

DIRECTORS' REPORT

The directors have pleasure to present their report and the audited financial statements of the Group for the year ended 31st March, 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries and the Group's principal associates as at 31st March, 2006 are set out in notes 53 and 22, respectively, to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating results for the year ended 31st March, 2006 is set out in note 7 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 29 of the annual report.

An interim dividend of HK1.5 cents per ordinary share amounting to approximately HK\$16,121,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK1.7 cents per ordinary share in cash with an option to elect scrip dividend of ordinary shares to holders of ordinary shares whose names appear on the register of holders of ordinary shares on 5th October, 2006.

The directors resolved to pay a dividend of HK4 cents per redeemable convertible preference share in respect of the twelve month period ending on but excluding 3rd November, 2006 to holders of redeemable convertible preference shares whose names appear on the register of holders of redeemable convertible preference shares as at the close of business on 13th October, 2006.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 32 of the annual report and note 52 to the financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers during the year were less than 30% of the Group's total turnover.

The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 30% of the Group's total purchases.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 97 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

DIRECTORS' REPORT *(continued)*

SUBSIDIARIES AND ASSOCIATES

Particulars of the principal subsidiaries of the Company and principal associates of the Group as at 31st March, 2006 are set out in notes 53 and 22, respectively, to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 40 to the financial statements.

SHARE OPTIONS

Details of the movements in the share options of the Company and of its subsidiary during the year are set out in note 41 to the financial statements.

BORROWINGS

Bank borrowings and other loans repayable within one year or on demand are classified as current liabilities. Details of the repayment analysis of bank borrowings and other loans of the Group as at 31st March, 2006 are set out in notes 36 and 37 to the financial statements, respectively.

DIRECTORS

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

Executive directors:

Chan Kwok Keung, Charles (*Chairman*)
 Chau Mei Wah, Rosanna (also appointed as the Deputy Chairman on 12th September, 2005)
 (*Deputy Chairman and Managing Director*)
 Chan Kwok Hung
 Chan Fut Yan
 Cheung Hon Kit
 Lau Ko Yuen, Tom (retired on 12th September, 2005)

Independent non-executive directors:

Chuck, Winston Calptor
 Lee Kit Wah
 Wong Kam Cheong, Stanley
 Shek Lai Him, Abraham (appointed on 26th June, 2006)

In accordance with Bye-law 98(A) of the Company's Bye-laws, Dr. Chan Kwok Keung, Charles, Ms. Chau Mei Wah, Rosanna, Mr. Chan Kwok Hung and Mr. Cheung Hon Kit will retire by rotation at the forthcoming annual general meeting. In addition, in accordance with Bye-law 103(B) of the Company's Bye-Laws, Mr. Shek Lai Him, Abraham will retire at the forthcoming annual general meeting. Mr. Wong Kam Cheong, Stanley offers himself to retire at the forthcoming annual general meeting. All retiring directors, being eligible for re-election, offer themselves for re-election, except that Mr. Wong Kam Cheong, Stanley does not offer himself for re-election.

The independent non-executive directors are appointed for a specific term, subject to re-election, which will run until the conclusion of the third annual general meeting from the date of their last re-election and in accordance with the Company's bye-laws. No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT *(continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st 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 associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register of the Company 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 "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") were as follows:

(a) *Interests and short positions in shares, underlying shares and debentures of the Company*

Name of director	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	639,279,242	34.79%

Note: Galaxyway Investments Limited ("Galaxyway") was a wholly-owned subsidiary of Chinaview International Limited ("Chinaview") which was, in turn, wholly owned by Dr. Chan Kwok Keung, Charles. Dr. Chan Kwok Keung, Charles was deemed to be interested in 639,279,242 ordinary shares of the Company held by Galaxyway.

(b) *Interests and short positions in shares, underlying shares and debentures of Trasy Gold Ex Limited ("Trasy")*

Name of director	Capacity	Long position/ Short position	Number of shares of Trasy held	Approximate percentage of the issued share capital of Trasy
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	1,568,681,139	56.45%

Note: The shares of Trasy were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 34.79% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of Trasy.

DIRECTORS' REPORT *(continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(c) Interests and short positions in shares, underlying shares and debentures of PYI Corporation Limited ("PYI")

Name of director	Capacity	Long position/ Short position	Number of shares of PYI held	Number of underlying shares (in respect of the share options (unlisted equity derivatives)) of PYI held	Approximate percentage of the issued share capital of PYI
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	399,859,768	-	29.00%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,840,896	-	0.86%
Cheung Hon Kit	Beneficial owner	Long position	400	-	0.00%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	-	13,000,000	0.94%
Chan Fut Yan	Beneficial owner	Long position	-	13,000,000	0.94%

Note: The shares of PYI were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 34.79% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of PYI.

(d) Interests and short positions in shares, underlying shares and debentures of Hanny Holdings Limited ("Hanny")

Name of director	Capacity	Long position/ Short position	Number of shares of Hanny held	Number of underlying shares (in respect of the share options (unlisted equity derivatives)) of Hanny held	Approximate percentage of the issued share capital of Hanny
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	57,614,948	-	24.28%
Chan Kwok Keung, Charles	Beneficial owner	Long position	1,600,000	-	0.67%
Chan Kwok Keung, Charles	Beneficial owner	Long position	-	4,000,000	1.69%
Chan Kwok Hung	Beneficial owner	Long position	1,600,000	-	0.67%
Chan Kwok Hung	Beneficial owner	Long position	-	1,750,000	0.74%

Note: The shares of Hanny were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 34.79% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of Hanny.

DIRECTORS' REPORT *(continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(e) Interests and short positions in shares, underlying shares and debentures of Burcon NutraScience Corporation ("Burcon")

Name of director	Capacity	Long position/ Short position	Number of shares of Burcon held	Number of underlying shares (in respect of the share options (unlisted equity derivatives)) of Burcon held	Approximate percentage of the issued share capital of Burcon
Chau Mei Wah, Rosanna	Beneficial owner	Long position	289,519	–	1.32%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	61,000	0.28%

Trasy, PYI, Hanny and Burcon are associated corporations of the Company within the meaning of Part XV of the SFO.

Dr. Chan Kwok Keung, Charles was, by virtue of his deemed interest in approximately 34.79% of the issued ordinary share capital of the Company, deemed to be interested in the shares and underlying shares (in respect of equity derivatives), if any, of the associated corporations (within the meaning of Part XV of the SFO) of the Company held by the Group under Part XV of the SFO.

Save as disclosed above, as at 31st March, 2006, none of the directors and chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(a) Share Option Scheme of the Company adopted on 16th January, 2002

As at 31st March, 2006, there were no outstanding share options granted by the Company pursuant to the share option scheme of the Company. No share options were granted, exercised, cancelled or lapsed during the year. Details of the share option scheme of the Company are set out in note 41 to the financial statements.

(b) Pre-IPO Share Option Plan of Trasy adopted on 6th November, 2000 and Share Option Scheme of Trasy adopted on 30th April, 2002

As at 31st March, 2006, there were no share options granted by Trasy to the directors of the Company pursuant to the pre-IPO share option plan and share option scheme of Trasy. Details of the pre-IPO share option plan and share option scheme of Trasy are set out in note 41 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 51 to the financial statements, no 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.

DIRECTORS' REPORT *(continued)*

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors of the Company is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as at 31st March, 2006.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 31st March, 2006, so far as is known to the directors and the chief executives of the Company, the interests or short positions of substantial shareholders/other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

(a) *Interests and short positions of substantial shareholders in shares and underlying shares of the Company*

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	639,279,242	34.79%
Chinaview	Interest of controlled corporation <i>(Note)</i>	Long position	639,279,242	34.79%
Galaxyway	Beneficial owner	Long position	639,279,242	34.79%
Ng Yuen Lan, Macy	Interest of spouse <i>(Note)</i>	Long position	639,279,242	34.79%
PMA Capital Management Ltd.	Investment Manager	Long position	184,144,000	10.02%

Note: Galaxyway was a wholly-owned subsidiary of Chinaview which was in turn wholly owned by Dr. Chan Kwok Keung, Charles. Ms. Ng Yuen Lan, Macy is the spouse of Dr. Chan Kwok Keung, Charles. Chinaview, Dr. Chan Kwok Keung, Charles and Ms. Ng Yuen Lan, Macy were deemed to be interested in the ordinary shares of the Company held by Galaxyway.

DIRECTORS' REPORT *(continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO *(continued)*

(b) Interests and short positions of other persons in shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Number of underlying shares (in respect of the listed equity derivatives) of Company held	Approximate percentage of the issued share capital of the Company
CEF Holdings Limited ("CEF Holdings")	Interest of controlled corporations <i>(Note)</i>	Long position	2,773,046	–	0.15%
CEF Holdings	Interest of controlled corporations <i>(Note)</i>	Long position	–	213,015,153	11.59%
Canadian Imperial Bank of Commerce	Interest of controlled corporations <i>(Note)</i>	Long position	2,773,046	–	0.15%
Canadian Imperial Bank of Commerce	Interest of controlled corporations <i>(Note)</i>	Long position	–	213,015,153	11.59%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations <i>(Note)</i>	Long position	2,773,046	–	0.15%
CKH	Interest of controlled corporations <i>(Note)</i>	Long position	–	213,015,153	11.59%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee <i>(Note)</i>	Long position	2,773,046	–	0.15%
TUT1	Trustee <i>(Note)</i>	Long position	–	213,015,153	11.59%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee & beneficiary of a trust <i>(Note)</i>	Long position	2,773,046	–	0.15%
TDT1	Trustee & beneficiary of a trust <i>(Note)</i>	Long position	–	213,015,153	11.59%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee & beneficiary of a trust <i>(Note)</i>	Long position	2,773,046	–	0.15%

DIRECTORS' REPORT *(continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO *(continued)*

(b) Interests and short positions of other persons in shares and underlying shares of the Company (continued)

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Number of underlying shares (in respect of the listed equity derivatives) of Company held	Approximate percentage of the issued share capital of the Company
TDT2	Trustee & beneficiary of a trust <i>(Note)</i>	Long position	–	213,015,153	11.59%
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts <i>(Note)</i>	Long position	2,773,046	–	0.15%
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts <i>(Note)</i>	Long position	–	213,015,153	11.59%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long position	33,248,800	–	1.81%
Deutsche Bank Aktiengesellschaft	Security interest	Long position	184,040,000	–	10.02%

DIRECTORS' REPORT *(continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO *(continued)*

(b) Interests and short positions of other persons in shares and underlying shares of the Company *(continued)*

Note: The number of ordinary shares and underlying shares (in respect of listed equity derivatives) of the Company held by Asialand Investment Limited ("Asialand"), CEF (Capital Markets) Limited ("CEF Capital Markets") and Asian Resources Investment Limited ("Asian Resources") were 48,076,922, 164,938,231 and 2,773,046 respectively. CEF Capital Markets and Asian Resources were wholly owned by CEF Holdings. Asialand was wholly owned by CEF M B Investments Limited which was in turn wholly owned by CEF Holdings.

Each of CKH and CIBC Holdings (Cayman) Limited was entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of CEF Holdings. CIBC Holdings (Cayman) Limited was wholly owned by Canadian Imperial Bank of Commerce. CEF M B Investments Limited was deemed to be interested in ordinary shares and/or underlying shares (in respect of listed equity derivatives) of the Company held by Asialand. CEF Holdings, CIBC Holdings (Cayman) Limited and Canadian Imperial Bank of Commerce were all deemed to be interested in ordinary shares and underlying shares (in respect of listed equity derivatives) of the Company held by Asialand, CEF Capital Markets and Asian Resources.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

In addition, Li Ka-Shing Unity Holdings Limited also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr. Li Ka-shing being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, CKH, TUT1, TDT1 and TDT2 was deemed to be interested in ordinary shares and underlying shares (in respect of listed equity derivatives) of the Company held by Asialand, CEF Capital Markets and Asian Resources.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under Section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31st March, 2006.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 45 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed minimum public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

DIRECTORS' REPORT *(continued)*

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

The following disclosure is made by the Company pursuant to Rules 13.20 and 13.22 of the Listing Rules:

(1) ADVANCES TO ENTITIES

Pursuant to Rule 13.20 of the Listing Rules, the details of the advances ("Advances") to the entities as at 31st March, 2006 which individually exceeded 8% of one or more of the relevant percentage ratios as set out in the Rule 14.07 of the Listing Rules are as follows:

Entities	Amount of Advances HK\$'000	Interest rate (Note 1)	Percentage of total assets (Note 2)	Percentage of market capitalisation (Note 3)
Hanny, its subsidiaries and affiliated companies (Notes 4 & 6)	178,431	Prime rate +2%	7.3%	12.8%
See Corporation Limited (Note 6)	111,218	Prime rate +2%	4.5%	8.0%
Wing On Travel (Holdings) Limited ("Wing On Travel"), its subsidiaries and affiliated companies, excluding Apex Quality Group Limited ("Apex") (Notes 5 & 6)	44,280	Prime rate +2%	1.8%	3.2%
Apex, its subsidiaries, and its affiliated companies (Note 6)	90,542	Prime rate +2%	3.7%	6.5%

Notes:

- "Prime rate" means the best lending rate of the Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time.
- "Total Assets" means the total assets of the Group as at 31st March, 2006, adjusted by the final dividend proposed and the preference share dividend declared.
- "Market Capitalisation" is the average closing price of the Company's shares as stated in the daily quotation sheets of the Hong Kong Stock Exchange for the five business days immediately preceding 31st March, 2006.
- Hanny is owned as to 24.3% by the Group as at 31st March, 2006.
- Wing On Travel owns 67.9% of Apex as at 31st March, 2006.
- The Advances have been granted by the Group as of its treasury management activities.

The Advances are unsecured and repayable on demand.

DIRECTORS' REPORT *(continued)***DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES** *(continued)***(2) FINANCIAL ASSISTANCE AND GUARANTEES GIVEN TO AFFILIATED COMPANIES**

Pursuant to Rule 13.22 of the Listing Rules, the combined balance sheet of the affiliated companies and the Group's attributable interest in these affiliated companies based on their latest financial statements available are presented below:

	Combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Non-current assets	1,692,687	454,241
Current assets	2,671,300	649,037
Current liabilities	(1,933,950)	(485,015)
Non-current liabilities	(214,318)	(80,843)
Minority interests	(350,434)	(85,085)
	<u>1,865,285</u>	<u>452,335</u>

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

During the year ended 31st March, 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 50 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the external auditors of the Company.

On behalf of the Board

Dr. Chan Kwok Keung, Charles

Chairman

Hong Kong, 28th July, 2006