

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

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.

In the prior year, the Group acquired additional interests in Hon Kwok, a company which acts as an investment holding company and its subsidiaries are mainly engaged in property development, property investment and property related businesses. Hon Kwok became a subsidiary on 21st May, 2003.

RESULTS AND APPROPRIATIONS

Details of the Group's results are set out in the consolidated income statement on page 26.

The directors recommend the payment of a final dividend of 3 cents per ordinary share for the year to the shareholders whose names appear on the register of members of the Company on 22nd September, 2005, amounting to approximately HK\$16,541,000.

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 83 and 84.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$1,713 million (2004: HK\$1,870 million), of which approximately 24% of the debts were due and repayable within one year. Total cash on hand was approximately HK\$455 million (2004: HK\$466 million).

Total shareholders' fund as at 31st March, 2005 was approximately HK\$1,151 million (2004: HK\$942 million).

The gearing ratio of the Group, as measured by the consolidated net borrowings of approximately HK\$1,258 million over the total shareholders' fund plus minority interests of approximately HK\$2,020 million, was 62% as at 31st March, 2005. The Group's apparent high gearing is primarily due to consolidating all debts of Hon Kwok, a 58% owned but separately listed subsidiary of the Group. Hon Kwok obtains financing on its own without financial 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 15%.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and financial resources (Continued)

The Group had a total of HK\$822 million committed but undrawn banking facilities at year end available for its working capital purpose.

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, Renminbi 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\$2,017 million as at 31st March, 2005 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 2,900 people 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.

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\$30 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 85 to 88.

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*
Peter Man-Kong Wong*

* *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 retire by rotation and, being eligible, 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 1987. 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 Holdings and Lucky Year, all being substantial shareholders of the Company. She is also a director of Hon Kwok and HKR International Limited which are both listed on the Stock Exchange.

At the date of this report, Ms. Wong was deemed to be interested in 46,158,319 shares in Chinney Alliance, 231,438,553 shares in Hon Kwok, 306,959,324 shares of the Company, 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 Chinney Alliance and Hon Kwok is held by the Company 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.

(b) William Chung-Yue Fan

Aged 64, was appointed as a director of the Company in 1987. 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 Hon Kwok which is listed on the Stock Exchange.

At the date of this report, Mr. Fan was interested in 1,902,285 shares of the Company 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 a director’s fee of HK\$50,000 per annum was paid to Mr. Fan.

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 December 2003, Lucky Year extended cash security arrangement in favour of Hon Kwok 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 Hon Kwok. In consideration for the provision of cash security, the Hon Kwok 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 Hon Kwok Group provides no security to Lucky Year or other connected persons in connection with the arrangement.

Commission paid to Lucky Year by Hon Kwok 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:

The Company received management fee amounting to HK\$6,000,000 from Hon Kwok for the provision of administration and general services for the year ended 31st March, 2005.

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

3. During the year, the Group had the following transactions with Chinney Alliance, an associate of the Company:

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, 2005.

James Sai-Wing Wong and Herman Man-Hei Fung are directors of Chinney Alliance. James Sai-Wing Wong and Madeline May-Lung Wong have beneficial interests in Chinney Alliance through their interests in the Company.

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\$527,000 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, 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 Companies (the "Model Code"), were as follows:

(a) Directors' interest 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' interest 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' interest 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, 2005, 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 business, which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

SUBSTANTIAL SHAREHOLDERS

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 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, 2005, 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

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 OF REDEMPTION OF SHARES

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 42% of the Group's turnover and turnover attributable to the Group's largest customer accounted for approximately 20% of the Group's turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 21% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 7% 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 capitalisation of the Company and the consolidated total assets of the Group as at 31st March, 2005 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%	<u>1,133</u>	<u>367,200</u>	<u>92,701</u>	<u>368,333</u>

Report of the Directors (Continued)

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 capitalisation of the Company and the consolidated total assets of the Group as at 31st March, 2005 were as follows:

Name of affiliated company	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
Cleveland Investment Limited	2 & 3	28.9%	6,203	-	-	6,203
Guangzhou Li Du Property Development Co., Ltd.	2 & 3	28.3%	8,701	-	-	8,701
PT. Buana Prefash Jaya	3 & 4	50%	7,968	-	-	7,968
PT. Metro Gateway Concept	3 & 5	33%	4,633	-	-	4,633
SGA Holdings Limited	1	50%	1,133	367,200	92,701	368,333
			<u>28,638</u>	<u>367,200</u>	<u>92,701</u>	<u>395,838</u>

Notes:

- 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 banking facilities in the amount of HK\$367.2 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.
- 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.
- All these advances are unsecured, non-interest bearing, repayable on demand, have no fixed repayment terms nor maturity date.
- The advance was provided to facilitate the initial set-up of the affiliated company.
- The amount was in respect of advance to finance penetration of the retail market in Indonesia and sales of property, plant and equipment and other assets to the affiliated company.

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

Financial assistance and guarantees to affiliated companies (Continued)

A pro-forma combined balance sheet of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies as at 31st March, 2005 are presented below:

	Pro-forma combined balance sheet <i>HK\$ million</i>	The Group's attributable interest <i>HK\$ million</i>
Non-current assets	16	9
Current assets	145	69
Current liabilities	(117)	(55)
Non-current liabilities	(9)	(5)
	<hr/>	<hr/>
Net assets	<u>35</u>	<u>18</u>

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.

The Company has received from each of its independent non-executive directors, written confirmations of his 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.

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. 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 the management and the external auditors the final results of the Group for the year ended 31st March, 2005.

Report of the Directors *(Continued)*

SUFFICIENCY OF PUBLIC FLOAT

Throughout the year ended 31st March, 2005 and until 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.

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, 2005