

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

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 15(a) to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### **RESULTS AND DIVIDENDS**

The Group's profit for the year ended 31 March 2005 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 22 to 66.

An interim dividend of HK1 cent per ordinary share, amounting to an aggregate of HK\$4,867,000 was paid in the form of cash during the year. The directors recommend the payment of a final dividend of HK3 cents per ordinary share in respect of the year ended 31 March 2005 to all shareholders whose names appear on the register of members of the Company on 9 September 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

The following is a summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years:

### RESULTS

	Year ended 31 March				
	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	(Restated) HK\$'000	(Restated) HK\$'000	HK\$'000
<b>TURNOVER</b>					
Continuing operations	502,183	446,082	377,514	287,798	301,909
Discontinued operations	–	–	–	–	346
	<b>502,183</b>	<b>446,082</b>	<b>377,514</b>	<b>287,798</b>	<b>302,255</b>
<b>PROFIT/(LOSS) FROM OPERATIONS</b>					
Continuing operations	38,715	43,891	(2,843)	17,751	19,094
Discontinued operations	–	–	–	–	(17,001)
	<b>38,715</b>	<b>43,891</b>	<b>(2,843)</b>	<b>17,751</b>	<b>2,093</b>
Finance costs	(638)	(155)	(259)	(625)	(1,912)
Share of profit of a jointly-controlled entity	–	–	–	–	26
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>38,077</b>	<b>43,736</b>	<b>(3,102)</b>	<b>17,126</b>	<b>207</b>
Taxation	(3,175)	(4,640)	(2,102)	(4,036)	1,038
<b>PROFIT/(LOSS) BEFORE MINORITY INTERESTS</b>	<b>34,902</b>	<b>39,096</b>	<b>(5,204)</b>	<b>13,090</b>	<b>1,245</b>
Minority interests	–	–	–	344	183
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>34,902</b>	<b>39,096</b>	<b>(5,204)</b>	<b>13,434</b>	<b>1,428</b>

**SUMMARY FINANCIAL INFORMATION (Continued)****ASSETS, LIABILITIES AND MINORITY INTERESTS**

	<b>As at 31 March</b>				
	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	(Restated) HK\$'000	(Restated) HK\$'000	HK\$'000
PROPERTY, PLANT AND EQUIPMENT	222,109	213,522	171,391	181,861	202,315
INVESTMENT PROPERTIES	16,462	13,950	9,980	13,740	11,800
GOODWILL	211	316	421	527	–
OTHER INVESTMENTS	–	–	–	–	142,794
NOTE RECEIVABLE	–	–	–	15,500	–
LONG TERM DEPOSITS	–	–	–	–	2,552
DEPOSITS FOR PURCHASES OF PROPERTY, PLANT AND EQUIPMENT	–	–	3,837	–	–
CURRENT ASSETS	284,300	230,708	185,371	164,634	158,908
<b>TOTAL ASSETS</b>	<b>523,082</b>	<b>458,496</b>	<b>371,000</b>	<b>376,262</b>	<b>518,369</b>
CURRENT LIABILITIES	135,825	97,590	74,384	66,802	72,148
INTEREST-BEARING BORROWINGS	12,000	17,120	–	–	4,940
DEFERRED TAX	6,386	5,826	6,897	7,971	736
<b>TOTAL LIABILITIES</b>	<b>154,211</b>	<b>120,536</b>	<b>81,281</b>	<b>74,773</b>	<b>77,824</b>
MINORITY INTERESTS	–	–	–	–	1,017
<b>NET ASSETS</b>	<b>368,871</b>	<b>337,960</b>	<b>289,719</b>	<b>301,489</b>	<b>439,528</b>

The respective amounts of (loss)/profit for the year attributable to shareholders, total assets, total liabilities and total net assets at 31 March 2003 and 2002 were restated to reflect the change in accounting policy arising from the adoption of SSAP 12 (Revised) "Income taxes".

**PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES**

Details of movements in property, plant and equipment and investment properties of the Group are set out in notes 12 and 13, respectively, to the financial statements. Further details of the Group's investment properties are set out on pages 67 and 68.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in notes 22 and 23, respectively, to the financial statements.

## 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 of the Group during the year are set out in note 24 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

As at 31 March 2005, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$133,517,000 as computed in accordance with the Companies Act 1981 of Bermuda (as amended), of which HK\$14,601,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, with a balance of HK\$66,765,000 as at 31 March 2005, may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The aggregate amount of turnover attributable to the Group's five largest customers represented 30% of the Group's total turnover. The amount of sales to the Group's largest customer represented 12% of the Group's total turnover.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 37% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 13% of the Group's total purchases.

None of the directors of the Company nor any of their associates nor any shareholders (which, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) or had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

## DIRECTORS

The directors of the Company during the year were as follows:

### Executive directors:

Mr. Lui Chi  
Mr. Lui Shing Ming, Brian  
Mr. Lui Shing Cheong  
Mr. Lui Shing Chung, Victor  
Mr. Lung Wai Kee

### Independent non-executive directors:

Dr. Lam Chun Kong  
Mr. Lo Wing Man  
Dr. Ng Lai Man, Carmen (appointed on 17 September 2004)

Dr. Lam Chun Kong and Dr. Ng Lai Man, Carmen will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with bye-law 87 and bye-law 86(2) of the Company's Bye-laws respectively.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

## 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' INTERESTS IN CONTRACTS

No director had a material interest 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.

## MANAGEMENT CONTRACTS

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

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2005, 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 corporations (within the meaning of the Securities and Futures Ordinance "SFO") as recorded in the register maintained by the Company under 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 Companies (the "Model Code"), were as follows:

### (i) Directors' interests in shares

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

Name of director	Personal interests (held as beneficial owner)	Family interests	Other interests	Total interests	Total interests as % of the issued share capital
Mr. Lui Chi	–	237,803,029 (Note 1)	237,803,029 (Note 1)	237,803,029	48.86%
Mr. Lui Shing Ming, Brian	4,375,000	–	237,803,029 (Note 2)	242,178,029	49.76%
Mr. Lui Shing Cheong	3,125,000	–	237,803,029 (Note 2)	240,928,029	49.50%
Mr. Lui Shing Chung, Victor	3,125,000	625,000 (Note 3)	237,803,029 (Note 2)	241,553,029	49.63%
Mr. Lung Wai Kee	1,250,000	2,500,000 (Note 4)	–	3,750,000	0.77%

#### Notes:

- (1) Mr. Lui Chi is interested in 237,803,029 shares of the Company by virtue of (i) his being a founder of a discretionary trust, the discretionary objects of which include Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor, Lui Shing Cheong and other family members of Mr. Lui Chi; and (ii) his spouse is also a founder of the discretionary trust.
- (2) The 237,803,029 shares are owned by Harmony Link Corporation, a company incorporated in the British Virgin Islands. Approximately 48.4% of the issued share capital of Harmony Link Corporation is held by The Lui Family Company Limited as trustee of The Lui Unit Trust. All units (except 1 unit which is owned by Mr. Lui Shing Ming Brian) of The Lui Unit Trust are held by Trident Corporate Services (B.V.I.) Limited (formerly known as "Ansbacher (BVI) Limited") as trustee of a discretionary trust, the discretionary objects of which have been disclosed in Note (1) above. Mr. Lui Chi and his spouse, Madam Ng Sze Mui are the founders of the discretionary trust. Each of Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor and Lui Shing Cheong further owns approximately as to 24.13%, 14.59% and 12.88% of the issued share capital of Harmony Link Corporation respectively.
- (3) The 625,000 shares are owned by the spouse of Mr. Lui Shing Chung, Victor.
- (4) The 2,500,000 shares are owned by the spouse of Mr. Lung Wai Kee.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)**

**(i) Directors' interests in shares (Continued)**

**(A) Long position in the shares of the Company (Continued)**

All the interests stated above represent long positions in the shares of the Company and exclude those in the underlying shares through share options or equity derivatives. Interests of the respective directors set out in this subsection (A) need to be aggregated with their interests in the underlying shares through share options or equity derivatives of the Company set out in subsection (B) below in order to give the total interests of the respective directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirement.

**(B) Long position in the underlying shares of the Company through share options or equity derivatives**

Share options are granted to the directors under the Share Option Scheme adopted by the Company on 27 December 1996 (the "Old Scheme"). Details of the share options outstanding as at 31 March 2005 under the Old Scheme are as follows:

Name of director	Nature of interest	Number of share options held	Date of grant of share options	Exercise price of share options HK\$	Exercisable period
Mr. Lui Shing Chung, Victor	Family (Note)	625,000	31 December 1999	0.2240	31 December 1999 to 26 December 2006

Note: 625,000 share options are owned by the spouse of Mr. Lui Shing Chung, Victor.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)**

**(i) Directors' interests in shares (Continued)**

**(B) Long position in the underlying shares of the Company through share options or equity derivatives (Continued)**

The share options are exercisable up to 26 December 2006 and were granted at nil cash consideration. The above share option price and the corresponding number of share options held by the above director was adjusted as a result of a bonus issue on 31 August 2001.

Save as disclosed herein, as at 31 March 2005, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**(ii) Directors' rights to acquire shares or debentures**

Save as disclosed herein, 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 directors or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their associates to acquire such rights in the Company or any other body corporate.



## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company:

Name of shareholder	Long/short position	Capacity	Number of ordinary shares/ underlying shares held	Percentage of issued capital
Madam Ng Sze Mui	Long	Founder of a discretionary trust	237,803,029 (Note 1)	48.86%
Madam Ng Shuk Fong, Aman	Long	Beneficial owner and interest of spouse	242,178,029 (Note 2)	49.76%
Harmony Link Corporation	Long	Beneficial owner	237,803,029	48.86%
The Lui Family Company Limited	Long	Trustee	237,803,029 (Note 3)	48.86%
Trident Corporate Services (B.V.I.) Limited (formerly known as "Ansbacher (BVI) Limited")	Long	Trustee	237,803,029 (Note 3)	48.86%

*Notes:*

- (1) Interests in these shares represent interests held by Madam Ng Sze Mui by virtue of her being a founder of a discretionary trust which has interests in 237,803,029 shares, details of the trust have also been disclosed in Note (1) under the section "Directors' interests in shares – Long position in the shares of the Company" above.
- (2) Interests in these shares include interests in 625,000 shares and options to subscribe for 625,000 shares both held by Madam Ng Shuk Fong, Aman personally and interests in 240,928,029 shares through interest of her spouse, Mr. Lui Shing Chung, Victor as disclosed in Note (2) under the section "Directors' interest in shares - Long position in the shares of the Company" above.

### **SUBSTANTIAL SHAREHOLDERS (Continued)**

- (3) The two references to 237,803,029 shares relate to the same block of shares in the Company. Each of The Lui Family Company Limited as trustee of The Lui Unit Trust and Trident Corporate Services (B.V.I.) Limited (formerly known as “Ansbacher (BVI) Limited”) as trustee of a discretionary trust is taken to have a duty of disclosure in relation to the interests of Harmony Link Corporation in the said shares of the Company as described in Note (2) under the section “Directors’ interests in shares – Long position in the shares of the Company” above.

Save as disclosed herein, as at 31 March 2005, the Company has not been notified by any other person or corporation, other than the directors of the Company whose interests are set out above, as having interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

### **PARTICULARS OF DIRECTORS OF THE COMPANY WHO WERE DIRECTORS/ EMPLOYEES OF SUBSTANTIAL SHAREHOLDERS**

Messrs. Lui Chi, Lui Shing Ming Brian, Lui Shing Cheong and Lui Shing Chung Victor are directors of Harmony Link Corporation and The Lui Family Company Limited.

### **SHARE OPTION SCHEMES**

On 5 September 2002, the Old Scheme was terminated and a new share option scheme (the “New Scheme”) was adopted. As at 31 March 2005, the number of shares in respect of which share options had been granted and outstanding under the Old Scheme was 1,125,000 and no share options had been granted under the New Scheme.

Details of the Company’s share option schemes are stated in note 23 to the financial statements.

The financial impact of share options granted is not recorded in the Company’s or the Group’s balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date are deleted from the register of outstanding share options.

### **DIRECTORS’ INTERESTS IN COMPETING BUSINESSES**

None of the directors, the management shareholders of the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

## COMPLIANCE WITH THE 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report, except that the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s Bye-laws.

## AUDIT COMMITTEE

The Company has an audit committee ( the “Committee” ) which was established in accordance with the requirements of the Code and with reference to the “A Guide for the Formation of an Audit Committee” issued by the Hong Kong Institute of Certified Public Accountants in December 1997. The Committee comprises three independent non-executive directors, namely Dr. Ng Lai Man Carmen, Dr. Lam Chun Kong and Mr. Lo Wing Man. The principal duties of the Committee include the review and supervision of the Group’s financial reporting process and internal controls.

The Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Company for the year ended 31 March 2005.

## AUDITORS

Grant Thornton were appointed as auditors of the Company on 15 December 2003 to fill the casual vacancy arising from the resignation of Ernst & Young. There has been no other change of auditors in the last three years.

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

FOR AND ON BEHALF OF THE BOARD

**Lui Chi**

*Chairman*

Hong Kong

26 July 2005