

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31st March, 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides management services to its subsidiaries. Its subsidiaries are mainly engaged in property development and investment. There have been no changes in the nature of the Group's principal activities during the year. Further details of the Company's principal subsidiaries are set out in note 18 to the financial statements.

FINANCIAL RESULTS

The Group's profit for the year ended 31st March, 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 70.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK\$1,434 million as at 31st March, 2005 (2004: HK\$1,590 million), of which approximately 9% of the debts were due and repayable within one year.

Total cash on hand was HK\$354 million as at 31st March, 2005 (2004: HK\$314 million). The Group had a total of HK\$398 million committed but undrawn banking facilities at year end available for its working capital purpose.

Total shareholders' fund as at 31st March, 2005 was approximately HK\$1,545 million (2004: HK\$1,269 million). The increase was mainly due to the profit retained for the year and net surplus on revaluation of investment properties at year end.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$1,080 million over the total shareholders' fund of approximately HK\$1,545 million, was 70% as at 31st March, 2005 (2004: 101%).

Use of placement proceeds

In February 2004, the Company entered into a top-up share placement to place 66,700,000 new shares at a price of HK\$1.65 per share. The placement was completed in March 2004 and generated net cash proceeds of HK\$107 million for general working capital of the Group including land acquisition purpose. The Group utilised HK\$22 million in prior year and applied the remaining proceeds of HK\$85 million during the year for land acquisition purpose.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Funding and treasury policies

The Group adopts a prudent funding and treasury policy. Surplus funds are primarily maintained in the form of cash deposits with leading banks.

Acquisition and development of properties are financed partly by internal resources and partly by secured bank loans. Repayments of bank loans are scheduled to match asset lives and project completion dates. Borrowings are mainly denominated in Hong Kong dollars, Renminbi and Canadian dollars and bear interest at floating rates, except for the Renminbi loan facilities.

Foreign currency exposure is monitored closely by the management and hedged to the extent desirable. As at 31st March, 2005, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties and bank balances with an aggregate carrying value of HK\$1,770 million as at 31st March, 2005 were pledged to secure certain banking facilities of the Group.

Contingent liabilities

The tax dispute with the Inland Revenue Department in the amount of HK\$2,959,000 regarding the taxability of a certain gain recognised in prior years was settled, with ruling in favour of the Group.

Particulars of the Group's contingent liabilities are set out in note 35 to the financial statements.

Employees and remuneration policies

The Group employed approximately 170 employees as at 31st March, 2005. 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.

DIVIDEND

The directors recommend the payment of a final dividend of 8 cents per share for the year ended 31st March, 2005 (2004: 6 cents) to shareholders whose names appear on the Company's register of members on 22nd September, 2005.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 71 and 72. This summary is not part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group are set out in note 15 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

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

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group 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 73 to 76.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31st March, 2005, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$373,445,000. In addition to the retained profits of the Company, the Company's share premium account of HK\$161,410,000 may be applied under the Companies Ordinance to pay up bonus shares issuable to the shareholders of the Company.

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
Zuric Yuen-Keung Chan
Daniel Chi-Wai Tse*
Patrick Yen-Tse Tsai*
Kenneth Kin-Hing Lam*

* *Independent non-executive directors*

In accordance with article 104 of the Company's articles of association, Madeline May-Lung Wong and William Chung-Yue Fan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Details of the directors to be re-elected are as follows:

(a) **Madeline May-Lung Wong**

Aged 65, was appointed as a director of the Company in 1985. Ms. Wong was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Ms. Wong is a director of Chinney Investments, Chinney Holdings and Lucky Year, all being substantial shareholders of the Company. She is also a director of HKR International Limited. Chinney Investments and HKR International Limited are both listed on the Stock Exchange.

At the date of this report, Ms. Wong was deemed to be interested in 231,438,553 shares of the Company, 306,959,324 shares in Chinney Investments, 9,900,000 shares in Chinney Holdings and 10,000 shares in Lucky Year within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Ms. Wong's deemed interest in the Company is held by Chinney Investments which is a subsidiary of Chinney Holdings. Chinney Holdings is in turn a subsidiary of Lucky Year.

Ms. Wong together with Mr. James Sai-Wing Wong, director and substantial shareholder of the Company, held all the issued shares of Lucky Year and they are partners in several private investments. Save as disclosed above, Ms. Wong does not have any other business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Ms. Wong and no remuneration has been paid to Ms. Wong.

DIRECTORS (Continued)

(b) William Chung-Yue Fan

Aged 64, was appointed as a director of the Company in 1985. Mr. Fan was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Fan is a solicitor in Hong Kong and a consultant to Fan & Fan, Solicitors which provides legal and professional services to the Group. He is also a director of Chinney Investments, the substantial shareholder of the Company, which is listed on the Stock Exchange.

At the date of this report, Mr. Fan did not have any interests in the shares of the Company but was interested in 1,902,285 shares in Chinney Investments and 2,000 shares in Wise Pacific Investment Limited, a subsidiary of the Company, within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Fan does not have any other business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Fan and no remuneration has been paid to Mr. Fan.

The Company has received from each of the independent non-executive directors written confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considered all of the independent non-executive directors to be independent throughout the year.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 12.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment, other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31st March, 2005, 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 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 Issuers (the "Model Code"), were as follows:

(a) Long positions in the ordinary 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	231,438,553	57.83
Madeline May-Lung Wong	1	Corporate	231,438,553	57.83

(b) Long positions in the ordinary 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	Chinney Investments	Corporate	306,959,324	55.67
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	1.00
Madeline May-Lung Wong	2	Chinney Investments	Corporate	306,959,324	55.67
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	50.00
William Chung-Yue Fan	4	Chinney Investments	Personal	1,902,285	0.35
		Wise Pacific Investment Limited	Corporate	2,000	20.00
Zuric Yuen-Keung Chan		Chinney Contractors Company Limited	Personal	2,645	13.95

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(Continued)

Notes:

1. *These shares are beneficially held by Chinney Investments which is a subsidiary of Chinney Holdings. More than one-third of the equity capital of Chinney Holdings is owned by Lucky Year of which James Sai-Wing Wong and Madeline May-Lung Wong are directors and have beneficial interest therein.*
2. *These shares are beneficially held by Chinney Holdings. 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 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 a director and shareholder.*

Save as disclosed herein, as at 31st March, 2005, none of the directors of the Company had any interest or short position 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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

- (a) In December 2003, Lucky Year extended cash security arrangement in favour of the Company for a further period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to bank loans of HK\$150 million granted by the banks to the Company. In consideration for the provision of cash security, the Group agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. The Group provides no security to Lucky Year or other connected persons in connection with the arrangement.

Commission paid to Lucky Year during the year amounted to HK\$2,625,000 (2004: HK\$2,625,000).

- (b) Fan & Fan, Solicitors provide legal and other professional services to the Group and receive normal professional fees for such services. The total fees paid by the Group during the year amounted to approximately HK\$463,000 (2004: HK\$1,049,000).

DIRECTORS' INTERESTS IN CONTRACTS (Continued)

James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in transaction (a) above because they are directors of and have beneficial interests in Lucky Year.

William Chung-Yue Fan is deemed to be interested in transaction (b) above by virtue of his capacity as a consultant of Fan & Fan.

Save as disclosed above, no director had a beneficial interest, either directly or indirectly, in any material contract to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

The Company has entered into a management contract with Chinney Investments for the provision of general corporate management services. The contract is for an unspecified duration and may be terminated by either party by giving the other party two months' written notice.

During the year, the Company paid a management fee of HK\$6,000,000 to Chinney Investments (2004: HK\$2,000,000). James Sai-Wing Wong, Madeline May-Lung Wong, William Chung-Yue Fan and Herman Man-Hei Fung, directors of the Company, are also directors of Chinney Investments.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st March, 2005, 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 of 5% or more 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 Investments	231,438,553	57.83
Chinney Holdings	231,438,553	57.83
Lucky Year	231,438,553	57.83
Allianz Aktiengesellschaft	20,692,000	5.17

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

All the interests stated above represent long positions. Chinney Investments, 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, 2005, none of the substantial shareholders or other persons (other than the directors of the Company whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year, Madeline May-Lung Wong was a director of HKR International Limited whose businesses consist of property development and property investment. In this respect, Madeline May-Lung Wong is regarded as being 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the year ended 31st March, 2005.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company complied with the Code of Best Practice set out in Appendix 14 of the Listing Rules, which was in force prior to 1st January, 2005, throughout the accounting period covered by this report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's articles of association.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code throughout the year ended 31st March, 2005.

AUDIT COMMITTEE

The Company has established an audit committee comprising William Chung-Yue Fan, Daniel Chi-Wai Tse, Patrick Yen-Tse Tsai and Kenneth Kin-Hing Lam. Regular meetings have been held by the audit committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal controls. The audit committee has reviewed with management and the external auditors the final results of the Group for the year ended 31st March, 2005.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital is held by the public.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, purchases from the Group's five largest suppliers accounted for 46% of the total purchases for the year. Purchases from the Group's largest supplier included therein totalled 28%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors, their associates or any shareholders (which, to the knowledge of the directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Herman Man-Hei Fung
Vice-chairman

Hong Kong, 13th July, 2005