed to be interested in these securities.
- (3) Interest in the convertible notes and the unissued shares shown in this row is beneficially owned by Ms. Wong Miu Ling, Patricia, the spouse of Mr. Tong. Accordingly, Mr. Tong is deemed to be interested in these securities.

Other than as disclosed above and in the section headed "Share Options" below, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or convertible notes of the Company or any of its associated corporations as at 31 March 2006.



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SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company held on 7 October 2002. Particulars of the Scheme are set out in note 37 to the financial statements.

The following table discloses movements in the Company's share options held by its directors during the year:

Name of director	Option type	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2005	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2006
Mr. Tong	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	2,666,666	(2,664,000)	(2,666)	-
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	900,000	-	-	900,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,200,000	-	-	1,200,000
Mr. Wong Chun Keung	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	2,666,666	(2,664,000)	(2,666)	-
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	800,000	-	-	800,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,200,000	-	-	1,200,000
Mr. Wan Siu Lun	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	2,666,666	(2,664,000)	(2,666)	-
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	800,000	(800,000)	-	-
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,200,000	(1,200,000)	-	-
Mr. Ko Chi Keung	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	1,600,000	(1,600,000)	-	-
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	500,000	-	-	500,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,000,000	-	-	1,000,000
Mr. Kwong Chi Tak ("Mr. Kwong") (Note)	2003	27 March 2003	28 March 2003 to 27 March 2006	0.267	1,600,000	(1,600,000)	-	-
	2004	2 April 2004	22 April 2004 to 21 April 2007	0.363	300,000	(296,000)	-	4,000
	2005	6 January 2005	21 January 2005 to 20 January 2008	0.370	1,200,000	(296,000)	-	904,000
					20,299,998	(13,784,000)	(7,998)	6,508,000

Note: Share options were granted to Mr. Kwong on 27 March 2003 and 2 April 2004 in the capacity of a consultant of the Group. Mr. Kwong was appointed as a director of the Company on 1 January 2005.

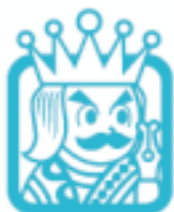


SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

(A) Long position in the shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (Note 5)
Super Empire Investments Limited ("Super Empire")	Beneficial owner	323,435,100	38.31%
Mr. Wong Chun Loong ("Mr. Wong") (Note 1)	Held by controlled corporation	323,435,100	38.31%
Kingston Finance Limited ("KFL") (Note 2)	Security interest	323,435,100	38.31%
Ms. Ma Siu Fong ("Ms. Ma") (Note 3)	Held by controlled corporation	323,435,100	38.31%
Mrs. Chu Yuet Wah ("Mrs. Chu") (Note 3)	Held by controlled corporation	323,435,100	38.31%



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(B) Share options

Name of shareholder	Capacity	Number of share options	Number of underlying shares	Percentage of the issued share capital of the Company (Note 5)
Kingston Securities Limited ("KSL")	Beneficial owner	3,000,000	3,000,000	0.36%
Ms. Ma (Note 4)	Held by controlled corporation	3,000,000	3,000,000	0.36%
Mrs. Chu (Note 4)	Held by controlled corporation	3,000,000	3,000,000	0.36%

Notes:

- (1) Super Empire is a company controlled by Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in the 323,435,100 shares held by Super Empire.
- (2) Super Empire has pledged to KFL the 323,435,100 shares which it owns in the Company. Such shares are pledged to KFL for the purpose of securing credit facilities granted to Super Empire. Accordingly, KFL has a security interest in these shares.
- (3) KFL is a company controlled by Ms. Ma and Mrs. Chu. Accordingly, Ms. Ma and Mrs. Chu are deemed to be interested in the 323,435,100 shares pledged by Super Empire to KFL.
- (4) KSL is a company controlled by Ms. Ma and Mrs. Chu. Accordingly, Ms. Ma and Mrs. Chu are deemed to be interested in the 3,000,000 share options.
- (5) The denominator used is 844,357,384 shares, being the total number of shares in issue as at 31 March 2006.

Other than as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 March 2006.



ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section headed “Share Options” above, 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.

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 or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

CONTINUING CONNECTED TRANSACTIONS

On 29 June 2006, the Company entered into a service agreement (“Service Agreement”) with Mr. Wong, pursuant to which the Company has appointed Mr. Wong, for a term commencing from 1 April 2006 to 31 March 2007, as chief creative officer responsible for the comic and animated cartoon providing creative idea for the comic and animated cartoon related products of the Group. Mr. Wong shall also be responsible for assisting the promotion of the Group’s products to the public. Mr. Wong is entitled to a monthly salary of HK\$392,000 together with a bonus calculated based on the net profit of the comic and animated cartoon division of the Group for the year. However, the total annual emoluments of Mr. Wong under the Service Agreement shall be subject to an annual cap of HK\$6,500,000. For the year ended 31 March 2006, the total annual emoluments paid by the Group to Mr. Wong for his services as a comic and animated cartoon creative writer amounted to HK\$5,484,000.



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The independent non-executive directors of the Company have reviewed the continuing connected transaction set out above and in note 38 to the financial statements and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms or on terms no less favourable to the Group the terms available from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable in the interests of shareholders of the Company as a whole.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2006.

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in note 39 to the financial statements.

AUDITORS

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

On behalf of the Board

Ko Chi Keung

DIRECTOR

Hong Kong, 18 July 2006