

## 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 2005.

### **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 15. 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 2005 and the balance sheet for the Group and the Company as at 31 March 2005 are set out in the financial statements on pages 16 to 62.

The Directors recommend the payment of a final dividend for the year ended 31 March 2005 at the rate of 1 HK cent per share, payable on 28 September 2005 to all persons registered as shareholders on 31 August 2005 (2004: scrip dividend with a cash option of 1 HK cent). The transfer books and register of members of the Company will be closed from 29 August 2005 to 31 August 2005, both days inclusive.

Payment of the final dividend is conditional upon the passing of an ordinary resolution at the forthcoming annual general meeting.

### **SHARE CAPITAL AND RESERVES**

Details of movements in issued share capital and reserves during the year are set out in note 20 and note 21 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 2005 are set out in note 15 to the financial statements.

### **BORROWINGS**

Details of borrowings are set out in note 18 to the financial statements.

## Directors' Report

### **INTEREST CAPITALIZED**

No interest expense was capitalized during the year.

### **MAJOR CUSTOMERS AND SUPPLIERS**

The five largest customers being trade customers and tenants of the Group accounted for 39% of the Group's turnover, the largest trade customer accounting for 10%. The five largest suppliers of goods and services accounted for less than 20% of the Group's expenditure on goods and services, the largest supplier of goods and services accounting for 7%.

### **DONATIONS**

During the year the Group has made charitable donations amounting to HK\$15,000 (2004: HK\$20,000).

### **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, Mr. Goodwin Gaw and Mr. Kenneth Gaw retire, and being eligible, offer themselves for re-election.

Neither Mr. Goodwin Gaw nor Mr. Kenneth Gaw 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.

## Directors' Report

### BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

#### Executive Directors

Mrs. Rossana WANG GAW (*Chairman*)

Aged 59. 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 36. 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 34. 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 61. 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 69. 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 40. 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 42. 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.

The Company has pursuant to Rule 3.13 of the Listing Rules, received from each of the Independent Non-executive Directors an annual confirmation of his independence and still considers each of them to be independent.

### DISCLOSURE OF DIRECTORS' INTERESTS

As at 31 March 2005, 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	–	15,934,364 <sup>1</sup>	123,148,701 <sup>3</sup>	139,083,065	18.08
Kenneth Gaw	1,805,527	8,453,375 <sup>2</sup>	27,537,243 <sup>4</sup>	37,796,145	4.91
Jane Kwai Ying Tsui	600,750	–	–	600,750	0.08

#### Notes:

- Mrs. Rossana Wang Gaw owns the entire issued share capital of Vitality Holdings Limited, which was beneficially interested in 15,934,364 shares.
- Mr. Kenneth Gaw owns the entire issued share capital of Fortune South China Limited, which was beneficially interested in 8,453,375 shares.
- Family trust of which Mrs. Rossana Wang Gaw is the sole beneficiary held an aggregate of 123,148,701 shares.
- Family trust of which Mr. Kenneth Gaw is a beneficiary held an aggregate of 27,537,243 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	8,389,277	1.5405	06/03/97	06/03/97 to 05/03/07
Goodwin Gaw	9,931,596	1.8897	24/10/96	24/10/96 to 23/10/06
	7,711,593	1.5405	06/03/97	06/03/97 to 05/03/07
Kenneth Gaw	9,931,596	1.8897	24/10/96	24/10/96 to 23/10/06
	7,711,593	1.5405	06/03/97	06/03/97 to 05/03/07
Jane Kwai Ying Tsui	2,336,847	1.8897	24/10/96	24/10/96 to 23/10/06
	2,336,846	1.5405	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
Pioneer Hospitality Siam (GBR) Ltd.	Rossana Wang Gaw	475,000*	47.5
Pioneer Hospitality Siam (GBR) Ltd.	Kenneth Gaw	475,000*	47.5
Keencity Properties Ltd.	Rossana Wang Gaw	4,721,034*	47.5
Keencity Properties Ltd.	Kenneth Gaw	4,721,034*	47.5
Pioneer iNetwork Ltd.	Rossana Wang Gaw	1*	50.0
Pioneer iNetwork Ltd.	Kenneth Gaw	1*	50.0

\* Interested by Mrs. Rossana Wang Gaw and Mr. Kenneth Gaw represented the same interests and were therefore duplicated amongst these two Directors for the purpose of the SFO.

Saved as disclosed above, as at 31 March 2005, 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.

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### DISCLOSURE OF SHAREHOLDERS' INTERESTS

As 31 March 2005, 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	8.85
Forward Investments Inc.	181,388,105	23.58
Intercontinental Enterprises Corporation	123,148,701	16.01
Prosperous Island Limited	65,939,293	8.57

Saved as disclosed above, there was no other person (other than the Directors of the Company) who, as at 31 March 2005, 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 26 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.

No Director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company or its subsidiaries were entered into or existed during the year.

### PRE-EMPTIVE RIGHTS

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

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of the annual report, there was a sufficient public float of the Company.

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### PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year, the Company has purchased its shares on the Stock Exchange. Details are as follows:

Date of purchase	No. of shares purchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate consideration paid <i>HK\$</i>
11 May 2004	28,000	0.200	0.195	5,510

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the year.

### 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, which was still in force prior to 1 January 2005, 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, 18 July 2005