

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Group for the year ended March 31, 2004.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 46 and 47 to the financial statements, respectively.

### RESULTS AND DIVIDEND

The results of the Group for the year ended March 31, 2004 are set out in the consolidated income statement on page 28.

The directors recommended the payment of a final dividend of HK\$0.38 per share for the year ended March 31, 2004.

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 33 to the financial statements.

### INVESTMENT PROPERTIES

During the year, the Group acquired investment properties at a cost of approximately HK\$83 million.

At March 31, 2004, the Group revalued all of its investment properties on an open market value basis. The surplus arising on the revaluation amounting to approximately HK\$273 million has been credited to the consolidated income statement.

Details of movements during the year in the investment properties of the Group are set out in note 13 to the financial statements.

A summary of investment properties of the Group at March 31, 2004 is set out on pages 94 to 97.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$24 million.

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

## DIRECTORS' REPORT

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

#### Executive directors:

Luk Siu Man, Semon (*Chairperson*)

Wong Chi Fai (*Managing Director*)

Fan Man Seung, Vanessa (*Managing Director*)

Yeung Lik Shing, Michael

Mok Fung Lin, Ivy

Chan Pak Lam, Tom

#### Independent non-executive directors:

Law Ka Ming, Michael

Chan Man Hon, Eric

The term of office of each director, including the independent non-executive directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with Bye-laws 87(2) and 87(3) of the Company's Bye-laws, Mr. Law Ka Ming, Michael and Mr. Chan Man Hon, Eric would retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at March 31, 2004, 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 corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or 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 referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange"), were as follows:

#### (a) Long position in shares of the Company

Name of director	Nature of interests	Number of ordinary shares held	Percentage holding
Ms. Luk Siu Man, Semon ("Ms. Semon Luk")	Family	64,567,475	74.79%

*Note:* The shares were registered in the name of Charron Holdings Limited ("Charron"). The entire issued share capital of Charron was held by Jumbo Wealth Limited ("Jumbo Wealth") on trust for The A&A Unit Trust. The A&A Unit Trust was a unit trust under The Albert Yeung Discretionary Trust ("Trust"), a discretionary trust set up by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"). Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 64,567,475 shares held by Charron. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the above 64,567,475 shares held by Charron.

#### (b) Long position in shares in associated corporation

Name of associated corporation	Nature of interests	Number of ordinary share(s) held	Percentage holding
Charron ( <i>Note 1</i> )	Family	1	100%
Jumbo Wealth ( <i>Note 1</i> )	Family	1	100%
Surplus Way Profits Limited ("Surplus Way") ( <i>Note 2</i> )	Family	1	100%
Emperor Entertainment Group Limited ("EEG") ( <i>Note 2</i> )	Family	192,182,000	73.92%
Emperor (China Concept) Investments Limited ("ECC") ( <i>Note 3</i> )	Family	3,411,310	30.99%

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES (continued)

*Notes:*

1. Charron was the registered owner of 64,567,475 shares, representing 74.79% of the total issued share capital of the Company. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Charron. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the share capital of Charron and Jumbo Wealth respectively.
2. EEG is a company with its shares listed in Hong Kong; 73.92% of the shares of EEG were registered in the name of Surplus Way. The entire issued share capital of Surplus Way was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Trust. By virtue of the interests of The A&A Unit Trust in Charron and Surplus Way, both Surplus Way and EEG were associated corporations of the Company. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Surplus Way and EEG respectively. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the share capital of Surplus Way and EEG respectively.
3. ECC is a company with its shares listed in Hong Kong; 30.99% of the shares of ECC were registered in the name of Worthly Strong Investment Limited ("Worthly Strong"). The entire issued share capital of Worthly Strong was held indirectly by the Company. By virtue of the interest of the Company in ECC, ECC was an associated corporation of the Company. Charron was the registered owner of 64,567,475 shares, representing 74.79% of the total issued share capital of the Company. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of ECC. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the share capital of ECC.

Save as disclosed above, as at March 31, 2004, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or 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 referred to therein, or which were required, pursuant to the Model Code of the Listing Rules, to be notified to the Company and the Stock Exchange.

## DIRECTORS' REPORT

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at March 31, 2004, so far as known to any directors or chief executives of the Company, the following persons (other than a director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

#### Long position in shares of the Company

Name of shareholder	Capacity/ Nature of interests	Number of ordinary shares held	Percentage holding
Charron	Beneficial owner	64,567,475	74.79%
Jumbo Wealth	Trustee	64,567,475	74.79%
GZ Trust Corporation ("GZ Trust")	Trustee	64,567,475	74.79%
Mr. Albert Yeung	Founder of the Trust	64,567,475	74.79%

*Note:* The shares were registered in the name of Charron. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 64,567,475 shares held by Charron and held the entire issued share capital of Jumbo Wealth on trust for GZ Trust as trustee of the Trust. The above shares were the same shares as those set out under paragraph (a) of the section of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

Save as disclosed above, as at March 31, 2004, so far as is known to the directors or chief executives of the Company, no other person (not being a director or chief executive of the Company) had any interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

## DIRECTORS' REPORT

### SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 34 to the financial statements.

### DIRECTORS' AND EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than disclosed in the section headed "Share Options", at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at March 31, 2004, the interests of directors or their respective associates in the business which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group ("Competing Business") as required to be disclosed pursuant to the Listing Rules were as follows:

Name	Name of Company	Nature of interests	Competing business
Fan Man Seung, Vanessa, Director	Bacchus International Limited	Director and substantial shareholder	Property development and investment
Yeung Lik Shing, Michael, Director	Always Income Limited	Director and substantial shareholder	Property development and investment
	Crown New Investment Limited	Director and substantial shareholder	Property development and investment
	Grand Fair Limited	Director and substantial shareholder	Property development and investment
	Kindyield International Investment Limited	Substantial shareholder	Property development and investment
Semon Luk, Director and her associate	Certain subsidiaries of the Trust of which Albert Yeung, associate of Semon Luk, was the founder	Family	Property development and investment

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)

Save as disclosed above, as at March 31, 2004, none of the directors on their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with business of the Group.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, the Group had the following transactions with directors or companies in which certain directors have beneficial interests:

The Group leased certain properties, on normal commercial terms, to Strong Time Investments Limited ("Strong Time"). Strong Time is a signing agent of Emperor International Exchange (Hong Kong) Company Limited, in which Ms. Semon Luk was 100% interested as at March 31, 2004. The rental income received for the year amounted to approximately HK\$3,711,000.

The Group leased certain properties and provided advertising, back office and professional services to EEG. EEG is an investment holding company with its operating subsidiaries principally engaged in the entertainment business, in which Ms. Semon Luk has 73.92% deemed interest. Total rental and service income received for the year amounted to approximately HK\$2,633,000.

Save as disclosed above, no contract 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.

### CONNECTED TRANSACTIONS

During the year, Levin Group Limited ("Levin"), an indirect 93.33% subsidiary of the Company, acquired from Saffron Investments Limited ("Saffron") the remaining 25% equity interest in Crowning Profits Limited ("Crowning") and the loan owed by Crowning to Saffron at a total cash consideration of HK\$15,500,000.

During the year, the Group leased certain properties to Beauty Royal Limited, a wholly-owned subsidiary of Emperor Watch & Jewellery (Holdings) Company Limited which is owned as to 72% by Diamond Palace Limited, a company under a discretionary trust set up by Mr. Albert Yeung, a deemed substantial shareholder of the Company. The aggregate rental income received for the year, on normal commercial terms, was approximately HK\$2,184,000.

### CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or similar rights as at March 31, 2004. There had been no exercise of convertible securities, options, warrants or similar rights during the year.

## DIRECTORS' REPORT

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

### 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.

### DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$410,000.

### MAJOR SUPPLIERS AND CUSTOMERS

For the year ended March 31, 2004, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

For the year ended March 31, 2004, the aggregate amount of purchases and services received attributable to the Group's five largest suppliers represented approximately 55% of the Group's total purchases and services received and the largest supplier accounted for approximately 25% for the year.

None of the directors, their associates, or any shareholder owning more than 5% of the Company's share capital, has interests in these suppliers.

### CORPORATE GOVERNANCE

The Company had complied throughout the year ended March 31, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that (i) the independent non-executive directors of the Company were not appointed for specific terms; and (ii) full board meeting was not held every six months during the year.

### AUDITORS

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

On behalf of the Board

**Luk Siu Man, Semon**  
*Chairperson*

Hong Kong, July 19, 2004