

## **Report of the Directors**

The Directors present their annual report and the audited financial statements for the year ended 31st March, 2005.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Company are investment holding and provision of corporate management services. The activities of its principal subsidiaries, associates and a jointly controlled entity are set out in notes 30, 13 and 14 to the financial statements respectively.

### **RESULTS**

The results of the Group for the year ended 31st March, 2005 are set out in the consolidated income statement on page 13.

The directors do not recommend the payment of a final dividend.

### **PROPERTY, PLANT AND EQUIPMENT**

During the year, one of the Company's subsidiary was re-classified as a jointly controlled entity. Accordingly, its property, plant and equipment with a net book value of approximately HK\$3,527,000 were de-consolidated in the consolidated financial statements.

Details of the above and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 11 to the financial statements.

### **DIRECTORS**

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

#### **Executive directors**

Wong Kin Wah, George  
Hwang Yiu Hwa, Victor  
Hwang Yiu Hwa, Richard  
Hwang Teh Hwa, Tony

#### **Independent non-executive directors**

Ma Chi Man  
Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P.  
Lam Kin Ming, Lawrence (appointed on 21st September, 2004)

In accordance with the Company's Bye-laws, Messrs. Hwang Yiu Hwa, Richard and Lam Kin Ming, Lawrence shall retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

## Report of the Directors

### DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

- (a) During the year, the Group had the following transactions with Hong Kong Parkview Management Services Limited (“HKPV”) of which two children of Mr. Wong Kin Wah, George were directors and have beneficial interests.
- (i) Building management fee of HK\$101,016 was paid to HKPV for office management services provided to the Group.
  - (ii) General expenses of HK\$2,505,993 was paid to HKPV for daily operating activities provided to the Group.
- (b) Other than as disclosed above, no contracts of significance to which the Company, its holding company, fellow subsidiaries or 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.
- (c) No director proposed for re-election at the forthcoming annual general meeting 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.

The independent non-executive directors confirm that the transactions set out in (a) have been entered into by the Group in the ordinary course of its business, on normal commercial terms and are fair and reasonable and in the interests of the shareholder of the Group as a whole.

### MANAGEMENT PROFILES

#### A. Executive directors

**Mr. Wong Kin Wah, George**, aged 53 is Chairman of the Group. He has been engaged in construction and real estate business in Taiwan and Hong Kong since graduating in building construction design in 1973. He was appointed as Director in 1992.

**Mr. Hwang Yiou Hwa, Victor**, aged 51 held a Bachelor Degree in Administration and Finance. He has been involved in the Group's overseas business developments. He was appointed as Director in 1992.

**Mr. Hwang Yiu Hwa, Richard**, aged 50 held a Bachelor Degree of Science in Civil Engineering. He has been involved in construction field since 1982. He was appointed as Director in 1993.

**Mr. Hwang Teh Hwa, Tony**, aged 49 held a Master Degree in Management and Organisational Development. He is responsible for the development of business in mainland China. He was appointed as Director in 1992.

Mr. Wong Kin Wah, George, Mr. Hwang Yiou Hwa, Victor, Mr. Hwang Yiu Hwa, Richard and Mr. Hwang Teh Hwa, Tony are brothers.

## Report of the Directors

### MANAGEMENT PROFILES (Continued)

#### B. Independent non-executive directors

**Mr. Ma Chi Man**, aged 73 is a Vice-chairman of the International Chinese Culture Institute and the honorary chairman of Hong Kong Association of China Travel Organisations Limited. He was appointed as Director in 1994.

**Mr. Lau Hon Chuen, Ambrose**, G.B.S., J.P., aged 58, is the senior partner of Chu & Lau, Solicitors and Notaries. Mr. Lau is a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference, Director of the Hong Kong Mortgage Corporation Limited and a member of the Economic and Employment Council. He has in the past served as a member of the Legislative Council, the Chairman of the Legislative Council's Panel on Financial Affairs, President of the Law Society and Chairman of Central & Western District Board and as a member of the Preparatory Committee for the Hong Kong Special Administrative Region (PRC). He was appointed as Director in 1995.

**Mr. Lam Kin Ming, Lawrence** aged 49, is the CEO of Pacific Century Systems Limited, a company whose principle business is to provide telecom equipment and related services. He has been serving that company since 1985. Prior to that, Mr. Lam was a senior executive of a company that involved in property management and investment. Mr. Lam graduated from the University of Toronto in 1978. He was appointed as Director in 2004.

#### C. Senior Management Staff

**Mr. Sin Kit Leung, Peter**, aged 65 held a diploma in Business Management. Mr. Sin has extensive experience in investment and real estate development. Mr. Sin joined the Group in 1990 and is responsible for business development of the Group.

**Mr. Chan Chi Fai, Brian**, aged 50 is a fellow member of The Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in banking and commercial sectors. Mr. Chan joined the Group in 1990 and is now responsible for the overall management of the Group.

**Mr. Chow Kwing Chan**, aged 53 has over 20 years of experience in the hotel industry and retail business. He joined Hong Kong Parkview in 1988 and was involved in setting up the Group's motor car trading business. Since 1995 he has been in charge of Gallaria Furnishings International Limited.

**Mr. Ng Chan Shing, Lawrence**, aged 61 has 30 years of experience in government and commercial sectors. Before joining the Group in 1997, Mr. Ng was a director of a diversified public company. Mr. Ng is responsible for the Group's household equipment trading activities.

## Report of the Directors

### MANAGEMENT CONTRACTS

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

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 31st March, 2005, the interests of the directors and the chief executives and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### Long Positions – Ordinary Shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Wong Kin Wah, George	Beneficial owner	2,000,000	0.4%
	Held by controlled corporation (Notes 1 & 2)	391,674,138	73.2%
		<hr/>	<hr/>
		393,674,138	73.6%
Hwang Yiou Hwa, Victor	Held by controlled corporation (Note 2)	293,674,138	54.9%
Hwang Yiu Hwa, Richard	Held by controlled corporation (Note 2)	293,674,138	54.9%
Hwang Teh Hwa, Tony	Held by controlled corporation (Note 2)	293,674,138	54.9%

*Notes:*

- 98,000,000 shares were held by High Return Trading Limited and in which Mr. Wong Kin Wah, George was deemed to have interests since he was entitled to exercise more than one-third of the voting power at the general meetings of High Return Trading Limited. This interest has also been disclosed under the section headed "SUBSTANTIAL SHAREHOLDERS".
- Messrs. Wong Kin Wah, George, Hwang Yiou Hwa, Victor, Hwang Yiu Hwa, Richard and Hwang Teh Hwa, Tony are directors and shareholders of Kompas International Limited which owned 293,674,138 shares in the Company. This interest has also been disclosed under the section headed "SUBSTANTIAL SHAREHOLDERS".

## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY (Continued)

Other than as disclosed above, none of the directors, chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st March, 2005.

At no time during the year was the Company, or any of its subsidiaries or fellow 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 debentures of, the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had an interest in 5% or more of the issued share capital of the Company of relevant interests in the issued share capital of the Company.

#### Long Positions – Ordinary Shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Kompass International Limited	Beneficial owner	293,674,138 <i>(Note)</i>	54.9%
High Return Trading Limited	Beneficial owner	98,000,000 <i>(Note)</i>	18.3%
Multi-Power International Limited	Beneficial owner	40,000,000	7.47%
Huang Jianquan	Beneficial owner	40,000,000	7.47%

*Note:* These shares represented the same parcel of shares as disclosed above under "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY".

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st March, 2005.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's largest supplier and the five largest suppliers during the year was 21.6% and 36.1%, respectively.

The percentage of sales attributable to the Group's largest customer and the five largest customers during the year was 25.4% and 50.8%, respectively.

None of the directors, their associates or any shareholder which to the knowledge of the directors owned more than 5% of the Company's share capital has an interest in any of the Group's five largest customers or five largest suppliers.

## **Report of the Directors**

### **CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS**

There were no convertible securities, warrants or options issued by the Company or its subsidiaries during the year.

### **RETIREMENT BENEFITS SCHEMES**

Information on the retirement benefits schemes of the Group is set out in note 26 to the financial statements.

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

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

### **AUDIT COMMITTEE**

The Audit Committee, comprising of three independent non-executive directors, has reviewed with management the accounting principles and standard practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the audited consolidated financial statements for the year ended 31st March, 2005 of the Group.

### **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31st March, 2005 with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") under the Appendix 14 then in force, except that the independent non-executive directors were not appointed for the terms of office determined according to a fixed period of time but are subject to retirement by rotation and re-election in accordance with the provisions in the Bye-laws of the Company.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Listing Rules and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

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### 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.

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March, 2005.

### DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 31st March, 2005, the Group granted advances of HK\$49,747,145 to Nanjing Dingshan Garden Hotel Company Ltd., an associate of the Group. The unaudited balance sheet of Nanjing Dingshan Garden Hotel Company Ltd. as at 31st March, 2005 is set out below:

	<i>HK\$</i>
Non-current assets	440,943,193
Current assets	41,631,401
Current liabilities	(152,530,967)
Non-current liabilities	(223,277,700)
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Net assets	<u>106,765,927</u>

Details of Nanjing Dingshan Garden Hotel Company Ltd. are set out in note 13 to the financial statements.

### AUDITORS

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

On behalf of the Board

**Wong Kin Wah, George**  
*Chairman*

Hong Kong, 20th July, 2005