

# Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements of the Company and of 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 subsidiaries are set out in Note 9 to the financial statements.

## Segment Information

As analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations 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 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 20 to 26.

The directors do not recommend the payment of any dividend in respect of the year (2005: Nil).

## Summary of Financial Information

The following is a summary of the published consolidated results and assets and liabilities of the Group for the last five years, as extracted from the audited financial statements:

### Results

	2006 HK\$'000	Year ended 31 March			
		2005 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	<b>618,708</b>	884,347	453,344	520,857	518,281
Profit before tax	<b>17,948</b>	3,094	15,390	10,728	10,565
Taxation	<b>(2,381)</b>	(4,445)	(2,528)	(2,179)	(1,666)
Net profit/(loss) from ordinary activities attributable to equity holders of the Company	<b>15,567</b>	(1,351)	12,862	8,549	8,899

# Report of the Directors (cont'd)

## Summary of Financial Information (cont'd)

### Assets and Liabilities

	2006 HK\$'000	Year ended 31 March			
		2005 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Non-Current assets	541	169,668	1,163	1,504	7,705
Current assets	231,301	263,579	258,419	240,344	201,592
<b>Total assets</b>	<b>231,842</b>	433,247	259,582	241,848	209,297
Current liabilities	(55,319)	(244,033)	(97,126)	(131,488)	(107,227)
Non-current liabilities	(83)	(26,324)	(232)	(418)	(677)
<b>Total liabilities</b>	<b>(55,402)</b>	(270,357)	(97,358)	(131,906)	(107,904)
<b>Total equity</b>	<b>176,440</b>	162,890	162,224	109,942	101,393

This summary does not form part of the audited financial statements.

### Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 6 to financial statements.

### Share Capital and Share Options

Details of movements in the Company's share capital during the year and details of the Company's share option scheme, are set out in Notes 14 and 22 to financial statements respectively.

### Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 15 to financial statements.

### Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, 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 and up to the date of this report.

# Report of the Directors (cont'd)

## Distributable Reserves

At 31 March 2006, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$65,826,000. This amount included the Company's contributed surplus in the amount of HK\$54,045,000 at 31 March 2006, which may only be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of HK\$53,127,000 at 31 March 2006, may be distributed in the form of fully paid bonus shares.

## Major Customers and Suppliers

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The aggregate amount of sales attributable to the Group's five largest customers represented 35% of the Group's total sales for the year. The amount of sales to the Group's largest customer included therein represented approximately 15%.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 67% of the Group's total purchases for the year. The amount of purchases from the Group's largest supplier included therein represented approximately 29%.

As far as the directors are aware, neither the directors, their associates nor shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

## Material Related Party and Connected Transactions

Details of the related party transactions of the Group are set out in Note 38 to financial statements.

## Pension Schemes and Costs

Details of the Group's pension schemes and costs charged to the consolidated income statement for the year are set out in Notes 2(t) and 27 to financial statements, respectively.

At 31 March 2006, the Group did not have any significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

# Report of the Directors (cont'd)

## Directors

The directors of the Company during the year and at the date of this report were as follows:

### Executive Directors

Dr. Hui Chi Ming, *G.B.S., PhD, J.P. (Chairman)*  
 Mr. Chen Hua (*Deputy Chairman*)  
 Dr. Chui Say Hoe  
 Mr. Tsang Kwok Man  
 Mr. Cheung Shing  
 Dr. Wang Tao (*Honorary Chairman*) (appointed on 15 June 2006)  
 Mr. Cui Yeng Xu (appointed on 15 June 2006)  
 Mr. Lew Mon Hung (resigned on 11 April 2005)

### Non-Executive Director

Mr. Chow Charn Ki, Kenneth

### Independent Non-Executive Directors

Mr. Chan Wai Dune  
 Dr. Yu Sun Say, *S.B.S., J.P.*  
 Mr. Ng Wing Ka

In accordance with the Company's Bye-laws, Mr. Chen Hua, Mr. Chow Charn Ki, Kenneth and Mr. Ng Wing Ka will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors but not including the chairman of the board of directors and/or the managing director of the Company, are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

## Directors' Biographies

Biographical details of the directors of the Company are set out on pages 6 to 7 of the annual report.

## Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company for, which can be terminated by either party giving three months' notice in writing to the other party.

Save as disclosed above, 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.

# Report of the Directors (cont'd)

## Directors' Interests in Contracts

Save as disclosed in Note 38 to financial statements, no director had a material interest, whether 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 in Share Capital

At 31 March 2006, the interests and short positions of the directors and chief executives in the share capital of the Company and 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 under 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 ("the Model Code") were as follows:

### Ordinary shares of the Company

Name of director	Nature of interest	Number of ordinary shares held	Percentage of issued shares
Dr. Hui Chi Ming (Note)	Corporate	750,080,000	62.66%
Mr. Chen Hua (Note)	Corporate	750,080,000	62.66%

Note: These shares are beneficially owned by Wisdom On Holdings Limited ("Wisdom On"), the entire issued share capital of which is owned by Dr. Hui Chi Ming and Mr. Chen Hua as to 55% and 45% respectively.

### Share options of the Company

Name of director	Number of share options held	Percentage of issued shares
Mr. Tsang Kwok Man	11,000,000	0.92%

Save as disclosed above, none of the directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SFO.

## Directors' Rights to Acquire Shares or Debentures

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the year and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Share Option Scheme

The Company operates a share option scheme (the "Scheme"), further details of which are set out in Note 22 to financial statements.

# Report of the Directors (cont'd)

## Substantial Shareholders

As at 31 March 2006, the interests of persons, other than a director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

### Ordinary share of the Company

Name of shareholder	Number of ordinary shares held	Percentage of issued shares
Wisdom On Holdings Limited (Note)	750,080,000	62.66%

Note: The entire issued share capital of Wisdom On Holdings Limited is owned by Dr. Hui Chi Ming and Mr. Chen Hua as to 55% and 45% respectively.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31 March 2006.

## Subsequent Event

Details of the significant subsequent event of the Group are set out in Note 39 to financial statements.

## Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 March 2006, except that the independent non-executive directors of the Company are not appointed for a specific term as required by A.4.1 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

## Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its Code of Ethics and Securities Transactions by directors of the Company.

Having made specific enquiry of all directors of the Company, they have complied with the required standards set out in the Model Code for the year ended 31 March 2006.

## 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 15 to 18.

## Sufficiency of Public Float

As at the date of this Annual Report, based on information that is publicly available to the Company, the Directors of acknowledge that more than 25% of the issued capital of the Company are held by the public.

# Report of the Directors (cont'd)

## **Auditors**

Messrs. HLB Hodgson Impey Cheng retire and being eligible, offer themselves for re-appointment at the forecoming general meeting.

## **On Behalf of the Board**

### **Dr. Hui Chi Ming**

*Chairman*

Hong Kong, 28 July 2006