

REPORT OF THE DIRECTORS



The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and the principal activities of its principal subsidiaries are property investment, property development and sales, hotel ownership and management, food and beverage operation and travel operation; the particulars of which are set out in note 14 on the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 11 on the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Due to the diversity and nature of the Group's activities, the aggregate percentage of the Group's sales and purchases attributable to the Group's five largest customers and suppliers respectively was less than 30%.

At 31 March 2005, none of the directors, their associates or shareholders who, to the knowledge of the directors, own more than 5% of the Company's share capital, had an interest in any of the five largest customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 March 2005 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 26 to 80.

An interim dividend of HK\$0.15 per share (2004: HK\$0.13 per share) was paid on 12 January 2005. The directors now recommend the payment of a final dividend of HK\$0.22 per share (2004: HK\$0.20 per share) in respect of the year ended 31 March 2005, totalling HK\$126,990,875.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$274,631 (2004: HK\$99,739).

FIXED ASSETS

Details of movements in fixed assets are set out in note 12 on the financial statements.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

- Dr HO Tim, *Chev Leg d'Hon, JP, DSSc (Hon), DBA (Hon), LLD (Hon) (deceased on 6 November 2004)*
- # Dr LEE Shau Kee, *DBA (Hon), DSSc (Hon), LLD (Hon)*
- #†* Dr David SIN Wai Kin, *DSSc (Hon)*
- Mr WOO Kim Phoe
- The Honourable LEE Quo Wei, *GBM, JP (resigned on 6 October 2004)*
- † Mr Patrick FUNG Yuk Bun
- † Mr Dominic CHENG Ka On
- Δ# Mr Richard TANG Yat Sun, *MBA, BBS, JP*
- Mr Stephen HO Tze Tung *(deceased on 28 July 2004)*
- Δ Mr Colin LAM Ko Yin, *BSc, ACIB, MBIM, FCILT*
- Δ Mr Eddie LAU Yum Chuen
- Mr Tony NG
- Δ Mr Norman HO Hau Chong, *BA, ACA, FCPA*
- Mr Howard YEUNG Ping Leung
- Δ Mr LEE Ka Shing *(appointed on 6 October 2004)*
- Mr Thomas LIANG Cheung Biu, *BA, MBA (appointed on 6 October 2004)*
- #†* Mr WU King Cheong, *BBS, JP (appointed on 17 January 2005)*
- #†* Mr Alexander AU Siu Kee, *OBE, FCCA, FCPA, FCIB, FHKIB (appointed on 17 January 2005)*
- Δ Mr Peter YU Tat Kong, *BSc, MBA, CA, CHA*

* independent non-executive directors

† members of the Audit Committee, of which Mr Alexander Au Siu Kee is the Chairman

members of the Remuneration Committee, of which Dr Lee Shau Kee is the Chairman

Δ members of the General Purpose Committee

In accordance with Articles 73, the term of Mr Lee Ka Shing, Mr Thomas Liang Cheung Biu, Mr Wu King Cheong and Mr Alexander Au Siu Kee serving as directors of the Company will expire at the forthcoming Annual General Meeting and in accordance with Articles 77, 78 and 79, Dr Lee Shau Kee, Mr Woo Kim Phoe, Mr Colin Lam Ko Yin and Mr Eddie Lau Yum Chuen will retire at the forthcoming Annual General Meeting by rotation. The above eight Directors, being all eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Dr LEE Shau Kee, DBA (Hon), DSSc (Hon), LLD (Hon)

Aged 76. Dr Lee was appointed director of the Company in 1993 and has been the Chairman of the Company since 8 August 2001. He has been engaged in property development in Hong Kong for more than 45 years. He is the founder and also the Chairman and Managing Director of Henderson Land Development Company Limited (“Henderson Land”) and Henderson Investment Limited (“Henderson Investment”), the Chairman of Henderson Cyber Limited (“Henderson Cyber”) and The Hong Kong and China Gas Company Limited, the Vice Chairman of Sun Hung Kai Properties Limited as well as a director of Henderson China Holdings Limited (“Henderson China”), Hong Kong Ferry (Holdings) Company Limited and The Bank of East Asia, Limited. He is a director of Multiglade Holdings Limited (“Multiglade”), Higgins Holdings Limited (“Higgins”), Threadwell Limited (“Threadwell”), Aynbury Investments Limited (“Aynbury”), Henderson Investment, Kingslee S.A., Henderson Land and Henderson Development Limited (“Henderson Development”) which have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 March 2005. He is also a director of certain subsidiaries of the Company. He is the father of Mr Lee Ka Shing.

Dr David SIN Wai Kin, DSSc (Hon)

Aged 75. Dr Sin was appointed director of the Company in 1974 and has been a Vice Chairman of the Company since 1985. He is the Chairman of Myer Jewelry Manufacturer Limited, the executive director of New World Development Company Limited and a director of Hang Seng Bank Limited and King Fook Holdings Limited. He is also a director of certain subsidiaries of the Company.

Mr WOO Kim Phoe

Aged 86. Mr Woo was appointed director of the Company in 1978 and has been a Vice Chairman of the Company since 1985. He is also the Chairman of Tectona Enterprises Limited and Tong Seng Enterprises Limited.

Mr Patrick FUNG Yuk Bun

Aged 58. Mr Fung was appointed director of the Company in 1985. He graduated from the University of Toronto in 1971 with an Engineering degree and in the same University in 1973 with a Master of Business Administration degree. He joined Wing Hang Bank, Limited in 1976 and appointed a Director in 1980. In 1992, he was elected by the Board to become the Chief Executive Officer. In 1996, he was appointed Chairman and Chief Executive. Outside the Wing Hang Group, he holds numerous appointments, serving as Governor of Fung Yiu King Charitable Foundation, Ltd., a member of the Court of The Hong Kong Polytechnic University, Chairman of University of Toronto (Hong Kong) Foundation, a member of the Dean’s Advisory Council of the Faculty of Management, University of Toronto, a member of the Board of Trustees of Shaw College, The Chinese University of Hong Kong, Chairman of Travel Industry Compensation Fund Management Board, a Vice President of the Hong Kong Institute of Bankers and a Co-opt member of Planning, Development and Conservation Committee of Urban Renewal Authority. He is also a director of certain subsidiaries of the Company.

Mr Dominic CHENG Ka On

Aged 55. Mr Cheng was appointed director of the Company in 1985. He is an executive director of King Fook Holdings Limited and the Managing Director of the Onflo International Group of Companies. He is also a director of certain subsidiaries of the Company.

Mr Richard TANG Yat Sun, MBA, BBS, JP

Aged 52. Mr Tang was appointed director of the Company in 1986. He is an MBA graduate from the University of Santa Clara, California, U.S.A., and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, U.S.A. He is currently the Chairman and Managing Director of Richcom Company Limited, Vice Chairman of King Fook Holdings Limited, a director of Hang Seng Bank Limited and various private business enterprises. He is a member of Tang Shiu Kin and Ho Tim Charitable Fund. He is also a director of certain subsidiaries of the Company.

Mr Colin LAM Ko Yin, BSc, ACIB, MBIM, FCILT

Aged 54. Mr Lam was appointed director of the Company in 1993. He holds a Bachelor of Science (Honours) degree from the University of Hong Kong and has over 31 years' experience in banking and property development. He is also the Chairman of Hong Kong Ferry (Holdings) Company Limited, the Vice Chairman of Henderson Land and Henderson Investment, an executive director of Henderson China, Henderson Cyber and Henderson Development as well as a director of The Hong Kong and China Gas Company Limited, Multiglade, Higgins, Threadwell, Aynbury, Hopkins (Cayman) Limited ("Hopkins"), Riddick (Cayman) Limited ("Riddick") and Rimmer (Cayman) Limited ("Rimmer"). Multiglade, Higgins, Threadwell, Aynbury, Henderson Investment, Henderson Land, Henderson Development, Hopkins, Riddick and Rimmer have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 March 2005. He is also a director of certain subsidiaries of the Company.

Mr Eddie LAU Yum Chuen

Aged 59. Mr Lau was appointed director of the Company in 1996. He has over 30 years' experience in banking, finance and investment. He is also an executive director of Henderson Land and Henderson Investment as well as a director of Hong Kong Ferry (Holdings) Company Limited. Both Henderson Land and Henderson Investment have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 March 2005. He is also a director of certain subsidiaries of the Company.

Mr Tony NG

Aged 64. Mr Ng was appointed director of the Company in 1997. He is a graduate of Hotel Management from Ecole Hoteliere Lausanne, Switzerland. He has over 36 years' experience in the fields of hotel management and food and beverage in Hong Kong, Switzerland, Australia, Hawaii and Singapore. He is also a director of certain subsidiaries of the Company. He is the brother-in-law of Mr Howard Yeung Ping Leung.

Mr Norman HO Hau Chong, BA, ACA, FCPA

Aged 49. Mr Ho was appointed director of the Company in 1998. He is a member of the Institute of Chartered Accountants in England and Wales, and a Fellow of the Hong Kong Institute of Certified Public Accountants. He is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited and has over 23 years' experience in management and property development. He is also a director of CITIC Pacific Limited, Tai Fook Securities Group Limited and New World Mobile Holdings Limited as well as an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited, Shun Tak Holdings Limited, Starlight International Holdings Limited and Cheung Tai Hong Holdings Limited. He is also a director of certain subsidiaries of the Company. He is the son of Dr Ho Tim who passed away on 6 November 2004.

Mr Howard YEUNG Ping Leung

Aged 48. Mr Yeung was appointed director of the Company in 2000. He is also the Chairman of King Fook Holdings Limited and a director of New World Development Company Limited. He is the brother-in-law of Mr Tong Ng.

Mr LEE Ka Shing

Aged 34. Mr Lee was appointed director of the Company in 2004. He was educated in Canada. He is the Vice Chairman of Henderson Land, Henderson Investment and Henderson Development, an executive director of Henderson China, Henderson Cyber as well as a director of The Hong Kong and China Gas Company Limited. Henderson Investment, Henderson Land and Henderson Development have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 March 2005. Mr Lee is a Member of the Ninth Guangxi Zhuangzu Zizhiqu Committee of the Chinese People's Political Consultative Conference and a Member of the Ninth Foshan Committee of the Chinese People's Political Consultative Conference. He is the son of Dr Lee Shau Kee.

Mr Thomas LIANG Cheung Bui, BA, MBA

Aged 58. Mr Liang was appointed director of the Company in 2004. He holds a Bachelor degree in Economics from the University of California, Berkeley and a Master degree in Business Administration from the Columbia University and has extensive experience in financial management, corporate finance, banking, real estate development and equity investment. He is also the Group Chief Executive of Wideland Investors Limited and a non-executive director of New World Development Company Limited. He is the son-in-law of The Honourable Lee Quo Wei who resigned as director of the Company on 6 October 2004.

Mr WU King Cheong, BBS, JP

Aged 53. Mr Wu was appointed as an independent non-executive director of the Company in 2005. He is a Councillor of the Eastern District Council of the Hong Kong Special Administrative Region, Assistant Treasurer of the Chinese General Chamber of Commerce, Member of Hong Kong Housing Authority, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Honorary Permanent President of the Hong Kong Stockbrokers Association. He is an executive director of Lee Cheong Gold Dealers Limited. He is also an independent non-executive director of Yau Lee Holdings Limited, Chevalier iTech Holdings Limited, Henderson Land, Henderson Investment and Hong Kong Ferry (Holdings) Company Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Mr Alexander AU Siu Kee, OBE, FCCA, FCPA, FCIB, FHKIB

Aged 58. Mr Au was appointed as an independent non-executive director of the Company in 2005. Mr Au is a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, as well as a Fellow of The Chartered Institute of Bankers and The Hong Kong Institute of Bankers. Mr Au was named Hong Kong Banker of the Year in July 1996 and Hong Kong Business Executive of the Year in December 1996. He has extensive experience in local and international banking business. Mr Au is an independent non-executive director of Wheelock and Company Limited and Hong Kong Ferry (Holdings) Company Limited. He was formerly the Vice Chairman and Chief Executive of Hang Seng Bank Limited, and subsequently of Overseas-Chinese Banking Corporation Limited in Singapore. He also once held non-executive director positions in The Hongkong and Shanghai Banking Corporation Limited, Mass Transit Railway Corporation and Hang Lung Development Company Limited. Mr Au is a member of the Council of the Hong Kong University of Science and Technology. He was formerly a member of the Exchange Fund Advisory Committee, the Banking Advisory Committee, the Hong Kong Trade Development Council, the City University of Hong Kong, and the Community Chest of Hong Kong.

Mr Peter YU Tat Kong, BSc, MBA, CA, CHA

Aged 56. Mr Yu joined the Company in 1996 as the Group General Manager and was appointed director of the Company in 1997. He holds a Bachelor degree in Statistics & Computer Science from the University of Manitoba and a Master degree in Business Administration from the University of British Columbia in Canada. He is a U.S. Certified Hotel Administrator as well as a Canadian Chartered Accountant. He has over 27 years' solid experience in the fields of hospitality and tourism, general administration and corporate finance. He is also a director of certain subsidiaries of the Company.

Senior Management

Mr Frankie CHAN Fung Kee

Aged 67. Mr Chan holds a Diploma in Building Course from the Hong Kong Technical College. He joined the Group in 1970. He is now the Director of Property Development and Maintenance.

Ms Sylvia CHUNG Wai Man

Aged 44. Ms Chung joined the Group as General Manager of the Hotel Miramar in 1997 and was recently appointed as the Director of Business Development of the Group of which she is involved in a number of the Group's food and beverages businesses. She is a Certified Hotel Administrator and was awarded the Bauhinia Cup Outstanding Entrepreneur Awards by the Hong Kong Polytechnic University in 2002. She is the Advisory Committee Member of the School of Hotel & Tourism Management of Hong Kong Polytechnic University, 1st Vice Chairman of the Hong Kong Hotels Association and the President of the Women Executives Club of the Hong Kong General Chamber of Commerce.

Mr Uris FONG See Shun

Aged 49. Mr Fong joined the Henderson Group in 1992, and then transferred to the Group in 1998 as Vice President - Group Marketing & Sales of Group Hotel Management Company. He is responsible for marketing, sales, planning & development for all hotels within our Group. He also manages overseas offices in Beijing, Shanghai, Taipei, Tokyo and London. He has worked for some renowned international chain hotels in Hong Kong and Europe. Mr Fong has over 26 years of extensive sales & marketing experience in the hospitality and tourism industry.

Mr Eddy LAU Wai Lik, MPA, FCPA, FCCA, ACMA

Aged 49. Mr Lau holds a Master of Professional Accounting degree from the Hong Kong Polytechnic University and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also an associate member of the Chartered Institute of Management Accountants. He has over 26 years' experience in auditing, financial management and accounting. He joined the Group in 1989 and his present position is Director of Internal Audit, reporting to the Audit Committee of the Group. He is responsible for the Group's operations review, both financial and otherwise, to ensure that adequate internal controls are in place for the smooth running of the Group's operations.

Mr Ian LEE King Hang, CPA, AICPA

Aged 38. Mr Lee joined the Group in 1998 and his present capacity is the Group's Hotel Management Company Vice President of Hotel Operation and Control. He is responsible for the Group's hotel business management, planning and assessment. Mr Lee holds a Bachelor of Business & Administration degree in Accounting from the University of Houston. He is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 11 years of experience in the fields of hotel management, finance and internal controls.

Ms Doris LEE Sau Kuen, BA (Hons), LLB (Peking University), FCCA, CPA

Aged 37. Ms Lee joined the Group in 1997 and her present capacity is Director of Group Treasury. She is responsible for the treasury, financing and tax planning functions of the Group. She holds a Bachelor of Arts in Accountancy and a Bachelor of Law. She is a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and has over 12 years of experience in auditing, accounting and finance.

Mr Christopher YICK Kwok Hung, BA (Hons), PhD (Hon), Cert. Per. Mgt. (HKU), LFIBA, MCMI, MIMgt, MInstLM, MIHRM (HK)

Aged 57. Mr Yick graduated from the University of Hong Kong in 1971 with an honours degree in Comparative Literature and Translation. He furthered his studies in Personnel Management from the University of Hong Kong in a one-year part-time course in 1977. He was awarded an honorary Doctorate in Commercial Science by The London Institute of Applied Research in 1993. He has over 28 years' experience in personnel management and has strong attributes in industrial relations and quality management. He has had ample experience in both commercial and industrial sectors. He joined the Group in 1996, and his present position is Director of Group Service Assurance.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory obligations.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2005, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept 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 Companies were as follows:

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Percentage of total issued shares
Miramar Hotel And Investment Company, Limited	Dr LEE Shau Kee	—	—	255,188,250 (note 1)	—	44.21%
	Dr David SIN Wai Kin	4,158,000	—	—	—	0.72%
	Mr WOO Kim Phoe	11,426,400	—	—	—	1.98%
	Mr Patrick FUNG Yuk Bun	—	—	—	8,426,710 (note 2)	1.46%
	Mr Dominic CHENG Ka On	7,774,640	4,000	—	—	1.35%
	Mr Richard TANG Yat Sun	125,000	—	11,241,900 (note 3)	—	1.97%
	Mr Thomas LIANG Cheung Bui	—	1,080,000 (note 4)	—	—	0.19%
	Mr LEE Ka Shing	—	—	—	255,188,250 (note 11)	44.21%
Booneville Company Limited	Dr LEE Shau Kee	—	—	2 (note 5)	—	100%
	Mr LEE Ka Shing	—	—	—	2 (note 5)	100%
Fook Po Enterprises Company Limited	Dr LEE Shau Kee	270	—	—	—	9.80%
	Dr David SIN Wai Kin	225	—	—	—	8.17%
Henderson-Miramar Hotels Holdings Limited	Dr LEE Shau Kee	—	—	2 (note 6)	—	100%
	Mr LEE Ka Shing	—	—	—	2 (note 6)	100%
Placer Holdings, Inc.	Mr Richard TANG Yat Sun	4,000	—	—	—	2%
Strong Guide Property Limited	Dr LEE Shau Kee	—	—	2 (note 7)	—	100%
	Mr LEE Ka Shing	—	—	—	2 (note 7)	100%

Save as disclosed above, as at 31 March 2005, none of the directors or chief executive of the Company had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Apart from the foregoing, at no time during the year was the Company or any subsidiary a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHERS

The Company has been notified of the following interests in the Company's issued shares at 31 March 2005, amounting to 5% or more of the shares in issue:

Substantial Shareholders	Ordinary shares held	Percentage of total issued shares
Dr Lee Shau Kee	255,188,250 (<i>note 1</i>)	44.21%
Mr Lee Ka Shing	255,188,250 (<i>note 11</i>)	44.21%
Rimmer (Cayman) Limited ("Rimmer")	255,188,250 (<i>note 8</i>)	44.21%
Riddick (Cayman) Limited ("Riddick")	255,188,250 (<i>note 8</i>)	44.21%
Hopkins (Cayman) Limited ("Hopkins")	255,188,250 (<i>note 8</i>)	44.21%
Henderson Development Limited ("Henderson Development")	255,188,250 (<i>note 9</i>)	44.21%
Henderson Land Development Company Limited ("Henderson Land")	255,188,250 (<i>note 9</i>)	44.21%
Kingslee S.A.	255,188,250 (<i>note 10</i>)	44.21%
Henderson Investment Limited ("Henderson Investment")	255,188,250 (<i>note 10</i>)	44.21%
Aynbury Investments Limited ("Aynbury")	255,188,250 (<i>note 10</i>)	44.21%
Higgins Holdings Limited ("Higgins")	100,612,750 (<i>note 10</i>)	17.43%
Multiglade Holdings Limited ("Multiglade")	79,121,500 (<i>note 10</i>)	13.71%
Threadwell Limited ("Threadwell")	75,454,000 (<i>note 10</i>)	13.07%
Persons other than Substantial Shareholders		
Mr Chong Wing Cheong	57,587,210	9.98%

Save as disclosed above, as at 31 March 2005, none of the above shareholders had held any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation as defined in the SFO.

Notes :

- (1) Dr Lee Shau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins. By virtue of the SFO, Dr Lee Shau Kee is taken to be interested in 255,188,250 shares, which are duplicated in the interests described in Notes 8, 9, 10 and 11.
- (2) All these shares were held by a unit trust of which Mr Patrick Fung Yuk Bun was a beneficiary.
- (3) These shares were held through corporations in which Mr Richard Tang Yat Sun owned more than 30% of the issued share capital.
- (4) All these shares were held by a trust of which Mr Thomas Liang Cheung Biu's spouse was a beneficiary.
- (5) These 2 shares in Booneville Co Ltd were equally owned by a wholly-owned subsidiary of the Company and Henderson Land. By virtue of the SFO, Dr Lee Shau Kee and Mr Lee Ka Shing are taken to be interested in Henderson Land and the Company as set out in Notes 1, 8, 9, 10 and 11.
- (6) These 2 shares in Henderson-Miramar Hotels Holdings Ltd were equally owned by a wholly-owned subsidiary of the Company and Henderson Investment. By virtue of the SFO, Dr Lee Shau Kee and Mr Lee Ka Shing are taken to be interested in Henderson Investment and the Company as set out in Notes 1, 8, 9, 10 and 11.
- (7) These 2 shares in Strong Guide Property Ltd were equally owned by a wholly-owned subsidiary of the Company and of Henderson China Holdings Ltd which was 65.32% held by Henderson Land. By virtue of the SFO, Dr Lee Shau Kee and Mr Lee Ka Shing are taken to be interested in Henderson Land and the Company as set out in Notes 1, 8, 9, 10 and 11.
- (8) Rimmer and Riddick, trustees of different discretionary trusts, held units in a unit trust ("Unit Trust"). Hopkins was the trustee of the Unit Trust which beneficially owned all the issued ordinary shares in the share capital of Henderson Development. These 255,188,250 shares are duplicated in the interests described in Notes 1, 9, 10 and 11.
- (9) Henderson Development had a controlling interest in Henderson Land which was the holding company of Kingslee S.A. These 255,188,250 shares are duplicated in the interests described in Notes 1, 8, 10 and 11.
- (10) Kingslee S.A., a subsidiary of Henderson Land, was the holding company of Henderson Investment. The 255,188,250 shares were beneficially owned by some of the subsidiaries of Henderson Investment. Higgins, Multiglade and Threadwell were subsidiaries of Aynbury. Aynbury was a subsidiary of Henderson Investment. These 255,188,250 shares represent the shares described in Notes 1, 8, 9 and 11.
- (11) As director of the Company and one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Shing is taken to be interested in 255,188,250 shares, which are duplicated in the interests described in Notes 1, 8, 9 and 10, by virtue of the SFO.

DIRECTORS' AND MANAGEMENT EMOLUMENTS

Particulars of directors' emoluments and the five highest paid individuals in the Group are set out in notes 6 and 7 respectively on the financial statements.

CONTINUING CONNECTED TRANSACTIONS

I) On 27 February 2003, the Company entered into the following agreements with Henderson Investment Limited ("Henderson Investment"), details of which are set out below:

1. Supplemental Hotel Management Agreement

Reference is made to the hotel management agreement dated 26 February 1998 (the "Original Hotel Management Agreement") entered into between Contender Limited ("Contender") and Henderson-Miramar Hotel Management Company Limited ("HM Hotel Management") pursuant to which HM Hotel Management was appointed the manager of Miramar Hotel to provide management and marketing services. The duration of the Original Hotel Management Agreement was five years from 1 March 1998 to 28 February 2003, both days inclusive, subject to the right of early termination without cause by either parties by giving six months' prior written notice to the other. The management fees of Miramar Hotel payable under the Original Hotel Management Agreement was calculated at 3% of all gross income or revenues of any kind derived from the operations of Miramar Hotel. On 27 February 2003, Contender and HM Hotel Management entered into a supplemental agreement named First Supplemental Hotel Management Agreement (the "Supplemental Hotel Management Agreement") pursuant to which, upon the expiry of the duration of the Original Hotel Management Agreement on 28 February 2003, the Original Hotel Management Agreement shall be renewed for a duration of 5 years commencing from 1 March 2003 and expiring on 29 February 2008, subject to and upon the same terms and conditions as set out in the Original Hotel Management Agreement. Save for the renewal of the duration of the Original Hotel Management Agreement as mentioned above, all other terms of the Original Hotel Management Agreement shall remain in full force and effect.

2. Supplemental Agreement for the Supply of Services

Reference is made to the agreement for the supply of services dated 26 February 1998 (the "Original Service Agreement") entered into between the Company and Henderson-Miramar Hotels Holdings Limited ("HM Holdings") whereby the Company shall provide HM Holdings and its subsidiaries with management and general administrative services relating to hotel management for a service fee of HK\$350,000 per month which shall be adjusted annually at a rate as may be agreed between the Company and HM Holdings and for a duration of five years from 1 March 1998 to 28 February 2003, both days inclusive, subject to the right of early termination without cause by either parties by giving six months' prior written notice to the other. On 27 February 2003, the Company and HM Holdings entered into a supplemental agreement for the supply of services named the First Supplemental Agreement for Supply of Services (the "Supplemental Service Agreement") pursuant to which, upon the expiry of the duration of the Original Service Agreement on 28 February 2003, the Original Service Agreement shall be renewed for a duration of 5 years commencing from 1 March 2003 and expiring on 29 February 2008, subject to and upon the same terms and conditions as set out in the Original Service Agreement, except that the monthly service fee of HK\$350,000 as originally provided in the Original Service Agreement shall be changed to HK\$275,000 for the renewed duration.

Save as amended or supplemented by the Supplemental Service Agreement, all other terms and conditions contained in the Original Service Agreement shall remain in full force and effect.

As at 31 March 2005, Henderson Investment is a substantial shareholder of the Company holding approximately 44.21% (at the time when the agreements were entered on 27 February 2003, 43.69%) of the issued share capital of the Company. HM Hotel Management is a wholly-owned subsidiary and the sole major operating asset of HM Holdings which is 50% owned by each of the Company and Henderson Investment. HM Holdings and HM Hotel Management are therefore associates of Henderson Investment. Contender is a wholly-owned subsidiary of the Company. Accordingly, Henderson Investment, HM Holdings and HM Hotel Management are all connected persons of the Company and the Original Hotel Management Agreement (as supplemented by the Supplemental Hotel Management Agreement) and the Original Service Agreement (as supplemented by the Supplemental Service Agreement) constituted continuing connected transactions (the “Continuing Connected Transactions”) for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The directors of the Company considered that the Continuing Connected Transactions will benefit the Company as HM Holdings, being a joint venture between the Company and Henderson Investment, will continue to provide economy of scale, market competitive advantage, trade specialization and optimum use of resources.

The Continuing Connected Transactions are disclosed in the annual report in accordance with the Listing Rules and have been previously announced in the newspapers by the Company.

In the opinion of the directors, the Continuing Connected Transactions:

- (a) have been entered into by the Group in the ordinary and usual course of its business;
- (b) are conducted on normal commercial terms and in accordance with the terms of the agreements governing the transactions; and
- (c) are conducted on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company had been granted a waiver by the Stock Exchange from strict compliance with the requirements of the Listing Rules for a period of five years commencing from 1 March 2003. The independent non-executive directors of the Company have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) in accordance with the terms of the agreements governing such transactions;
- (c) on normal commercial terms; and
- (d) that the annual fee payable or receivable under each of the Continuing Connected Transactions have not exceeded the higher of HK\$10 million or 3% of the Group’s consolidated net tangible asset value for the financial year ended 31 March 2005.

The auditors of the Company have reviewed the Continuing Connected Transactions and confirmed in writing to the board of directors of the Company stating that the Continuing Connected Transactions:

- (a) have received the approval of the board of directors of the Company;
- (b) have been entered into in accordance with the terms of the agreements governing such transactions; and
- (c) have been conducted in the manner that the annual fee payable or receivable under the Continuing Connected Transactions have not exceeded the higher of HK\$10 million or 3% of the Group's consolidated net tangible asset value for the financial year ended 31 March 2005.

Besides, the above-mentioned two agreements have been terminated by the contracting parties on 31 May 2004.

- II) On 8 February 2005, a confirmation of sub-lease (the "Confirmation of Sub-Lease") was entered into between Profit Advantage Limited, a wholly-owned subsidiary of the Company as tenant (the "Tenant") and IFC Development Limited as landlord (the "Landlord"), whereby the Landlord agreed to sub-lease to the Tenant the premises upon the terms as detailed below.

Premises : Shop Nos. 3101-3107 on Level Three of ifc Mall (Retail Accommodation on Site R of Inland Lot No.8898), of approximately 16,138 square feet

Term : Initial term of three (3) years taken to commence from 7 July 2004

Rent and Other charges: The rent payable on monthly basis (exclusive of rates, air-conditioning and management charges, promotional levy and all other outgoings) during the term shall be as follows:

- (i) From 7 November 2004 to 6 July 2005, basic rent in the sum of HK\$435,726 per month together with turnover rent representing the amount by which 10% of the gross amount of all sums billed or received in the course of the Tenant's business conducted at the Premises (excluding 10% service charge) exceeds the basic rent per month (the "Turnover Rent");
- (ii) From 7 July 2005 to 6 July 2007, basic rent in the sum of HK\$484,140 per month together with the Turnover Rent;
- (iii) From 7 July 2007 to 6 July 2010 (the "First Renewed Period"), provided the 1st Option (as defined below) is exercised by the Tenant, at open market rent provided that the basic rent shall not be less than HK\$484,140 per month or more than HK\$580,968 per month, together with the Turnover Rent;
- (iv) From 7 July 2010 to 6 July 2013 (the "Second Renewed Period"), provided the 2nd Option (as defined below) is exercised by the Tenant, at open market rent provided that the basic rent shall not be less than the basic rent paid for the last calendar month of the First Renewed Period or more than 120% of the basic rent paid for the last calendar month of the First Renewed Period, together with the Turnover Rent.

Air-conditioning and management charges and promotional levy payable on monthly basis during the term shall be approximately HK\$193,656 per month (subject to review from time to time in accordance with the terms of the Confirmation of Sub-Lease).

Option: a first option (the “1st Option”) exercisable by the Tenant at the expiry of the initial sub-lease period on 6 July 2007 to renew the sub-lease of the Premises for 3 years, and a second option (the “2nd Option”) exercisable by the Tenant at the expiry of the First Renewed Period to renew the sub-lease of the Premises for a further 3 years if the 1st Option is exercised by the Tenant.

As the Landlord is an associate of Henderson Land, a substantial shareholder of the Company, it is a connected person of the Company under Rule 14A.11 of Listing Rules and the entering into of the Confirmation of Sub-Lease constitutes a continuing connected transaction (the “Continuing Connected Transaction”) for the Company under Rule 14A.13 of the Listing Rules.

The Company has commenced operating two up-market restaurants serving Cantonese and Szechuan cuisine at the Premises since their soft openings on 6 February 2005 and the Directors (including independent non-executive Directors) are of the opinion that the ifc Mall, being a new landmark in Hong Kong and ideally located in the city center, would be an ideal location for the Company to expand its restaurant operation and to bring profits to the Group.

The independent non-executive Directors of the Company have reviewed the Continuing Connected Transaction and confirmed that it has been entered into:

- (i) in the ordinary and usual course of business of the Company;
- (ii) on normal commercial terms; and
- (iii) in accordance with the Confirmation of Sub-Lease which terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the Continuing Connected Transaction and confirmed in writing to the board of directors of the Company that the Continuing Connected Transaction:

- (i) has received the approval of the board of directors of the Company;
- (ii) has been entered into in accordance with the terms of Confirmation of Sub-Lease; and
- (iii) has not exceeded the cap amount of such transaction for the financial year ended 31 March 2005 as disclosed in the announcement of the Company dated 8 March 2005.

DIRECTORS’ INTERESTS IN CONTRACTS

Apart from the material interest that some of the directors held in the contracts under the paragraph of the Continuing Connected Transactions, there were no contracts of significance which subsisted during or at the end of the financial year in which the Company or any subsidiary was a party and in which a director was interested, directly or indirectly, and the director’s interest was material.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The following directors are considered to have interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules:

1. Dr David Sin Wai Kin is also a director of New World Development Company Limited. The principal activities of this group include property investment, hotel management and operation and other related services.
2. Dr Lee Shau Kee, Mr Lee Ka Shing and Mr Colin Lam Ko Yin are also directors of Henderson Development, Henderson Land and Henderson Investment which, through their subsidiaries, are also engaged in the businesses of property investment, hotel management and operation and other related services.
3. Mr Eddie Lau Yum Chuen is also a director of Henderson Land and Henderson Investment which, through their subsidiaries, are also engaged in the businesses of property investment, hotel management and operation and other related services.
4. Dr Lee Shau Kee, Mr Colin Lam Ko Yin, Mr Eddie Lau Yum Chuen and Mr Norman Ho Hau Chong are also directors of Hong Kong Ferry (Holdings) Company Limited, the principal activities of this group include property investment, hotel management and operation, travel and other related services.
5. Mr Norman Ho Hau Chong is a director of CITIC Pacific Limited, which, through its subsidiaries, is engaged in the business of property investment.
6. Mr Thomas Liang Cheung Biu is the Group Chief Executive of Wideland Investors Limited which, through its subsidiaries, is engaged in the ownership and management of investment properties.
7. Mr Howard Yeung Ping Leung is the Chairman of King Fook Holdings Limited and also director of New World Development Company Limited, Chi Kai Company Limited, New Lee Yuen Investment Company Limited and Wui Fung Lee Investment Company Limited, which themselves or through their subsidiaries are also engaged in the like business of the Company.

As the board of directors of the Company is independent from the boards of the above-mentioned companies and none of the above directors controls the board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of those companies.

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

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2005 are set out in notes 23 and 24 on the financial statements.

PARTICULARS OF LOAN CAPITAL, CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS ISSUED BY THE COMPANY AND ITS SUBSIDIARIES

The Company and its subsidiaries have not issued, during the financial year, any loan capital, convertible securities, warrants or options.

BORROWING COST CAPITALISATION

Borrowing cost capitalised by the Company and its subsidiaries during the year amounted to HK\$755,000 (2004: HK\$1.9 million).

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 27 on the financial statements.

SHARE CAPITAL

Details of the share capital during the year are set out in note 28 on the financial statements.

RESERVES

Movements in reserves during the year are set out in note 29 on the financial statements.

GROUP'S FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 81.

GROUP PROPERTIES

Particulars of the major properties and property interests of the Group are shown on pages 82 to 85.

CORPORATE FINANCE

The Group maintains its conservative financial policy, with high liquidity and low gearing. Gearing, expressed as a percentage of consolidated net borrowings to the total of consolidated net borrowings and consolidated net assets, fell to 8% (at 31 March 2004: 11%) in the year.

The Group has negligible foreign currency risk, given that the majority of the financing facilities obtained by the Group are denominated in Hong Kong dollars. Interests on bank loans and borrowings of the Group are chargeable mainly based on certain agreed interest margin over the Hong Kong Interbank Offer Rate, which is therefore of floating rate in nature.

The Group has adequate lines of credit available to fund its development programme for the foreseeable future. At 31 March 2005, total available facilities amounted to HK\$1.8 billion (at 31 March 2004: HK\$2.3 billion), and 55% (at 31 March 2004: 45%) were drawn down. At 31 March 2005, consolidated net borrowings were HK\$0.6 billion (at 31 March 2004: HK\$0.8 billion), of which HK\$0.1 billion was secured borrowings (at 31 March 2004: HK\$0.1 billion).

EMPLOYEES

As at 31 March 2005, the Group had about a total of 1,417 full-time employees, including 1,089 employed in Hong Kong, 320 employed in the People's Republic of China and 8 employed in the United States of America. The Group continues to provide remuneration packages to employees with reference to their performance and contribution to the Group as well as the prevailing market practices. We ensure that the pay levels of our employees are fair and reasonable. Other than the basic salary, we offer performance based incentive and bonus schemes to motivate staff performance.

Staff development has always been a key focus of our Group. Therefore, in addition to the in-house on-the-job training programs, we also offered subsidy to staff to participate in some certificate courses organized by recognized educational institutions or professional bodies in Hong Kong. We believed that it could help improve the technical know-how of our staff as well as the competitiveness of the Group in the market.

AUDIT COMMITTEE

The Audit Committee comprises five non-executive directors, with a majority of independent non-executive directors; they have been appointed for a term of three years. The Audit Committee reports regularly to the board of directors and meets with the Group's senior management and external auditors regularly to review the effectiveness of the internal control systems and the financial performance of the Group. Audit Committee meetings were held twice during the financial year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules which was in force prior to 1 January 2005.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company until the conclusion of the next Annual General Meeting is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

LEE SHAU KEE

Chairman

Hong Kong, 29 June 2005