

The directors have pleasure in presenting their annual report and the audited financial statements of the group and the company for the year ended 31st March, 2006.

PRINCIPAL ACTIVITIES

The company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 43 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the group for the year ended 31st March, 2006 are set out in the consolidated income statement on page 24.

During the year, the group paid a final dividend of HK\$0.01 per ordinary share for the year of 2005 and a special dividend of HK\$0.04 per ordinary share for the year 2006, totalling HK\$23,098,000.

The directors now recommend the payment of a final dividend of HK\$0.01 per ordinary share to the shareholders of the company whose names appear on the register of members on 8th September, 2006.

PROPERTY, PLANT AND EQUIPMENT

During the year, the group spent HK\$8,563,000 on property, plant and equipment. The group also disposed of certain of its property, plant and equipment with aggregate carrying amount of HK\$55,723,000.

Details of these and other movements in property, plant and equipment of the group during the year are set out in note 17 to the financial statements.

Particulars of the leasehold land and buildings of the group as at 31st March, 2006 are set out on page 97.

INVESTMENT PROPERTIES

During the year, the group spent HK\$10,050,000 on investment properties. The group also disposed of certain of its investment properties with aggregate carrying value of HK\$11,531,000.

Details of these and other movements in investment properties of the group during the year are set out in note 18 to the financial statements.

Particulars of the investment properties of the group as at 31st March, 2006 are set out on page 96.

SHARE CAPITAL

Details of the movements in share capital of the company during the year are set out in note 34 to the financial statements.

DIRECTORS' REPORT

BORROWINGS

Particulars of the borrowings of the group at the balance sheet date are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the company's Articles of Association or the laws of the Cayman Islands.

DONATIONS

Donations made by the group during the year amounted to HK\$495,300.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Chan Chung Yee, Hubert – *Chairman*

Chan Chung Yin, Roy

Chan Man Min

Chan Ming Him, Denny

Tsui Hon Wing

Wu Kwok Lam

Yeh Yui Fong

Independent non-executive directors:

Chiu Ngar Wing

Chu Chor Lup

Leung Tai Wai, David

In accordance with article 108 of the company's Articles of Association, Messrs. Chan Chung Yee, Hubert, Chan Man Min and Yeh Yui Fong will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the executive directors has entered into a service contract with the company for an initial term of three years commencing from 12th September, 2001, and is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than three months' notice in writing served by either party to the other.

DIRECTORS AND SERVICE CONTRACTS — continued

Each of the independent non-executive directors has entered into a letter of appointment with the company for an initial term of one year. The appointment will be automatically renewed for successive term of one year unless terminated by either party by not less than three month's notice in writing prior to the expiry of the then current term. All 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 articles of association of the company.

None of the directors of the company has entered into a service contract with the company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the interests disclosed under the section headed "Connected transactions" below and disclosed in note 42 to the financial statements, no other 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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The company has received from each of its current independent non-executive directors an annual confirmation of his independence and the company considers each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31st March, 2006, the interests and short positions of the directors and chief executive of the company in shares, underlying shares or debentures of the company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or was deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the company and the Stock Exchange were as follows:

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS — continued

Name of director	The Company/ associated corporation	Capacity/nature of interest	Number and class of securities <i>(note 1)</i>	Percentage of interests in the issued share capital at 31st March, 2006
Chan Chung Yee, Hubert	The Company	Founder of a trust	231,660,575 ordinary shares (each a "Share") of HK\$0.01 each (L) <i>(Note 2)</i>	50.14%
	The Company	Beneficial owner	8,600,000 Shares (L) <i>(Note 3)</i>	1.86%
	Matrix World Group Limited	Founder of a trust	1 share of US\$1.00 each (L)	100%
Chan Chung Yin, Roy	The Company	Founder of a trust	68,417,400 Shares (L) <i>(Note 4)</i>	14.81%
	The Company	Beneficial owner	2,000,000 Shares (L) <i>(Note 5)</i>	0.43%
	Star Global International Limited	Founder of a trust	1 share of US\$1.00 each (L)	100%
Chan Man Min	The Company	Interest of controlled corporation	24,709,650 Shares (L) <i>(Note 6)</i>	5.35%
	The Company	Beneficial owner	2,000,000 Shares (L) <i>(Note 7)</i>	0.43%
Yeh Yui Fong	The Company	Interest of controlled corporation	2,681,550 Shares (L) <i>(Note 8)</i>	0.58%
	The Company	Beneficial owner	2,000,000 Shares (L) <i>(Note 9)</i>	0.43%
Tsui Hon Wing	The Company	Beneficial owner	3,939,200 Shares (L) <i>(Note 10)</i>	0.85%
Chan Ming Him, Denny	The Company	Beneficial owner	2,000,000 Shares (L) <i>(Note 11)</i>	0.43%
Wu Kwok Lam	The Company	Beneficial owner	1,000,000 Shares (L) <i>(Note 12)</i>	0.22%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS — continued

Notes:

1. The Letter "L" represents the director's or the chief executive's long position in the Shares or underlying Shares of the company or its associated corporations.
2. Among these Shares, 8,484,848 shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 223,175,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yee, Hubert is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee Hubert was deemed to be interested in the Shares in which Matrix World Group Limited was interested.
3. Interests in these Shares comprise 4,300,000 Shares registered in the name of Mr. Chan Chung Yee, Hubert and 4,300,000 Shares to be allocated and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the company.
4. These Shares were held by Star Global International Limited, a company wholly owned by Trustcorp Limited as the trustee for a discretionary trust of which Mr. Chan Chung Yin, Roy is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin, Roy was deemed to be interested in the Shares held by Star Global International Limited.
5. These represent the interests of Mr. Chan Chung Yin, Roy in 2,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the company.
6. These Shares were held by Ocean Hope Group Limited, a company wholly owned by Mr. Chan Man Min. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Man Min was deemed to be interested in the Shares held by Ocean Hope Group Limited.
7. Interests in these Shares comprise 1,000,000 Shares registered in the name of Mr. Chan Man Min and 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the company.
8. These Shares were held by CIT Company Limited, a company wholly owned by Mr. Yeh Yui Fong and his wife in equal share. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Yeh Yui Fong was deemed to be interested in the Shares held by CIT Company Limited.
9. Interests in these Shares comprise 1,000,000 Shares registered in the name of Mr. Yeh Yui Fong and 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the Company.
10. Interests in these Shares comprise 2,939,200 Shares registered in the name of Mr. Tsui Hon Wing and 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the company.
11. Interests in these Shares comprise 1,000,000 Shares registered in the name of Mr. Chan Ming Him, Denny and 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the company.
12. These represent the interests of Mr. Wu Kwok Lam in 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the company.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS — continued

Save as disclosed above, as at 31st March, 2006, none of the directors and chief executive of the company had any interest and short position in shares, underlying shares and debentures of the company or its associated corporations (within the meaning of the SFO) which were required to be notified to the company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or was deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed under the section heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the company and its associated corporations" above and under the section headed "share options" below, at no time during the year under review or up to the date of this report were there any rights to acquire shares in or debentures of the company granted to any director or their respective spouse or minor children, or were any such rights exercised by them. None of the company or any of its subsidiaries was a party to any arrangement to enable the directors or their respective spouse or minor children to acquire such rights in any other body corporate.

SHARE OPTIONS

Particulars of the company's share option scheme are set out in note 35 to the financial statements.

As at 31st March, 2006, the number of shares in respect of which options had been granted and yet to be exercised under the company's share option scheme was 22,864,000, representing approximately 5% of the share capital of the company in issue as at that date.

During the year, the directors have estimated the value of share options granted by using the Black-Scholes Option Pricing Model as at the dates of grant of the options.

The Black-Scholes Option Pricing Model is a generally accepted method for valuing share options. The measurement dates used in the valuation calculations were the dates on which the options were granted or approved.

The value of an option varies with different variables of certain subjective assumptions. Any changes to the variables used may materially affect the estimation of the fair value of an option.

SHARE OPTIONS

The following table discloses movements in the Company's share options during the year:

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding		Granted during the year	Exercised during the year	Cancelled during the year	Outstanding	
			at 1st April, 2005					at 31st March, 2006	
Directors									
Chan Chung Yee, Hubert	17.6.2005	17.12.2005 – 16.6.2007	0.284	–	4,300,000	–	–	–	4,300,000
Chan Chung Yin, Roy	17.6.2005	17.12.2005 – 16.6.2007	0.284	–	2,000,000	–	–	–	2,000,000
Chan Man Min	17.6.2005	17.12.2005 – 16.6.2007	0.284	–	1,000,000	–	–	–	1,000,000
Chan Ming Him, Denny	17.6.2005	17.12.2005 – 16.6.2007	0.284	–	1,000,000	–	–	–	1,000,000
Tsui Hon Wing	17.6.2005	17.12.2005 – 16.6.2007	0.284	–	1,000,000	–	–	–	1,000,000
Wu Kwok Lam	17.6.2005	17.12.2005 – 16.6.2007	0.284	–	1,000,000	–	–	–	1,000,000
Yeh Yui Fong	17.6.2005	17.12.2005 – 16.6.2007	0.284	–	1,000,000	–	–	–	1,000,000
				–	11,300,000	–	–	–	11,300,000
Employees									
	4.5.2004	4.11.2004 – 3.5.2006	0.196	3,860,000	–	(1,296,000)	–	–	2,564,000
	17.6.2005	17.12.2005 – 16.6.2007	0.284	–	11,100,000	–	(2,100,000)	–	9,000,000
				3,860,000	11,100,000	(1,296,000)	(2,100,000)		11,564,000
				3,860,000	22,400,000	(1,296,000)	(2,100,000)		22,864,000

CONNECTED TRANSACTIONS

During the year, the group had certain transactions with related parties, details of which are set out in note 42 to the financial statements.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2006, the aggregate turnover attributable to the group's five largest customers accounted for approximately 52% by value of the group's total turnover and the sales attributable to the group's largest customer was approximately 15% of the total sales. The aggregate purchases attributable to the group's five largest suppliers accounted for approximately 96% by value of the group's total purchases and the purchases attributable to the group's largest supplier was approximately 87% by value of the total purchases.

None of the directors of the company, any of their associates or any shareholders (which to the best knowledge of the directors owns more than 5% of the company's share capital) has any beneficial interest in any of the group's five largest customers or five largest suppliers.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the company's listed shares by the company or any of its subsidiaries during the year.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

So far as the directors are aware, as at 31st March, 2006, the following persons, other than a director or chief executive of the company, had an interest or a short position in the shares and underlying shares in the company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of ordinary shares (each a "Share") of HK\$0.01 each (Note 1)	Capacity/nature of interest	Percentage of interests in the issued share capital as at 31st March, 2006
Matrix World Group Limited (Note 2)	223,175,727(L)	Beneficial owner	48.30%
	8,484,848(L)	Interest of controlled corporation	1.84%
Star Global International Limited (Note 3)	68,417,400(L)	Beneficial owner	14.81%
Trustcorp Limited (Notes 2 and 3)	300,077,975(L)	Trustee	64.94%
Newcorp Ltd. (Note 4)	300,077,975 (L)	Interest of controlled corporation	64.94%
Newcorp Holdings Limited (Note 4)	300,077,975 (L)	Interest of controlled corporation	64.94%
David Henry Christopher Hill (Note 5)	300,077,975 (L)	Interest of controlled corporation	64.94%
Rebecca Ann Hill (Note 6)	300,077,975 (L)	Interest of spouse	64.94%
David William Roberts (Note 5)	300,077,975 (L)	Interest of controlled corporation	64.94%
Ocean Hope Group Limited (Note 7)	24,709,650(L)	Beneficial owner	5.35%

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO — continued

Notes:

1. The letter "L" represents the person's long position in the Shares.
2. Among these Shares, 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 223,175,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yee, Hubert is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Trustcorp Limited was deemed to be interested in all the Shares in which Matrix World Group Limited was interested.
3. Star Global International Limited was a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yin, Roy was the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Trustcorp Limited was deemed to be interested in all the Shares held by Star Global International Limited.
4. Trustcorp Limited was a company wholly-owned by Newcorp Ltd., which was in turn wholly-owned by Newcorp Holdings Limited. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Newcorp Ltd. and Newcorp Holdings Limited were deemed to be interested in all the Shares in which Trustcorp Limited was interested.
5. Newcorp Holdings Limited was owned as to 35% by Mr. David Henry Christopher Hill, 35% by Mr. David William Roberts and 30% by Mr. Michael J. Kenney-Herbert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, each of Mr. David Henry Christopher Hill and Mr. David William Roberts was deemed to be interested in all the Shares in which Newcorp Holdings Limited was interested.
6. Mrs. Rebecca Ann Hill is the wife of Mr David Henry Christopher Hill. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Rebecca Ann Hill is deemed to be interested in all the Shares in which Mr. David Henry Christopher Hill was interested.
7. Ocean Hope Group Limited was a company wholly owned by Mr. Chan Man Min.

Save as disclosed above, as at 31st March, 2006, no person, other than a director or chief executive of the company, had an interest or a short position in the shares and underlying Shares of the company as recorded in the register required to be kept under section 336 of the SFO.

CORPORATE GOVERNANCE

The company is committed to maintain 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 6 to 8.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the company and within the knowledge of the directors as at the date of this annual report, the company has maintained the prescribed public float under the listing rules.

DIRECTORS' REPORT

AUDITORS

Li, Tang, Chen & Co. will retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of Li, Tang, Chen & Co. as auditors of the company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

Chan Chung Yee, Hubert

Chairman

Hong Kong, 21st July, 2006