

# Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group for the Year.

## PLACE OF INCORPORATION OF THE COMPANY AND PRINCIPAL ACTIVITIES OF THE GROUP

The Company is an investment holding company incorporated in Hong Kong. The principal activities and other particulars of its subsidiaries are set out in note 13 on the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of the Group's and the Company's affairs as at 31 March 2006 are set out in the financial statements on pages 32 to 108.

The Directors did not recommend the payment of a dividend in respect of the Year (2005: HK\$Nil).

## SEGMENT INFORMATION

The Group's turnover and profit from operating activities for the Year were derived from (i) property leasing and development in Hong Kong; and (ii) financial services in the PRC. Segment analysis is set out in note 11 on the financial statements.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 12 of this annual report.

## FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in fixed assets and investment properties of the Group and the Company are set out in note 12 on the financial statements.

## PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 13 of this annual report.

## RESERVES AND DISTRIBUTABLE RESERVES

Movements during the Year in the reserves of the Group and the Company are set out in note 29 to the financial statements.

At 31 March 2006, the Company had no distributable reserve as calculated under Section 79B of the Hong Kong Companies Ordinance.

## BANK LOANS

Particulars of bank loans of the Group and the Company as at 31 March 2006 are set out in note 22 of the financial statements.

## SHARE CAPITAL

Details of the share capital of the Company during the Year are set out in note 29 to the financial statements.

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## CONVERTIBLE NOTES

Details of the convertible notes are set out in note 26 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of turnover and purchases attributable to the Group's five largest customers and suppliers respectively were both less than 30% during the Year.

## RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme. Particulars of which are set out in note 34 on the financial statements.

## DIRECTORS AND SERVICE CONTRACTS

The Directors during the Year and up to the date of this report were:

### Executive Directors

Mr. Wong Yu Lung, Charles

Mr. Ding Chung Keung, Vincent (appointed on 1 June 2005 and re-elected at the annual general meeting held on 1 September 2005)

Mr. Kee Wah Sze

Mr. Lan Ning

Mr. Ko Po Ming (retired at the annual general meeting held on 1 September 2005)

Ms. Loh Jiah Yee, Katherine (resigned on 1 June 2005)

### Independent Non-Executive Directors

Mr. Ip Yin Wah

Mr. Ma Ho Fai JP

Mr. Melvin Jitsumi Shiraki

Mr. Zhang Xiao Shu (resigned on 1 June 2005)

Pursuant to article 117 and 118 of the Articles, Messrs. Lan Ning and Ma Ho Fai JP shall retire from the Board at the forthcoming annual general meeting (the "Meeting"). All retiring Directors, being eligible, offer themselves for re-election at the Meeting. Details of the retiring Directors standing for re-election are set out in the circular to the Company's shareholders sent together with this annual report.

No Directors being proposed for re-election at the Meeting has a service contract with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation other than normal statutory obligations.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages 4 and 5 of this annual report.

## DIRECTORS' REMUNERATION

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 7 to the financial statements.

## Directors' Report

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the paragraph headed "Connected Transactions and Continuing Connected Transactions" on page 18 of this annual report and in note 35 to the financial statements in connection with the related party transactions, no contracts of significance in relation to the Group's business to which the Company and any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the Year.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

At 31 March 2006, the Directors and chief executive of the Company ("Chief Executive") and their respective associates had the following interests 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 (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO:

#### Interests in ordinary shares of HK\$0.1 each (the "Shares")/underlying Shares of the Company

Name of Director	Capacity	Number of Shares	Number of underlying Shares of share options of the Company	Number of underlying Shares of convertible notes of the Company	Approximate percentage of issued share capital of the Company
Mr. Wong Yu Lung, Charles ("Mr. Wong")	Interest in controlled corporation	497,232,000 (Note 1 on page 26)	-	-	29.91%
	Beneficial owner	-	16,000,000 (Note 1)	-	0.96%
	Interest of spouse	-	-	411,764,705 (Note 3 on page 26)	17.85% (Note 7 on page 26)
Mr. Kee Wah Sze ("Mr. Kee")	Interest in controlled corporation	405,889,643 (Note 2)	-	-	24.42%
	Beneficial owner	-	16,000,000 (Note 1)	-	0.96%
	Interest in controlled corporation	-	-	232,558,140 (Note 5 on page 26)	10.08% (Note 7 on page 26)
Mr. Ding Chung Keung, Vincent ("Mr. Ding")	Beneficial owner	2,600,000	-	-	0.16%
	Beneficial owner	-	16,000,000 (Note 1)	-	0.96%
Mr. Lan Ning ("Mr. Lan")	Beneficial owner	-	16,000,000 (Note 1)	-	0.96%
Mr. Ip Yin Wah ("Mr. Ip")	Beneficial owner	-	1,600,000 (Note 3)	-	0.096%
Mr. Ma Ho Fai JP ("Mr. Ma")	Beneficial owner	-	1,600,000 (Note 3)	-	0.096%
Mr. Melvin Jitsumi Shiraki ("Mr. Shiraki")	Beneficial owner	2,100,000	-	-	0.13%
	Beneficial owner	-	1,600,000 (Note 3)	-	0.096%

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### Interests in ordinary shares of HK\$1.0 each of the associated corporation, namely, Goldbond Capital Holdings Limited

Name of Director	Capacity	Number of shares	Approximate percentage
Mr. Kee	Interest in controlled corporation	69,375,000	46.25%

*Notes:*

1. On 8 November 2004, each of Messrs. Wong, Kee, Ding and Lan was granted 16,000,000 options under the share option scheme of the Company to subscribe for 16,000,000 Shares, exercisable at a price of HK\$0.148 per Share during the period from 1 January 2007 to 7 November 2014.
2. Out of these Shares, 67,001,300 Shares were held by Canasia Profits Corporation (which is wholly owned by Mr. Kee) and 338,888,343 Shares were held by Ace Solomon Investments Limited (which is owned as to 89% by Mr. Kee and as to 11% by Mr. Wong).
3. On 29 July 2005, each of Messrs. Ip, Ma and Shiraki was granted 1,600,000 options under the share option scheme of the Company to subscribe for 1,600,000 Shares, exercisable at a price of HK\$0.132 per Share during the period from 1 January 2007 to 28 July 2015.

All the interests stated above represent long positions.

Save for those disclosed above, at 31 March 2006, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or the Chief Executive or any its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code contained in the Listing Rules or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors and the Chief Executive (including their spouses and children under the age of 18) had, at 31 March 2006, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

## Directors' Report

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 31 March 2006, the interests in Shares and/or underlying Shares of the Company of every person (other than the Directors and Chief Executive) as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Number of underlying Shares of share options of the Company	Number of underlying Shares of convertible notes of the Company	Approximate percentage of issued share capital of the Company
Allied Luck Trading Limited	Beneficial owner	497,232,000 (Note 1)	–	–	29.91%
Mrs. Wong Fang Pik Chun ("Mrs. Wong")	Interest in controlled corporation	497,232,000 (Note 1)	–	–	29.91%
	Interest of spouse	–	16,000,000 (Note 2)	–	0.96%
	Interest in controlled corporation	–	–	411,764,705 (Note 3)	17.85% (Note 7)
Mrs. Kee Yip Yue Lin, Loolina ("Mrs. Kee")	Interest of spouse	405,889,643 (Note 4)	–	–	24.42%
	Interest of spouse	–	16,000,000 (Note 2)	–	0.96%
	Interest of spouse	–	–	232,558,140 (Note 5)	10.08% (Note 7)
Ace Solomon Investments Limited	Beneficial owner	338,888,343 (Note 6)	–	–	20.39%
Wah Link	Beneficial owner	–	–	411,764,705 (Note 3)	17.85% (Note 7)
Golden Cloud Holdings Group Limited	Interest in controlled corporation	–	–	411,764,705 (Note 3)	17.85% (Note 7)
Mr. Wong Yu Hung, Davy	Interest in controlled corporation	–	–	411,764,705 (Note 3)	17.85% (Note 7)
Goldbond Capital Investment Holdings Limited	Beneficial owner	–	–	232,558,140 (Note 5)	10.08% (Note 7)
Legend (Asia Pacific) Investment Limited	Interest in controlled corporation	–	–	232,558,140 (Note 5)	10.08% (Note 7)
Grace Honour Limited	Interest in controlled corporation	–	–	232,558,140 (Note 5)	10.08% (Note 7)

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### Notes:

1. These Shares were held by Allied Luck Trading Limited which in turn owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong, the spouse of Mr. Wong. As such, each of Mr. and Mrs. Wong was respectively taken to have an interest in such Shares by virtue of their respective shareholding interests in Allied Luck Trading Limited.
2. As disclosed in note 1 on page 24 of this report, each of Messrs. Wong and Kee was granted 16,000,000 options under the share option scheme of the Company to subscribe for 16,000,000 Shares. As such, each of Mrs. Wong and Mrs. Kee (the spouse of Mr. Kee) was respectively taken to have such interest in the underlying Shares under the provisions of the SFO.
3. These underlying Shares of a convertible note issued by the Company were owned by Wah Link and it is owned as to 99.9996% by Golden Cloud Holdings Group Limited and as to 0.0004% by Gold Choice Management Limited. Each of these companies is directly owned as to 51% by Mr. Wong Yu Hung, Davy, a family member of Mr. Wong and as to 49% by Mrs. Wong. As such, each of Golden Cloud Holdings Group Limited, Mrs. Wong and Mr. Wong Yu Hung, Davy was respectively taken to have an interest in the underlying Shares under the provisions of the SFO.
4. As disclosed in note 2 on page 24 of this report, these Shares were owned by Mr. Kee. By virtue of the SFO, Mrs. Kee was deemed to be interested in such Shares.
5. These underlying Shares of a convertible note issued by the Company were owned by Goldbond Capital Investment Holdings Limited and it is wholly owned by Legend (Asia Pacific) Investment Limited, which in turn, is owned as to 90% by Grace Honour Limited (which is wholly owned by Mr. Kee) and as to 10% by Central Executive Limited (which is wholly owned by Mr. Wong). As such, each of Goldbond Capital Investment Holdings Limited, Legend (Asia Pacific) Investment Limited, Grace Honour Limited was respectively taken to have an interest in the underlying Shares. Mrs. Kee was also taken to have an interest in the underlying Shares under the provisions of the SFO.
6. Ace Solomon Investments Limited is owned as to 89% by Mr. Kee and as to 11% by Mr. Wong.
7. The approximate percentage was calculated assuming the issued share capital of the Company has been enlarged by the issue of Shares pursuant to the aforesaid convertible notes, but no other options or convertible notes (if any).

All the interests stated above represent long positions.

Save for those disclosed above, at 31 March 2006, the Company had not been notified of any persons who had interests or short position in Shares and underlying Shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of the SFO.

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## SHARE OPTION SCHEME

Particulars of the Company's share option scheme (the "Scheme") are set out in note 28 to the financial statements.

Details of the share options granted under the Scheme and the outstanding options as at 31 March 2006 are as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercisable period	Number of share options					Outstanding at 31 March 2006 (Note 6)
				Outstanding at 31 March 2005	Granted during the Year	Exercised during the Year	Transfer (to)/ from other category during the Year	Lapsed during the Year	
<b>Directors</b>									
Mr. Wong	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	–	16,000,000
Mr. Ding (Note 1)	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	–	–	–	16,000,000	–	16,000,000
Mr. Kee	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	–	16,000,000
Mr. Lan	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	–	16,000,000
Mr. Ip	29 July 2005	0.132 (Note 4)	1 Jan 2007 – 28 July 2015	–	1,600,000	–	–	–	1,600,000
Mr. Ma	29 July 2005	0.132 (Note 4)	1 Jan 2007 – 28 July 2015	–	1,600,000	–	–	–	1,600,000
Mr. Shiraki	29 July 2005	0.132 (Note 4)	1 Jan 2007 – 28 July 2015	–	1,600,000	–	–	–	1,600,000
<b>Ex-directors</b>									
Mr. Ko Po Ming (Note 2)	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	(16,000,000)	–	–
Ms. Loh Jiah Yee, Katherine (Note 3)	8 Nov 2004	0.148	1 Jan 2007 – 7 Nov 2014	16,000,000	–	–	–	(16,000,000)	–
Other eligible employees, in aggregate	8 Nov 2004 30 May 2005	0.148 0.136 (Note 5)	1 Jan 2007 – 7 Nov 2014 1 Jan 2007 – 29 May 2015	51,000,000 –	– 16,000,000	– –	– –	(2,000,000) –	49,000,000 16,000,000
				<u>131,000,000</u>	<u>20,800,000</u>	<u>–</u>	<u>–</u>	<u>(18,000,000)</u>	<u>133,800,000</u>

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### Notes:

1. Mr. Ding was appointed as an Executive Director of the Company on 1 June 2005. The options granted to him were re-classified from the category of "Other eligible employees" to the category of "Directors" during the Year;
2. Mr. Ko Po Ming retired on 1 September 2005 but remained eligible employee under the Scheme. In this respect, the options granted to him were re-classified from the category of "Directors" to the category of "Other eligible employees" during the Year;
3. Ms. Loh Jiah Yee, Katherine resigned and ceased to be eligible employee during the Year. The options granted to her were lapsed during the Year;
4. The closing price immediately before the date of grant was HK\$0.132;
5. The closing price immediately before the date of grant was HK\$0.138; and
6. All options are to be vested on 1 January 2007.

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

Neither the Company nor its subsidiary has purchased, sold or redeemed any of the Company's listed securities during the Year.

### CONTINUING DISCLOSURE REQUIREMENTS

- (A) Pursuant to rule 13.20 of the Listing Rules, the following information, at 31 March 2006, is hereby included:

Name of the entity	Attributable interest held by the Group	Advances/ Guarantee given HK\$'000	Interest rate p.a.	Collateral	Repayment term
<i>Jointly controlled entities</i>					
Nanjing City Plaza Construction Co., Ltd ("NCP") (Note 1)	25%	11,643	2% above prime rate (Note 4)	Unsecured	On demand
NCP (Note 2)	25%	29,250	—	—	—
Nanjing International Group Ltd ("NIG") (Note 3)	16.74%	23,922	—	—	—
		64,815			

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*Notes:*

1. The advance was used for the purpose of subscribing new shares in NIG in February 2004.
  2. The Company provided a guarantee to NCP in June 2004 amounted to US\$3,750,000 (equivalent to approximately HK\$29,250,000) for a banking facility of US\$15,000,000. Such facility had been fully utilized at 31 March 2006.
  3. As one of the conditions precedent for a lending bank to grant a loan facility to NIG, the Company took on funding undertakings and buy-back undertakings in May 2005 in an aggregate amount of up to RMB24,879,000 (equivalent to approximately HK\$23,922,000). Details of the undertakings are set out in the Company's circular dated 14 June 2005. Such facility had been fully utilized at 31 March 2006.
  4. Prime rate represents the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time.
- (B) Pursuant to rule 13.22 of the Listing Rules, a proforma combined balance sheet of affiliated companies at 31 March 2006 is hereby presented as below:

**Assets and liabilities**

	<i>HK\$'000</i>
Non-current assets	324,740
Current assets	1,903,540
Current liabilities	(750,134)
Non-current liabilities	(808,894)
Net assets	669,252
Share capital	205,336
Reserves	214,616
Minority interests	249,300
Total equity	669,252
Group's pro forma attributable interest	96,104

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of more than 25% of the Shares in the market as required under the Listing Rules.

# Directors' Report

## AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the Meeting.

On behalf of the Board

**Wong Yu Lung, Charles**

*Deputy Chairman and Chief Executive Officer*

Hong Kong  
6 July 2006