

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

## **PRINCIPAL ACTIVITIES**

The Company continues to engage in the business of property investment and to act as an investment holding company.

The principal activities of its subsidiaries are set out in note 15 to the financial statements.

## **INVESTMENT PROPERTY**

The Group disposed of its investment property during the year, details of which are set out in note 13 to the financial statements.

## **RESULTS**

The results of the Group for the year ended 31st January, 2006 are set out in the consolidated income statement on page 23.

## **RESERVES**

Details of the movements in the reserves of the Group and of the Company during the year are set out on page 26 and in note 25 to the financial statements, respectively.

## **SHARE CAPITAL**

Details of the share capital of the Company are set out in note 24 to the financial statements.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## DIRECTORS

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

### **Executive directors:**

Mr. Jong Kong Ki  
Mr. Lo Cheung Kin  
Mr. So Yiu Kong  
Mr. Jong Tat Fung  
Ms. Yin Hoi Yeung

### **Non-executive directors:**

Mr. Chu Kwok Chue  
Ms. Jong Lai Ching

### **Independent non-executive directors:**

Mr. Siu Wing Keung  
Mr. David Gregory Jeaffreson, *CBE, JP*  
Mr. See Tak Wah

In accordance with Article 81 of the Company's Articles of Association, Messrs. So Yiu Kong, Chu Kwok Chue and Siu Wing Keung will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each director is the period up to his/her retirement by rotation in accordance with the Company's Articles of Association.

No director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## INTERESTS OF DIRECTORS

At 31st January, 2006, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be 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 director	Capacity	Number and class of securities	Percentage of issued ordinary share capital
Jong Kong Ki	Corporate ( <i>Note 1</i> )	21,600,000 ordinary shares of HK\$1.00 each ("Shares") ( <i>L</i> )	25.08%
Lo Cheung Kin	Corporate ( <i>Note 2</i> )	14,141,399 Shares ( <i>L</i> ) 3,032,239 convertible preference shares of HK\$1.00 each ( <i>L</i> )	16.42%
So Yiu Kong	Beneficial	982,000 Shares ( <i>L</i> )	1.14%
Chu Kwok Chue	Beneficial	420,000 Shares ( <i>L</i> )	0.49%

(*L*) denotes long position

## INTERESTS OF DIRECTORS (continued)

Notes:

1. 16,650,000 ordinary shares are held in the name of Nordstan Company Limited, 89.5% issued share capital of which is beneficially owned by Mr. Jong Kong Ki. 3,918,000 ordinary shares and 1,032,000 ordinary shares are held in the name of Kik Keung Finance Limited and Benwee Company Limited respectively, both of which are beneficially owned by Mr. Jong Kong Ki.
2. The ordinary and preference shares are held in the name of Mass Honour Investment Limited which is controlled by Mr. Lo Cheung Kin.

Save as disclosed herein, at 31st January, 2006, except for nominee shares in certain subsidiaries held in trust for the Company by certain directors, none of the directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Companies.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

## CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

- (a) On 6th January, 2006, the Group entered into sale and purchase agreements with Victorfield Limited and Mr. Lo Cheung Kin, an executive director of the Company, for the acquisition of the entire equity interest in Victorfield (Fujian) Property Development Co., Ltd. and Faith Stand (China) Limited respectively for a consideration of approximately HK\$41,442,000 and HK\$24,961,000 respectively.

Pursuant to a resolution passed at an extraordinary general meeting held on 18th April, 2006, the acquisitions were approved by the shareholders of the Company. Details of the acquisitions were set out in the Company's circular dated 31st March, 2006. These acquisitions have yet to be completed.

- (b) During the year, the Group received rental income of HK\$176,000 from Victorfield Limited, in which the directors of the Company, Mr. Lo Cheung Kin and Ms. Yin Hoi Yeung, have beneficial interests.

The independent non-executive directors confirm that the transaction has been entered into by the Company in the ordinary course of its business and in accordance with the terms of the agreement governing such transaction that is fair and reasonable and in the interest of the shareholders of the Company as a whole.

- (c) On 15th January, 2005, Victorfield (Fujian) Property Development Co., Ltd. entered into a leasing agreement (the "Leasing Agreement") with Victorfield (Fujian) Group Co., Ltd., another wholly owned subsidiary of Victorfield Limited, whereby Victorfield (Fujian) Group Co., Ltd. agreed to lease to Victorfield (Fujian) Property Development Co., Ltd. an office property with an aggregate gross floor area of 150 square meters for a term of 5 years up to 31st January, 2010. Subject to and upon completion of the acquisition pursuant to the connected transaction mentioned in (a) above, Victorfield (Fujian) Property Development Co., Ltd. will enter into a supplemental agreement with Victorfield (Fujian) Group Co., Ltd. to amend the term of the Leasing Agreement to cover a period up to 31st January, 2009. The annual rental payable by Victorfield (Fujian) Property Development Co., Ltd. to Victorfield (Fujian) Group Co., Ltd. is approximately RMB32,000 (which is equivalent to approximately HK\$31,000) for the first year of the leasing term commencing from 1st February, 2005 to 31st January, 2006 which is subject to an annual increase of 5% upon each anniversary of the Leasing Agreement.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under "Connected and Continuing Connected Transactions", no contracts 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.

## DIRECTORS' COMPETING INTERESTS

At 31st January, 2006, the following directors and his/her respective associates were interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Mr. Jong Kong Ki and Mr. Jong Tat Fung are executive directors and Ms. Jong Lai Ching and Mr. Chu Kwok Chue are non-executive directors. They hold shareholdings or directorships (except Ms. Jong Lai Ching who holds only directorship) in a number of private companies controlled by them. From time to time, such companies are involved in property investment and development in Macau. In this regard, Mr. Jong Kong Ki, Mr. Jong Tat Fung, Ms. Jong Lai Ching and Mr. Chu Kwok Chue are considered to have interests in businesses which compete, or might compete, either directly or indirectly, with the businesses of the Group.

Mr. Lo Cheung Kin and Ms. Yin Hoi Yeung are executive directors. They hold shareholdings in a number of private companies owned by them. They also hold directorships in such companies. From time to time, such companies are involved in property investment and development in Hong Kong and the People's Republic of China. In this regard, Mr. Lo Cheung Kin and Ms. Yin Hoi Yeung are considered to have interests in businesses which compete, or might compete, either directly or indirectly, with the businesses of the Group.

The abovementioned competing businesses are operated and managed by companies with independent management and administration. In addition, the board of directors of the Company is independent of the boards of the abovementioned companies carrying on the competing businesses. Accordingly, the Group is capable of carrying on its business independent of, and at arm's length from, the competing businesses mentioned above.

Save as disclosed above, at 31st January, 2006, none of the directors and his/her associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, at 31st January, 2006, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to section 336 of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Capacity	Number and class of securities	Percentage of issued ordinary share capital
Nordstan Company Limited	Beneficial	16,650,000 Shares (L)	19.33%
Mass Honour Investment Limited	Beneficial	14,141,399 Shares (L) 3,032,239 convertible preference shares of HK\$1.00 each (L)	16.42%
Hooi Tak Piu	Beneficial	4,692,000 Shares (L)	5.45%
Li Jian Bo	Beneficial	4,594,000 Shares (L)	5.33%

(L) denotes long position

Save as disclosed above, at 31st January, 2006, the directors were not aware of any other person (other than the directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under section 336 of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st January, 2006, two customers accounted for the Group's entire turnover, of which 99.6% by value was attributable to an independent third party. The other customer was Victorfield Limited, in which the directors of the Company, Mr. Lo Cheung Kin and Ms. Yin Hoi Yeung, have beneficial interests. The Group does not have any supplier for the year ended 31st January, 2006.

Save as disclosed above, none of the directors, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) has an interest in any of the Group's two customers.

## CORPORATE GOVERNANCE PRACTICES

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the year ended 31st January, 2006 save as the deviations as disclosed in the interim report of the Company for the six months ended 31st July, 2005.

## POST BALANCE SHEET EVENTS

Details of the post balance sheet events are set out in note 27 to the financial statements.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st January, 2006.

## AUDITORS

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

On behalf of the Board

**JONG KONG KI**

*CHAIRMAN*

24th May, 2006