

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited financial statements for the Group and the Company for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associated companies and partnerships are shown in notes 10, 11 and 13. An analysis of the Group's turnover and contribution to results by principal activity of operations is set out in note 2 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The consolidated profit and loss account for the year ended 31 March 2004 and the balance sheet for the Group and the Company as at 31 March 2004 are set out in the financial statements on pages 16 to 60.

The Directors recommend the payment of a final scrip dividend for the year ended 31 March 2004 at the rate of 1 HK cent per share with cash option, payable on 15 October 2004 to all persons registered as shareholders on 2 September 2004 (2003: Nil). The transfer books and register of members of the Company will be closed from 30 August 2004 to 2 September 2004, both days inclusive.

Payment of the scrip dividend is conditional upon the passing of an ordinary resolution at the forthcoming annual general meeting and The Stock Exchange of Hong Kong Limited ("Stock Exchange") granting the listing of and permission to deal in the new shares to be issued as the scrip dividend. A circular containing details of the proposed scrip dividend will be sent to shareholders of the Company in due course.

SHARE CAPITAL AND RESERVES

Details of movements in issued share capital and reserves during the year are set out in note 18 and note 19 to the financial statements.

FIXED ASSETS

Details of movements in fixed assets are set out in note 9 to the financial statements.

SUBSIDIARIES

Details of the subsidiary companies as at 31 March 2004 are set out in note 13 to the financial statements.

BORROWINGS

Details of borrowings are set out in note 16 to the financial statements.



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INTEREST CAPITALIZED

No interest expenses was capitalized during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers being trade customers and tenants of the Group accounted for 36% of the Group's combined turnover on IT services and property rental & management, the largest trade customer accounting for 9%. The five largest suppliers of goods and services accounted for less than 18% of the Group's expenditure on goods and services, the largest supplier of goods and services accounting for 4%.

DONATIONS

During the year the Group has made charitable donations amounting to HK\$20,000 (2003: Nil).

DIRECTORS



The Directors in office during the year and up to the date of this report were:

Mrs. Rossana WANG GAW

Mr. Goodwin GAW

Mr. Kenneth GAW

Ms. Jane Kwai Ying TSUI

Dr. Charles Wai Bun CHEUNG, J.P.

The Hon. Bernard Charnwut CHAN

Mr. Arnold Tin Chee IP

In accordance with the Company's Bye-Laws, Dr. Charles Wai Bun Cheung, J.P. and The Hon. Bernard Charnwut Chan retire, and being eligible, offer themselves for re-election.

Neither Dr. Charles Wai Bun Cheung, J.P. nor The Hon. Bernard Charnwut Chan 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.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mrs. Rossana WANG GAW (*Chairman*)

Aged 58. Appointed to the Board in 1980 and has been Chairman of the Group since February 1999. She is the Managing Director of Pioneer Estates Limited. She is responsible for the management of the real estate sector in the Group. Mrs. Gaw has eight years of experience in the garment manufacturing industry and over 20 years of experience in real estate investments. Mrs. Gaw is a graduate of the University of California, Berkeley, and holds a degree in Business Administration.

Mr. Goodwin GAW (*Vice-Chairman*)

Aged 35. Appointed to the Board in 1994 and became Vice Chairman of the Group in August 1996. Mr. Gaw is also the Chairman & CEO of Global Gateway, L.P. and President of Downtown Properties Holdings, a private real estate investment company with commercial properties interest in United States. He graduated with a Bachelor of Science degree in Civil Engineering from the University of Pennsylvania, a finance degree from Wharton Business School and a Master of Science degree in Construction Management from Stanford University. He is the son of Mrs. Rossana Wang Gaw.

Mr. Kenneth GAW (*Managing Director*)

Aged 33. Appointed to the Board in 1994 and became Managing Director of the Group in February 1999. Mr. Gaw is also a director of Siam Food Products Public Company Limited and Dusit Thani Public Company Limited and was director and Deputy Chairman of Wah Kwong Shipping Holdings Limited until the company was privatized in July 2000. He graduated with a Bachelor of Science degree in Applied Mathematics and Economics from Brown University (Magna Cum Laude.) Before joining the Group, Mr. Gaw worked in the structured finance group at Goldman, Sachs & Co. in New York and in corporate finance at Goldman Sachs (Asia) Limited in Hong Kong. Mr. Gaw was the Chairman of Young Entrepreneurs' Organisation Hong Kong Chapter for 2001-2002. He is the son of Mrs. Rossana Wang Gaw.

Ms. Jane Kwai Ying TSUI (*Company Secretary*)

Aged 60. Appointed to the Board in 1984. She is responsible for the day to day operation of the Group, including general administration. She is also responsible for all company secretarial matters of the Group. Ms. Tsui previously worked in the banking sector for about three years before joining the Group in 1980.



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Independent non-executive Directors

Dr. Charles Wai Bun CHEUNG, J.P.

Aged 68. Appointed to the Board in 1986, is the group chief executive and executive deputy chairman of Mission Hills Group, Hong Kong. He holds an Honorary doctorate degree in Business Administration, a Master degree in Business Administration and a bachelor degree of science. Dr. Cheung has more than thirty-eight years working experience and he has held senior management positions in various industries including banking, finance, property, hotel developments, management and investments. He is a non-executive director and chairman of the respective audit committees of K. Wah International Holdings Limited, K. Wah Construction Materials Limited and Prime Investments Holdings Limited which are companies listed on the Main Board of Hong Kong Stock Exchange. Dr. Cheung is also an independent non-executive director of B & S Entertainment Holdings Limited and adviser of the Tung Wah Group of Hospitals. He is a Vice Chairman of Guangdong Province Golf Association. Dr. Cheung was awarded the Directors of the Year Awards 2002 of Listed Company Non-executive Director. Dr. Cheung was appointed by the HKSAR Government as a member of the Estate Agents Authority on 1 November 2002.

The Hon. Bernard Charnwut CHAN



Aged 39. Appointed to the Board in 1994, is a member of the Legislative Council of the Hong Kong Special Administrative Region. A graduate of Pomona College in California, U.S.A., he holds the positions of Deputy Managing Director of Asia Financial Group and the President of Asia Insurance. He serves as the Chairman of the Standing Committee on Disciplined Services Salaries and Conditions of Service; a Director of The Hong Kong Mortgage Corporation Ltd. and a Council Member of Lingnan University. He is also a member of the Mandatory Provident Fund Schemes Advisory Committee, Insurance Advisory Committee, Economic & Employment Council, Greater Pearl River Delta Business Council and the Committee on Financial Assistance for Family members of Those Who Sacrifice Their Lives to Save Others. In addition, he serves as the Advisor of Bangkok Bank Ltd., Hong Kong Branch, the Chairman of the Hong Kong-Thailand Business Council, Chairperson of The Hong Kong Council of Social Service and the Vice Chairperson of the Community Investment & Inclusion Fund Committee.

Mr. Arnold Tin Chee IP

Aged 41. Appointed to the Board in 1999. He is a director of Altus Capital Limited where he is involved in the supervision and management of corporate finance and advisory work for companies in Hong Kong and in advising on private equity and property investments in Asia. Between 1989 and March 1997, Mr. Ip worked for Standard Chartered Asia Limited and was a director of Yuanta Securities (Hong Kong) Company Limited thereafter until January 2001 specializing in a broad range of corporate finance and advisory activities for companies based in Hong Kong and China.

Mr. Ip's work focuses on fund raising for listed and unlisted companies, and management of real estate investment funds.

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From 1984 to 1988 Mr. Ip worked at Arthur Andersen & Co in London specializing in taxation and qualified as a chartered accountant in 1988.

Mr. Ip is a graduate of Trinity College, Cambridge University.

DISCLOSURE OF DIRECTORS' INTERESTS

As at 31 March 2004, the following Directors of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

Long position in shares of the Company

	Personal interests	Interests held by controlled corporation	Interests held by family trust	Total	Percentage of issued share capital
Rossana Wang Gaw	–	15,309,732 ¹	123,148,701 ³	138,458,433	18.49
Kenneth Gaw	1,734,750	8,122,000 ²	26,457,774 ⁴	36,314,524	4.85
Jane Kwai Ying Tsui	600,750			600,750	0.08

Notes:

- 1 Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,309,732 shares.
- 2 Mr. Kenneth Gaw owns the entire issued share capital of Fortune South China Limited, which was beneficially interested in 8,122,000 shares.
- 3 Family trust of which members of the family of Mrs. Rossana Wang Gaw are amongst the beneficiaries held an aggregate of 123,148,701 shares.
- 4 Family trust of which Mr. Kenneth Gaw is a beneficiary held an aggregate of 26,457,774 shares.



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Long position in underlying shares of the Company

	Number of share options	Exercise price (HK\$)	Date of grant	Exercise period
Rossana Wang Gaw	8,167,113	1.582	06/03/97	06/03/97 to 05/03/07
Goodwin Gaw	9,668,588	1.941	24/10/96	24/10/96 to 23/10/06
	7,507,374	1.582	06/03/97	06/03/97 to 05/03/07
Kenneth Gaw	9,668,588	1.941	24/10/96	24/10/96 to 23/10/06
	7,507,374	1.582	06/03/97	06/03/97 to 05/03/07
Jane Kwai Ying Tsui	2,274,961	1.941	24/10/96	24/10/96 to 23/10/06
	2,274,962	1.582	06/03/97	06/03/97 to 05/03/07

Long position in shares of associated companies



Name of Company	Name of Director	No. of shares held by controlled corporation	Percentage of issued share capital
Grandsworth Pte. Ltd.	Rossana Wang Gaw	1*	50
Grandsworth Pte. Ltd.	Kenneth Gaw	1*	50

* 1 share in Grandsworth Pte. Ltd. is deemed to be interested by Mrs. Rossana Wang Gaw and Mr. Kenneth Gaw. It represents the same interest and is therefore duplicated.

Saved as disclosed above, as at 31 March 2004, none of the Directors of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code of Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

DISCLOSURE OF SHAREHOLDERS' INTERESTS

As 31 March 2004, according to the register of interests in long and short positions kept by the Company under the provisions of Divisions 2 and 3 of Part XV of section 336 of the SFO and so far as the Directors were aware, the following persons had a long or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in shares of the Company

	Number of shares	Percentage of issued share capital
Asset-Plus Investments Ltd.	68,076,076	9.09
Forward Investments Inc.	174,277,635	23.27
Intercontinental Enterprises Corporation	72,650,000	9.70
Prosperous Island Limited	63,354,452	8.46

Saved as disclosed above, there was no other persons (other than the Directors of the Company) who, as at 31 March 2004, was recorded in the register of interests in long positions and short positions kept by the Company under the provisions of Divisions 2 and 3 of Part XV of section 336 of the SFO.



SHARE OPTION SCHEME

Details of share option scheme are set out in note 24 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract with any member of the Group which is not determinable within one year without payment other than statutory compensation.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda, the jurisdiction in which the Company was incorporated.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the shares of the Company.

DIRECTORS' REPORT

AUDIT COMMITTEE

During the year, the Audit Committee held meeting twice to discuss with management and the external auditors the accounting principles and practices adopted by the Group as well as internal control and financial reporting matters. The Members of the Audit Committee are Dr. Charles Wai Bun Cheung, J.P., The Hon Bernard Charnwut Chan and Mr. Arnold Tin Chee Ip.

COMPLIANCE WITH CODE OF BEST PRACTICE

During the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange, except that the independent non-executive directors have no specific term of office but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

AUDITORS

The financial statements have been audited by Fan, Mitchell & Co. who retire, and being eligible, offer themselves for re-appointment.



On Behalf of the Board

Rossana Wang Gaw

Chairman

Hong Kong, 20 July 2004