

Report of The Directors

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 45 and 46, respectively, 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 42.

The directors did not recommend the payment of a dividend for the year ended 31 March 2006 (2005: Nil).

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 114.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment and investment properties of the Group and the Company during the year are set out in notes 15 and 13 to the financial statements respectively.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 March 2006 are set out on page 115 of the annual report.

BORROWINGS

Details of the bank and other borrowings as at 31 March 2006 are set out in note 29 to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in note 31 to the financial statement.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 42 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Movements in reserves of the Group and the Company during the year are set out in Consolidated Statement of Changes in Equity on page 47 and note 33 to the financial statements respectively.

At 31 March 2006, the Company had no distributable reserve as calculated under Section 79B of the Hong Kong Companies Ordinance.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 32 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 purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Zhang Yang (*Chairman*)
Mr. Chan Wing Yuen, Hubert
Mr. Lam Cheung Shing, Richard

Non-executive director:

Mr. Hui Ho Ming, Herbert, J.P.

Independent non-executive directors:

Mr. Lee Peng Fei, Allen, J.P. (Resigned on 1 March 2006)
Mr. Wu Wai Chung, Michael
Mr. Wong Hon Sum
Ms. Ha Ping

In accordance with the Company's Articles of Association, three directors retire and, being eligible, offer themselves for re-election.

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

DIRECTORS' REMUNERATION

The directors' emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2006, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures 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 maintained by the Company pursuant section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Director	Capacity/ nature of interest	Number of ordinary shares held	
		Long position	Approximate percentage of interest
Mr. Zhang Yang	Corporate (<i>Note 1</i>) Personal	103,495,000	1.85%

Note: 1. The ordinary shares were held through Wealth Land Development Corp., a company beneficially owned by Mr. Zhang Yang.

Save as disclosed above, as at 31 March 2006, none of the Directors, or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

The share option scheme (the "Old Share Option Scheme") which was adopted on 25 July 2000 was terminated in 2002 and a new share option scheme (the "New Share Option Scheme") was adopted and approved by the shareholders of the Company at the annual general meeting held on 2 September 2002.

During the year, no option had been granted under either the Old Share Option Scheme or New Share Option Scheme by the Company. Details of the share option scheme are set out in note 35 to the financial statement.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or 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.

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 the Company had not been notified of any substantial shareholders' interests or short positions, being 5% or more of the Company's issued share capital.

CONNECTED TRANSACTIONS

Details of connected transactions are set out in note 43(i)(b) to the financial statements.

The independent non-executive directors confirm that the transaction has been entered into by the Group in the ordinary course of its business, on terms no less favourable than terms available from independent third parties, and in accordance with the terms of the agreement governing such transaction that is fair and reasonable and in the interests of the shareholders of the Group as a whole.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained a sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year.

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 47 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover attributable to the Group's five largest customers to the total turnover during the year was 93.76%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 49.56%.

The percentage of purchases attributable to the Group's five largest suppliers to the total purchases during the year was 55.88%. The percentage of purchase attributable to the Group's largest supplier to the total purchase during the year was 23.16%.

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

AUDITORS

Messrs. HLB Hodgson Impey Cheng were appointed as the auditors of the Company in succession to Messrs. Deloitte Touche Tohmatsu who resigned from the office with effect from 7 December 2005.

The financial statements of the Company have been audited by Messrs. HLB Hodgson Impey Cheng who will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

On behalf of the Board

ZHANG YANG

CHAIRMAN

Hong Kong, 20 July 2006