

## **REPORT OF THE DIRECTORS**

The directors 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. Details of the principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### **RESULTS AND DIVIDENDS**

The Group's loss 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 30 to 74.

The directors do not recommend the payment of any dividend in respect of the year.

### **SUMMARY FINANCIAL INFORMATION**

A summary of the published consolidated/combined results and assets, liabilities and minority interests of the Group for the last five financial years is set out on pages 75 to 76. This summary does not form part of the audited financial statements.

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

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

### **SHARE CAPITAL AND SHARE OPTIONS**

There were no movements in the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year are set out in note 28 to the financial statements.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold 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 29(b) 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 distribution, calculated in accordance with the Companies Law (2002 Revision) of the Cayman Islands, amounted to HK\$50,716,000. In addition, the Company's share premium account, in the amount of HK\$17,138,000, may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, service fee income from the Group's five largest customers accounted for approximately 61% of the total service fee income for the year and service fee income from the largest customer included therein amounted to approximately 30%.

Purchases from the Group's five largest suppliers accounted for approximately 68% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 35%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

## DIRECTORS

The directors of the Company during the year were:

### Executive directors:

Dr. Lo Kou Hong (*Chairman*)  
Ms. Ko Lok Ping, Maria Genoveffa  
Mr. Leung Tai Tsan, Charles  
Mr. Cheung Pui Keung, James

### Independent non-executive directors:

Mr. Poon Kwok Kiu  
Mr. Cheng Kai Tai, Allen  
Mr. Chiu Wai Piu

## REPORT OF THE DIRECTORS

### **DIRECTORS** (continued)

In accordance with Article 112 of the Company's articles of association, Dr. Lo Kou Hong, Mr. Leung Tai Tsan, Charles and Mr. Cheung Pui Keung, James, the existing directors of the Company, will retire as directors of the Company by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the said meeting.

The Company has received annual confirmations of independence from Mr. Poon Kwok Kiu, Mr. Cheng Kai Tai, Allen and Mr. Chiu Wai Piu, and as at the date of this report still considers them to be independent.

### **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 10 of the annual report.

### **DIRECTORS' SERVICE CONTRACTS**

Each of the executive directors of the Company, except for Mr. Cheung Pui Keung, James, has entered into a service contract with the Company for an initial fixed term of three years commencing on 1 February 2003, until terminated by not less than three/six months' notice in writing served by either party.

Mr. Cheung Pui Keung, James, has entered into a service contract with the Company for an initial fixed term of three years commencing from 13 January 2004 until terminated by not less than three months' notice in writing served by either party.

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' INTERESTS IN CONTRACTS**

Save as disclosed in note 33 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.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

At 31 March 2006, the interests of the directors of the Company in the shares and underlying shares of the Company (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 under 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 (the "Model Code"), were as follows:

#### (1) Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of ordinary shares	Percentage of the Company's issued share capital
Dr. Lo Kou Hong	Long	Founder of a discretionary trust	210,000,000 (Note)	70%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficiary of a discretionary trust	210,000,000 (Note)	70%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	140,000	0.047%

*Note:* These shares were owned by The Lo's Family Limited as the trustee of The Lo's Family Unit Trust, a unit trust of which all the units in issue were owned by Equity Trustee Limited as the trustee of The Lo's Family Trust, a discretionary trust of which the objects included Dr. Lo Kou Hong's family members.

Accordingly, Dr. Lo Kou Hong, as the founder of The Lo's Family Trust, and Ms. Ko Lok Ping, Maria Genoveffa, as one of the beneficiaries of The Lo's Family Trust, were deemed to be interested in the shares owned by The Lo's Family Limited in its capacity as the trustee of The Lo's Family Unit Trust under Part XV of the SFO.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

#### (2) Interests in underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Long/Short position	Capacity	Number of underlying shares in respect the share options granted	Percentage of the underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Beneficial owner	3,000,000	1%
	Long	Interest of spouse	3,000,000 <i>(Note (1))</i>	1%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	3,000,000	1%
	Long	Interest of spouse	3,000,000 <i>(Note (2))</i>	1%
Mr. Leung Tai Tsan, Charles	Long	Beneficial owner	3,000,000	1%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	3,000,000	1%

Details of the above share options as required to be disclosed by the Listing Rules have been disclosed in note 28 to the financial statements.

*Notes:*

- (1) Dr. Lo Kou Hong was deemed to be interested in the 3,000,000 share options of the Company through interest of his spouse, Ms. Ko Lok Ping, Maria Genoveffa.
- (2) Ms. Ko Lok Ping, Maria Genoveffa was deemed to be interested in the 3,000,000 share options of the Company through interest of her spouse, Dr. Lo Kou Hong.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

In addition to the above, as at 31 March 2006, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirements of a minimum of two shareholders.

Save as disclosed above, as at 31 March 2006, 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 associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 28 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' INTERESTS IN THE SHARES OF THE COMPANY

At 31 March 2006, the following interests of 5% or more in the issued share capital of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital
The Lo's Family Limited	Long	Trustee	210,000,000 ( <i>Note</i> )	70%
Equity Trustee Limited	Long	Trustee	210,000,000 ( <i>Note</i> )	70%

*Note:* These shares were owned by The Lo's Family Limited in its capacity as the trustee of The Lo's Family Unit Trust, of which all the units in issue were owned by Equity Trustee Limited as the trustee of The Lo's Family Trust. By virtue of its ownership of all the issued units in The Lo's Family Unit Trust, Equity Trustee Limited in its capacity as the trustee of The Lo's Family Trust was deemed to be interested in such shares owned by The Lo's Family Limited in its capacity as the trustee of The Lo's Family Unit Trust.

Such interest was also disclosed as the interest of Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa in the above section headed "Directors' interests in the shares and underlying shares of the Company".

## REPORT OF THE DIRECTORS

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

### CONNECTED TRANSACTIONS

Details of the connected transactions for the year are set out in note 33 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, the directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

### CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 22 August 2006 to Friday, 25 August 2006 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting of the Company to be held on Friday, 25 August 2006, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 21 August 2006.

### AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the Company's forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Lo Kou Hong**  
*Chairman*

Hong Kong  
19 July 2006