

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Group are investment holding, property development and investment, property management and building contractor.

SEGMENT INFORMATION

An analysis of the Group’s turnover and results by principal activities for the year is shown in Note 30 to the financial statements.

RESULTS

Results of the Group for the year ended 31st March 2006 are shown on page 33.

DIVIDEND

No interim dividend had been declared or paid during the year (2005: nil). The Directors have resolved to recommend at the forthcoming Annual General Meeting of the Company to be held on Friday, 25th August 2006 a final dividend of HK4 cents (2005: HK4 cents) per share to be paid on Wednesday, 30th August 2006 to the shareholders whose names appear on the Register of Members of the Company on Friday, 25th August 2006. Total dividend for the year will amount to HK4 cents (2005: HK4 cents) per share.

PARTICULARS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of subsidiaries and associated companies of the Company are shown in Notes 15 and 16 to the financial statements respectively.

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 82.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are shown in Note 24 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st March 2006, the Company's reserves available for distribution to its shareholders as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance amounted to HK\$316,655,193 (2005 restated: HK\$307,728,283).

PROPERTIES

Details of the movements in investment properties are shown in Note 14 to the financial statements.

Details of the properties held by the Group for investment and sale purposes are shown on pages 84 to 88.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 23 to the financial statements.

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

Mr. Ng Kwok Tung

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 Ying Wai, Eric, Chan Woon Kong and Soo Hung Leung, Lincoln will retire by rotation at the Company's forthcoming Annual General Meeting and they, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' SERVICE CONTRACTS

No Directors proposed for election at the forthcoming Annual General Meeting has a service contract, which is not determinable within one year without payment of compensation (other than statutory compensation), with the Company or its subsidiaries.

The term of office of each Director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 2 to 3.

REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and of the five highest paid individuals in the Group are shown in Note 9 to the financial statements. No contribution to pension scheme for Directors and past Directors was paid for the year.

There was no compensation paid during the year or receivable by Directors for the loss of office as a Director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save for those "Significant Related Party Transactions" described in Note 29 to the financial statements and the section "Connected Transactions" 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' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2006, 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 Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as adopted by the Company, 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 <i>(Note 1)</i>	87,391,440 <i>(Note 2)</i>	89,096,800	73.66
Cheung Lin Wee	572,000	–	87,391,440 <i>(Note 2)</i>	87,963,440	72.72
Cheung Ying Wai, Eric	396,000	–	13,444,837 <i>(Note 3)</i>	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.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long Positions in Ordinary Shares of the Company (continued)

(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 (the "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 2006, 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 Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

So far as is known to the Directors or Chief Executives of the Company, as at 31st March 2006, 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 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

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 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.

REPORT OF THE DIRECTORS (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

(continued)

Long Positions in Ordinary Shares of the Company (continued)

- (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 2006, 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 had not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had 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

During the year, the five largest customers and five largest suppliers of the Group accounted for less than 30% by value of the Group's total turnover and revenue purchases respectively.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st March 2006, which also constitute connected transactions but they were exempt from all the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules, are disclosed in Note 29 to the financial statements.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31st March 2006, the Group had provided financial assistance to its affiliated companies amounting to HK\$155,819,794 in aggregate which exceeded 8% under the assets ratio as defined under the Listing Rules.

In accordance with the requirements under Rule 13.22 of the Listing Rules, a combined balance sheet of and the Group's attributable interest in these affiliated companies as at 31st March 2006 are set forth below:

	Combined Balance Sheet HK\$	Group's Attributable Interests HK\$
Non-current assets	743,957,454	184,220,964
Current assets	219,082,135	67,049,957
Current liabilities	(222,391,106)	(64,517,773)
Net current (liabilities)/assets	(3,308,971)	2,532,184
Non-current liabilities	(513,178,065)	(111,396,050)
Net assets	227,470,418	75,357,098

REPORT OF THE DIRECTORS (CONTINUED)

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 23 to 30.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The financial statements 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, 13th July 2006