

The directors present their report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2006.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in note 37 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group for the year ended 31 March 2006 is set out in note 5 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 36.

No interim dividend was declared (2005: Nil) and the directors do not recommend the payment of a final dividend for the year ended 31 March 2006 (2005: Nil).

Share capital and share options

Details of movements in the share capital and the share options of the Company during the year are set out in notes 30(a) and 30(b) to the financial statements.

Reserves

Movements in reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

Property, plant and equipment

Movements in property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

Principal properties

Details of the principal properties held are set out on page 100.

Group financial information

A summary of results, assets and liabilities of the Group for the five years ended 31 March 2006 is set out on page 99.

Directors' Report

Major suppliers and customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	19%
– five largest suppliers in aggregate	91%

Sales

– the largest customer	17%
– five largest customers in aggregate	39%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers or customers.

Directors

The directors of the Company during the year and up to the date of this report are as follows:

Executive directors

Mr. Lo Lin Shing, Simon (*Chairman*)

Ms. Yvette Ong (*Managing Director and Chief Executive Officer*)

Non-executive director

Mr. To Hin Tsun, Gerald

Independent non-executive directors

Mr. Peter Pun *OBE, JP*

Mr. Wei Chi Kuan, Kenny

Mr. Lau Wai Piu

In accordance with Bye-law 87 of the Bye-laws of the Company, Mr. Lo Lin Shing, Simon, Ms. Yvette Ong and Mr. Peter Pun will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company.

Biographical details of the directors and the senior management of the Group are set out in the "Directors' and Senior Management's Profiles" on pages 11 and 12.

Corporate governance

The Company is committed to maintaining the 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 28 to 33.

Directors' interests and short positions

As at 31 March 2006, the interests or short positions of the directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under 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 Companies (the "Model Code") were as follows:

1 Long positions in the shares

Name of director	Capacity	Number of shares interested	Percentage of shareholding
Lo Lin Shing, Simon	Interest of a controlled corporation	375,072,301 (Note)	25.23%
Lau Wai Piu	Beneficial	1,200	0.00008%

Note: Such shares are held by Golden Infinity Co., Ltd. of which Mr. Lo Lin Shing, Simon is interested in its entire issued share capital. Accordingly, Mr. Lo is deemed to be interested in the 375,072,301 shares held by Golden Infinity Co., Ltd. under the SFO.

2 Long positions in the underlying shares

Name of director	Capacity	Number of underlying shares interested	Percentage of shareholding
Lo Lin Shing, Simon	Personal	4,961,157	0.33%
Yvette Ong	Personal	2,395,041	0.16%
To Hin Tsun, Gerald	Personal	1,710,744	0.12%
Peter Pun	Personal	496,116	0.03%
Wei Chi Kuan, Kenny	Personal	496,116	0.03%
Lau Wai Piu	Personal	496,116	0.03%

Save as disclosed above and the section headed "Share Option Schemes", as at 31 March 2006, none of the directors, chief executives and their respective associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

Discloseable interests and short positions of substantial shareholders/other persons under the SFO

The register of interests in shares and short positions maintained under section 336 of the SFO showed that as at 31 March 2006, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

1 Long position of substantial shareholders in the shares and/or underlying shares

Name of shareholder	Capacity	Number of shares	Number of underlying shares	Aggregate interest	Percentage of shareholding
Golden Infinity Co., Ltd.	Corporate	375,072,301	–	375,072,301	25.23%
Ku Ming Mei, Rouisa	Interest of spouse	375,072,301	4,961,157	380,033,458 <i>(Note)</i>	25.56%

Note: Madam Ku Ming Mei, Rouisa is the spouse of Mr. Lo Lin Shing, Simon and accordingly, she is deemed to be interested in 380,033,458 shares and underlying shares under the SFO.

2 Long position of other holders in the shares and/or underlying shares

Name of holder	Capacity	Number of shares	Number of underlying shares (in respect of the unlisted equity derivatives) <i>(Note 1)</i>	Aggregate interest	Percentage of shareholding
Visionary Profits Limited	Corporate	–	333,333,333	333,333,333	22.42%
Han Yuanlin	Interest of a controlled corporation	21,604,590	333,333,333 <i>(Note 2)</i>	354,937,923	23.87%
Better Year Investments Limited	Corporate	–	361,111,111	361,111,111	24.29%
Ng Chun Ping Brendan	Beneficial owner/ Interest of a controlled corporation	500,000	361,111,111 <i>(Note 3)</i>	361,611,111	24.32%

2 Long position of other holders in the shares and/or underlying shares (Continued)

Name of holder	Capacity	Number of shares	Number of unlisted equity derivatives) <i>(Note 1)</i>	Aggregate interest	Percentage of shareholding
Keswick Agents Limited	Corporate	–	166,666,666	166,666,666	11.21%
Law Ka Keung	Interest of a controlled corporation	–	166,666,666 <i>(Note 4)</i>	166,666,666	11.21%
China Sky Limited	Corporate	–	166,666,666	166,666,666	11.21%
Kam Ming Yan Patty	Interest of a controlled corporation	–	166,666,666 <i>(Note 5)</i>	166,666,666	11.21%

Notes:

- (1) The underlying shares represent the new shares to be issued upon conversion of the 2.5% redeemable convertible notes due 16 February 2009 (“Convertible Notes”) held by respective holders of the Convertible Notes at a conversion price of HK\$0.18 per share (subject to adjustment).
- (2) Mr. Han Yuanlin is interested in the entire issued share capital of Visionary Profits Limited. By virtue of the SFO, Mr. Han is deemed to be interested in the 333,333,333 underlying shares which may be issued upon the conversion of HK\$60,000,000 Convertible Notes held by Visionary Profits Limited.
- (3) Mr. Ng Chun Ping Brendan is interested in the entire issued share capital of Better Year Investments Limited. By virtue of the SFO, Mr. Ng is deemed to be interested in the 361,111,111 underlying shares which may be issued upon the conversion of HK\$65,000,000 Convertible Notes held by Better Year Investments Limited.
- (4) Mr. Law Ka Keung is interested in the entire issued share capital of Keswick Agents Limited. By virtue of the SFO, Mr. Law is deemed to be interested in the 166,666,666 underlying shares which may be issued upon the conversion of HK\$30,000,000 Convertible Notes held by Keswick Agents Limited.
- (5) Ms. Kam Ming Yan Patty is interested in the entire issued share capital of China Sky Limited. By virtue of the SFO, Ms. Kam is deemed to be interested in the 166,666,666 underlying shares which may be issued upon the conversion of HK\$30,000,000 Convertible Notes held by China Sky Limited.

Save as disclosed above and those disclosed under “Directors’ interests and short positions”, the Company had not been notified of other interests representing 5% or more of the issued share capital of the Company as at 31 March 2006.

Directors' Report

Directors' interests in competing businesses

During the year and up to the date of this report, to the best knowledge of the directors, none of the directors and their respective associates were considered to have any interests in the businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors were appointed as directors to represent the interests of the Company and/or the Group.

Directors' interests in contracts of significance

No contracts of significance in relation to the Group's businesses 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.

Directors' service contracts

None of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

Management contracts

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

Directors' rights to acquire shares or debentures

Save as disclosed under the section headed "Share option schemes" below, at no time during the year was the Company or any of its subsidiaries a party to any other arrangements to enable the directors or chief executive or any of their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, its subsidiaries or any other body corporate.

Share option schemes

Under the share option schemes adopted by the Company on 22 September 2000 (the "Terminated Option Scheme") and 28 August 2002 (the "Existing Option Scheme"), options were granted to certain directors, employees and other eligible participants of the Company entitling them to subscribe for shares of HK\$0.02 each in the capital of the Company. The Terminated Option Scheme was terminated on 28 August 2002 upon the adoption of the Existing Option Scheme by the Company.

The following is a summary of the terms of the Existing Option Scheme:

1 Purpose

The purpose of the Existing Option Scheme is to provide incentives or rewards for the contribution of the participants to the Group and to enable the Group to recruit and/to retain high-calibre employees and attract human resources that are valuable to the Group.

2 Participants

The participants of the Existing Option Scheme include any director, employee, consultant, agent or advisor of the Group or any entity in which the Group holds an interest.

3 Number of shares available for issue

The total number of shares available for issue under the Existing Option Scheme is 49,487,208 which represents approximately 2.94% of the issued share capital of the Company as at the date of this report.

4 Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue unless separately approved by the shareholders in general meeting.

5 Option period

An option may be exercised in accordance with the terms of the Existing Option Scheme at any time during the period to be notified by the directors to the grantee, but in any event such period of time must not be more than 10 years from the date of grant.

6 Vesting period

The directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

7 Amount payable on acceptance of option

Upon acceptance of the offer for an option, the grantee shall pay HK\$1.00 as consideration for the grant.

8 Exercise price

The subscription price for a share in respect of any option granted shall be a price determined by the directors at their absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for 5 trading days immediately preceding the offer date; and (iii) the nominal value of a share.

Directors' Report

9 Remaining life of the scheme

The Existing Option Scheme is valid and effective for a term of 10 years commencing from 28 August 2002.

Details of the movement in outstanding share options, which have been granted under the Terminated Option Scheme and Existing Option Scheme, during the year are as follows:

Name or category of participant	Date of grant	Exercise price HK\$ (Note 1)	Exercise period	Vesting period (Note 2)	Number of shares subject to options					
					As at 1 April 2005	Granted during the year (Note 3)	Cancelled/lapsed during the year	Rights issue adjustment (Note 4)	Exercised during the year	As at 31 March 2006
<i>Directors</i>										
Lo Lin Shing, Simon	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	4,350,000	-	-	611,157	-	4,961,157
Yvette Ong	17-04-2002	0.6933	17-04-2002 to 16-04-2009	17-04-2002 to 16-04-2004	2,250,000	-	(2,250,000)	-	-	-
	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	2,100,000	-	-	295,041	-	2,395,041
To Hin Tsun, Gerald	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	1,500,000	-	-	210,744	-	1,710,744
Peter Pun	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	435,000	-	-	61,116	-	496,116
Wei Chi Kuan, Kenny	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	435,000	-	-	61,116	-	496,116
Lau Wai Piu	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	435,000	-	-	61,116	-	496,116
<i>Employees and other participants in aggregate (including a director of certain subsidiaries)</i>	17-04-2002	0.6933	17-04-2002 to 16-04-2009	17-04-2002 to 16-04-2004	828,900	-	(828,900)	-	-	-
	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	6,697,500	-	(1,290,000)	759,730	(2,105,000) (Note 5)	4,062,230
	15-02-2006	0.1636	15-02-2006 to 16-04-2009	N/A	-	828,900	-	-	(140,000) (Note 6)	688,900
					19,031,400	828,900	(4,368,900)	2,060,020	(2,245,000)	15,306,420

Notes:

- (1) *The exercise price of the outstanding share options granted under the Existing Option Scheme on 1 March 2005 had been adjusted from HK\$0.1933 to HK\$0.1695 after the completion of the Rights Issue on 13 February 2006.*
- (2) *The vesting period of the outstanding share options granted under the Existing Option Scheme on 1 March 2005 had been changed from "1 March 2005 to 28 February 2007" to "1 March 2005 to 31 August 2005" in accordance with the provisions of the Existing Option Scheme.*
- (3) *On 15 February 2006, 828,900 share options granted to the employees under the Existing Option Scheme. The closing price of the Company's shares on 14 February 2006, the day immediately before the grant of the share options was HK\$0.1680.*
- (4) *Subsequent to the Rights Issue of 989,744,174 shares at a subscription price of HK\$0.15 per share completed on 13 February 2006, the exercise price and number of shares to be issued upon full exercise of the outstanding share options granted under the Existing Option Scheme have been adjusted.*
- (5) *The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised during the year was HK\$0.3016.*
- (6) *The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised during the year was HK\$0.2963.*

The fair value of options granted on 1 March 2005 and 15 February 2006 estimated in accordance with the Binominal valuation model is disclosed in note 30(b) to the financial statements.

Connected transaction

During the year, the Company has entered into conditional sales and purchase agreement with New World Mobile Holdings Limited ("NWM") on 12 September 2005 to dispose of the Company's entire interest in New World CyberBase Solutions (BVI) Limited ("NWCBVI") and the interest-free shareholders loan owing from NWCBVI to NWM for an aggregate consideration of HK\$21 million. The consideration was satisfied by issue of 16,153,846 ordinary shares of NWM at an issued price of HK\$1.3 per share.

As (i) Dr. Cheng Kar Shun, Henry was then a director of certain subsidiaries of the Company; and (ii) Dr. Henry Cheng and his family members, through Chow Tai Fook Enterprises Limited ("CTF"), had a controlling interest in New World Development Company Limited ("NWD") which is in turn was beneficially interested in approximately 72.41% of the issued share capital of NWM as at 29 September 2005 (being the latest practicable date ("LPD") of the related Company's circular), NWM was deemed to be a connected person of the Company as defined under the Listing Rules. As at the LPD, CTF was beneficially interested in approximately 35.52% of the issued share capital of NWD. Thus, the said transaction constitutes a connected transaction for the Company under Chapter 14 of the Listing Rules.

The transaction had been approved by the independent shareholders at the Special General Meeting on 18 October 2005 and completed on 21 October 2005.

Directors' Report

Group's borrowings

Details of the Group's borrowings are set out in notes 27 and 28 to the financial statements.

Purchase, sale or redemption of the company's listed securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive rights

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

Audit committee

The audit committee of the Company currently comprises Messrs. Peter Pun, Wei Chi Kuan, Kenny and Lau Wai Piu who are independent non-executive directors of the Company and their principal duties include the review and supervision of the Company's financial reporting process, internal control procedures and relationship with the Company's external auditors.

The audited financial statements for the year ended 31 March 2006 have been reviewed by the audit committee.

Employees scheme

As at 31 March 2006, the Group employed 18 full-time employees in Hong Kong. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on periodic basis. Apart from retirement schemes, year-end bonuses and share options are awarded to the employees according to the assessment of individual performance and industry practice. Structured training programs are also offered for staff training and development.

Disclosure pursuant to Chapter 13 of the Listing Rules

Financial assistance to affiliated companies

- (a) In compliance with Rule 13.16 of Chapter 13 of the Listing Rules, details of the financial assistance given to the following affiliated companies of the Group as at 31 March 2006 which in aggregate has exceeded 8% under the assets ratio as defined under Rule 14.07(1) of Chapter 14 of the Listing Rules are set out below:

Name of affiliated companies	Percentage of Group's attributable interests	Financial assistance <i>HK\$'000</i>
Asia V-Sat Co. Ltd. ("AVSAT") (Note 1)	20%	26,431
Cyber China Inc. ("CCI") (Note 2)	50%	153,247
Everbest Business Limited ("Everbest") (Note 3)	50%	15,107
		194,785

Notes:

- (1) *The Group has provided shareholder's loan to AVSAT and its certain subsidiaries. The amount is interest free, unsecured and repayable on demand. Such amount was fully provided.*
- (2) *The Group has provided shareholder's loan to CCI. The amount is interest free, unsecured and repayable on demand. Such amount was fully provided.*
- (3) *The Group has provided shareholder's loan to Everbest. The amount is interest free, unsecured and represents the Group's equity contributions, in substance, to the jointly controlled entity.*

Directors' Report

- (b) In compliance with Rule 13.22 of Chapter 13 of the Listing Rules, the unaudited combined balance sheet of these affiliated companies as at 31 March 2006 is disclosed as follows:

	<i>HK\$'000</i>
ASSETS	
Non-current assets	
Property, plant and equipment	326
Investment in associated companies	–
	<u>326</u>
Current assets	
Debtors, prepayments and other deposits	23,575
Cash and bank balances	13
	<u>23,588</u>
Current Liabilities	
Creditors, deposits and accruals	(9,022)
Amount due to immediate holding company	(168,369)
	<u>(177,391)</u>
Net current liabilities	(153,803)
Total assets less current liabilities	(153,477)
Non-current liabilities	
Long term loans	(23,029)
Net liabilities	(176,506)
CAPITAL AND RESERVES	
Share capital	9,085
Reserves	(185,591)
	<u>(176,506)</u>

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed public float under the Listing Rules.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

Post balance sheet events

Details of the significant events subsequent to the balance sheet date are set out in note 36 to the financial statements.

On behalf of the Board

Yvette Ong

Managing Director

Hong Kong, 11 July 2006