

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2006.

### **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 31, 14 and 15 to the consolidated financial statements respectively.

### **RESULTS**

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 20.

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

### **RESERVES**

As at 31 March 2006, the Company's reserves available for distribution in accordance with the Bermuda Companies Act consist of contributed surplus and deficit of aggregate of HK\$24,663,812.

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

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

## Report of the Directors

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### 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

Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P.  
Lam Kin Ming, Lawrence  
Ma Chi Man (passed away on 3 June 2006)

In accordance with the Company's Bye-laws, Messrs Wong Kin Wah, George, Hwang Yiu Hwa, Victor and Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P. 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.

#### DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

- (a) During the year, the Group had the following transactions with Parkview (Suites) Limited 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 Parkview (Suites) Limited for office management services provided to the Group.
  - (ii) General expenses of HK\$411,799 was paid to Parkview (Suites) Limited for daily operating activities provided to the Group.
  - (iii) Contract expenses of HK\$95,660 was paid to Parkview (Suites) Limited for the service rendered in the decoration contract.
  - (iv) Management fee of HK\$368,426 was paid to Parkview (Suites) Limited for the management services rendered to the Group.

### DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

- (b) Other than as disclosed above, no contracts of significance to which the Company, its holding company 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 being 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 54, 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. He is a Director of several member companies of the Group.

**Mr. Hwang Yiou Hwa, Victor**, aged 52, 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. He is a Director of a member company of the Group.

**Mr. Hwang Yiu Hwa, Richard**, aged 51, 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 50, 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.

### MANAGEMENT PROFILES (Continued)

#### B. Independent Non-Executive Directors

**Mr. Lau Hon Chuen, Ambrose**, G.B.S., J.P., aged 59, is the Senior Partner of Messrs. Chu & Lau, Solicitors and Notaries. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of the HKSAR, a China-Appointed Attesting Officer and a Notary Public. In 2001, Mr. Lau was awarded the “Gold Bauhinia Star” by the HKSAR Government. He is also a Standing Committee Member of The National Committee of the Chinese People’s Political Consultative Conference and a non-executive director of several listed companies. His current public services include serving as a member of the Commission on Strategic Development of the HKSAR. He was appointed as an Independent Non-Executive Director in 1995.

**Mr. Lam Kin Ming, Lawrence**, aged 50, is the CEO of Pacific Century Systems Limited, a company whose principal business is to provide telecom equipment and related services. He has been serving the 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 an Independent Non-Executive Director in 2004.

**Mr. Ma Chi Man**, aged 74, was 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 an Independent Non-Executive Director in 1994. He passed away in June 2006.

#### C. Senior Management Staff

**Mr. Sin Kit Leung, Peter**, aged 66, is the Chief Executive Officer of the Group. He 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 and overall management of the Group. He is a Director of several member companies of the Group.

**Mr. Chan Chi Fai, Brian**, aged 51, 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 financial management of the Group. He is a Director of several member companies of the Group.

**Mr. Chow Kwing Chan**, aged 54, has over 20 years of experience in the hotel industry and retail business. He joined the Group 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. He is a Director of a member company of the Group.

**Mr. Ng Chan Shing, Lawrence**, aged 62, 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. He is a Director of a member company of the Group.

### 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 31 March 2006, 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%
		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".

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 31 March 2006.

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 debentures of, the Company or any other body corporate.

## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, 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 31 March 2006.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's largest supplier and the five largest suppliers during the year was 19.0% and 45.0%, respectively.

The percentage of sales attributable to the Group's largest customer and the five largest customers during the year was 30.2% and 62.9%, 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) were interested at any time during the year in the above suppliers or customers.

### CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS

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

### 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.

### **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31 March 2006 with the Code on Corporate Governance Practices (“Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with the exception of the following:

1. The Non-Executive Directors of the Company are not appointed for a specific term, but they have complied with the rotation requirements under Code provision A4.2.
2. Other than the Chairman, each of the Directors has complied with the rotation requirement under Code provision A4.2. The Chairman of the Company will retire and offer himself for re-election at the forthcoming Annual General Meeting.
3. The Company has not set up a remuneration committee during the period under review but has adopted staff (including Directors) remuneration policies as set below. A remuneration committee has been set up as at 9 June 2006 in compliance of Code provision B1.1.

Further information is set out in the Corporate Governance Report on pages 5 to 10 of this annual report.

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 to the Listing Rules for the year ended 31 March 2006.

### **AUDIT COMMITTEE**

The Audit Committee, currently comprising of two 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 31 March 2006 of the Group.

### **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.

### **EMOLUMENT POLICY**

For the year ended 31 March 2006, the Company has adopted an emolument policy of the senior management of the Group on the basis of their merit, qualifications and competence.

The Company has also adopted emolument policy for its Directors having regard to the Company’s operating results, individual performance and comparable market statistics.

## Report of the Directors

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### APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from two of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2006.

### DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 31 March 2006, the Group granted advances of HK\$72,332,838 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 31 March 2006 is set out below:

	<i>HK\$</i>
Non-current assets	415,472,787
Current assets	24,855,925
Current liabilities	(261,344,337)
Non-current liabilities	(110,158,200)
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Net assets	<u>68,826,175</u>

Details of Nanjing Dingshan Garden Hotel Company Ltd. are set out in note 14 to the consolidated 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, 14 July 2006