



Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries comprise property development, property investment and the provision of property management services. There were no 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 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 114.

An interim dividend of HK1 cent per ordinary share was paid on 7 February 2006. The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year to shareholders on the register of members on 7 September 2006. This recommendation has been incorporated in the financial statements as an allocation of contributed surplus within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified and restated as appropriate, is set out on page 5 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively.

PROPERTIES HELD FOR DEVELOPMENT

Details of properties held for development of the Group are set out in note 18 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 19 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 32, 33 and 28 to the financial statements, respectively.

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, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed 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 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$550,296,000. In addition, the Company's share premium account, in the amount of HK\$347,771,000 as at 31 March 2006, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Chan Boon Teong
Jiang Ming
Tao Lin
Cheng Wing Bor
Lin Chen Hsin

Non-executive director:

Zheng Hong Qing

Independent non-executive directors:

Tang Lap Yan
Law Kin Ho
Wong Kai Cheong

In accordance with article 87(1) of the Company's bye-laws, Messrs. Cheng Wing Bor and Zheng Hong Qing will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Messrs. Tang Lap Yan, Law Kin Ho and Wong Kai Cheong and as at the date of this report still considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 18 to 19 of the annual report.

Report of the Directors (Continued)

DIRECTORS' SERVICE CONTRACTS

The three-year service contracts with the executive directors expired on 29 September 2003 and were renewed for a further term of three years expiring on 29 September 2006. All of the non-executive directors continue in office as non-executive directors without entering into any formal service contracts for specific terms and are subject to retirement by rotation and re-election at the annual general meeting, in accordance with the bye-laws of the Company.

Apart from the foregoing, 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' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 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, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the interests of the directors in the share capital 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:

(A) Interests in shares and underlying shares of the Company

- (i) Long positions in the ordinary shares of the Company

Name of director	Notes	Number of shares held, capacity and nature of interest		Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation	
Chan Boon Teong	(a), (b) and (c)	–	1,027,890,527	48.83
Jiang Ming	(a), (b) and (c)	–	1,027,890,527	48.83
Tao Lin	(a), (b) and (c)	–	1,027,890,527	48.83
Cheng Wing Bor	(a), (b) and (c)	–	1,027,890,527	48.83
Lin Chen Hsin	(a), (b) and (c)	480,000	1,027,890,527	48.85

- (ii) The interests of the directors in the share options of the Company are separately disclosed in note 33 to the financial statements.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

(B) Interests in shares of the associated corporation of the Company

Long positions in shares of Coastal International Holdings Limited ("CIH") (a substantial shareholder of the Company)

Name of director	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Chan Boon Teong	240	Directly beneficially owned	24%
Jiang Ming	320	Directly beneficially owned	32%
	250	Through controlled corporation	25%
Tao Lin	50	Directly beneficially owned	5%
Cheng Wing Bor	10	Directly beneficially owned	1%
Lin Chen Hsin	30	Directly beneficially owned	3%

Notes:

- (a) 497,600,000 shares are beneficially owned by CIH, of which the entire issued voting share capital is held as to 24% by Chan Boon Teong, 32% by Jiang Ming, 5% by Tao Lin, 1% by Cheng Wing Bor, 3% by Lin Chen Hsin and 25% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Jiang Ming) and 10% by Roseford Resources Limited (the entire issued voting share capital of which is held by CIH). These 497,600,000 shares represent an aggregate of 23.64% of the issued share capital of the Company.
- (b) 46,080,000 shares are beneficially owned by Glory View Investments Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 46,080,000 shares represent an aggregate of 2.19% of the issued share capital of the Company.
- (c) 484,210,527 shares are beneficially owned by Coastal Enterprise Group Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 484,210,527 shares represent an aggregate of 23.00% of the issued share capital of the Company.

Save as disclosed above, as at 31 March 2006, none of the directors had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporation 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.

Report of the Directors (Continued)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 33 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, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

Apart from the interests of CIH as disclosed under the heading "Directors' interests in shares and underlying shares" above, the register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 March 2006, the Company had been notified of the following interests of 5% or more in the issued share capital of the Company:

Long positions:

Name	Nature of interest	Number of ordinary shares	Number of underlying shares in respect of share options	Number of underlying shares in respect of convertible bonds	Percentage of the Company's issued share capital
Yang Su Xin	Family (Note)	1,027,890,527	6,400,000	–	49.13
Mellon HBV Master Global Event Driven Fund LP	Corporate	81,250,000	–	178,750,000	12.35

Note: Yang Su Xin is the spouse of Jiang Ming (a director of the Company) and is deemed to be interested in the 1,027,890,527 shares of the Company, which is the aggregate number of shares that CIH and its wholly owned subsidiaries, Glory View Investments Limited and Coastal Enterprise Group Limited, are interested in the issued share capital of the Company as disclosed under the heading "Directors' interests in shares and underlying shares" above, and in the 6,400,000 outstanding share options held by Jiang Ming as disclosed in note 33 to the financial statements.

Save as disclosed above, as at 31 March 2006, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 42 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public at the date of this report.

CORPORATE GOVERNANCE PRACTICES

Details of the corporate governance practices of the Company are set out in the Corporate Governance Report on pages 20 to 25 of the annual report.

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

Chan Boon Teong

Chairman

Hong Kong
27 July 2006