

Directors' Report

The board of directors of the Company has pleasure in submitting their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006.

Principal Activities

The principal activities of the Company are investment holding and securities trading. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements.

Segment Information

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 March 2006 is set out in note 7 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 the Group at that date are set out in the financial statements on pages 33 to 87.

The board of directors do not recommend any dividend for the year (2005: Nil).

Summary Financial Information

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 88. This summary does not form part of the financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

Share Capital and Share Options

Details of the movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 32 and 33 to the financial statements, respectively.

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.

Directors' Report (continued)

Purchase, Redemption or Sale of Listed Securities

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the year.

Share Premium and Reserves

Details of the movements in the share premium and reserves of the Company and the Group during the year are set out in note 34 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, comprising contributed surplus and retained profits, amounted to HK\$102,089,000. In accordance with the Companies Act 1981 of Bermuda (as amended) the contributed surplus may only be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of HK\$4,677,000, may be distributed in the form of fully paid bonus shares.

Charitable Contributions

During the year, the Group made charitable contributions totalling HK\$54,000.

Major Customers and Suppliers

In the year under review, services provided to the Group's five largest customers accounted for 11% of the total turnover for the year of HK\$104.4 million and services provided to the largest customer included therein amounted to 4%.

Services provided from the Group's five largest suppliers accounted for 24% of the total cost of services provided for the year and services provided from the largest supplier included therein amounted to 8%.

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

Directors' Report (continued)

Directors

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

Executive Directors

Mr. Bernard Pouliot (*Chairman*)

Mr. Kenneth Lam Kin Hing (*Deputy Chairman*)

Mr. Richard David Winter (*Deputy Chairman*)

Independent Non-executive Directors

Mr. Gordon Kwong Che Keung

Mr. Jeremy King

Mr. Steven Kwan Ying Wai

Mr. Esmond Quek Keng Liang (re-elected as independent non-executive director on 16 September 2005)

In accordance with bye-laws 86(2) and 87 of the Company's Bye-laws, Mr. Bernard Pouliot and Mr. Gordon Kwong Che Keung will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' Remuneration

Directors' remuneration of the Company is set out in note 14 to the financial statements.

Biographical Details of Directors and Senior Management

Biographical details of directors of the Company and senior management of the Group are set out on pages 15 to 17 of this annual report.

Directors' Service Contracts

Each of Mr. Bernard Pouliot, Mr. Kenneth Lam Kin Hing and Mr. Richard David Winter has entered into a service contract with the Company dated 1 October 2005, 1 October 2005 and 17 September 2005, respectively, for a term of three years and shall continue thereafter unless and until terminated by either party giving not less than twelve months notice in writing.

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.

Directors' Interests in Contracts

Save as disclosed under "Continuing Connected Transactions" in this report and notes 35 and 39 to the financial statements, no director had a material interest in any contract of significance to the business of the Group subsisted at the end of the year or at any time during the year to which the Company or any of its subsidiaries was a party.

Directors' Report (continued)

Management Contracts

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

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

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 (the "SFO")), as recorded in the register required to be kept 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 the Listed Issuers were as follows:

Long Position

Name of directors	Number of ordinary shares held and nature of interests				Percentage of issued share capital
	Personal	Family	Corporate	Total	
Bernard Pouliot	3,857,340	1,500,000 (note 1)	31,951,646 (note 2)	37,308,986	32.87
Kenneth Lam Kin Hing	7,558,910	—	20,274,810 (note 3)	27,833,720	24.52
Richard David Winter	2,192,573	—	—	2,192,573	1.93

Notes:

1. The family interests of Mr. Bernard Pouliot are held by his spouse, Ms. Chan Wai Yin, Elizabeth.
2. The corporate interests are held by Newer Challenge Holdings Limited and Porto Global Limited, the controlling shareholders of the Company, which are beneficially owned by Mr. Bernard Pouliot, Executive Director and Chairman of the Company.
3. The corporate interests are held by Olympia Asian Limited, a company beneficially owned by Mr. Kenneth Lam Kin Hing, Executive Director and Deputy Chairman of the Company.

The interests of the directors in the share options of the Company are separately disclosed in note 33 to the financial statements.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company.

Save as disclosed above, none of the directors of the Company or their respective associates had or was deemed to have any 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).

Directors' Report (continued)

Directors' Rights to Acquire Shares or Debentures

Apart from as disclosed in the share option schemes disclosure in note 33 to the financial statements, 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 director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders

As at 31 March 2006, the following person or corporations (other than directors or chief executives of the Company) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Long Position

Name of Shareholders	Number of shares beneficially held	Percentage of issued share capital
Olympia Asian Limited (<i>Note 1</i>)	20,274,810	17.86
Newer Challenge Holdings Limited (<i>Note 2</i>)	18,873,250	16.62
Porto Global Limited (<i>Note 2</i>)	13,078,396	11.52

Notes:

1. Olympia Asian Limited is a company beneficially owned by Mr. Kenneth Lam Kin Hing, Executive Director and Deputy Chairman of the Company.
2. Newer Challenge Holdings Limited and Porto Global Limited are companies beneficially owned by Mr. Bernard Pouliot, Executive Director and Chairman of the Company.

Save as disclosed above, the Company has not been notified of any other relevant interest or short position in the issued share capital of the Company as at 31 March 2006.

Directors' Report (continued)

Continuing Connected Transactions

During the year, the following transactions were entered into by the Company's subsidiary and the connected persons constitute "financial assistance" under Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules"), which are exempt from the independent shareholders' approval requirements pursuant to rule 14A.66 of the Listing Rules, and are subject to the reporting and announcement requirements set out in rules 14A.45 to 14A.47 of the Listing Rules.

Details of the transactions are as follows:

Transaction date	The financial year commencing 1 April 2005 to 31 March 2006
Parties to the transactions	<p>Quam Securities Company Limited and</p> <ul style="list-style-type: none">• Mr. Bernard Pouliot and his respective associates• Mr. Kenneth Lam Kin Hing and his respective associates• Other directors of the Company's subsidiaries and their respective associates
Transaction	Share margin financing
Total consideration and terms	<p>Total annual aggregate interest charged to connected persons for the year amount to HK\$485,000.</p> <p>The interest rate charged is at prime bank lending rate plus 3%.</p> <p>The margin facilities are secured by collateral securities and are repayable upon demand.</p>
Nature and extent of connected person interests in the transactions	Pursuant to rule 14A.66(2) of the Listing Rules, financial assistance was granted to connected persons by way of share margin financing. During the year, the aggregate total value of assistance plus any preferential benefit to the connected persons were within the thresholds stipulated in accordance to rule 14A.66(2) and is less than HK\$10 million.

The independent non-executive directors of the Company have reviewed the continuing connected transactions as set out above and have confirmed that these continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company confirmed that these continuing connected transactions (i) have been approved by the board of directors of the Company; (ii) are in accordance with the pricing policies of the Group; (iii) have been entered into in accordance with the terms of the relevant agreement governing the continuing connected transactions; and (iv) have not exceed the cap disclosed in the announcement of the Company dated 1 December 2005.

Directors' Report (continued)

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Corporate Governance

Details of compliance with the Code on Corporate Governance Practices of the Company are set out in the Corporate Governance Report on pages 27 to 30 of this annual report.

Audit Committee

Detailed information related to the audit committee is set out in the Corporate Governance Report on page 29 of this annual report.

Auditors

Messrs. Grant Thornton who retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the board

Bernard Pouliot

Chairman

Hong Kong, 21 July 2006



Quam Investor Relations

Quam IR is a proactive strategic service provider, which assists listed companies in enhancing their corporate identity and market positioning among individual and institutional investors. Leveraging on the Quam Group's network of financial institutions, media, and Quamnet platform to attract investor interest, Quam IR helps listed companies to identify the right investors and strengthens their relationships with the global investment community.

華富投資者關係服務

華富投資者關係(Quam IR) 致力為上市公司提供優越的策劃服務，讓其能夠更廣泛地為個人及機構投資者所認識，提升企業的地位及市場定位。憑藉華富國際集團與金融界及傳媒的良好關係網絡，加上華富財經網站對投資者的吸引力，華富投資者關係為上市公司確定合適投資者及加強其與環球投資社群的關係。

