

## DIRECTORS' REPORT

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

### PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding and the activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

### RESULTS AND DIVIDENDS

The results of the Group and the dividends paid and proposed by the Company for the year ended 31st March, 2006 are set out in the consolidated income statement on page 31 and note 14 to the consolidated financial statements.

### INVESTMENT PROPERTIES

During the year, the Group's property, plant and equipment with carrying value of approximately HK\$118 million were transferred to investment properties.

As at 31st March, 2006, the Group revalued all of its investment properties on an open market at approximately HK\$510 million. The increase in fair value of approximately HK\$392 million has been credited to the consolidated income statement.

Details of changes in the investment properties of the Group are set out in note 16 to the consolidated financial statements.

A summary of investment properties of the Group as at 31st March, 2006 is set out on page 90.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$612 million.

Details of changes in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

## DIRECTORS' REPORT

### DISTRIBUTABLE RESERVES OF THE COMPANY

The contributed surplus of the Company represents the difference between the consolidated net assets of the Company's subsidiaries as at 7th July, 1992, the date on which the group reorganisation became effective, and the nominal value of the Company's shares issued under the group reorganisation, less any dividends subsequently paid out of pre-reorganisation profits and amounts utilised on redemption of shares.

Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company shall not 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 approximately HK\$1,228,122,000.

In the opinion of the directors of the Company, the Company had no distributable reserve as at 31st March, 2005.

## DIRECTORS' REPORT

### 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 11th July, 2005)

#### Executive directors:

Wong Chi Fai

Fan Man Seung, Vanessa

Mok Fung Lin, Ivy

Luk Siu Man, Semon (*Chairperson*) (redesignated from executive director to non-executive director on 11th July, 2005)

#### Independent non-executive directors:

Chan Sim Ling, Irene

Chan Wiling, Yvonne

Wan Choi Ha (appointed on 15th February, 2006)

Lam San Keung (resigned on 15th February, 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, Ms. Wan Choi Ha would retire at the forthcoming annual general meeting and, being eligible, offer herself for re-election.

In accordance with Bye-law 87 of the Company's Bye-laws, all other directors, other than Ms. Wan Choi Ha who would retire in accordance with Bye-law 86(2), would retire at the forthcoming annual general meeting and, 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\$0.0001 each of the Company

Name of director	Capacity/Nature of interests	Number of issued ordinary shares held	Approximate percentage holding
Ms. Luk Siu Man, Semon ("Ms. Semon Luk") (Note 1)	Family	322,401,555	34.71%

**DIRECTORS' REPORT****DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES** (continued)**(a) Long position interests in the Company** (continued)*(ii) Share options*

<b>Name of director</b>	<b>Capacity</b>	<b>Number of options</b>	<b>Number of underlying shares</b>
Mr. Wong Chi Fai ( <i>Note 2</i> )	Beneficial owner	5,000,000	5,000,000
Ms. Fan Man Seung, Vanessa ( <i>Note 2</i> )	Beneficial owner	5,000,000	5,000,000

*Notes:*

- 322,401,555 shares representing 34.71% of the shares of the Company, were registered in the name of Worthly Strong Investment Limited ("Worthly Strong"), an indirect wholly-owned subsidiary of Emperor International Holdings Limited ("EIHL"). EIHL was a company with its shares listed in Hong Kong; 71.73% of the shares of EIHL were registered in the name of Charron Holdings Limited ("Charron"). The entire issued share capital of Charron was held by The A&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 322,401,555 shares held by Worthly Strong. 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 above 322,401,555 shares held by Worthly Strong.
- The share options were granted to directors under the share option scheme of the Company.

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES (continued)

#### (b) Long position in shares in associated corporations

Name of director	Name of associated corporation	Capacity	Number of issued ordinary shares held	Approximate percentage holding
Ms. Semon Luk	Emerald Star Properties Limited ("Emerald Star") (Note)	Family	990	9.9%
	Nova Strategic Limited ("Nova Strategic") (Note)	Family	10	10%

Note: Emerald Star was owned as to 90.1% by the Group and as to 9.9% by Lion Empire Investments Limited ("Lion Empire"). Nova Strategic was owned as to 90% by the Group 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 (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the shares of Emerald Star and Nova Strategic both held by Lion Empire.

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 and debentures of the Company or any of its associated corporations.

**DIRECTORS' REPORT****SHARE OPTIONS**

The Company adopted a share option scheme (the "Scheme") on 2nd September, 2002. Particulars of the Scheme are set out in note 33 to the consolidated financial statements.

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

<b>Name of grantee</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price of the share options</b>	<b>Number of options granted during the year and outstanding as at 31st March, 2006</b>
Mr. Wong Chi Fai	11th August, 2005	11th August, 2005 to 10th August, 2015	HK\$2.2	5,000,000
Ms. Fan Man Seung, Vanessa	11th August, 2005	11th August, 2005 to 10th August, 2015	HK\$2.2	5,000,000

Save as disclosed herein, no options were 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 corporates.

## DIRECTORS' REPORT

### 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 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 were as follows:

#### Long positions in ordinary shares of HK\$0.0001 each of the Company

Name of shareholder	Capacity/ Nature of interests	Number of issued ordinary shares interested in or deemed to be interested	Approximate percentage holding
EIHL ( <i>Note</i> )	Interest in a controlled corporation	322,401,555	34.71%
Charron ( <i>Note</i> )	Interest in a controlled corporation	322,401,555	34.71%
Jumbo Wealth Limited ( <i>Note</i> )	Trustee	322,401,555	34.71%
GZ Trust Corporation ("GZ Trust") ( <i>Note</i> )	Trustee	322,401,555	34.71%
Mr. Albert Yeung ( <i>Note</i> )	Founder of the Trust	322,401,555	34.71%
OZ Management, L.L.C.	Investment manager	105,646,087	11.37%
OZ Master Fund, Ltd.	Beneficial owner	62,817,767	6.76%
Julius Baer Investment Management LLC	Investment manager	74,493,652	8.02%

*Note:* The shares were registered in the name of Worthly Strong, an indirect wholly-owned subsidiary of EIHL. EIHL was a company with its shares listed in Hong Kong; 71.73% of the shares of EIHL were registered in the name of Charron. The entire issued share capital of Charron was held by The A&A Unit Trust under the Trust, the trustee of which was GZ Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 322,401,555 shares held by Worthly Strong. The above shares were the same shares as those set out in "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

Save as disclosed above, as at 31st March, 2006, the directors of the Company were not aware of any person or corporation (other than the directors and chief executives of the Company) who had any interests or short positions in 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 CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company, or any of its 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.

### 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.

### MAJOR SUPPLIERS AND CUSTOMERS

During the year, the five largest customers of the Group accounted for approximately 95% of the revenue of the Group. The largest two customers accounted for approximately 54% and 39% of the Group's revenue, respectively. The issued share capital of the second largest customer was held as to 28% of its issued share capital by a deemed substantial shareholder of the Company as at 31st March, 2006.

The five largest suppliers contributed to less than 30% of the Group's total purchases and services received for the year.

Save as disclosed above, none of the directors of the Company, their associates or any shareholders which, to the knowledge of the directors of the Company, owns more than 5% of the Company's issued share capital, has a beneficial interest in the share capital of any of the above major customers and suppliers of the Group.

### CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 21 to 28.

### 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 annual report, the Company maintained the prescribed public float under the Listing Rules.

## **DIRECTORS' REPORT**

### **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