

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited accounts for the year ended 31st March 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment. The activities of the subsidiary and associated companies are shown in notes 13 and 14 to the accounts respectively.

RESULTS

The results of the Company and its subsidiary companies (the "Group") for the year ended 31st March 2001 are shown on page 15.

An analysis of the Group's turnover and operating profit by principal activities is as follows:

	Turnover		Operating profit	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Rental	4,151	5,105	3,702	4,768
Property management	4,639	4,896	744	1,072
Investment	6,215	4,079	936	7,559
Construction	1,971	2,592	69	94
	<u>16,976</u>	<u>16,672</u>	<u>5,451</u>	<u>13,493</u>

The activities of the Group are primarily conducted in Hong Kong.

DIVIDENDS

The Directors have declared an interim dividend of 1.1 cents (2000: 1.1 cents) per share totalling HK\$1,330,560 (2000: HK\$1,330,560) which was paid on Monday, 15th January 2001. The Directors recommend the payment of a final dividend of 2.8 cents (2000: 3.9 cents) per share totalling HK\$3,386,880 (2000: HK\$4,717,440), which will be payable on Monday, 27th August 2001.

FIVE YEAR FINANCIAL SUMMARY

A summary of the Group's results and of its assets and liabilities for the past five financial years is shown on page 36.

REPORT OF THE DIRECTORS *(Continued)*

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 21 to the accounts.

LIQUIDITY AND FINANCIAL RESOURCES

The Group is virtually debt-free and generally finances its operations with internally generated cash flows. The Group's cash and bank balances amounted to HK\$54.5 million at 31st March 2001. The Board believes that the Group has sufficient financial resources for its operations. The Group has no exposure to fluctuation in exchange rates and material contingent liabilities.

EMPLOYEE INFORMATION

The Group has less than 20 employees and their salaries are maintained at competitive levels. Promotion and salary increments are assessed according to the performances of each individual.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$500,000.

PROPERTIES

Details of the movements in investment properties are shown in note 12 to the accounts.

Details of the properties held by the Group for sale and investment purposes are shown on pages 38 to 45.

DIRECTORS

The Directors during the year and at the date of this report are:

Executive Director

Mr. Cheung Kee Wee	(Chairman)
Mr. Cheung Kung Hai	(deceased on 2nd October 2000)
Madam Chin Lan Hong	
Miss Cheung Poh Choo	(retired on 15th September 2000)
Mr. Cheung Lin Wee	
Mr. Cheung Ying Wai, Eric	

Independent Non-executive Director

Mr. Lam Hon Keung, Keith
Mr. John Ho

In accordance with Article 103(A) of the Company's Articles of Association, Madam Chin Lan Hong and Mr. Lam Hon Keung, Keith retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS *(Continued)*

DIRECTORS *(Continued)*

None of the Directors has a service contract with the Company or its subsidiary companies which is not determinable within one year without payment of compensation, other than statutory compensation.

Brief biographical details of Directors and Senior Management are set out on page 2.

DIRECTORS' INTERESTS

At 31st March 2001, the beneficial interests of the Directors and their associates in the share capital of the Company, as recorded in the Company's register maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of Director	Personal Interests
The Company	
Madam Chin Lan Hong	1,634,400
Mr. Cheung Kee Wee	482,160
Mr. Cheung Lin Wee	372,000
Mr. Cheung Ying Wai, Eric	<u>10,000</u>

None of the Directors had any Family Interests, Corporate Interests or Other Interests in the share capital of the Company and its associated corporations.

Apart from certain non-beneficial interests held for the benefit of the Company in respect of its wholly-owned subsidiary companies, the Directors, chief executives and their respective associates have no other beneficial or non-beneficial interest in the subsidiary companies.

No contracts of significance in relation to the Company's business to which the Company or its subsidiary companies 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.

At no time during the year was the Company or its subsidiary companies 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.

REPORT OF THE DIRECTORS *(Continued)*

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following interests, being 10% or more, in its issued share capital.

Name of shareholder	Number of shares
Mr. Cheung Kung Hai, deceased	<u>87,391,440</u>

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any of the Company's shares during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover during the year attributable to the Group's five largest customers was 38% of the Group's total turnover, of which 12% was made to the largest customer.

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

None of the Directors, their associates or any shareholder who to the knowledge of the Directors owns more than 5% of the Company's issued share capital has an interest in the major customers or suppliers disclosed above, except that Mr. Cheung Kung Hai, deceased, a substantial shareholder of the Company, has beneficial interests in three of the Group's five largest customers and Madam Chin Lan Hong, Director of the Company, has beneficial interests in one of the Group's five largest customers.

THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year, except that independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with Article 103(A) of the Company's Articles of Association.

REPORT OF THE DIRECTORS *(Continued)*

AUDIT COMMITTEE

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, an audit committee, comprising two independent non-executive Directors, namely Mr. Lam Hon Keung, Keith and Mr. John Ho, was set up in December 1998.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company. The principal activities of the audit committee include the review and supervision of the Group's financial reporting process and internal controls.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Cheung Kee Wee
Chairman

Hong Kong, 13th July 2001