

## DIRECTORS' REPORT

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

### Principal Activities

The Company acts as a property and investment holding company. The activities of the principal subsidiaries are set out in note 17 to the financial statements.

### Major Customers and Suppliers

For the year ended 31st July, 2006, the aggregate amount of turnover attributable to the Group's five largest customers were less than 30% of the Group's total turnover.

The aggregate amount of the purchase attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

### Results

The results of the Group for the year ended 31st July, 2006 are set out in the consolidated income statement on page 19.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

### Investment Properties

During the year, the Group transferred properties held for sale of HK\$27,176,000 to investment properties. The Group revalued all its investment properties at the year end date and the decrease in fair value of the investment properties amounting to HK\$19,768,000 has been debited directly to the consolidated income statement.

Details of the movements during the year in the investment properties of the Group are set out in note 14 to the financial statements.

### Property, Plant and Equipment

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

### Major Properties

Particulars of the major properties of the Group as at 31st July, 2006 are set out on page 76.

### Share Capital and Warrants

During the year, the ordinary shares of the Company had been consolidated and subdivided. The Company had placed shares to independent investors and made rights issue of shares. In addition, the Company had also issued 264,930,000 warrants at a price of HK\$0.05 per warrant. Details of these and other movements in the share capital are set out in note 31 to the financial statements.



## DIRECTORS' REPORT

### Share Options

Pursuant to a resolution passed on 30th December, 2002, the existing share option scheme was adopted (the "Scheme").

Particulars of the Scheme are set out in note 32 to the financial statements.

The following table discloses movements in the share options issued under the Scheme of the Company during the year:

	Date of Grant	Exercisable period	Exercise price HK\$	Outstanding at 1.8.2005	Granted during the year	Cancelled during the year	Outstanding at 31.7.2006
<b>Category 1: Directors</b>							
<b>Former directors</b>							
Ng Kai Man, Luke	20.11.2003	20.11.2003 – 29.12.2012	0.468*	1,040,000*	—	(1,040,000)*	—
	17.3.2004	17.3.2004 – 29.12.2012	0.480*	325,000*	—	(325,000)*	—
Ma Wai Man, Catherine	17.3.2004	17.3.2004 – 29.12.2012	0.480*	1,365,000*	—	(1,365,000)*	—
Chow Hou Man	17.3.2004	17.3.2004 – 29.12.2012	0.480*	1,365,000*	—	(1,365,000)*	—
<b>Existing directors</b>							
Chu Nin Yiu, Stephen	17.7.2006	17.7.2006 – 29.12.2012	0.210	—	15,500,000	—	15,500,000
Chu Nin Wai, David	17.7.2006	17.7.2006 – 29.12.2012	0.210	—	15,500,000	—	15,500,000
Lau Chi Kan, Michael	17.7.2006	17.7.2006 – 29.12.2012	0.210	—	15,500,000	—	15,500,000
				4,095,000	46,500,000	(4,095,000)	46,500,000
<b>Category 2: Employees</b>							
Other employees	20.11.2003	20.11.2003 – 29.12.2012	0.468*	1,040,000*	—	(1,040,000)*	—
Other employees	17.3.2004	17.3.2004 – 29.12.2012	0.480*	1,075,000*	—	(1,075,000)*	—
				2,115,000	—	(2,115,000)	—
Total				6,210,000	46,500,000	(6,210,000)	46,500,000

\* The number and exercise price of the share options have been adjusted in the above table to reflect the one hundred-to-one share consolidation effective 29th September, 2005 and the one-to-five share subdivision effective 21st December, 2005.

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### Distributable Reserves of the Company

At 31st July, 2006 and 2005, the Company had no reserve available for distribution to the shareholders.

### Directors

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

#### Executive Chairman:

Chu Nin Yiu, Stephen

#### Executive Directors:

Chu Nin Wai, David (*Deputy Chairman*)

Lau Chi Kan, Michael

#### Independent Non-Executive Directors:

Leung Kam Fai

Wong Kwong Fat

Li Sze Kuen, Billy

In accordance with Article 103(A) of the Company's Articles of Association, Chu Nin Wai, David and Wong Kwong Fat retire by rotation and, being eligible, offer themselves for re-election.

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

No directors 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.

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 Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Company considers all the independent non-executive directors are independent.

### Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

At 31st July, 2006, the interests of the directors and the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "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, were as follows:



## DIRECTORS' REPORT

### Long positions

#### (a) Ordinary shares of HK\$0.20 each of the Company

Name of director	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Chu Nin Yiu, Stephen ("Mr. Chu")	Held by controlled corporation (Note)	214,966,000	12.69%

Note: The 214,966,000 shares were held by Supervalue Holdings Limited ("Supervalue"), which is in turn wholly owned by Mr. Chu. Mr. Chu is therefore deemed to be interested in 214,966,000 shares of the Company.

#### (b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Chu	Beneficial owner	15,500,000	15,500,000
Chu Nin Wai, David	Beneficial owner	15,500,000	15,500,000
Lau Chi Kan, Michael	Beneficial owner	15,500,000	15,500,000
		46,500,000	46,500,000

Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short position in any shares or underlying shares of the Company or any of its associated corporations as at 31st July, 2006.

### Arrangements to Purchase Shares or Debentures

Other than as disclosed in the section "Share options", at no time during the year was the Company or any of its subsidiaries, a party to any arrangements 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, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

### Directors' Interests in Contracts of Significance

Other than as disclosed under the heading "Related Party Disclosures" as set out in note 39 to the financial statements, there were 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' REPORT

### Substantial Shareholders

As at 31st July, 2006, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

#### Long positions

##### (a) Ordinary shares of HK\$0.20 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Supervalue	Beneficial owner	214,966,000	12.69%
Mr. Chu	Held by controlled corporation (Note 1)	214,966,000	12.69%
Mark Profit Development Limited	Beneficial owner	166,430,500	9.83%
Easyknit Properties Holdings Limited	Held by controlled corporation (Note 2)	166,430,500	9.83%
Easyknit International Holdings Limited	Held by controlled corporation (Note 2)	166,430,500	9.83%
Magical Profits Limited	Held by controlled corporation (Note 2)	166,430,500	9.83%
Accumulate More Profits Limited	Held by controlled corporation (Note 2)	166,430,500	9.83%
Trustcorp Limited	Trustee (Note 2)	166,430,500	9.83%
Newcorp Ltd	Held by controlled corporation (Note 2)	166,430,500	9.83%
Newcorp Holdings Limited	Held by controlled corporation (Note 2)	166,430,500	9.83%
Lui Yuk Chu	Beneficiary of a trust (Note 2)	166,430,500	9.83%
Koon Wing Yee	Spouse (Note 2)	166,430,500	9.83%
David William Roberts	Held by controlled corporation (Note 2)	166,430,500	9.83%
David Henry Christopher Hill	Held by controlled corporation (Note 2)	166,430,500	9.83%



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Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Rebecca Ann Hill	Spouse (Note 2)	166,430,500	9.83%
Finnex Limited	Beneficial owner	117,406,235	6.93%
Impetus Holdings Limited	Held by controlled corporation (Note 3)	117,406,235	6.93%
Asia Orient Company Limited	Held by controlled corporation (Note 3)	117,406,235	6.93%
Asia Orient Holdings (BVI) Limited	Held by controlled corporation (Note 3)	117,406,235	6.93%
Asia Orient Holdings Limited	Held by controlled corporation (Note 3)	117,406,235	6.93%
Poon Jing	Held by controlled corporation (Note 3)	117,406,235	6.93%

### Notes:

1. The 214,966,000 shares were held by Supervalve, which was in turn wholly owned by Mr. Chu. Mr. Chu was therefore deemed to be interested in 214,966,000 shares of the Company.
2. The 166,430,500 shares were beneficially owned by Mark Profit Development Limited, a wholly-owned subsidiary of Easyknit Properties Holdings Limited which was in turn wholly-owned by Easyknit International Holdings Limited, the shares of which were listed on the main board of the Stock Exchange and the Singapore Exchange Securities Trading Limited. Easyknit International Holdings Limited was owned as to approximately 36.74% by Magical Profits Limited, a wholly-owned subsidiary of Accumulate More Profits Limited which was in turn wholly-owned by Trustcorp Limited. Trustcorp Limited was the trustee of The Magical 2000 Trust, the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than spouse. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 166,430,500 shares under the SFO.

The aforesaid trustee, Trustcorp Limited, was wholly-owned by Newcorp Ltd. which was in turn wholly-owned by Newcorp Holdings Limited. David William Roberts and David Henry Christopher Hill were each interested in 35% of Newcorp Holdings Limited. Rebecca Ann Hill, being the spouse of David Henry Christopher Hill, was deemed to be interested in the 166,430,500 shares under the SFO.

3. The 117,406,235 shares were beneficially owned by Finnex Limited, a wholly-owned subsidiary of Impetus Holdings Limited which was in turn wholly-owned by Asia Orient Company Limited. Asia Orient Company Limited was a wholly-owned subsidiary of Asia Orient Holdings (BVI) Limited, which was in turn wholly-owned by Asia Orient Holdings Limited, the shares of which were listed on the main board of the Stock Exchange. As Mr. Poon Jing was interested in approximately 30.14% of Asia Orient Holdings Limited, he was deemed to be interested in the 117,406,235 Shares under the SFO.

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### (b) Share options

Name of shareholder	Capacity	Number of share options	Number of underlying shares
Mr. Chu	Beneficial owner	15,500,000	15,500,000

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st July, 2006.

### 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.

### Corporate Governance

Pursuant to Appendix 23 of the Listing Rules, details of corporate governance report are set out on pages 7 to 10 of the Annual Report.

### Emolument Policy

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

The emoluments of the directors of the Company are decided by the board of directors after recommendation from the Remuneration Committee, having regard to the time commitment and responsibilities of the directors, 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 July, 2006.

### Post Balance Sheet Event

Details of the significant post balance sheet event are set out in note 40 to the financial statements.

### Auditors

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

On behalf of the Board

**Chu Nin Yiu, Stephen**

*Executive Chairman*

21st November, 2006