

Directors' Report

The directors of the Company (the "Directors" or the "Board") present to the shareholders their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2007 (the "Year").

PRINCIPAL ACTIVITIES

During the Year, the Company acted as an investment holding company and its subsidiaries were principally engaged in property investment and development, brokerage, securities investment, money lending and cosmetics distribution and trading.

SEGMENT INFORMATION

The Group's turnover and contribution to profit from operations analysed by principal activities are set out in notes 7 and 8 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates as at 31st December, 2007 are set out in notes 56 and 57 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATION

The results of the Group for the Year are set out in the consolidated income statement on page 59.

The Directors had declared an interim dividend of HK13.5 cents (2006: HK12 cents) per share. The Board resolved to recommend the payment of a final dividend of HK22.5 cents for the Year (2006: HK18 cents).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five years is set out on pages 162 and 163.

董事會報告書

本公司董事(「董事」或「董事會」)謹此向股東提呈董事會報告書連同本公司及其附屬公司(「本集團」)截至二零零七年十二月三十一日止年度(「本年度」)之經審核綜合財務報表。

主要業務

於本年度內，本公司為一間投資控股公司，其附屬公司主要從事物業投資及發展、經紀服務、證券投資、放債及化妝品分銷及貿易業務。

分類資料

本集團以主要業務劃分之營業額及經營溢利貢獻分析載於綜合財務報表附註7及8。

附屬公司及聯營公司

本公司於二零零七年十二月三十一日之主要附屬公司及聯營公司之詳情，分別載於綜合財務報表附註56及57。

業績及分配

本集團於本年度之業績載於第59頁之綜合收益表內。

董事已派付中期股息每股13.5港仙(二零零六年：12港仙)。董事會議決建議派付本年度之末期股息每股22.5港仙(二零零六年：18港仙)。

財務概要

本集團過去五年之業績、資產及負債概要載於第162及第163頁。

Directors' Report

INVESTMENT PROPERTIES

During the Year, the Group did not acquire any leasehold properties (2006: HK\$869,796,000). Investment properties with an aggregate net book value of approximately HK\$101,011,000 (2006: HK\$73,524,000) were disposed of during the Year.

Details of this and other movements in investment properties during the Year are set out in note 21 to the consolidated financial statements.

PROPERTY AND OTHER FIXED ASSETS

Movements in property and other fixed assets during the Year are set out in note 22 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties of the Group as at 31st December, 2007 are set out on pages 164 to 184.

SHARE CAPITAL

Movements in the share capital of the Company during the Year are set out in note 46 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the Year are set out on pages 62 and 63.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist at the laws of Bermuda, being the jurisdiction in which the Company is incorporated.

董事會報告書

投資物業

於本年度內，本集團並未購入任何租賃物業（二零零六年：869,796,000港元）。本年度內出售總賬面淨值約101,011,000港元（二零零六年：73,524,000港元）之投資物業。

於本年度內上述及其他投資物業之變動詳情載於綜合財務報表附註21。

物業及其他固定資產

物業及其他固定資產於本年度內之變動情況載於綜合財務報表附註22。

主要物業

本集團於二零零七年十二月三十一日之主要物業詳情載於第164至第184頁內。

股本

本公司之股本於本年度內之變動情況載於綜合財務報表附註46。

儲備

本集團之儲備於本年度內之變動情況載於第62及第63頁內。

優先購買權

本公司於百慕達註冊成立，該司法轄區之法律並無優先購買權存在。

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to HK\$17,019,000 (2006: HK\$390,000).

DIRECTORS

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

Mr. Joseph Lau, Luen-hung (*Chairman and Chief Executive Officer*)

Mr. Lau, Ming-wai

Ms. Amy Lau, Yuk-wai

Mr. Chan, Kwok-wai*

Mr. Cheng, Kwee*

Ms. Phillis Loh, Lai-ping*

* Independent Non-executive Director

Mr. Joseph Lau, Luen-hung, Mr. Chan, Kwok-wai and Ms. Amy Lau, Yuk-wai will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election in accordance with Bye-law 111 of the Bye-laws of the Company. The retirement of Mr. Joseph Lau, Luen-hung is on voluntary basis. The relevant details of Mr. Joseph Lau, Luen-hung's voluntary retirement by rotation are stipulated in "Corporate Governance Practices" section under Corporate Governance Report of this annual report.

董事會報告書

購買、出售或贖回上市證券

除所披露者外，本公司或其任何附屬公司於本年度內概無購買、出售或贖回本公司任何上市證券。

慈善捐款

本集團於本年度內之慈善捐款額為 17,019,000 港元 (二零零六年：390,000 港元)。

董事

於本年度內及直至本報告日期止，董事為：

劉鑾雄先生 (*主席及行政總裁*)

劉鳴煒先生

劉玉慧女士

陳國偉先生*

鍾貴先生*

羅麗萍女士*

* 獨立非執行董事

根據本公司之公司細則第 111 條，劉鑾雄先生、陳國偉先生及劉玉慧女士將在即將舉行之股東週年大會上告退，合資格並願意膺選連任。劉鑾雄先生之退任乃出於自願性質。有關劉鑾雄先生自願輪席告退之詳情載於本年報企業管治報告內「企業管治常規」一節。

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st December, 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Appendix 10 of Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:-

I The Company

本公司

Name of Directors 董事姓名	Number of Shares (ordinary share) 股份數目(普通股)	Note 附註	Capacity 身份	Percentage of Issued Share Capital 已發行股本百分比
Joseph Lau, Luen-hung ("Mr. Joseph Lau") 劉鑾雄(「劉鑾雄先生」)	230,984,820	(1)	Founder and beneficiary of trust 信託創立人及受益人	
	999,416,030	(2)	Founder and beneficiary of trust 信託創立人及受益人	
	1,230,400,850			53.48%
Lau, Ming-wai ("Mr. MW Lau") 劉鳴煒(「劉鳴煒先生」)	230,984,820	(1)	Beneficiary of trust 信託受益人	
	999,416,030	(2)	Beneficiary of trust 信託受益人	
	4,000	(3)	Other interests 其他權益	
	1,230,404,850			53.48%

董事會報告書

董事及最高行政人員於本公司及相聯法團之證券權益

於二零零七年十二月三十一日，董事及最高行政人員於本公司或其任何相聯法團(定義見證券及期貨條例(「證券及期貨條例」)第XV部所指的相聯法團)之股份、相關股份及債券中擁有之權益及淡倉，按本公司根據證券及期貨條例第352條備存之登記冊所載或根據香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)附錄十所載之《上市發行人董事進行證券交易的標準守則》知會本公司及聯交所如下：

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS (cont'd)

Notes:

- (1) These shares were indirectly owned by a discretionary trust of which Mr. Joseph Lau was the founder. Mr. Joseph Lau, Mr. MW Lau and certain other family members of Mr. Joseph Lau were eligible beneficiaries of that trust.
- (2) These shares were held by a unit trust of which Mr. Joseph Lau was one of the unit holders. The rest of the units in the unit trust were held by a discretionary trust of which Mr. Joseph Lau was the founder. Mr. MW Lau and certain other family members of Mr. Joseph Lau were eligible beneficiaries of the discretionary trust.
- (3) These shares were held under the estate of Ms. Theresa Po, Wing-kam, the late mother of Mr. MW Lau, of which Mr. MW Lau is the executor.

II Associated Corporation of the Company

本公司之相聯法團

Chi Cheung Investment Company, Limited ("Chi Cheung")

至祥置業有限公司(「至祥」)

Name of Director 董事姓名	Number of Shares (ordinary share) 股份數目(普通股)	Capacity 身份	Percentage of Issued Share Capital 已發行股本百分比
Mr. Joseph Lau 劉鑾雄先生	209,931,186	Interest in controlled corporation 於受控制公司之權益	61.96%

Note: Mr. Joseph Lau by virtue of his 53.48% interests in the issued share capital of the Company as disclosed in paragraph I above, was deemed to be interested in 209,931,186 shares of Chi Cheung held by Billion Up Limited, a wholly-owned subsidiary of Lucky Years Ltd. which in turn was the wholly-owned subsidiary of the Company.

All the interests stated above represent long positions. The percentage shown was the number of shares the relevant Directors were interested in expressed as a percentage of the number of issued shares as at 31st December, 2007.

Save as disclosed above, none of the Directors and chief executives of the Company had or were deemed under the SFO to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31st December, 2007.

During the Year, none of the Directors and chief executives of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

董事會報告書

董事及最高行政人員於本公司及相聯法團之證券權益(續)

附註：

- (1) 該等股份由一項酌情信託間接擁有。劉鑾雄先生為該信託之創立人。劉鑾雄先生、劉鳴煒先生及劉鑾雄先生之若干其他家族成員則為該信託之合資格受益人。
- (2) 該等股份由一項單位信託基金持有。劉鑾雄先生為該基金其中一名單位持有人。該單位信託基金之餘下單位由一項酌情信託擁有，劉鑾雄先生為該信託之創立人。劉鳴煒先生及劉鑾雄先生之若干其他家族成員則為該信託之合資格受益人。
- (3) 該等股份乃屬賈詠琴女士(劉鳴煒先生先慈)之遺產，劉鳴煒先生為該遺產之執行人。

附註：正如上文第I段所披露，劉鑾雄先生因擁有本公司已發行股本中53.48%之權益，故被視為於本公司之全資擁有附屬公司Lucky Years Ltd.之全資擁有附屬公司Billion Up Limited持有之209,931,186股至祥股份中擁有權益。

上述所有權益均為好倉。所顯示的百分比為本公司有關董事於二零零七年十二月三十一日所擁有之股份數目佔已發行股份數目之百分比。

除上文所披露者外，於二零零七年十二月三十一日，董事或最高行政人員概無擁有或根據證券及期貨條例被視為擁有本公司或其任何相聯法團(定義見證券及期貨條例第XV部所指的相聯法團)之股份、相關股份或債券之任何權益或淡倉。

於本年度內，董事或最高行政人員以及彼等之配偶或十八歲以下之子女概無獲授予或行使任何可認購本公司或其任何相聯法團之任何證券之權利。

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31st December, 2007, so far as are known to any Directors or chief executives of the Company, the following parties (other than Directors or chief executives of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

董事會報告書

主要股東於本公司之證券權益

據董事及最高行政人員所知悉，於二零零七年十二月三十一日，本公司根據證券及期貨條例第336條須備存之登記冊所載錄或另行知會本公司，直接或間接擁有或被視為擁有本公司已發行股本5%或以上權益之人士(董事或最高行政人員除外)如下：

Name of Substantial Shareholders 主要股東名稱	Number of Shares (ordinary share) 股份數目(普通股)	Note 附註	Capacity 身份	Percentage of Issued Share Capital 已發行股本百分比
GZ Trust Corporation	1,230,400,850	(1), (2)	Trustee, beneficiary of a trust and interest in controlled corporation 信託人、一項信託之受益人及於受控制公司之權益	53.48%
Global King Ltd.	999,416,030	(1)	Trustee 信託人	43.44%
Joseph Lau Luen Hung Investments Limited	230,984,820	(2)	Beneficial owner 實益擁有人	10.04%
The Children's Investment Fund Management (UK) LLP	200,377,418	(3)	Investment manager 投資經理	8.71%
The Children's Investment Master Fund	200,377,418	(3)	Beneficial owner 實益擁有人	8.71%
Favor Gain Limited ("Favor Gain")	150,036,697	(4)	Beneficial owner 實益擁有人	6.52%
Thomas Lau, Luen-hung ("Mr. Thomas Lau") 劉鑾鴻(「劉鑾鴻先生」)	150,036,697	(4)	Interest in controlled corporation 於受控制公司之權益	6.52%
UBS AG	212,086,076		Beneficial owner, person having a security interest and interest in controlled corporation 實益擁有人、擁有保證權益之人士及於受控制公司之權益	9.21%

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY (cont'd)

Notes:

- (1) GZ Trust Corporation as trustee of a discretionary trust held units in a unit trust of which Global King Ltd. was the trustee and therefore was regarded as interested in the same parcel of shares held by Global King Ltd. These shares were the same parcel of 999,416,030 shares of the Company referred to in both "Founder and beneficiary of trust" and "Beneficiary of trust" of Mr. Joseph Lau and Mr. MW Lau respectively under "Directors' and Chief Executives' Interests in the Securities of the Company and Associated Corporations" as disclosed in paragraph I above.
- (2) GZ Trust Corporation as trustee of another discretionary trust held the entire issued share capital of Joseph Lau Luen Hung Investments Limited and therefore was regarded as interested in the same parcel of shares held by Joseph Lau Luen Hung Investments Limited. These shares were the same parcel of 230,984,820 shares of the Company referred to in both "Founder and beneficiary of trust" and "Beneficiary of trust" of Mr. Joseph Lau and Mr. MW Lau respectively under "Directors' and Chief Executives' Interests in the Securities of the Company and Associated Corporations" as disclosed in paragraph I above.
- (3) The Children's Investment Fund Management (UK) LLP as investment manager of The Children's Investment Master Fund ("TCI") held the 200,377,418 shares of the Company for the benefit of TCI.
- (4) Mr. Thomas Lau was deemed to be interested in the 150,036,697 shares of the Company by virtue of the SFO as he owned the entire issued share capital of Favor Gain.

All the interests stated above represent long positions. As at 31st December, 2007, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

董事會報告書

主要股東於本公司之證券權益 (續)

附註：

- (1) GZ Trust Corporation (作為一項酌情信託之信託人) 持有一項以 Global King Ltd. 為信託人之單位信託基金之單位，故被視為擁有 Global King Ltd. 所持有之同一批股份之權益。上述股份為上文第 I 段所披露「董事及最高行政人員於本公司及相聯法團之證券權益」項下劉鑾雄先生及劉鳴煒先生各自之「信託創立人及受益人」及「信託受益人」中所指之同一批 999,416,030 股本公司股份。
- (2) GZ Trust Corporation (作為另一項酌情信託之信託人) 持有 Joseph Lau Luen Hung Investments Limited 之全部已發行股本，故被視為擁有 Joseph Lau Luen Hung Investments Limited 所持有之同一批股份之權益。上述股份為上文第 I 段所披露「董事及最高行政人員於本公司及相聯法團之證券權益」項下劉鑾雄先生及劉鳴煒先生各自之「信託創立人及受益人」及「信託受益人」中所指之同一批 230,984,820 股本公司股份。
- (3) The Children's Investment Fund Management (UK) LLP 作為 The Children's Investment Master Fund (「TCI」) 之投資經理就 TCI 之利益持有 200,377,418 股本公司股份。
- (4) 劉鑾鴻先生因擁有 Favor Gain 之全部已發行股本，故根據證券及期貨條例，彼被視為擁有上述 150,036,697 股本公司股份之權益。

上述所有權益均為好倉。於二零零七年十二月三十一日，根據本公司按證券及期貨條例第 336 條備存之登記冊所載概無任何淡倉。

Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year, the following Directors declared their interests in the following companies with businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group:

董事會報告書

董事於競爭性業務之權益

於本年度內，以下董事申報於下列與本集團業務直接或間接構成競爭或可能構成競爭之業務之公司中擁有權益：

Name of Directors 董事姓名	Name of Companies 公司名稱	Nature of Business Considered to Compete or Likely to Compete with the Businesses of the Group 被認為與本集團業務 構成競爭或可能構成 競爭之業務性質	Nature of Interest of the Directors in the Companies 董事於該等公司 之權益性質
Mr. Joseph Lau 劉鑾雄先生	* Chi Cheung and its subsidiaries * 至祥及其附屬公司	Property investment and development 物業投資及發展	Having certain deemed interests in Chi Cheung and as director of certain subsidiaries of Chi Cheung 被視為擁有至祥若干權益及 為至祥之若干附屬公司之董事
	# G-Prop (Holdings) Limited ("G-Prop") and its subsidiaries # 金匡企業有限公司(「金匡」) 及其附屬公司	Property investment 物業投資	Having certain deemed interests in G-Prop 被視為擁有金匡若干權益
Mr. MW Lau 劉鳴煒先生	* Chi Cheung and its subsidiaries * 至祥及其附屬公司	Property investment and development 物業投資及發展	Having certain deemed interests in Chi Cheung and as director of certain subsidiaries of Chi Cheung 被視為擁有至祥若干權益及 為至祥之若干附屬公司之董事
	# G-Prop and its subsidiaries # 金匡及其附屬公司	Property investment 物業投資	Having certain deemed interests in G-Prop and was the chairman of G-Prop and director of certain subsidiaries of G-Prop 被視為擁有金匡若干權益及 曾為金匡之主席及金匡之 若干附屬公司之董事

* non wholly-owned listed subsidiary of the Company
* ceased as a non wholly-owned listed subsidiary or a listed associate of the Company as at 31st December, 2007. The Group's interest in G-Prop reduced to 34.99% in June 2007 and further reduced to 13.69% in October 2007.

* 本公司之非全資擁有上市附屬公司
* 截至二零零七年十二月三十一日不再為本公司之非全資擁有上市附屬公司或上市聯營公司。本集團於金匡之權益於二零零七年六月減至 34.99% 並於二零零七年十月減至 13.69%。

Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (cont'd)

Mr. Joseph Lau and Mr. MW Lau (collectively "Lau's family") had personal interests in private companies engaged in businesses consisting of property development and investment in Hong Kong as well as securities investment. Mr. Joseph Lau had personal interests in private companies engaged in money lending business. As such, they were regarded as being interested in such businesses, which competed or might compete with the Group. However, when compared with the dominance and size of operations of the Group, such competing businesses were immaterial.

Other than the businesses of the private companies of Lau's family, the above-mentioned businesses were managed by separate publicly listed companies with independent management. The respective board composition of such listed companies are different and separate. In this respect, coupled with the diligence of its Independent Non-executive Directors (whose views carry significant weight in the Board's decisions) and the independent audit committee, the Group was capable of carrying on its businesses independently of, and at arm's length from, the businesses of the above companies. In addition, Mr. MW Lau resigned as the chairman of G-Prop and director of subsidiaries of G-Prop on 1st June 2007.

For better delineation of property investment business, the Company, will give Chi Cheung, the non wholly-owned listed subsidiary, the priority over the future property investment project with the value of less than or equal to 50% of the net asset value of Chi Cheung with reference to the latest published accounts and subject to the financial resources of Chi Cheung from time to time.

The Company, through its subsidiary, has a 50% interest in Power Jade Limited ("Power Jade"). The other shareholder of the 50% interest in Power Jade is Solar Chain Limited ("Solar Chain"). In order to have equal control over the board, both the Group and Solar Chain have nominated equal number of representatives to set up the board.

The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Company and will avoid any potential conflicts of interest and duty. Three Independent Non-executive Directors are present on the Board and the audit committee of the Company, so that the interest of its shareholders can be adequately represented.

Other than as disclosed above, none of the Directors were interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the Company's business.

董事會報告書

董事於競爭性業務之權益(續)

劉鑾雄先生及劉鳴煒先生(統稱「劉氏家族」)於經營有關香港物業發展及投資和證券投資之私人公司中擁有個人權益。劉鑾雄先生於經營放債業務之私人公司中擁有個人權益。因此，彼等被視為於與本集團構成競爭或可能構成競爭之業務中擁有權益。然而，上述競爭性業務與本集團之優勢及業務規模相比乃微不足道。

除劉氏家族之私人公司業務外，上述業務乃由獨立上市公司管理，該等獨立上市公司擁有獨立管理層。該等上市公司董事會之組成各有不同及均為獨立。就此而言，結合其對董事會決策有重大影響力之獨立非執行董事及獨立審核委員會之努力，本集團能獨立並按公平磋商原則從事其業務。再者，劉鳴煒先生已於二零零七年六月一日辭任金匡主席及金匡附屬公司董事。

為了更清晰地劃分物業投資業務，本公司將參考最近期公布之賬目及因應本公司之非全資擁有上市附屬公司至祥不時具備之財政資源，將價值少於或相當於至祥資產淨50%之未來物業投資項目優先給予至祥考慮。

本公司透過其附屬公司擁有Power Jade Limited(「Power Jade」)50%權益。擁有Power Jade其餘50%權益之股東為Solar Chain Limited(「Solar Chain」)。為了在董事會擁有同等比重之控制權，本集團及Solar Chain委派相同數目之代表組成董事會。

董事知悉其誠信責任，將會秉誠行事以符合本公司之利益，並避免任何潛在利益及責任衝突。本公司之董事會及審核委員會均有三名獨立非執行董事為成員，足以代表其股東之利益。

除上文所披露者外，概無董事在本公司業務以外於與本公司業務直接或間接構成競爭或可能構成競爭之任何業務中擁有權益。

Directors' Report

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

There were no arrangements to which the Company or any of the Company's subsidiaries was a party to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate during the Year.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed below and apart from the agreement disclosed under the heading "Connected Transaction" below, there were no other contracts of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which a Director had, whether directly or indirectly, a material interest, nor there were any other contracts of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

On 11th September, 2007, the Company together with its wholly-owned subsidiary, Victory Gain Holdings Limited ("Victory Gain") had entered into a conditional sale and purchase agreement with Chi Cheung and Shing Ping Development Ltd. (a wholly-owned subsidiary of Chi Cheung) ("Shing Ping"), in relation to, inter alia, disposal of certain property interests in the People's Republic of China in exchange for certain property interests held by Chi Cheung in Hong Kong at a net consideration of approximately HK\$9,760.7 million (subject to adjustment at completion) to be settled by Chi Cheung by means of cash and issuance of convertible bonds to the Company (the "Proposed Asset Transaction"). Mr. Joseph Lau and Mr. MW Lau are directors of Victory Gain and Shing Ping. Mr. Joseph Lau was deemed to be indirectly interested in Chi Cheung as disclosed in paragraph II of "Directors' and Chief Executives' Interests in the Securities of the Company and Associated Corporations". The Proposed Asset Transaction constituted a major transaction of the Company. However, the resolution proposed to approve the said agreement was not passed by the independent shareholders of Chi Cheung at the extraordinary general meeting of Chi Cheung held on 28th November, 2007 and accordingly the Proposed Asset Transaction terminated.

董事會報告書

購買股份或債券之安排

本公司或本公司任何附屬公司概無於本年度內作出安排，以使董事可藉購入本公司或任何其他法人團體之股份或債券而獲得利益。

董事及控權股東於合約之權益

除下文所披露者及下文「關連交易」一節所述之協議外，於年結時或本年度內任何時間本公司或本公司之任何附屬公司所訂立與本公司業務有關之重大合約中，董事概無直接或間接擁有重大權益；此外，本公司或本公司之任何附屬公司亦無與控權股東或其任何附屬公司訂立與本公司業務有關之其他重大合約。

於二零零七年九月十一日，本公司連同其全資擁有附屬公司勝得控股有限公司（「勝得」）與至祥及昇平發展有限公司（至祥之全資擁有附屬公司）（「昇平」）訂立有條件買賣協議，協議有關出售本公司於中華人民共和國之若干物業權益以換取至祥於香港擁有之若干物業權益，代價淨額約為9,760,700,000港元（於完成時可予以調整），將由至祥通過現金及向本公司發行可換股債券之方式支付（「建議資產交易」）。劉鑾雄先生及劉鳴煒先生為勝得及昇平之董事。正如「董事及最高行政人員於本公司及相聯法團之證券權益」第II段中所披露，劉鑾雄先生被視為間接於至祥擁有權益。建議資產交易構成本公司之主要交易。然而，至祥之獨立股東在至祥於二零零七年十一月二十八日舉行之股東特別大會上並未通過批准所述協議之決議案，因此建議資產交易告終。

Directors' Report

CONNECTED TRANSACTION

On 29th June, 2007, Daily Best Limited, being an indirect wholly-owned subsidiary of the Company, acquired from Power Jade one share in the capital of The House of Kwong Sang Hong International Limited ("KSH"), representing the entire issued share capital of KSH, and the respective shareholder's loan owing by KSH to Power Jade at a total consideration of HK\$20 million (the "Acquisition"). KSH and its subsidiaries (the "KSH Group") are principally engaged in manufacturing and retailing of cosmetic products. Some of the members of the KSH Group are the registered owners of trademarks or trademark applications in various countries in relation to the brand known as "Two Girls Brand". As a result of the Acquisition, the Company obtains 100% control over the KSH Group's cosmetics business. Power Jade is owned as to 50% by Gold Castle Ltd., a wholly-owned subsidiary of the Company and as to 50% by Solar Chain. Power Jade through its wholly-owned subsidiary is indirectly interested in 25% of Dollar Union Limited, a non wholly-owned subsidiary of the Company. Accordingly, Power Jade is a substantial shareholder of a non wholly-owned subsidiary of the Company and hence is a connected person of the Company. In this connection, the Acquisition constituted a connected transaction for the Company.

Save as aforesaid, there were no discloseable non-exempted connected transactions or non-exempted continuing connected transactions under the Listing Rules during the Year.

In note 55 concerning "Related Party Transactions" to the consolidated financial statements for the year ended 31st December, 2007, the consideration paid to an associate for acquisition of a subsidiary in the sum of HK\$20,000,000 was referred to the aforesaid connected transaction.

Save as aforesaid, none of the "Related Party Transactions" as disclosed in note 55 to the consolidated financial statements for the year ended 31st December, 2007 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent of the above "Related Party Transactions" constituted connected transaction as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

董事會報告書

關連交易

於二零零七年六月二十九日，本公司的間接全資擁有附屬公司日旺有限公司向Power Jade收購The House of Kwong Sang Hong International Limited(「廣生行」)股本中一股股份(即廣生行的全部已發行股本)及廣生行欠付Power Jade的相關股東貸款，總代價為20,000,000港元(「收購」)。廣生行及其附屬公司(「廣生行集團」)主要從事化妝品產品的製造及零售。廣生行集團部分成員公司為「雙妹墨」品牌於多個國家的商標或商標申請的註冊擁有人。本公司因收購而取得廣生行集團化妝品業務的全部控制權。Power Jade分別由Gold Castle Ltd.(本公司全資擁有附屬公司)及Solar Chain各自擁有50%權益。Power Jade透過其全資擁有附屬公司間接擁有本公司之非全資擁有附屬公司金怡彩有限公司之25%權益。因此，Power Jade為本公司一間非全資擁有附屬公司之主要股東之聯繫人士，故此為本公司之關連人士，而收購構成本公司一項關連交易。

除上文所述外，根據上市規則，本公司於本年度內概無須予披露之非豁免關連交易或非豁免持續關連交易。

於截至二零零七年十二月三十一日止年度綜合財務報表內之附註55有關「關連人士交易」，就收購一間附屬公司而支付聯營公司之代價20,000,000港元乃指上述關連交易。

除上文所述外，根據上市規則，截至二零零七年十二月三十一日止年度綜合財務報表內附註55所披露之「關連人士交易」並無構成須予披露的非豁免關連交易或非豁免持續關連交易。

就上述「關連人士交易」構成根據上市規則所界定之關連交易，本公司已於本年度內遵守上市規則第14A章的有關規定。

Directors' Report

SERVICE CONTRACTS OF DIRECTORS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

GROUP BORROWINGS AND INTEREST CAPITALISED

Details of bank loans and other loans repayable within one year or on demand are shown in the consolidated balance sheet. Details of long-term secured bank loans and other loans are shown in note 41 to the consolidated financial statements.

Interest capitalised during the Year by the Group amounted to HK\$101,012,000 (2006: HK\$148,342,000).

RETIREMENT BENEFIT SCHEMES

The Group operates two retirement benefit schemes:

- (1) the provident fund scheme as defined in the Occupational Retirement Schemes Ordinance, Chapter 426 of the laws of Hong Kong, (the "ORSO Scheme"); and
- (2) the provident fund scheme as defined in the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the laws of Hong Kong (the "MPF Scheme").

Both the ORSO Scheme and the MPF Scheme were defined contribution schemes and the assets of both schemes were managed by their respective trustees accordingly.

董事會報告書

董事服務合約

本公司或其任何附屬公司並無與董事簽訂任何一年內若由僱主終止合約時須作出賠償(法定賠償除外)之服務合約。

集團借貸及撥充資本之利息

須於一年內或按通知償還之銀行貸款及其他貸款之詳情載於綜合資產負債表。有抵押的長期銀行貸款及其他貸款之詳情載於綜合財務報表附註41。

本集團於本年度撥充資本之利息為101,012,000港元(二零零六年: 148,342,000港元)。

退休金計劃

本集團推行兩項退休金計劃:

- (1) 香港法例第426章職業退休計劃條例所界定之公積金計劃(「職業退休計劃」); 及
- (2) 香港法例第485章強制性公積金計劃條例所界定之公積金計劃(「強積金計劃」)。

職業退休計劃及強積金計劃均為界定供款計劃, 該等計劃之資產乃由各自之受託人管理。

Directors' Report

RETIREMENT BENEFIT SCHEMES (cont'd)

The ORSO Scheme was available to the Group's full-time permanent staff employed in Hong Kong before 1st December, 2000. Contributions to the ORSO Scheme were made by the Group at 5%, 7.5% or 10% based on the staff's basic salary depending on the length of service. Staff members were entitled to 100% of the Group's contributions together with accrued returns after completing 10 years of service or more, or attaining the retirement age, or were entitled at a reduced scale between 30% to 90% of the Group's contributions after completing a period of service of at least 3 years but less than 10 years. The ORSO Scheme allowed any forfeited contributions (made by the Group for any staff member who subsequently left the ORSO Scheme prior to vesting fully in such contributions) to be used by the Group to offset the current level of contributions of the Group.

The MPF Scheme was available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions were made by the Group at 5% based on the staff's relevant income. The maximum relevant income for contribution purpose is HK\$20,000 per month. Staff members were entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits were required by law to be preserved until the retirement age of 65.

In order to provide similar benefits to those who joined the MPF Scheme and the ORSO Scheme, the Group provided an additional portion (the "Top-up Portion") for those who joined the MPF Scheme. The purpose of the Top-up Portion is to match up the benefits of the MPF Scheme with that of the ORSO Scheme by providing those staff under the MPF Scheme with basic salary over HK\$20,000 and/or years of service over 5. Contributions to the Top-up Portion were made by the Group at 5%, 7.5% or 10% of the staff's basic salary less the Group's mandatory contribution under the MPF as mentioned above.

The Group's total cost for the schemes charged to consolidated income statement for the year ended 31st December, 2007 amounted to approximately HK\$4,465,000 (2006: HK\$3,990,000). In addition, an amount of forfeited employer's contributions for the ORSO Scheme amounted to approximately HK\$197,000 (2006: HK\$473,000) was utilised towards reducing the Group's contributions during the Year.

董事會報告書

退休金計劃(續)

職業退休計劃可供於二零零零年十二月一日前在香港受僱之本集團全職長期僱員參加。本集團乃根據僱員之基本薪金按其服務年期，作出5%、7.5%或10%之供款。僱員於服務滿10年或以上或到退休年齡時方可取得100%本集團供款連同應計回報，而服務年期滿3年但不足10年之僱員則可按遞減比例取得30%至90%本集團供款。職業退休計劃容許本集團將任何已沒收供款(即本集團就任何可獲得全部供款前退出職業退休計劃之僱員而作出之供款)用以抵銷本集團現有之供款水平。

強積金計劃可供所有18至64歲受僱於香港最少60日之本集團僱員參加。本集團根據僱員之有關入息作出5%之供款。就供款而言，有關入息上限為每月20,000港元。不論其於本集團之服務年期，僱員均可取得100%本集團供款連同應計回報，惟根據法例，有關利益將保留至退休年齡65歲方可領取。

為了向參加強積金計劃及職業退休計劃之僱員提供相近之福利，本集團為參加強積金計劃之僱員提供額外部分(「補足部分」)。補足部分之目的向基本月薪逾20,000港元及/或服務年期逾5年之僱員提供與職業退休計劃相近之福利。本集團將根據僱員基本薪金之5%、7.5%或10%減本集團根據上述強積金計劃作出之強制性供款而作出補足部分之供款。

本集團於截至二零零七年十二月三十一日止年度就該等計劃於綜合收益表扣除之總費用約為4,465,000港元(二零零六年：3,990,000港元)。此外，就職業退休計劃之已沒收僱主供款約197,000港元(二零零六年：473,000港元)已於本年度內用作削減本集團之供款。

Directors' Report

MAJOR SUPPLIERS AND CUSTOMERS

The five largest customers and suppliers of the Group amounted to less than 30% of the total turnover and purchases to the Group during the Year.

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.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed amount of public float during the Year and up to the date of this report as required under the Listing Rules.

AUDITORS

The consolidated financial statements for the Year were audited by Messrs. HLB Hodgson Impey Cheng ("HLB") who would retire at the conclusion of the forthcoming annual general meeting, and being eligible, offer themselves for re-appointment. A resolution will be proposed to the shareholders at the forthcoming annual general meeting to re-appoint HLB as the auditors of the Company.

There have been no other changes of auditors in the past three years except for Messrs. Deloitte Touche Tohmatsu resigned and HLB was appointed as the auditors of the Company in November 2006.

On behalf of the Board

Joseph Lau, Luen-hung

Chairman

Hong Kong, 7th March, 2008

董事會報告書

主要供應商及客戶

本集團五大客戶及供應商於本年度內佔本集團之營業及購貨總額分別少於30%。

董事、董事之聯繫人士或本公司股東(據董事所知擁有本公司股本超過5%)概無於本年度內任何時候於本集團五大客戶及供應商之中擁有權益。

公眾持股量

根據本公司得悉的公開資料及董事所知悉，本公司於本年度內及截至本報告日期已按上市規則規定維持規定之公眾持股量。

核數師

本年度之綜合財務報表由國衛會計師事務所(「國衛」)審核。該會計師行將於即將舉行之股東週年大會結束時任滿告退，惟合資格並願意膺聘連任。於即將舉行之股東週年大會上，將就續聘國衛為本公司核數師向股東提呈一項決議案。

除於二零零六年十一月德勤·關黃陳方會計師行辭任本公司之核數師及國衛獲委任為本公司之核數師外，本公司在過去三年間並無出現其他核數師更換。

代表董事會

主席

劉鑾雄

香港，二零零八年三月七日