

The directors herein present their annual report and the audited financial statements of the Company and the Group for the year ended 31st March, 2004.

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly-controlled entities are set out in notes 18, 19, and 20 to the financial statements, respectively.

During the year, the Group acquired additional interests in Hon Kwok, a separate listed company which engaged in property development, property investment and property related businesses. Hon Kwok became a subsidiary of the Company on 21st May, 2003.

### **RESULTS AND APPROPRIATIONS**

Details of the Group's results are set out in the consolidated income statement on page 25.

The directors recommend the payment of a final dividend of 2 cents per ordinary share for the year to the shareholders whose names appear on the register of members of the Company on 8th September, 2004, amounting to approximately HK\$11,027,000.

### **FIVE YEAR FINANCIAL SUMMARY**

A summary of the consolidated results and of the assets and liabilities of the Group for the past five financial years is set out on pages 87 and 88.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **Liquidity and financial resources**

Total interest-bearing debts of the Group amounted to HK\$1,870 million as at 31st March, 2004 (2003: HK\$307 million), of which 29% of the debts was due and repayable within one year.

Total cash on hand was HK\$466 million (2003: HK\$205 million). The Group had a total of approximately HK\$700 million committed but undrawn banking facilities at year end.

The increase in total interest-bearing debts of the Group was mainly due to the status change of Hon Kwok from an associate to a non-wholly owned subsidiary of the Group from May 2003 onwards. As a result, Hon Kwok's interest-bearing debts totalled HK\$1,590 million were consolidated into the Group's balance sheet at year end.

The gearing ratio of the Group, as measured by total interest-bearing debts over total assets, was 48% as at 31st March, 2004 (2003: 20%). Hon Kwok, as a separate listed company, obtains financing on its own without assistance from the Company. Had Hon Kwok been equity accounted for as an associate in previous years, the pro-forma gearing of the Group at year end would have been 17%.

### **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

#### **Funding and treasury policy**

The Group adopts a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and United States dollars and bear interest at floating rates.

#### **Pledge of assets**

Inventories, trade debts, bank balances, properties and shares of an associate with an aggregate book value of HK\$2,283 million as at 31st March, 2004 and shares in a subsidiary were pledged to secure certain banking facilities of the Group.

#### **Contingent liabilities**

Particulars of the Group's contingent liabilities are set out in note 38 to the financial statements.

#### **Employees and remuneration policies**

The Group, not including its associates and jointly-controlled entities, employed approximately 2,800 people as at 31st March, 2004. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 34 to the financial statements.

### **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$19 million for the purposes of business expansion. Details of these and other movements in the property, plant and equipment of the Group and of the Company during the year are set out in note 15 to the financial statements.

## PROPERTIES UNDER DEVELOPMENT

Details of the movements in properties under development of the Group during the year are set out in note 16 to the financial statements.

## INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 17 to the financial statements.

## PARTICULARS OF PROPERTIES

Particulars of the major properties held by the Group are set out on pages 89 to 92.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

James Sai-Wing Wong	
Madeline May-Lung Wong	
William Chung-Yue Fan*	
Herman Man-Hei Fung	
Clement Kwok-Hung Young*	
Johnny Chung-Ah Wong*	(appointed on 3rd October, 2003)
Peter Man-Kong Wong*	(appointed on 27th March, 2004)
Roderick Sue-Cheun Wong	(resigned on 14th January, 2004)
Frankie Yick-Cheung Lee	(resigned on 6th February, 2004)

\* *Independent non-executive directors*

In accordance with Articles 95 of the Company's Articles of Association, Johnny Chung-Ah Wong and Peter Man-Kong Wong retire and, being eligible, offer themselves for re-election.

In accordance with Article 104 of the Company's Articles of Association, Clement Kwok-Hung Young retires by rotation and, being eligible, offers himself for re-election.

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' INTERESTS IN CONTRACTS OF SIGNIFICANCE

1. During the year, the Group had the following transaction with Lucky Year, the ultimate holding company.

In May 2001, Hon Kwok, a then associate and now a non-wholly owned subsidiary of the Company, obtained bank loan facilities of HK\$150 million through cash collateral provided by Lucky Year. In consideration of Lucky Year's provision of the cash security, Hon Kwok agreed to pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the term of the bank loans to Lucky Year and counter-indemnify Lucky Year in respect of the cash security by mortgaging the entire issued share capital of two of Hon Kwok's subsidiaries and assigned shareholders' loans in an aggregate amount of HK\$220,245,000 to Lucky Year. In December 2003, Lucky Year extended the cash security arrangement for a further period of 30 months under the same terms and conditions, save for the release of all securities provided by Hon Kwok. Total commission paid by Hon Kwok to Lucky Year during the year amounted to HK\$2,625,000.

James Sai-Wing Wong and Madeline May-Lung Wong are directors and shareholders of Lucky Year.

2. During the year, the Group had the following transactions with Hon Kwok:
  - (a) On 12th February, 2003, the Company entered into an underwriting agreement (the "Underwriting Agreement") with Hon Kwok in respect of a rights issue of 200,123,100 rights shares of Hon Kwok at a subscription price of HK\$1 per rights share. Pursuant to the Underwriting Agreement, the Company has irrevocably undertaken to subscribe for 94,842,711 rights shares of Hon Kwok provisionally allotted to the Company in respect of its beneficial shareholding in Hon Kwok. The Company also agreed to underwrite the remaining 105,280,389 rights shares. Hon Kwok would pay a commission at 2.5% of the total subscription monies of the rights shares underwritten by the Company.

On 12th February, 2003, the Company, Hon Kwok and Hon Kwok Land Treasury II Limited entered into a deed for payment arrangement of the subscription monies payable by the Company in respect of the rights issue of Hon Kwok and the repayment of the principal sum of HK\$141 million (the "Redemption Monies") convertible guaranteed bonds issued by Hon Kwok Land Treasury II Limited (the "Payment Arrangement Deed"). Pursuant to the deed, the Company, Hon Kwok and Hon Kwok Land Treasury II Limited agreed that the Redemption Monies shall be deferred and applied towards the payment of part of or the whole of the subscription monies payable by the Company in respect of the rights issue of Hon Kwok. Subsequently, the Company, Hon Kwok and Hon Kwok Land Treasury II Limited entered into another deed to amend the Payment Arrangement Deed whereby all parties agreed that the Redemption Monies shall be further deferred from 22nd April, 2003 to completion of the rights issue.

**DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE** (Continued)

On 21st May, 2003, the rights issue of Hon Kwok was completed. Hon Kwok announced that they have received total valid applications for 126,755,733 rights shares (including 94,842,711 rights shares taken up by the Company). The Company performed its obligation under the Underwriting Agreement to subscribe for the rest of 73,367,367 rights shares of Hon Kwok. The Company satisfied the subscription monies of approximately HK\$168.2 million by the set-off of the Redemption Monies of HK\$141 million, the set-off of underwriting commission payable by Hon Kwok of approximately HK\$2.6 million and cash payment of approximately HK\$24.6 million. Upon completion of the rights issue, the Company's shareholding in Hon Kwok increased from 47.39% to 69.39%. Hon Kwok then became a subsidiary of the Company.

Interest earned by the Company on the HK\$141 million convertible guaranteed bonds during the year amounted to HK\$1,227,000.

- (b) On 31st March, 2003, Hon Kwok entered into an agreement for a bridging facility with the Company whereby the Company agreed to provide financing to Hon Kwok to partly finance the redemption of convertible guaranteed bonds.

Interest paid on the bridging finance facilities provided by the Company during the year amounted to approximately HK\$2,486,000.

- (c) On 25th February, 2004, the Company and Hon Kwok entered into a placing agreement pursuant to which the Company agree to place 66,700,000 existing shares of Hon Kwok of HK\$1 each at the placing price of HK\$1.65 per share. Pursuant to the placing agreement, the Company has conditionally agreed to subscribe for 66,700,000 new shares of Hon Kwok at the placing price. Upon the completion of the placing and subscription, the Company's shareholding in Hon Kwok decreased from 69.39% to 57.83%.
- (d) The Company received management fee amounting to HK\$2,000,000 from Hon Kwok for the provision of administration and general services for the year ended 31st March, 2004.

James Sai-Wing Wong and Madeline May-Lung Wong are directors of and have beneficial interests in Hon Kwok. William Chung-Yue Fan and Herman Man-Hei Fung are also directors of Hon Kwok.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE (Continued)

3. During the year, the Group had the following transactions with Chinney Alliance, an associate of the Company:
- (a) The Company received management fees amounting to HK\$2,000,000 from Chinney Alliance, for the provision of administration and general services for the year ended 31st March, 2004.
  - (b) On 26th August, 2003, a subsidiary of Chinney Alliance entered into an agreement with a wholly-owned subsidiary of Hon Kwok, to dispose its carpark assets and a property in the PRC for a cash consideration of HK\$15,000,000. The disposal was effected by the sale of the entire issued share capital of China Parking (BVI) Limited, a wholly-owned subsidiary of Chinney Alliance, and assignment of related shareholders' loans, taking reference to the fair value of the property assets as assessed by an independent property valuer. The transaction was completed on 22nd October, 2003.
  - (c) On 3rd March, 2004, Multi-Investment Group Limited ("MIG"), an indirect wholly-owned subsidiary of the Company, entered into a placing agreement with a placing agent pursuant to which MIG agreed to place 468,000,000 existing shares of Chinney Alliance of HK\$0.01 each at the placing price of HK\$0.02 per share to independent third parties. Concurrently on the same day, MIG entered into a top-up subscription agreement with Chinney Alliance relating to the subscription for 660,000,000 new shares of Chinney Alliance of HK\$0.01 each at the issue price of HK\$0.02 per share. The subscription was completed on 16th March, 2004. After the completion of the placing of existing shares and the subscription of new shares, MIG remains to be interested in approximately 29.1% of the issued share capital of Chinney Alliance.

James Sai-Wing Wong and Herman Man-Hei Fung are directors of, and have beneficial interests in, Chinney Alliance. Madeline May-Lung Wong has a beneficial interest in Chinney Alliance.

4. William Chung-Yue Fan is the consultant of Messrs. Fan & Fan which provides legal and professional services to the Group and receives normal professional fees for such services. Total fees amounting to approximately HK\$1,064,000 was paid by the Group during the year.

Save as disclosed above, no contracts of significance to which the Company, its holding companies or any of its subsidiaries and fellow 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 IN SECURITIES

As at 31st March, 2004, the interests and short positions of the directors 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 required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

### (a) Directors' interests in the shares of the Company

Name of director	Note	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
James Sai-Wing Wong	1	Corporate	306,959,324	55.67
Madeline May-Lung Wong	1	Corporate	306,959,324	55.67
William Chung-Yue Fan		Personal	1,902,285	0.35

All the interests stated above represent long positions.

### (b) Directors' interests in the shares of associated corporations

Name of director	Notes	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
James Sai-Wing Wong	2	Hon Kwok	Corporate	231,438,553	57.83
	2	Chinney Alliance	Corporate	1,153,957,982	29.10
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Chinney Holdings	Personal	100,000	1.00
		Lucky Year	Personal	10,000	50.00
Madeline May-Lung Wong	2	Hon Kwok	Corporate	231,438,553	57.83
	2	Chinney Alliance	Corporate	1,153,957,982	29.10
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	50.00
William Chung-Yue Fan	4	Wise Pacific Investment Limited	Corporate	2,000	20.00

All the interests stated above represent long positions.

### **DIRECTORS' INTERESTS IN SECURITIES (Continued)**

#### **(c) Directors' interests in the underlying shares of associated corporation**

Pursuant to the share option scheme of Chinney Alliance, Herman Man-Hei Fung has options to subscribe for 8,000,000 shares in Chinney Alliance at an exercise price of HK\$0.07 per share, subject to adjustment. The options were granted on 13th July, 1999 and can be exercised up to 12th July, 2009. During the year, no share options were exercised.

#### *Notes:*

- 1. These shares are beneficially held by Chinney Holdings which is a subsidiary of Lucky Year. James Sai-Wing Wong and Madeline May-Lung Wong are directors and beneficially own more than one third of the equity capital of Lucky Year.*
- 2. These shares are beneficially held by the Company or its wholly-owned subsidiary. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
- 3. These shares are beneficially held by Lucky Year. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
- 4. These shares are held by Gold Sound Enterprises Limited, of which William Chung-Yue Fan is both a director and a shareholder.*

Save as disclosed herein, as at 31st March, 2004, none of the directors of the Company had 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) which are required to be recorded in the register kept by the Company under Section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### **DIRECTORS' INTEREST IN A COMPETING BUSINESS**

During the year, Ms. Madeline May-Lung Wong is a director of HKR International Limited whose group's businesses consist of property development and property investment. In this respect, Madeline May-Lung Wong is regarded to be interested in a competing business of the Group.

Save as disclosed above, none of the directors of the Company is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with businesses of the Group.



## SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2004, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Number of ordinary shares held	Approximate percentage of shareholding
Chinney Holdings	306,959,324	55.67
Lucky Year	306,959,324	55.67

All the interests stated above represent long positions. Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.

Save as disclosed herein, as at 31st March, 2004, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Particulars of share option scheme of Hon Kwok, a subsidiary of the Company, are set out in note 33 to the financial statements.

Other than the option holdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, 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.

## PURCHASE, SALE OR REDEMPTION OF CONVERTIBLE BONDS AND SECURITIES

The 10% convertible guaranteed bonds (the "Bonds") issued by a wholly-owned subsidiary of Hon Kwok were fully redeemed at par during the year as follows:

Date	Principal amount of the Bonds HK\$
22nd April, 2003	159,000,000
21st May, 2003	141,000,000
	<u>300,000,000</u>

Hon Kwok became a subsidiary of the Company on 21st May, 2003.

Save as disclosed above, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's securities during the year.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 41% of the Group's turnover and turnover attributable to the Group's largest customer accounted for approximately 19% of the Group's turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 32% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 19% of the Group's purchases.

None of the directors, their associates or any shareholders whom to the knowledge of the directors owns more than 5% of the Company's issued share capital has an interest in the Group's five largest customers and suppliers.

### DISCLOSURE PURSUANT TO RULES 13.13 AND 13.16 OF THE LISTING RULES

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Rules 13.13 and 13.16 of the Listing Rules:

#### Advances to a jointly-controlled entity

Details of the advance and guarantees made by a wholly-owned subsidiary of the Company engaged in the business of garment trading and manufacturing (the "Garment Subsidiary") and its subsidiaries (the "Garment Subsidiary Group"), without recourse to the Company, for the benefit of a jointly-controlled entity of the Garment Subsidiary which exceeded 8% of the market capitalization of the Company and the consolidated total assets of the Group as at 31st March, 2004 were as follows:

Name of jointly-controlled entity	Note	Attributable interest held by the Group	Advance HK\$'000	Guarantees given HK\$'000	Banking facilities drawn under the guarantees HK\$'000	Total advance plus guarantees given HK\$'000
SGA Holdings Limited	1	50%	668	402,200	102,203	402,868

**DISCLOSURE PURSUANT TO RULES 13.13 AND 13.16 OF THE LISTING RULES (Continued)**

**Financial assistance and guarantees to affiliated companies**

Details of the advances made and guarantees given for the benefit of its affiliated companies which in aggregate exceeded 8% of the market capitalization of the Company and the consolidated total assets of the Group as at 31st March, 2004 were as follows:

Name of affiliated companies	Notes	Attributable interest held by the Group	Advances HK\$'000	Guarantees given HK\$'000	Banking facilities drawn under the guarantees HK\$'000	Total advances plus guarantees given HK\$'000
Chinney Alliance Group Limited	2	29.1%	2,000	-	-	2,000
Cleveland Investment Limited	3 & 4	28.9%	9,203	-	-	9,203
Global Wealth Development Limited	3 & 4	28.9%	3,873	-	-	3,873
Guangzhou Li Du Property Development Co., Ltd.	3 & 4	28.3%	8,701	-	-	8,701
King Success Limited	5	28.9%	-	7,902	7,902	7,902
Million Kingdom Limited	3 & 4	28.9%	51	-	-	51
PT. Buana Prefash Jaya	4 & 6	50%	8,628	-	-	8,628
PT. Buana Busana Cemerlang	4 & 7	50%	261	-	-	261
PT. Master Prefash International	4 & 6	20%	825	-	-	825
PT. Metro Gateway Concept	4 & 8	33%	4,633	-	-	4,633
SGA Holdings Limited	1	50%	668	402,200	102,203	402,868
Worldwide Connection Limited	3 & 4	28.9%	4,890	-	-	4,890
			43,733	410,102	110,105	453,835

### DISCLOSURE PURSUANT TO RULES 13.13 AND 13.16 OF THE LISTING RULES (Continued)

#### Financial assistance and guarantees to affiliated companies (Continued)

Notes:

1. *The advance and guarantees were provided by the Garment Subsidiary Group in order to facilitate the trading activities of SGA Holdings Limited which requires substantial banking facilities to conduct its business. The advance is unsecured, bears interest at the best lending rate quoted by the Hongkong Bank, repayable on demand and has no fixed repayment terms. The banking facilities in the amount of HK\$402.2 million were jointly used by SGA Holdings Limited and the subsidiaries of the Garment Subsidiary. The guarantees were given in favour of the relevant banks as a condition under which the banking facilities were granted. They are provided wholly by the Garment Subsidiary Group without recourse to the Company. The consolidated net book value of the Garment Subsidiary as at 31st March, 2004 was approximately HK\$25 million.*
2. *The balance represented management fee which was accrued as at 31st March, 2004.*
3. *These advances were made by a non-wholly owned subsidiary of the Company to the affiliated companies as shareholders' loans pursuant to the respective shareholders' agreements.*
4. *All these advances are unsecured, non-interest bearing, repayable on demand, have no fixed repayment terms nor maturity date.*
5. *The guarantee given represented the relevant amount of guarantee given by a non-wholly owned subsidiary of the Company relating to the banking facilities granted to the affiliated company.*
6. *The advance was provided to facilitate the initial set-up of the affiliated company.*
7. *The amount was in respect of sales of fixed assets to the affiliated company.*
8. *The amount was in respect of advance to finance penetration of the retail market in Indonesia and sales of fixed assets and other assets to the affiliated company.*

A pro-forma combined balance sheet of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies are presented below:-

	<b>Pro-forma combined balance sheet (HK\$ million)</b>	<b>The Group's attributable interest (HK\$ million)</b>
Non-current assets	94	33
Current assets	524	177
Current liabilities	(443)	(154)
Non-current liabilities	(56)	(19)
Minority interests	(2)	–
	<hr/>	<hr/>
Net assets	<u>117</u>	<u>37</u>

## AUDIT COMMITTEE

The Company has established an audit committee comprising William Chung-Yue Fan, Clement Kwok-Hung Young, Johnny Chung-Ah Wong and Peter Man-Kong Wong.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied throughout the year ended 31st March, 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange except that the non-executive directors are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association.

## AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years. A resolution will be submitted at the Annual General Meeting of the Company to re-appoint them.

On behalf of the Board  
**Herman Man-Hei Fung**  
*Managing Director*

Hong Kong, 13th July, 2004