

# Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st January, 2007.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in note 16 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31st January, 2007 are set out in the consolidated income statement on page 24.

## RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out on page 29 and in note 24 to the consolidated financial statements, respectively.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 23 to the consolidated 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. Lo Cheung Kin	
Madam Huang Haiping	(appointed on 1st February, 2007)
Mr. Li Jianbo	(appointed on 20th October, 2006)
Mr. Jong Kong Ki	(resigned on 1st February, 2007)
Mr. So Yiu Kong	(resigned on 23rd May, 2007)
Mr. Jong Tat Fung	(resigned on 20th October, 2006)
Madam Yin Hoi Yeung	(resigned on 1st February, 2007)

### Non-executive directors:

Mr. Chu Kwok Chue	(resigned on 20th October, 2006)
Madam Jong Lai Ching	(resigned on 1st February, 2007)

### Independent non-executive directors:

Mr. David Gregory Jeaffreson, <i>CBE, JP</i>	
Mr. See Tak Wah	
Mr. Wong Cheong	(appointed on 20th October, 2006)
Mr. Siu Wing Keung	(resigned on 20th October, 2006)

In accordance with Articles 77 and 81 of the Company's Articles of Association, all directors except for Mr. See Tak Wah will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each of Mr. Lo Cheung Kin, Mr. David Gregory Jeaffreson, *CBE, JP* and Mr. See Tak Wah is the period up to his retirement by rotation in accordance with the Company's Articles of Association. The term of office of each of Madam Huang Haiping, Mr. Li Jianbo and Mr. Wong Cheong is two years from her/his date of appointment as director.

## DIRECTORS' SERVICE CONTRACTS

No director 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).

# Directors' Report

## INTERESTS OF DIRECTORS

At 31st January, 2007, the interests and short positions of the directors and the chief executive and their associates in the shares 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 (Note 1)	21,600,000 ordinary shares of HK\$1.00 each ("Shares") (L)	24.22%
Lo Cheung Kin	Corporate (Note 2)	17,173,638 Shares (L)	19.26%
Li Jianbo	Beneficial	4,594,000 Shares (L)	5.15%
So Yiu Kong	Beneficial	982,000 Shares (L)	1.10%

(L) denotes long position

### Notes:

1. 16,650,000 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 Shares and 1,032,000 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 Shares are held in the name of Mass Honour Investment Limited which is controlled by Mr. Lo Cheung Kin.

## INTERESTS OF DIRECTORS (continued)

Save as disclosed herein, at 31st January, 2007, 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 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

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 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 "Listing Rules"). The Company considers all of the independent non-executive directors to be independent.

## CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

- (a) On 6th January, 2006, the Group entered into sale and purchase agreements with Victorfield Limited (in which the directors of the Company, Mr. Lo Cheung Kin and Madam Yin Hoi Yeung, have beneficial interests) and Mr. Lo Cheung Kin in respect of the acquisition of the entire equity interest in Victorfield (Fujian) Property Development Co., Ltd. and Faith Stand (China) Limited respectively for a consideration of HK\$41,441,726 and HK\$24,906,925 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. The acquisitions were completed on 15th June, 2006.

- (b) During the year, the Group paid rental expenses of HK\$32,482 to Victorfield Limited.

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.

## **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, 2007, 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. Lo Cheung Kin and Madam Yin Hoi Yeung were executive directors. They held shareholdings in a number of private companies (the "Competing Companies") owned by them. They also held directorships in the Competing Companies. From time to time, the Competing Companies were involved in property investment and development in Hong Kong and the People's Republic of China. In this regard, Mr. Lo Cheung Kin and Madam Yin Hoi Yeung were 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 were operated and managed by companies with independent management and administration. In addition, the board of directors of the Company was independent of the boards of the Competing Companies. Accordingly, the Group was capable of carrying on its business independent of, and at arm's length from, the competing businesses mentioned above.

Subsequent to 31st January, 2007, Madam Yin Hoi Yeung has resigned as executive director of the Company and Mr. Lo Cheung Kin has sold all his shareholdings and has ceased the corresponding directorships in the Competing Companies so that he can concentrate more on the business of the Company.

Save as disclosed above, at 31st January, 2007, 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, 2007, 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 share 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)	18.67%
Mass Honour Investment Limited	Beneficial	17,173,638 Shares (L)	19.26%
Hooi Tak Piu	Beneficial	4,692,000 Shares (L)	5.26%

(L) denotes long position

Save as disclosed above, at 31st January, 2007, 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.

# Directors' Report

## MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for 50% of the Group's revenue. The aggregate purchase attributed to the Group's five largest suppliers were 21% of total purchases of the Group. The largest customer and supplier accounted for approximately 25% and 17% of Group's turnover and purchases respectively.

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 throughout the year ended 31st January, 2007 with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules save as the deviations as disclosed in the relevant section of the Corporate Governance Report on page 7.

## POST BALANCE SHEET EVENT

Details of the post balance sheet event are set out in note 28 to the consolidated 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, 2007.

## 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

**LO CHEUNG KIN**

*CHAIRMAN*

23rd May, 2007