

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited accounts of the Company and its subsidiary companies (the "Group") for the year ended 31st March 2005.

PRINCIPAL ACTIVITIES

The principal activities of 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 2005 are shown on page 22.

DIVIDEND

No interim dividend had been declared or paid during the year (2004: nil). The Directors have resolved to recommend at the forthcoming annual general meeting of the Company to be held on Tuesday, 23rd August 2005 a final dividend of HK4 cents (2004: HK3 cents and HK3 cents special dividend) per share to be paid on Monday, 29th August 2005 to the shareholders whose names appear on the register of members of the Company on Tuesday, 23rd August 2005. Total dividend for the year will amount to HK4 cents (2004: HK6 cents) per share.

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 50.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 21 to the accounts.

Distributable reserves of the Company as at 31st March 2005, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$290,724,169 (2004: HK\$292,138,368).

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 52 to 56.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 20 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

Non-executive Directors

Mr. John Ho (Re-designated from Independent Non-executive Director on 27th September 2004)

Mr. Ng Kwok Tung (Re-designated from Independent Non-executive Director on 27th September 2004)

Independent Non-executive Directors

Mr. Lam Hon Keung, Keith

Mr. Chan Woon Kong

Mr. Soo Hung Leung, Lincoln

In accordance with Article 103(A) of the Company's Articles of Association, Messrs. Cheung Lin Wee, John Ho and Ng Kwok Tung retire by rotation at the forthcoming Annual General Meeting and they, 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.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' INTERESTS IN CONTRACTS

Save for those "Significant Related Party Transactions" described in note 24 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 2005, 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 ("CKW") and his spouse in aggregate owned 50% interest. Therefore, CKW was deemed to be interested in these shares under the SFO.
- (2)* The 87,391,440 shares of CKW and Mr. Cheung Lin Wee ("CLW") related to the same block of shares in the Company. CKW and CLW 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 CKW and CLW 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 CKW and CLW 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 Mr. Cheung Ying Wai, Eric ("CYW") is one of the beneficiaries, there is a possibility that these 13,444,837 shares will be allocated to CYW.

* 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 2005, 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 2005, 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 Limited	11,295,600 (Note 5)	9.34

REPORT OF THE DIRECTORS (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS (continued)

Long Positions in the Ordinary Shares of the Company (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 ("CLH") 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 CKW and CLW respectively under the heading of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", as CLH together with CKW and CLW are the three executors under the Will of CKH who held 87,391,440 shares before his death. Under the Will of CKH, CLH is also one of the beneficiaries. To avoid double counting, the number of shares which may contingently be allocated to CLH has not been added to this number of shares.
- (2) Ms. Kung So Ha, Anne is the wife of CKW 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 CLW 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 CYW 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 2005, 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 45.7% of the Group's total turnover, of which 24.9% 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 one of the Group's five largest customers.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st March 2005, which also constitute connected transactions under the Listing Rules, are disclosed in note 24 to the accounts.

As mentioned in the Chairman's Statement on page 10, the Company has in December 2004 disposed of its entire interest in a 25% owned associated company, namely Keneva Construction Company Limited ("Keneva"), to a related company of another shareholder of Keneva. While the disposal constituted a connected transaction, it was exempt from all the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(2) of Chapter 14A of the Listing Rules.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

As at 31st March 2005, the market capitalization of the Company was approximately HK\$184,826,880 (the "Market Capitalization") which was based on the total number of 120,960,000 shares of the Company in issue on 31st March 2005 and the average closing price of HK\$1.528 per share from 23rd March 2005 to 31st March 2005 (both days inclusive) being the five business days immediately preceding 31st March 2005.

REPORT OF THE DIRECTORS (CONTINUED)**DISCLOSURE PURSUANT TO 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 2005, 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 31st March 2005 HK\$
Cantake Land Investment Company Limited	25%	42,803,920
Chase Good Development Limited	25%	15,481,803
Eastern Tailor Enterprises Limited	25%	18,101,919
Hinquand Enterprise Limited	50%	19,201,760
Keneva Company Limited	25%	38,607,400

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\$164,811,744 as at 31st March 2005, representing approximately 89.17% of the Market Capitalization. The pro forma combined balance sheet of these affiliated companies and the Group's attributable interest in these affiliated companies as at 31st March 2005 are as follows:

	Pro forma Combined Balance Sheet HK\$	Group's Attributable Interests HK\$
Non-current assets	702,235,573	197,629,666
Current assets	214,409,203	73,741,178
Current liabilities	(19,980,456)	(5,662,460)
Net current assets	194,428,747	68,078,718
Non-current liabilities	(653,211,426)	(183,142,289)
Net assets	243,452,894	82,566,095

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice ("the Code") as set out in Appendix 14 of the Listing Rules (in force prior to 1st January 2005) throughout the year ended 31st March 2005, except that Non-executive Directors of the Company 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 Article 103(A) of the Company's Articles of Association.

The Code has been replaced by the Code on Corporate Governance Practices ("the CG Code") which took effect for accounting periods commencing on or after 1st January 2005. The Company would report on compliance with the code provisions in the CG Code in its forthcoming interim results announcement and interim report for the six months ending 30th September 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors ("the Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31st March 2005.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the Independent Non-executive Directors and is satisfied of their independence.

REPORT OF THE DIRECTORS (CONTINUED)

AUDIT COMMITTEE

The audit committee of the Company has been established since December 1998. As at the date hereof, the audit committee consists of three Independent Non-executive Directors, namely Messrs. Lam Hon Keung, Keith (Chairman), Chan Woon Kong and Soo Hung Leung, Lincoln and two Non-executive Directors, namely Messrs. John Ho and Ng Kwok Tung, with written terms of reference in compliance with the Listing Rules. The audit committee has reviewed the Group's accounts for the year ended 31st March 2005 and has no reservation on the accounting treatments adopted by the Group.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

Cheung Kee Wee

Chairman

Hong Kong, 12th July 2005