

The Directors have pleasure in submitting their report together with the audited accounts of the Company and the Group for the year ended 31st March 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiary companies (the "Group") are investment holding, property development and investment, property management and building contractor.

RESULTS

The results of the Group for the year ended 31st March 2004 are shown on page 31.

DIVIDEND

No interim dividend had been declared or paid during the year (2003: nil). The Directors have decided to recommend at the forthcoming annual general meeting of the Company to be held on Monday, 23rd August 2004 a final dividend of HK 3 cents per share (2003: nil) and a special dividend of HK 3 cents per share (2003: nil) to be paid on Monday, 30th August 2004 to the shareholders whose names appear on the register of members of the Company on Monday, 23rd August 2004. The proposed final dividend and special dividend will amount to total dividends of HK 6 cents per share for the year (2003: nil).

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 58.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 22 to the accounts.

Distributable reserves of the Company as at 31st March 2004, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$292,138,368 (2003: HK\$275,333,987).

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 investment and sale purposes are shown on pages 60 to 67.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 21 to the accounts.

DIRECTORS

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

Executive Directors

Mr. Cheung Kee Wee (*Chairman*)

Mr. Cheung Lin Wee

Mr. Cheung Ying Wai, Eric

Independent Non-executive Directors

Mr. Lam Hon Keung, Keith

Mr. John Ho

Mr. Ng Kwok Tung

Mr. Chan Woon Kong (Appointed on 9th July 2004)

Mr. Soo Hung Leung, Lincoln (Appointed on 9th July 2004)

In accordance with Article 94 of the Company's Articles of Association, Mr. Chan Woon Kong and Mr. Soo Hung Leung, Lincoln retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 2 to 3.

DIRECTORS' SERVICE CONTRACTS

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.

DIRECTORS' INTERESTS IN CONTRACTS

Save for those "Significant Related Party Transactions" described in note 25 to the accounts and the section "Connected Transaction" below, 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' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2004, 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")) which were 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 which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Ordinary Shares of the Company

Name of Director	Personal Interests	Corporate Interests	Other Interests	Total	% of issued share capital
Cheung Kee Wee	—	1,705,360 (Note 1)	87,391,440 (Note 2)	89,096,800	73.66
Cheung Lin Wee	572,000	—	87,391,440 (Note 2)	87,963,440	72.72
Cheung Ying Wai, Eric	396,000	—	13,444,837 (Note 3)	13,840,837	11.44

Notes:

- (1) These shares were held by a company of which Mr. Cheung Kee Wee and his spouse in aggregate owned 50% interest. Therefore, Mr. Cheung was deemed to be interested in these shares under the SFO.
- (2)* The 87,391,440 shares of Messrs. Cheung Kee Wee and Cheung Lin Wee related to the same block of shares in the Company. Messrs. Cheung Kee Wee and Cheung Lin Wee are two of the three executors under the Will of Mr. Cheung Kung Hai, deceased ("CKH") who held 87,391,440 shares before his death. Under the Will of CKH in which Messrs. Cheung Kee Wee and Cheung Lin Wee are also two of the beneficiaries, the assets are to be held on trust for sale. The Executors however have right of appropriation of the assets to the beneficiaries in specie and there is hence a possibility that shares will be distributed to beneficiaries. To avoid double counting, the number of shares that may contingently be allocated to Messrs. Cheung Kee Wee and Cheung Lin Wee respectively have not been added to these numbers of shares.
- (3)* CKH held 87,391,440 shares before his death. Under the Will of CKH in which Cheung Ying Wai, Eric is one of the beneficiaries, there is a possibility that these 13,444,837 shares will be allocated to Mr. Cheung Ying Wai, Eric.
- * Since probate has not been granted and the Executors are not yet registered as holders of the shares in question, strictly speaking, a trust of the shares has not yet been legally constituted.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Save as disclosed above, as at 31st March 2004, none of the Directors or Chief Executives of the Company or any of their associates had or were deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

So far as is known to the Directors or Chief Executives of the Company, as at 31st March 2004, the following Shareholders (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company were as follows:

Long Positions in the ordinary shares of the Company

	Number of shares	% of issued share capital
Substantial Shareholders:		
Cheung Kung Hai, deceased	87,391,440	72.25
Chin Lan Hong	99,387,040 (Note 1)	82.17
Kung So Ha, Anne	89,096,800 (Note 2)	73.66
Wu Suet Yi, Rita	87,963,440 (Note 3)	72.72
Hoh Kwok Hing, Corinne	13,840,837 (Note 4)	11.44
Person other than Substantial Shareholders:		
Megabest Securities Ltd.	11,295,600 (Note 5)	9.34

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS (Continued)

Notes:

- (1)* Out of the 99,387,040 shares, 11,295,600 shares were held by Megabest Securities Limited ("Megabest") of which Madam Chin Lan Hong was interested in the entire issued share capital, through the chain of ownership being described in Note (5) below; 700,000 shares were held under her personal interests; and 87,391,440 shares related to the same block of shares as described in "Other Interests" of Messrs. Cheung Kee Wee and Cheung Lin Wee respectively under the heading of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", as Madam Chin Lan Hong together with Messrs. Cheung Kee Wee and Cheung Lin Wee are the three executors under the Will of CKH who held 87,391,440 shares before his death. Under the Will of CKH, Madam Chin Lan Hong is also one of the beneficiaries. To avoid double counting, the number of shares which may contingently be allocated to Madam Chin Lan Hong has not been added to this number of shares.
- (2) Ms. Kung So Ha, Anne is the wife of Mr. Cheung Kee Wee and was taken to be interested in these shares in which her spouse was interested under the SFO.
- (3) Ms. Wu Suet Yi, Rita is the wife of Mr. Cheung Lin Wee and was taken to be interested in these shares in which her spouse was interested under the SFO.
- (4) Ms. Hoh Kwok Hing, Corinne is the wife of Mr. Cheung Ying Wai, Eric and was taken to be interested in these shares in which her spouse was interested under the SFO.
- (5) These 11,295,600 shares held by Megabest related to the same block of shares as described in Note (1). These shares were held by Megabest through its wholly owned subsidiary Profit-taking Company Inc., which in turn held the entire issued share capital of Pullfield Company Limited, the registered owner of the said 11,295,600 shares of the Company.
- * Since probate has not been granted and the Executors are not yet registered as holders of the shares in question, strictly speaking, a trust of the shares has not yet been legally constituted.

Save as disclosed above, as at 31st March 2004, the Company has not been notified by any person (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiary companies has purchased or sold 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 42.3% of the Group's total turnover, of which 18.5% 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 CKH, substantial shareholder of the Company, has beneficial interests in three of the Group's five largest customers and Madam Chin Lan Hong, a shareholder owns more than 5% of the Company's issued share capital, has beneficial interest in three of the Group's five largest customers.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st March 2004, which also constitute connected transactions under the Listing Rules, are disclosed in note 25 to the accounts.

DISCLOSURE PURSUANT TO THE RULES 13.20 AND 13.22 OF THE LISTING RULES

As at 31st March 2004, the market capitalization of the Company was approximately HK\$154,103,040 (the "Market Capitalization") which was based on the total number of 120,960,000 shares of the Company in issue on 31st March 2004 and the average closing price of HK\$1.274 per share from 24th March 2004 to 30th March 2004 (both days inclusive) being the five business days immediately preceding 31st March 2004.

DISCLOSURE PURSUANT TO THE RULES 13.20 AND 13.22 OF THE LISTING RULES (Continued)

Details of the advances made by the Group to the following entities as at 31st March 2004, which individually exceeded 8% of the Market Capitalization, are as follows:

Name of Entities	Percentage of equity interest held by the Group	Advances as at 31 March 2004 HK\$
Cantake Land Investment Company Limited	25%	52,775,266
Chase Good Development Limited	25%	15,871,803
Eastern Tailor Enterprises Limited	25%	19,526,917
Hinquand Enterprise Limited	50%	20,626,760
Keneva Company Limited	25%	38,857,400
Kin Yuen Hing Investment Company Limited	50%	13,159,056
Wah Ha Property Development Limited	50%	14,291,605

The aforesaid advances were funding contributions made to the entities, in proportion to the Group's shareholdings in such companies on the same terms and conditions, for financing their respective property projects. These advances are unsecured, interest free, have no specific repayment terms and are met by the internal resources of the Group.

In total, the Group has provided financial assistance to its affiliated companies at an aggregate amount of HK\$193,434,539 as at 31st March 2004, representing approximately 125.52% of the Market Capitalization. The pro forma combined balance sheet and the Group's attributable interest as at 31st March 2004 is as follows:

	Pro forma Combined Balance Sheet HK\$	Group's Attributable Interests HK\$
Non-current assets	621,844,738	182,026,188
Current assets	251,932,957	84,179,151
Current liabilities	(20,662,242)	(5,792,327)
Net current assets	231,270,715	78,386,824
Non-current liabilities	(744,591,537)	(214,610,749)
Net assets	108,523,916	45,802,263

SUFFICIENCY OF PUBLIC FLOAT

The public float of shares in the Company has remained above the minimum percentage as required under the Listing Rules throughout the year.

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 Listing Rules 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.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an audit committee was established in December 1998. The committee currently comprises five Independent Non-executive Directors, namely Messrs. Lam Hon Keung, Keith, John Ho, Ng Kwok Tung, Chan Woon Kong and Soo Hung Leung, Lincoln, of whom Messrs. Chan Woon Kong and Soo Hung Leung, Lincoln were appointed as additional Independent Non-executive Directors and members of the audit committee on 9th July 2004. The Board is of the opinion that the members of the audit committee have sufficient accounting and financial management expertise or experience to discharge their duties.

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, 9th July 2004