

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are property development and investment, provision of securities brokerage, margin financing services, consultancy and advisory services and hotel operations. The business of printing and publishing services, sales of furniture and marine products and restaurant operations were disposed of in March 2006.

RESULTS AND DIVIDEND

The results of the Group and appropriations of the Company for the year ended 31st March, 2006 are set out in the consolidated income statement on page 33 and note 16 to the consolidated financial statements, respectively. An interim dividend of HK\$0.05 per share was paid to the shareholders during the year. The directors propose a final dividend of HK\$0.051 per share.

INVESTMENT PROPERTIES

During the year, the Group acquired investment properties at a cost of approximately HK\$388 million.

As at 31st March, 2006, the Group revalued all of its investment properties on an open market value basis. The surplus arising on the revaluation amounting to approximately HK\$371 million has been credited to the consolidated income statement.

Details of changes in the investment properties of the Group are set out in note 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$18 million.

Details of changes in the property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group during the year are set out on pages 37 and 38.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Non-executive director:

Luk Siu Man, Semon (*Chairperson*) (redesignated from executive director to non-executive director on 19th July, 2005)

Executive directors:

Wong Chi Fai (*Managing Director*)

Fan Man Seung, Vanessa (*Managing Director*)

Mok Fung Lin, Ivy

Chan Pak Lam, Tom

Luk Siu Man, Semon (*Chairperson*) (redesignated from executive director to non-executive director on 19th July, 2005)

Yeung Lik Shing, Michael (retired on 25th August, 2005)

Independent non-executive directors:

Chan Man Hon, Eric

Liu Hing Hung

Wan Chi Keung, Aaron (appointed on 27th March, 2006)

Law Ka Ming, Michael (resigned on 27th March, 2006)

The term of office of each director, including the independent non-executive directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Wan Chi Keung, Aaron would retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Bye-laws 87(2) and 87(3) of the Company's Bye-laws, Ms. Luk Siu Man, Semon, Mr. Wong Chi Fai, Ms. Mok Fung Lin, Ivy and Mr. Chan Pak Lam, Tom would retire by rotation at the forthcoming annual general meeting. All of them being eligible, offer themselves for re-election.

None of the directors 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.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31st March, 2006, the interests and short positions of the directors and chief executives and their associates in the shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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 Companies of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") of the issued share capital of the Company were as follows:

(a) Long position interests in the Company

(i) Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage
Ms. Luk Siu Man, Semon (“Ms. Semon Luk”) (Note 1)	Family	805,329,411	71.73%

(ii) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Wong Chi Fai (Note 2)	Beneficial owner	10,000,000	10,000,000
Ms. Fan Man Seung, Vanessa (Note 2)	Beneficial owner	10,000,000	10,000,000

Note:

- 805,329,411 shares, representing 71.73% of the shares of the Company, were registered in the name of Charron Holdings Limited (“Charron”). The entire issued share capital of Charron was indirectly held by The A&A Unit Trust. The A&A Unit Trust was a unit trust under The Albert Yeung Discretionary Trust (“Trust”), a discretionary trust set up by Mr. Yeung Sau Shing, Albert (“Mr. Albert Yeung”). Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the total of 805,329,411 shares held by Charron. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the above 805,329,411 shares.
- The share options were granted to the directors under the existing share option scheme of the Company.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES – *continued*

(b) Long position interests in associated corporations

(i) Ordinary shares

Name of director	Name of associated corporation	Capacity	Number of issued ordinary share(s) held	Percentage of the issued share capital
Ms. Semon Luk	Charron (<i>Note 1</i>)	Family	1	100%
Ms. Semon Luk	Jumbo Wealth Limited ("Jumbo Wealth") (<i>Note 1</i>)	Family	1	100%
Ms. Semon Luk	Surplus Way Profits Limited ("Surplus Way") (<i>Note 2</i>)	Family	1	100%
Ms. Semon Luk	Emperor Entertainment Group Limited ("EEG") (<i>Note 2</i>)	Family	203,054,000	78.09%
Ms. Semon Luk	Emperor Entertainment Hotel Limited ("EEH") (<i>Note 3</i>)	Family	322,401,555	34.71%
Ms. Semon Luk	Emerald Star Properties Limited ("Emerald Star") (<i>Note 4</i>)	Family	990	9.9%
Ms. Semon Luk	Nova Strategic Limited ("Nova Strategic") (<i>Note 4</i>)	Family	10	10%

DIRECTORS' REPORT**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES – *continued*****(b) Long position interests in associated corporations – *continued****(ii) Share options*

Name of director	Name of associated corporation	Capacity	Number of options held	Number of underlying shares
Mr. Wong Chi Fai (Note 5)	EEH (Note 3)	Beneficial owner	5,000,000	5,000,000
Ms. Fan Man Seung, Vanessa (Note 5)	EEH (Note 3)	Beneficial owner	5,000,000	5,000,000

Notes:

- Charron was the registered owner of 805,329,411 shares, representing 71.73% of the total issued share capital of the Company. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Charron and Jumbo Wealth. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the share capital of Charron and Jumbo Wealth respectively.
- EEG is a company with its shares listed in Hong Kong: 78.09% of the shares of EEG were registered in the name of Surplus Way. The entire issued share capital of Surplus Way was held by Jumbo Wealth in trust for The A&A Unit Trust, a unit trust under the Trust. By virtue of the interests of The A&A Unit Trust in Charron and Surplus Way, both Surplus Way and EEG were associated corporations of the Company. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Surplus Way and EEG respectively. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the share capital of Surplus Way and EEG respectively.
- EEH is a company with its shares listed in Hong Kong: 34.71% of the shares of EEH were registered in the name of Worthy Strong Investment Limited ("Worthy Strong"). The entire issued share capital of Worthy Strong was indirectly held by the Company. By virtue of the interest of the Company in EEH, EEH was an associated corporation of the Company. Charron was the registered owner of 805,329,411 shares, representing 71.73% of the total issued share capital of the Company. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, which is a unit trust under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 322,401,555 shares in the share capital of EEH. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the share capital of EEH. Emerald Star and Nova Strategic are non wholly-owned subsidiaries of EEH.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES – *continued*

(b) Long position interests in associated corporations – *continued*

Notes: – *continued*

4. Emerald Star was owned as to 90.1% by EEH and as to 9.9% by Lion Empire Investments Limited (“Lion Empire”). Nova Strategic was owned as to 90% by EEH and as to 10% by Lion Empire. The entire issued share capital of Lion Empire was held by The A&S Unit Trust, a unit trust under the Trust, of which Mr. Albert Yeung was the founder. Mr. Albert Yeung was deemed to be interested in the shares of Emerald Star and Nova Strategic both held by Lion Empire. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the shares of Emerald Star and Nova Strategic both held by Lion Empire.
5. The share options were granted to the directors under the existing share option scheme of EEH.

Save as disclosed above, as at 31st March, 2006, 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.

SHARE OPTIONS

The Company adopted a share option scheme (the “Scheme”) on 9th September, 2003. Particulars of the Scheme are set out in note 42 to the consolidated financial statements.

Details of movements in the number of share options are set out below:

Director	Date of grant	Exercise period	Exercise price of the share options	Number of options granted during the year and outstanding at 31.3.2006
Mr. Wong Chi Fai	11th August, 2005	11th August, 2005 to 10th August, 2015	HK\$1.88	10,000,000
Ms. Fan Man Seung, Vanessa	11th August, 2005	11th August, 2005 to 10th August, 2015	HK\$1.88	10,000,000

DIRECTORS' REPORT

SHARE OPTIONS – *continued*

Save as disclosed herein, no option was granted, lapsed, exercised or cancelled under the Scheme.

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable any director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2006, so far as is known to any director or chief executive of the Company, the following persons or corporations (other than a director or chief executive of the Company) who had interests and short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Long position in ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity/Nature of interests	Number of ordinary shares interested or deemed to be interested (long position)	Approximate percentage holding
Charron (<i>Note</i>)	Beneficial owner	805,329,411	71.73%
Jumbo Wealth (<i>Note</i>)	Trustee	805,329,411	71.73%
GZ Trust Corporation ("GZ Trust") (<i>Note</i>)	Trustee	805,329,411	71.73%
Mr. Albert Yeung (<i>Note</i>)	Founder of the Trust	805,329,411	71.73%
Penta Investment Advisers Ltd.	Investment manager	60,348,000	5.37%
John Zwaanstra	Interest in a controlled corporation	60,348,000	5.37%
Michael William Moore	Interest in a controlled corporation	60,348,000	5.37%

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS – *continued*

Long position in shares of the Company – *continued*

Note:

The shares were registered in the name of Charron. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Trust, the trustee of which was GZ Trust. GZ Trust was deemed to be interested in the 805,329,411 shares held by Charron as trustee of the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 805,329,411 shares held by Charron.

The above 805,329,411 shares held by Charron, were the same shares as those set out under section (a) of the paragraph headed of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

Save as disclosed above, as at 31st March, 2006, the directors or chief executives of the Company were not aware of any other person or corporation (other than the directors and chief executives of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31st March, 2006, the interests of directors or their respective associates in the business which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group ("Competing Business") as required to be disclosed pursuant to the Listing Rules were as follows:

Name	Name of Company	Nature of interests	Competing business
Ms. Semon Luk, Director and her associate	Certain subsidiaries of the Trust of which Albert Yeung, associate of Semon Luk, was the founder	Substantial shareholder	Property development and investment
Fan Man Seung, Vanessa, Director	Bacchus International Limited and its subsidiaries	Directors and substantial shareholder	Property investment

Save as disclosed above, as at 31st March, 2006, none of the directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with business of the Group.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

During the year, the Group had the following transactions with directors or companies in which certain directors have beneficial interests:

- i) The Group leased certain properties, on normal commercial terms, to Strong Time Investments Limited ("Strong Time"). Strong Time is a signing agent of a company owned by a discretionary trust set up by a family member of Mr. Alber Yeung, a deemed substantial shareholder of the Company as at 31st March, 2006 and spouse of Ms. Semon Luk. The rental income received for the year amounted to approximately HK\$2,481,000.
- ii) Under a tenancy agreement dated 21st April, 2004 for a term from 2nd May 2004 to 31st March, 2007, the Group leased certain properties to Beauty Royal Limited, which is owned as to 72% by Diamond Palace Limited, a company owned by a discretionary trust set up by Mr. Albert Yeung, a deemed substantial shareholder of the Company. The aggregate rental income received for the year, on normal commercial terms, was approximately HK\$2,779,000.
- iii) On 31st March, 2006, the Company disposed of its wholly-owned subsidiary, Profit Noble Holdings Limited ("Profit Noble") to Gain Wealth Investments Limited ("Gain Wealth") at a consideration of approximately HK\$106 million. Gain Wealth is a company owned by a discretionary trust set up by Mr. Albert Yeung. The principal activities of Profit Noble and its subsidiaries are wholesaling and retailing of furniture, publishing and printing as well as restaurant operations.

DIRECTORS' REPORT**CONTINUING CONNECTED TRANSACTIONS**

During the year, the Group had the following transactions with connected persons as defined in the Listing Rules:

Name of counterparty	Nature of transaction	Terms	Amount for the year ended 31st March, 2006 HK\$'000
Emperor Connection Limited (Note (1))	Operating leases rentals received	1st April, 2005 to 31st March, 2008 (exclusive of rates, management fees and other outgoings charges)	2,059
Emperor Connection Limited (Note (1))	Car parks rental received	Lease can be terminated by either party giving one month's written notice	174
Emperor Entertainment Group Limited	Advertising fees received	1st April, 2005 to 31st March, 2008 based on the pricing policy of the Group	487

Notes:

- (1) Emperor Connection Limited is an indirect wholly-owned subsidiary of EEG.
- (2) EEG is a company with its shares listed in Hong Kong: 78.09% of the shares of EEG were registered in the name of Surplus Way. The entire issued share capital of Surplus Way was held by Jumbo Wealth in trust for The A&A Unit Trust, a unit trust under the Trust. By virtue of the interests of The A&A Unit Trust in Charron and Surplus Way, both Surplus Way and EEG were associated corporations of the Company. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Surplus Way and EEG respectively. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the share capital of Surplus Way and EEG respectively.

The terms of the tenancy agreements and the licence agreements, all dated 8th August, 2005, are arrived at after arm's length negotiation which are on normal commercial terms and the rental/licence fees thereof were determined by reference to open market rent as at 31st March, 2005 as valued by Chesterton Petty Limited, an independent valuer.

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CONTINUING CONNECTED TRANSACTIONS – *continued*

The engagement of the advertising services under the advertising services agreement date 8th August, 2005 for a term from 1st April, 2005 to 31st March, 2008 are in the normal ordinary course of business of the Company. The advertising fees are determined by reference to open market advertising charges charged to the subsidiaries of EEG for similar advertising services and will be no less favorable than those charged to other independent third parties engaging similar advertising service.

The directors of the Company considered that (1) the renting of the office premises and car parking spaces would consolidate the operations of the Group into the same premises which would enhance the efficiency of management of the Group; (2) the publications in relation to the advertising space are ones among the leading publications in Hong Kong. The engagements are fair and reasonable and in the interests of the shareholders of the Company.

The directors of the Company engaged the auditors of the Company to perform certain agreed upon procedures in respect of continuing connected transactions of the Group. The procedures were performed solely to assist the directors of the Company to evaluate in accordance with Rule 14A.38 of the Listing Rules, whether the continuing connected transactions entered into by the Group for the year ended 31st March, 2006:

- (a) have received the approval of the directors of the Company;
- (b) have been entered into in accordance with the terms of the relevant agreement governing such transactions;
- (c) have not exceeded the relevant cap amount for the financial year ended 31st March, 2006 disclosed in previous announcements; and
- (d) have been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties.

The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, no contracts of significance to which the Company, or any of its holding companies, fellow subsidiaries and 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.

DIRECTORS' REPORT

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

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

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.

DISTRIBUTABLE RESERVES OF THE COMPANY

The contributed surplus of the Company represents the aggregate of (a) the difference between the consolidated net assets of the Company's subsidiaries and the nominal value of the Company's shares issued pursuant to the group reorganisation effective in December 1991; (b) the surplus arising on reduction of share capital effective in March 2003 and (c) the subsequent dividends paid and bonus issues by way of capitalisation of contributed surplus;

Under the Companies Act in 1981 of Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's reserves available for distribution to shareholders as at 31st March, 2006 represent the aggregate of contributed surplus and accumulated profits amounting to HK\$1,412,419,000 (2005: HK\$1,181,477,000).

DONATIONS

During the year, the Group made charitable donations amounting to approximately HK\$888,000.

DIRECTORS' REPORT

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

During the year, the aggregate amount of purchases and services received attributable to the Group's five largest suppliers represented approximately 51% of the Group's total purchases and services received and the largest supplier accounted for approximately 39% of the purchases and services received for the year.

None of the directors, their associates, or any shareholders which, to the knowledge of the directors, owning more than 5% of the Company's issued share capital, had a beneficial interest in the share capital of any of the above major suppliers of the Group.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 23 to 31.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the percentage of the Company's total issued share capital held by the public (ie. 23.61%) is marginally lowered than the prescribed public float under the Listing Rules. For the purpose of restoring the public float of the Company to at least 25% as soon as possible, the Company is considering steps to restore the prescribed public float including either to issue new shares by the Company or to procure Charron Holdings Limited, a substantial shareholder of the Company, to place down existing shares held by it to independent third parties.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 52 to the financial statements.

AUDITORS

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

On behalf of the Board

Luk Siu Man, Semon

Chairperson

Hong Kong
19th July, 2006