

The Directors herein present their report and the audited financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 March 2006 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 29 to 92.

An interim dividend of HK1 cent per ordinary share, amounting to an aggregate of HK\$4,867,000 was paid in the form of cash on 25 January 2006.

The Directors recommend the payment of a final dividend of HK3 cents per ordinary share, totalling HK\$14,601,000 in respect of the year ended 31 March 2006 to all shareholders whose names appear on the register of members of the Company on 7 September 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated upon the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRS”) as appropriate. This summary does not form part of the audited financial statements.

The results for the three years ended 31 March 2002, 2003 and 2004 have not been adjusted for the adoption of new HKFRS issued by the HKICPA that are effective for accounting periods beginning on or after 1 April 2005.

The respective amounts of profit/(loss) for the year attributable to equity holders of the Company, total assets, total liabilities and total net assets as at 31 March 2002 and 2003 were restated to reflect the change in accounting policy arising from the adoption of SSAP 12 (Revised) “Income taxes”.

Results

	Year ended 31 March				
	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)
Revenue	554,343	502,183	446,082	377,514	287,798
Profit/(Loss) from operations	47,970	38,764	43,891	(2,843)	17,751
Finance costs	(1,558)	(638)	(155)	(259)	(625)
Profit/(Loss) before income tax	46,412	38,126	43,736	(3,102)	17,126
Income tax expense	(6,347)	(3,175)	(4,640)	(2,102)	(4,036)
Profit/(Loss) for the year	40,065	34,951	39,096	(5,204)	13,090
Attributable to:					
Equity holders of the Company	40,662	34,951	39,096	(5,204)	13,434
Minority interests	(597)	–	–	–	(344)
Profit/(Loss) for the year	40,065	34,951	39,096	(5,204)	13,090

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and Liabilities

	As at 31 March				
	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)
Property, plant and equipment	189,710	192,093	213,522	171,391	181,861
Investment properties	18,220	16,462	13,950	9,980	13,740
Prepaid lease payments	14,502	14,875	–	–	–
Goodwill	–	211	316	421	527
Note receivable	–	–	–	–	15,500
Deposits for purchases of property, plant and equipment	–	–	–	3,837	–
Current assets	303,427	284,300	230,708	185,371	164,634
Total assets	525,859	507,941	458,496	371,000	376,262
Current liabilities	117,706	135,825	97,590	74,384	66,802
Interest-bearing borrowings	21,100	12,000	17,120	–	–
Deferred tax	4,171	3,492	5,826	6,897	7,971
Total liabilities	142,977	151,317	120,536	81,281	74,773
Net assets	382,882	356,624	337,960	289,719	301,489
Minority interests	1,203	–	–	–	–

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PREPAID LEASE PAYMENTS

Details of the movements in the property, plant and equipment, investment properties and prepaid lease payments of the Group are set out in notes 14, 15 and 16, respectively, to the financial statements. Further details of the Group's investment properties are set out on pages 93 to 94.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in notes 25 and 26, respectively, to the financial statements.

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.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2006, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$134,866,000 (2005: HK\$133,517,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended), of which HK\$14,601,000 (2005: HK\$14,601,000) has been proposed as a final dividend for the year. In addition, the Company's share premium account, with a balance of HK\$66,765,000 as at 31 March 2006, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

- (1) The aggregate amount of turnover attributable to the Group's five largest customers represented 28% of the Group's total turnover. The amount of sales to the Group's largest customer represented 8% of the Group's total turnover.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 36% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 13% of the Group's total purchases.

None of the Directors of the Company nor any of their associates nor any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Mr. Lui Chi
Mr. Lui Shing Ming, Brian
Mr. Lui Shing Cheong
Mr. Lui Shing Chung, Victor
Mr. Lung Wai Kee

Independent non-executive directors:

Dr. Lam Chun Kong
Mr. Lo Wing Man
Dr. Ng Lai Man, Carmen

Messrs. Lui Chi, Lui Shing Ming, Brian and Lui Shing Cheong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with bye-law 87 of the Company's Bye-laws respectively.

The Independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

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.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest 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.

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2006, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance "SFO") as recorded in the register maintained by the Company under section 352 of Part XV 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:

(i) Directors' interests in shares

(A) Long position in the shares of the Company

Name of director	Number of shares held				Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests	Other interests	Total interests	
Mr. Lui Chi	–	244,313,029 (Note 1)	244,313,029 (Note 1)	244,313,029	50.20%
Mr. Lui Shing Ming, Brian	4,375,000	–	244,313,029 (Note 2)	248,688,029	51.10%
Mr. Lui Shing Cheong	3,125,000	–	244,313,029 (Note 2)	247,438,029	50.84%
Mr. Lui Shing Chung, Victor	3,125,000	625,000 (Note 3)	244,313,029 (Note 2)	248,063,029	50.97%
Mr. Lung Wai Kee	1,250,000	2,500,000 (Note 4)	–	3,750,000	0.77%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)**(i) Directors' interests in shares (Continued)****(A) Long position in the shares of the Company (Continued)**

Notes:

1. Mr. Lui Chi is interested in 244,313,029 shares of the Company by virtue of (i) his being a founder of a discretionary trust, the discretionary objects of which include Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor, Lui Shing Cheong and other family members of Mr. Lui Chi; and (ii) his spouse is also a founder of the discretionary trust.
2. The 244,313,029 shares are owned by Harmony Link Corporation, a company incorporated in the British Virgin Islands. Approximately 48.4% of the issued share capital of Harmony Link Corporation is held by The Lui Family Company Limited as trustee of The Lui Unit Trust. All units (except 1 unit which is owned by Mr. Lui Shing Ming Brian) of The Lui Unit Trust are held by Trident Corporate Services (B.V.I.) Limited (formerly known as "Ansbacher (BVI) Limited") as trustee of a discretionary trust, the discretionary objects of which have been disclosed in Note (1) above. Mr. Lui Chi and his spouse, Madam Ng Sze Mui are the founders of the discretionary trust. Each of Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor and Lui Shing Cheong further owns approximately as to 24.13%, 14.59% and 12.88% of the issued share capital of Harmony Link Corporation respectively.
3. The 625,000 shares are owned by the spouse of Mr. Lui Shing Chung, Victor.
4. The 2,500,000 shares are owned by the spouse of Mr. Lung Wai Kee.

All the interests stated above represent long positions in the shares of the Company and exclude those in the underlying shares through share options or equity derivatives. Interests of the respective directors set out in this subsection (A) need to be aggregated with their interests in the underlying shares through share options or equity derivatives of the Company set out in subsection (B) below in order to give the total interests of the respective directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirement.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

(i) Directors' interests in shares (Continued)

(B) Long position in the underlying shares of the Company through share options or equity derivatives

Share options are granted to the directors under the Share Option Scheme adopted by the Company on 27 December 1996 (the "Old Scheme"). Details of the share options outstanding as at 31 March 2006 under the Old Scheme are as follows:

Name of director	Nature of interest	Number of share options held	Date of grant of share options	Exercise price of share options HK\$	Exercisable period
Mr. Lui Shing Chung, Victor	Family (Note)	625,000	31 December 1999	0.2240	31 December 1999 to 26 December 2006

Note: 625,000 share options are owned by the spouse of Mr. Lui Shing Chung, Victor.

The share options are exercisable up to 26 December 2006 and were granted at nil cash consideration. The above share option price and the corresponding number of share options held by the above director was adjusted as a result of a bonus issue on 31 August 2001.

Save as disclosed herein, as at 31 March 2006, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Directors' rights to acquire shares or debentures

Save as disclosed herein, at no time during the year were rights to acquire benefits by means of the acquisition of shares in, or, debentures of, the Company granted to any directors or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their associates to acquire such rights in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company:

Name of shareholder	Long/Short position	Capacity	Number of ordinary shares/ underlying shares held	Percentage of issued capital
Madam Ng Sze Mui	Long	Founder of a discretionary trust	244,313,029 (Note 1)	50.20%
Madam Ng Shuk Fong, Aman	Long	Beneficial owner and interest of spouse	248,688,029 (Note 2)	50.10%
Harmony Link Corporation	Long	Beneficial owner	244,313,029	50.20%
The Lui Family Company Limited	Long	Trustee	244,313,029 (Note 3)	50.20%
Trident Corporate Services (B.V.I.) Limited (formerly known as "Ansbacher (BVI) Limited")	Long	Trustee	244,313,029 (Note 3)	50.20%

Notes:

- (1) Interests in these shares represent interests held by Madam Ng Sze Mui by virtue of her being a founder of a discretionary trust which has interests in 244,313,209 shares, details of the trust have also been disclosed in Note (1) under the section "Directors' interests in shares – Long position in the shares of the Company" above.
- (2) Interests in these shares include interests in 625,000 shares and options to subscribe for 625,000 shares both held by Madam Ng Shuk Fong, Aman personally and interests in 247,438,029 shares through interest of her spouse, Mr. Lui Shing Chung, Victor as disclosed in Note (2) under the section "Directors' interest in shares – Long position in the shares of the Company" above.
- (3) The two references to 244,313,029 shares relate to the same block of shares in the Company. Each of The Lui Family Company Limited as trustee of The Lui Unit Trust and Trident Corporate Services (B.V.I.) Limited (formerly known as "Ansbacher (BVI) Limited") as trustee of a discretionary trust is taken to have a duty of disclosure in relation to the interests of Harmony Link Corporation in the said shares of the Company as described in Note (2) under the section "Directors' interests in shares – Long position in the shares of the Company" above.

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed herein, as at 31 March 2006, the Company has not been notified by any other person or corporation, other than the directors of the Company whose interests are set out above, as having interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PARTICULARS OF DIRECTORS OF THE COMPANY WHO WERE DIRECTORS/ EMPLOYEES OF SUBSTANTIAL SHAREHOLDERS

Messrs. Lui Chi, Lui Shing Ming Brian, Lui Shing Cheong and Lui Shing Chung Victor are directors of Harmony Link Corporation and The Lui Family Company Limited.

SHARE OPTION SCHEMES

On 5 September 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted. As at 31 March 2006, the number of shares in respect of which share options had been granted and outstanding under the Old Scheme was 1,125,000 and no share options had been granted under the New Scheme.

Details of the Company's share option schemes are stated in note 26 to the financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors, the management shareholders of the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

AUDIT COMMITTEE

The Company has an audit committee (the "Committee") which was established in accordance with the requirements of the Code and with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants in December 1997. The Committee comprises three independent non-executive directors, namely Dr. Ng Lai Man, Carmen, Dr. Lam Chun Kong and Mr. Lo Wing Man. The principal duties of the Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Company for the year ended 31 March 2006.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 6 June 2005, a foreign funded enterprise, Shanghai Fastabs Printing Co., Ltd. (“Shanghai Fastabs”), was set up by the Group in Shanghai, which is owned by Chun Ming Printing Factory Company Limited (“Chun Ming”), a wholly owned subsidiary of the Company, and Fastabs Limited (“Fastabs”) in the ratio of 55% and 45% respectively. In its ordinary and usual course of business, Chun Ming has been supplying labels and hangtags to Fastabs since 2001 (the “Sale Transaction”) and Fastabs has been referring customers to Chun Ming. Chun Ming pays commission to Fastabs on a monthly basis in respect of such referred sales at a variable percentage to be agreed with Fastabs from time to time on the transaction value when Chun Ming receives the purchase order from the referred customers. In determining such a variable percentage, the nature of the orders and the order size will be taken into account. Chun Ming will also pay annual commission to Fastabs calculated at the end of each fiscal year at 6.5% of the aggregate annual value of the Sale Transactions and the referred sales, minus the monthly commissions paid in the twelve calendar month period. Fastabs and its owners were independent from and not connected with the Company and its connected persons until 6 June 2005 when Shanghai Fastabs was set up. Since then, Fastabs has become a connected person of the Company by reason of it being a substantial shareholder of a subsidiary of the Company and the Sale Transaction and the monthly and annual commissions paid by Chun Ming therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Sale Transactions are entered into on an order and order basis and the consideration are reached after arm’s length negotiations between Chun Ming and Fastabs with reference to the prices charged by Chun Ming to other independent customers, which basis was the same as that before Fastabs became a connected person of the Company. For the period from 6 June 2005 to 31 March 2006, the total consideration of the Sale Transactions amounted to approximately HK\$1.8 million.

The basis for the calculation of the monthly and annual commissions to Fastabs was agreed between Chun Ming and Fastabs before Fastabs became a connected person of the Company and arrived after arm’s length negotiation. The Directors consider that the commission basis continue to be fair and reasonable as the nature of the transactions has not changed after Fastabs has become a connected person of the Company in June 2005. For the period from 6 June 2005 to 31 March 2006, the total monthly and annual commissions paid to Fastabs amounted to approximately HK\$4.4 million.

Chun Ming has not entered into similar arrangements with other third parties and no Master Agreement was signed between Chun Ming and Fastabs to govern the Sale Transactions and the monthly and annual commission payments until 16 June 2006. The terms of the Sale Transaction and the monthly and annual commission payments as set out in the Master Agreement are on the same basis as those before the Master Agreement was entered into. With Fastabs becoming a connected person in June 2005, the subsequent Sale Transaction and monthly and annual commission payments have become continuing connected transactions of the Company pursuant to the Listing Rules. It is currently expected the annual aggregate amount of the Sale Transactions and the monthly and annual commission payments will be less than HK\$10,000,000 for each of the three years ending 31 March 2009. In accordance with Rule 14A.34 of the Listing Rules, the Sale Transactions and the monthly and annual commission payments are only subject to the reporting and announcement requirements and are exempt from the independent shareholder's approval requirements. The Company will include details of the Sale Transactions and the monthly and annual commission payments in the annual reports, including in a note to the financial statements as related party transaction, for each of the three years ending 31 March 2009.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 23 to 27.

SUFFICIENCY OF PUBLIC FLOAT

Based on the 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 throughout the year under review.

AUDITORS

The Company's auditors, Grant Thornton retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

Lui Chi
Chairman

Hong Kong, 24 July 2006