

## Report of the Directors

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

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the Company's principal subsidiaries and associates are set out in notes 38 and 39 to the financial statements respectively.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 17.

The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2005 (2004: Nil).

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the financial statements. There were no movements in the share capital of the Company during the year.

### RESERVES

Details of movements during the year in the reserves of the Group are set out on page 20 and those of the Company are set out in note 29 to the financial statements.

The Company's reserves available for distribution to shareholders at 31st December, 2005 represent its retained profits of HK\$83,080,000 (2004: HK\$79,888,000).

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired a leasehold interest in land and hotel property at the total cost of approximately HK\$150 million.

Movements during the year in the property, plant and equipment of the Group and the Company are set out in note 16 to the financial statements.

### INVESTMENT PROPERTIES

During the year, the Group acquired an investment property at the cost of approximately HK\$110 million and disposed of investment properties with carrying amounts of approximately HK\$180 million.

All the investment properties of the Group were revalued at 31st December, 2005. The revaluation gave rise to an increase of approximately HK\$14 million which has been dealt with in the income statement.

Details of these and other movements during the year in the investment properties of the Group are set out in note 18 to the financial statements.

### PROPERTIES UNDER DEVELOPMENT

During the year, development expenditure of approximately HK\$15 million were incurred on property under development.

Details of these and other movements during the year in the property under development of the Group are set out in note 19 to the financial statements.

### MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2005 are set out on page 60 of the Annual Report.

### BORROWINGS

Bank loans and other borrowings repayable within one year are classified as current liabilities in the financial statements. An analysis of the repayment schedule of bank loans is set out in note 30 to the financial statements.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## Report of the Directors (Continued)

### DIRECTORS

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

#### Executive directors

Mr. William Cheng Kai Man

Mr. Albert Hui Wing Ho

Mr. Fung Chi Keung

#### Non-executive directors

Mr. David Cheng Kai Ho

Ms. Mabel Lui Fung Mei Yee

(redesignated as non-executive director on 28th January, 2005)

Mr. Vincent Kwok Chi Sun\*

Mr. Chan Kim Fai\*

Mr. Hui Kin Hing\* (appointed on 28th January, 2005)

\* independent non-executive directors

In accordance with the provisions of the Company's Articles of Association, Mr. William Cheng Kai Man, Mr. David Cheng Kai Ho and Madam Mabel Lui Fung Mei Yee shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office for each of the non-executive directors is the period up to his or her retirement by rotation in accordance with the Company's Articles of Association.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received annual confirmations from each of the independent non-executive directors as regards their independence from the Company and considers that each of the independent non-executive directors is independent to the Company.

### DIRECTORS' INTERESTS IN LISTED SECURITIES

As at 31st December, 2005, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be entered in the register required to be kept by the

Company under section 352 of the SFO; or (b) to be 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 Companies, were as follows:

#### The Company

Name of director	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	216,608,825 (Note)	71.2
Albert Hui Wing Ho	Beneficial owner	Personal	45,787	0.02
Fung Chi Keung	Beneficial owner	Personal	2,000	0.0007

Note:

Trillion Resources Limited and Mercury Fast Limited beneficially owned 154,006,125 shares and 62,602,700 shares of the Company respectively, representing 50.6% and 20.6% respectively of the issued share capital of the Company. Mr. William Cheng Kai Man has controlling interests in each of these two companies.

#### Associated corporations

Name of director	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
William Cheng Kai Man	Shun Ho Technology Holdings Limited (Note 1)	Interest of controlled corporations	Corporate	350,628,682	65.3
William Cheng Kai Man	Magnificent Estates Limited (Note 2)	Interest of controlled corporations	Corporate	3,781,883,239	69.2
William Cheng Kai Man	Trillion Resources Limited (Note 3)	Beneficial owner	Personal	1	100
Fung Chi Keung	Shun Ho Technology Holdings Limited	Beneficial owner	Personal	2,000	0.0004
Fung Chi Keung	Magnificent Estates Limited	Beneficial owner	Personal	2,000	0.00004

## Report of the Directors (Continued)

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### Notes:

1. Shun Ho Technology Holdings Limited, the Company's subsidiary, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
2. Magnificent Estates Limited, the Company's indirect subsidiary, is a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.
3. Trillion Resources Limited, the Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

### Share options

The Company and any of its associate do not have any share option scheme during the year.

Save as disclosed above and save for shares in subsidiaries held by a director in trust for their immediate holding companies, as at 31st December, 2005, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed the Companies and none of the directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company or associated corporation, or had exercised any such right during the year.

### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, its holding company, any of its fellow subsidiaries or 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.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

During the year, the Group had transactions with certain related parties, details of which are set out in note 37 to the financial statements.

In addition, the Company had the following transactions with Shun Ho Technology and Magnificent:

- (a) During the year, the Company made unsecured advances to Shun Ho Technology, which carry interest chargeable at Hong Kong Inter-bank Offer Rate ("HIBOR") plus 1% per annum and are repayable on demand. Interest receivable by the Company on such advances amounted to HK\$639,000 in respect of the year. At 31st December, 2005, advances to Shun Ho Technology amounted to HK\$16,826,000 remained outstanding.
- (b) During the year, administrative expenses amounted to HK\$150,000 were payable by the Company to Magnificent for services provided by Magnificent on a cost reimbursement basis.
- (c) At 31st December, 2005, the Company had amount due to Magnificent of HK\$913,000 which was unsecured, interest free and repayable on demand.

Further, Shun Ho Technology and its subsidiaries had the following transactions with Magnificent group of companies:

- (a) A property owned by a subsidiary of Shun Ho Technology was let to Magnificent. The net rental received from Magnificent for the year, which was mutually agreed, amounted to HK\$1,040,000.
- (b) During the year, Shun Ho Technology made unsecured advances to Magnificent and its subsidiary which carry interest chargeable at HIBOR plus 1% per annum and are repayable on demand. At 31st December, 2005, such advances amounted to HK\$226,569,000 remained outstanding. Interest receivable by Shun Ho Technology on such advances amounted to a total of HK\$10,422,000 in respect of the year.
- (c) During the year, expenses amounted to HK\$1,467,000 were payable by Shun Ho Technology to Magnificent for administrative services provided by Magnificent on a cost reimbursement basis.
- (d) During the year, income from provision of portal site services of HK\$288,000 was charged by a subsidiary of Shun Ho Technology to Magnificent group of companies based on terms mutually agreed by the parties concerned.

## Report of the Directors (Continued)

Save as disclosed herein:

- (i) no contracts of significance subsisted at any time during the year to which the Company, its holding company, any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and
- (ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

Amongst the directors who held office during the year, Mr. William Cheng Kai Man was indirectly interested in the share capital of the Company, Shun Ho Technology and Magnificent. Mr. Albert Hui Wing Ho was directly interested in the share capital of the Company. Mr. Fung Chi Keung was directly interested in the share capital of the Company, Shun Ho Technology and Magnificent.

In the opinion of the directors not having an interest in those transactions, those transactions were carried out in the ordinary course of the Group's business on normal commercial terms.

### MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 30% in aggregate of the Group's total purchases and sales respectively.

### SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2005, the following persons (not being directors or chief executive of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Approximate % of shareholding
Mercury Fast Limited ("Mercury")	Beneficial owner	62,602,700	20.6
Magnificent Estates Limited ("Magnificent") (Note 1)	Interest of controlled corporations	62,602,700	20.6
Shun Ho Technology Holdings Limited ("Shun Ho Technology") (Note 1)	Interest of controlled corporations	62,602,700	20.6
Trillion Resources Limited ("Trillion") (Note 2)	Beneficial owner and interest of controlled corporations	216,608,825	71.2
Liza Lee Pui Ling (Note 3)	Interest of spouse	216,608,825	71.2

Notes:

- Magnificent and Shun Ho Technology were taken to be interested in 62,602,700 shares of the Company ("Shares") owned by Mercury as Mercury is a wholly-owned subsidiary of Magnificent which in turn owned as to 69.2% by Shun Ho Technology.
- Shun Ho Technology is directly and indirectly owned as to 65.3% by Omnico, which is in turn owned as to 100% by the Company, which is in turn directly and indirectly owned as to 71.2% by Trillion. Trillion is wholly-owned by Mr. William Cheng Kai Man. Trillion beneficially owned 154,006,125 Shares and was taken to be interested in 62,602,700 Shares by virtue of its indirect interests in Mercury.

## Report of the Directors *(Continued)*

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3. Madam Liza Lee Pui Ling was deemed to be interested in 216,608,825 Shares by virtue of the interest in such Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

### **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and with the knowledge of the directors, as was then at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

### **AUDITORS**

A resolution to re-appoint Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**William CHENG Kai Man**  
*Chairman of the Meeting*

Hong Kong, 21st April, 2006