

## Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2005.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries and associate are set out in notes 17 and 18 to the financial statements, respectively. During the year, the Group commenced its property development operation. There were no other changes in the nature of the Group's principal activities during the year.

### RESULTS AND DIVIDENDS AND BONUS ISSUE OF SHARES

The Group's profit for the year ended 31 March 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 89.

An interim dividend of HK3 cents per ordinary share was paid on 21 January 2005. The directors recommend the payment of a final dividend of HK12 cents per ordinary share in respect of the year and a bonus issue of shares in the proportion of one share for every five existing shares held, to shareholders on the register of members on 12 August 2005. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 93 to 94. This summary does not form part of the audited financial statements.

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets of the Company and the Group and the investment properties of the Group during the year are set out in note 14 to the financial statements. Further details of the Group's investment properties are set out on pages 90 to 91.

### PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's properties under development are set out on page 92.

### SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year, together with the reasons therefor, are set out in note 32 to the financial statements.

## Report of the Directors *(Cont'd)*

### 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.

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

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

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

At 31 March 2005, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$253,531,000 (2004: HK\$237,037,000). In addition, the Company's share premium account, in the amount of HK\$372,362,000 (2004: HK\$372,362,000), may be distributed in the form of fully paid bonus shares.

### CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$11,000 (2004: HK\$61,000).

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% (2004: less than 30%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 71% (2004: 67%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 45% (2004: 54%) of the total purchases for the year.

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 suppliers.

## DIRECTORS

The directors of the Company during the year were:

### Executive directors:

Mr. Tang Ching Ho

Ms. Yau Yuk Yin

Mr. Chan Chun Hong, Thomas

### Independent non-executive directors:

Dr. Lee Peng Fei, Allen, CBE, JP

Mr. Wong Chun, Justein, MBE, JP

Dr. Siu Yim Kwan, Sidney, S.B.St.J.

Mr. Siu Kam Chau (appointed on 24 September 2004)

In accordance with clause 87 of the Company's bye-laws, Mr. Wong Chun, Justein, will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with clause 86(2) of the Company's bye-laws, Mr. Siu Kam Chau who was appointed after the last annual general meeting and before the date of this report, will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 16 of the annual report.

## 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' INTEREST IN CONTRACTS

Save as disclosed under the heading "Connected Transactions" below and notes 38 and 39 to the financial statements, no director had a material interest, either directly or indirectly, 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.

## Report of the Directors (Cont'd)

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

At 31 March 2005, the interests and short positions of the directors in the share capital and underlying shares and debentures of the Company or 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 by the Company pursuant to 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 Listed Issuers, were as follows:

*Long positions in ordinary shares of the Company:*

Name of director	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse	Through controlled corporation	Others		
Mr. Tang Ching Ho	614,355	614,354 (Note (a))	2,247,227 (Note (b))	24,243,463 (Note (c))	27,719,399	19.34%
Ms. Yau Yuk Yin	614,354	2,861,582 (Note (d))	–	24,243,463 (Note (e))	27,719,399	19.34%

Notes:

- (a) Mr. Tang Ching Ho was taken to be interested in those shares in which his spouse, Ms. Yau Yuk Yin, was interested.
- (b) Mr. Tang Ching Ho was taken to be interested in those shares in which Caister Limited, a company which is wholly and beneficially owned by him, was interested.
- (c) Mr. Tang Ching Ho was taken to be interested in those shares by virtue of being the founder of a discretionary trust, namely, the Tang's Family Trust.
- (d) Ms. Yau Yuk Yin was taken to be interested in those shares in which her spouse, Mr. Tang Ching Ho, was interested.
- (e) Ms. Yau Yuk Yin was taken to be interested in those shares by virtue of being a beneficiary of the Tang's Family Trust.

Save as disclosed above, as at 31 March 2005, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares and debentures" above and in the share option scheme disclosures in note 32 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 minor children, 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.

## SHARE OPTION SCHEMES

Concerning the share options granted during the year to the employees, as detailed in note 32, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because, in the absence of a readily available market value of the options on the ordinary shares of the Company, the directors were unable to arrive at an assessment of the value of these options.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2005, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

*Long positions:*

Name	Note	Number of shares	Percentage of the Company's issued share capital
Accord Power Limited		24,243,463	16.91%
Trustcorp Limited	(a)	24,243,463	16.91%

*Note:*

- (a) Accord Power Limited is wholly owned by Trustcorp Limited in its capacity as the trustee of the Tang's Family Trust; accordingly, Trustcorp Limited was taken to be interested in those shares held by Accord Power Limited.

Save as disclosed above, as at 31 March 2005, no persons, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## Report of the Directors (Cont'd)

### CONNECTED TRANSACTIONS

On 27 September 2004, Suitbest Investments Limited (“Suitbest”), a subsidiary of the Company, entered into a sale and purchase agreement (“Dragon Richly Acquisition Agreement”) with Mr. Tang Ching Ho (“Mr. Tang”), Chairman and Managing Director of the Company, to acquire from Mr. Tang the entire issued share capital and shareholder’s loan of Dragon Richly Investment Limited (“Dragon Richly”). The consideration for the acquisition of Dragon Richly is equivalent to the face value of the entire issued share capital and shareholder’s loan of Dragon Richly. Prior to the entering into of the Dragon Richly Acquisition Agreement, Dragon Richly entered into the provisional agreements with independent third parties to acquire properties for redevelopment at an aggregate consideration of approximately HK\$77.6 million. The transaction with Mr. Tang constituted a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

On 12 October 2004, Suitbest entered into a sale and purchase agreement (“Poly Talent and Profit Million Acquisition Agreement”) with Mr. Tang to acquire from Mr. Tang the entire issued share capital and shareholder’s loan of Poly Talent Investment Limited (“Poly Talent”) and Profit Million Investment Limited (“Profit Million”). The consideration for the acquisition of Poly Talent and Profit Million is equivalent to the face value of the entire issued share capital and shareholder’s loan of Poly Talent and Profit Million. Prior to the entering into of the Poly Talent and Profit Million Acquisition Agreement, Poly Talent and Profit Million separately entered into the provisional agreements with independent third parties to acquire properties for redevelopment at an aggregate consideration of approximately HK\$68.3 million. The transaction with Mr. Tang constituted a connected transaction under the Listing Rules.

On 18 March 2005, Suitbest entered into a sale and purchase agreement (“Hanwin Acquisition Agreement”) with Mr. Tang to acquire from Mr. Tang the entire issued share capital and shareholder’s loan of Hanwin Investment Limited (“Hanwin”). The consideration for the acquisition of Hanwin is equivalent to the face value of the entire issued share capital and shareholder’s loan of Hanwin. Prior to the entering into of the Hanwin Acquisition Agreement, Hanwin entered into a provisional sale and purchase agreement with an independent third party for the purchase of an investment property at a consideration of HK\$110.0 million. The transaction with Mr. Tang constituted a connected transaction under the Listing Rules.

Further details of the transactions are included in notes 38(b) and 39(d) to the financial statements.

Save as disclosed above, no director had a material interest, either directly or indirectly, 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.

### POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 38 to the financial statements.

**CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that certain independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

The Code was replaced by the Code on Corporate Governance Practices (the "Code on CG Practices") which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

**AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee also reviewed the audited consolidated financial statements for the year ended 31 March 2005 of the Group. The audit committee comprises three independent non-executive directors of the Company.

**AUDITORS**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

**Tang Ching Ho**  
*Chairman and Managing Director*

Hong Kong, 6 July 2005