

Report of the Directors

The Directors have pleasure in submitting their report and the audited accounts for the year ended 31 March 2005.

Principal activities

The principal activity of the Company is investment holding. The names, particulars and activities of its subsidiaries and associated companies are set out on pages 44 to 45.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 16.

An analysis of the Group's turnover and profit for the year by business and geographical segments is set out in note 2 to the accounts.

A summary of the results and assets and liabilities of the Group for the last 5 years is set out on page 48.

An interim dividend of 7 cents per share, totalling HK\$18,178,000, was paid on 3 February 2005. The Directors have recommended a final dividend of 18 cents per share, totalling HK\$46,743,000, payable on 7 September 2005.

Pre-emptive rights

No pre-emptive rights exist in the Cayman Islands being the jurisdiction in which the Company was incorporated.

Share capital

There were no movements in the share capital of the Company during the year.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

Distributable reserves

Under the Cayman Islands Companies Law, contributed surplus is distributable. Accordingly, total distributable reserves of the Company as at 31 March 2005 amounted to HK\$2,649,674,000 (2004: HK\$2,724,848,000).

Donations

Charitable donations made by the Group during the year amounted to HK\$100,000 (2004: HK\$60,000).

Fixed assets

Details of the movements in fixed assets during the year are set out in note 12 to the accounts.

Principal properties

Details of the principal properties held for development, for sale and for investment purposes are set out on page 46.

Bank and other borrowings and interest capitalised

Details of bank and other borrowings are set out in notes 20, 23 and 24 to the accounts. No interest has been capitalised during the year.

Management contracts

No contracts concerning the management and administration of the Company were entered into or existed during the year.

Directors

The Board of Directors as now constituted is listed on page 2. The brief biographical details of the Directors are set out on pages 3 to 5.

Mr. Paul Francis Giles served as Director until 13 December 2004.

Mr. Haider Hatam Tyebjee Barma was appointed independent non-executive Director of the Company on 17 May 2005. He retires under the provisions of Article 99 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Mr. Cheng Wai Sun, Edward, Mrs. Chen Chou Mei Mei, Vivien, Mr. Tang Ming Chien, Manning and Mr. Chung Hon Sing, John retire by rotation under the provisions of Article 116 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the Directors has a service contract with the Company.

Compliance with the Code of Best Practice

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") which were then in force.

Pursuant to the Code of Best Practice, an Audit Committee with written terms of reference was appointed on 18 December 1998. The present Audit Committee comprises two independent non-executive Directors, namely Mr. Christopher Patrick Langley and Mr. Ho Fook Hong, Ferdinand and one non-executive Director, Mr. Cheng Wai Chee, Christopher. The Audit Committee's principal duties include the review of the Group's financial reports, the effectiveness of both the external and internal audits and of internal controls and risk evaluation. Four meetings of the Audit Committee were held during the year.

The Code of Best Practice was replaced by the Code on Corporate Governance Practices ("CCGP") which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions have been and are being taken by the Company for complying with the CCGP.

Directors' interests in contracts and in equity or debt securities

Save and except for the transactions disclosed in note 11 to the accounts, no contracts of significance in relation to the Group's businesses 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.

At no time during the year was the Company or any of its 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.

The interests of the Directors at 31 March 2005 in the issued share capital of the Company as recorded in the register kept under section 352 of the Securities and Futures Ordinance ("SFO") are set out below :-

Name of Director	Nature of interests and capacity in which interests are held				Total number of ordinary shares held	Percentage of issued share capital
	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporation	Other interests (Notes 1 & 2)		
Mr. Cheng Wai Chee, Christopher	—	27,000	—	108,831,887	108,858,887	41.91%
Mr. Chow Wai Wai, John	2,555,000	—	—	—	2,555,000	0.98%
Mr. Cheng Wai Sun, Edward	—	—	—	71,790,500	71,790,500	27.65%
Mr. Tang Ming Chien, Manning	600,000	—	—	—	600,000	0.23%
Mr. Lam Woon Bun	50,000	10,000	—	—	60,000	0.02%
Mrs. Chen Chou Mei Mei, Vivien	70,000	—	—	—	70,000	0.03%
Mr. Chow Wei Lin	—	—	189,215	—	189,215	0.07%

Notes:

(1) Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward are both beneficiaries of a family trust, the assets of which included indirect interests in 71,790,500 shares in the Company in which Wing Tai Holdings Limited ("Wing Tai") is deemed to be interested, as set out in Note 1 to the section "Substantial shareholders".

(2) The Company has been notified by Mr. Cheng Wai Chee, Christopher of the following : —

He has a personal interest in 0.39% and a corporate interest in 28.57% of the issued share capital of USI Holdings Ltd. ("USI"). Wing Tai is also interested in 21.02% of the issued share capital of USI. USI, through its wholly owned subsidiaries (Twin Dragon Investments Ltd. and Shui Hing Textiles International Ltd.), is deemed to be interested in 37,041,387 ordinary shares in the Company as from 15 March 2004. Despite the legal advice obtained by him that USI's interest in the ordinary shares in the Company is not, to him, a notifiable interest, he nonetheless decided to disclose the same for transparency.

Report of the Directors *(continued)*

Save as disclosed herein, none of the Directors or the chief executive of the Company had 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) at 31 March 2005.

Directors' interest in competing businesses

Set out below is information disclosed pursuant to rule 8.10(2) of the Listing Rules:-

Three executive Directors, namely Messrs. Chow Wai Wai, John, Lam Woon Bun and Chow Wei Lin, and a non-executive Director, namely Mr. Tang Ming Chien, Manning, being also directors of Winsor Industrial Corporation, Limited ("WICL") and/or its subsidiaries, are considered as interested in WICL under rule 8.10(2). WICL is a company listed in Hong Kong.

Ownership of certain carparking spaces in Hong Kong for letting by a subsidiary of WICL constitutes competing business to the Group. In view of the Group's experience and expertise in industrial property (inclusive of carparking spaces) letting and management, the WICL subsidiary has appointed a subsidiary of the Company as agent for letting of the said carparking spaces.

Since the WICL Group carparking spaces are targeted at different customers and/or situated in a different area compared to the Group's own carparking spaces, the Group considers that its interest in the business of owning and letting of carparking spaces is adequately safeguarded.

Two non-executive Directors, namely Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, being also executive directors of USI and having equity interests therein, and their alternate director, Mr. Au Hing Lun, Dennis, being executive director and company secretary of USI, are considered as having interests in USI under rule 8.10(2).

The letting of industrial buildings by USI constitute competing businesses to the Group. As non-executive Directors, Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward are not participating in the routine businesses of letting of industrial buildings by the Group, neither is their alternate, Mr. Au Hing Lun, Dennis.

USI is a listed company with an independent management team and administration which are separate from those of the Group and the industrial buildings let by USI and the Group are

targeting at different customer bases and different market segments. In this respect, coupled with the diligence of the Company's independent non-executive Directors and the members of its Audit Committee, the Group is capable of carrying on its businesses at arm's length and independently of such competing businesses.

Although the disclosure requirements under rule 8.10(2) of the Listing Rules do not apply to independent non-executive directors, Dr. Lo Ka Shui nevertheless decided to disclose for the sake of transparency that, being the Deputy Chairman and Managing Director of Great Eagle Holdings Limited ("GEHL") and having equity interests therein, he is considered as having interests in GEHL under rule 8.10(2). Businesses of GEHL consist of property and hotel investments and in this respect constitute potential competing businesses to the Group.

Share options

The Company adopted a 10 year share option scheme ("the Scheme") by resolutions of shareholders passed on 11 October 1996 for the purpose of providing incentives to employees. No option has been granted by the Company under the Scheme since its adoption. As at the date of this report, the total number of shares available for issue under the Scheme is 25,968,528 shares, being 10% of the 259,685,288 shares of the Company in issue. The maximum entitlement of each participant in the Scheme is 25% of the available shares.

The period within which an option granted under the Scheme can be exercised is ten years from the date of grant, and an option is exercisable once granted. A consideration of HK\$1.00 is payable on acceptance of the option. The price payable in full on the exercise of an option is determined by the Directors but cannot be less than the higher of (i) the nominal value of a share in the Company; and (ii) 80% of the average closing price of the Company's share for the five business days immediately preceding the date the option is offered.

On 1 September 2001 the Stock Exchange amended Chapter 17 of the Listing Rules. As a result, granting of share options by the Company under the Scheme will not be permitted unless it is in compliance with the Listing Rules and may entail an amendment of the terms of the Scheme or the adoption of a new scheme. The Directors do not have a present plan for the granting of share options and will seek shareholders' approval of a new scheme when the need arises.

Substantial shareholders

Apart from the interests of the Directors in the issued share capital of the Company as disclosed in the section “Directors’

interests in contracts and in equity or debt securities”, the register kept under section 336 of the SFO shows that at 31 March 2005 the Company has been notified of the following interests in the issued share capital of the Company:-

Name of substantial shareholder	Nature of interests and capacity in which interests are held				Total number of ordinary shares held	Percentage of issued share capital
	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporation			
Crossbrook Group Limited	71,790,500	—	—		71,790,500	27.65%
Wing Tai Holdings Limited	(Note 1)	—	—	71,790,500	71,790,500	27.65%
Mr. Chou Wen Hsien	(Notes 2 & 3)	10,233,875	2,736,088	25,968,000	38,937,963	14.99%
Mrs. Chou Yim Wan Chun, Ina	(Note 3)	2,736,088	36,201,875	—	38,937,963	14.99%
Mr. Chow Chung Kai	(Notes 2 & 4)	12,764,665	9,000	25,968,000	38,741,665	14.92%
Mrs. Chow Yu Yue Chen	(Note 4)	9,000	38,732,665	—	38,741,665	14.92%
Twin Dragon Investments Limited		36,950,887	—	—	36,950,887	14.23%
USI Holdings (B.V.I.) Limited	(Note 5)	—	—	37,041,387	37,041,387	14.26%
USI Holdings Limited	(Note 5)	—	—	37,041,387	37,041,387	14.26%
Gala Land Investment Co. Limited		25,968,000	—	—	25,968,000	10.00%
Farnham Group Limited	(Note 2)	—	—	25,968,000	25,968,000	10.00%

Notes:

(1) Crossbrook Group Limited is a wholly-owned subsidiary of Wing Tai. Under Part XV of the SFO, Wing Tai is deemed to be interested in all the shares in the Company beneficially owned by Crossbrook Group Limited.

(2) Gala Land Investment Co. Limited is a wholly-owned subsidiary of Farnham Group Limited (“Farnham”). Mr. Chou Wen Hsien and Mr. Chow Chung Kai are each entitled to exercise 50% of the voting power at general meetings of Farnham. Under Part XV of the SFO, each of Farnham, Mr. Chou Wen Hsien and Mr. Chow Chung Kai are deemed to be interested in all the shares in the Company beneficially owned by Gala Land Investment Co. Limited.

(3) Under Part XV of the SFO, Mr. Chou Wen Hsien is deemed to be interested in all the shares in the Company in which Mrs. Chou Yim Wan Chun, Ina, his spouse, is interested and vice versa.

(4) Under Part XV of the SFO, Mr. Chow Chung Kai is deemed to be interested in all the shares in the Company in which Mrs. Chow Yu Yue Chen, his spouse, is interested and vice versa.

(5) As regards these 37,041,387 shares in the Company, 36,950,887 shares are beneficially owned by Twin Dragon Investments Limited and the remaining 90,500 shares are beneficially owned by Shui Hing Textiles International Limited. Both corporations are wholly-owned subsidiaries of USI Holdings (B.V.I.) Limited which in turn is a wholly-owned subsidiary of USI. Under Part XV of the SFO, USI Holdings (B.V.I.) Limited is deemed to be interested in all the shares in the Company beneficially owned by Twin Dragon Investments Limited and Shui Hing Textiles International Limited, and USI is deemed to be interested in all the shares in the Company in which USI Holdings (B.V.I.) Limited is interested.

Save as disclosed herein, as at 31 March 2005 the Company had not been notified by any person of any interests or short positions in the shares or underlying shares of the Company

which are notifiable to the Company under Divisions 2 and 3 of Part XV of the SFO.

Report of the Directors *(continued)*

Related party and connected transactions

- (a) Transactions between the Group and the WICL Group during the year, which constituted exempted connected transactions under the Listing Rules, are disclosed as related party transactions in note 11(a) to the accounts.
- (b) Transactions between the Group and the USI Group during the year, which constituted exempted connected transactions under the Listing Rules, are disclosed as related party transactions in note 11(b)(ii) to the accounts.
- (c) Connected transactions required to be disclosed in accordance with Chapter 14A of the Listing Rules are disclosed in notes 11(b)(i), 11(b)(iii), 11(c) and 11(d) to the accounts.

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 subsidiaries has purchased or sold any of the Company's shares during the year.

Major customers and suppliers

The percentages of the Group's sales for the year attributable to major customers are as follows:

Percentage of sales attributable to the Group's largest customer	49.12%
Percentage of sales attributable to the Group's five largest customers	62.22%

None of the Directors, their associates, or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in the customers disclosed above.

During the year, less than 30% of the Group's purchases was attributable to its five largest suppliers.

Auditors

The accounts have been audited by PricewaterhouseCoopers who offer themselves for re-appointment at a fee to be agreed.

On behalf of the Board

CHENG Wai Chee, Christopher
Chairman

Hong Kong, 14 July 2005