

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31st July, 2004.

Principal activities

The Company acts as a property and investment holding company. The activities of the principal subsidiaries are set out in note 15 to the financial statements.

Major customers and suppliers

For the year ended 31st July, 2004, the aggregate amount of turnover attributable to the Group's largest customer represented approximately 19% of the Group's total turnover. The aggregate amount of turnover attributable to the Group's five largest customers represented approximately 55% of the Group's total turnover.

The aggregate amount of the purchase attributable to the Group's largest supplier represented approximately 26% of the Group's total purchase. The aggregate amount of the purchase attributable to the Group's five largest suppliers represented approximately 82% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

Results

The results of the Group for the year are set out in the consolidated income statement on page 15.

No dividend was paid during the year.

Investment properties

The Group's and the Company's investment properties were revalued at 31st July, 2004 by independent firms of professional valuers on an open market value basis.

Details of the movements during the year in the investment properties of the Group and the Company are set out in note 12 to the financial statements.

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Property, plant and equipment

Details of the movements during the year in property, plant and equipment of the Group are set out in note 13 to the financial statements.

Contingent liabilities

At 31st July, 2004, the Company has outstanding guarantees issued in favour of a bank in respect of banking facilities made available to a subsidiary amounting to HK\$8,525,000 (2003: HK\$9,380,000).

At 31st July, 2003, the Company had also given guarantees to promissory note holders to secure the payment of outstanding principal and interest of promissory note payables of HK\$3,051,000 issued by its subsidiaries. The promissory note was fully repaid by its subsidiaries and the guarantees were released during the year ended 31st July, 2004.

Pledge of assets

At 31st July, 2004, investment properties of the Group amounting to HK\$17,780,000 (2003: HK\$23,165,000) had been pledged to banks to secure credit facilities to the extent of HK\$10,750,000 (2003: HK\$16,665,000) granted to the Group of which HK\$9,163,000 (2003: HK\$14,254,000) was utilised by the Group.

Major properties

Particulars of the major properties of the Group as at 31st July, 2004 are set out on pages 58.

Share capital

Details of the movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

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Share options

Pursuant to a resolution passed on 30th December, 2002, the share option scheme adopted by the Company on 7th March, 1997 was terminated. On the same date, a new share option scheme was adopted (the "2002 Scheme").

Particulars of the 2002 Scheme are set out in note 27 to the financial statements.

The following table discloses movements in the 2002 Scheme of the Company during the year:

	Date of Grant	Exercisable period	Exercise price HK\$	Outstanding at 1.8.2003	Granted during year	Outstanding at 31.7.2004
Category 1: Directors						
Ng Kai Man, Luke	20.11.2003	20.11.2003 — 29.12.2012	0.0234	—	20,800,000	20,800,000
	17.3.2004	17.3.2004 — 29.12.2012	0.0240	—	6,500,000	6,500,000
Ma Wai Man, Catherine	17.3.2004	17.3.2004 — 29.12.2012	0.0240	—	27,300,000	27,300,000
Chow Hou Man	17.3.2004	17.3.2004 — 29.12.2012	0.0240	—	27,300,000	27,300,000
				—	81,900,000	81,900,000
Category 2: Employees						
Other employees	20.11.2003	20.11.2003 — 29.12.2012	0.0234	—	20,800,000	20,800,000
Other employees	17.3.2004	17.3.2004 — 29.12.2012	0.0240	—	22,500,000	22,500,000
				—	43,300,000	43,300,000
Total all categories				—	125,200,000	125,200,000

The closing price of the Company's shares immediately before the date of grant of the 2002 Scheme was HK\$0.023.

The directors are of the view that the theoretical value of the options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained on a number of theoretical basis and speculative assumptions. Accordingly, the directors of the Company believed that any calculation of the value of the options will not be meaningful and may be misleading to shareholders in the circumstances.

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Directors

The directors of the Company during the year and up to the date of this report were:

Executive Chairman:

Choo Yeow Ming

Executive directors:

Ng Kai Man, Luke (*Deputy Chairman*)

Ma Wai Man, Catherine

Chow Hou Man

Ding Chung Keung, Vincent (*resigned on 24th November, 2003*)

Independent non-executive directors:

Miu, Frank H.

Li Chok Sun, Sean

Sin Chi Fai (*appointed on 27th September, 2004*)

In accordance with Article 103(A) of the Company's Articles of Association, Ms. Ma Wai Man, Catherine and Mr. Chow Hou Man retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr. Sin Chi Fai retires and, being eligible, offers himself for re-election.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

No directors 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' and chief executive's interests and short positions in shares and underlying share

At 31st July, 2004, the interests of the directors and chief executive and their associates in the shares, and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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Directors' and chief executive's interests and short positions in shares and underlying share *(continued)*

Long positions

(a) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Ng Kai Man, Luke	Beneficial owner	27,300,000	27,300,000
Ma Wai Man, Catherine	Beneficial owner	27,300,000	27,300,000
Chow Hou Man	Beneficial owner	27,300,000	27,300,000
		<u>81,900,000</u>	<u>81,900,000</u>

(b) Ordinary shares of US\$1 each of Consecutive Profits Limited ("CPL"), a 80% owned subsidiary of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of CPL
Ng Kai Man, Luke	Beneficial owner	2	20%

(c) Ordinary shares of HK\$1 each of the Century 21 Hong Kong Limited ("Century 21"), a 82.5% owned subsidiary of CPL

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of Century 21
Ng Kai Man, Luke	Beneficial owner	194,000	5%

Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short position in any shares and underlying shares of the Company or any of its associated corporations as at 31st July, 2004.

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Arrangements to purchase shares or debentures

Other than as disclosed in the section "Share options", 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, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Connected transaction

On 5th September, 2003, High Cheong Developments Limited ("High Cheong"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with On Glory Holdings Limited (the "Agreement"), a wholly owned subsidiary of Capital Strategic Investment Limited ("Capital Strategic") which is listed on the Stock Exchange and is a substantial shareholder of the Company. Pursuant to the Agreement, High Cheong acquired from On Glory Holdings Limited the entire 80% of the issued share capital of CPL, at a cash consideration of HK\$6,000,000. The principal asset of CPL is 82.5% equity interest in Century 21. Mr. Ng Kai Man, Luke, the deputy chairman and an executive director of the Company, is the minority shareholder who owns the remaining 20% of the issued share capital of CPL.

Directors' Interests in contracts of significance

Other than as disclosed in the section "Connected transaction" above, no contract 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.

Substantial shareholders

As at 31st July, 2004, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Success Field Group Limited	Beneficial owner	859,864,000	26.30%
Super Master Group Limited	Held by controlled corporation (Note)	859,864,000	26.30%
Capital Strategic	Held by controlled corporation (Note)	859,864,000	26.30%

Note: The 859,864,000 shares were held by Success Field Group Limited, a wholly owned subsidiary of Super Master Group Limited, which is a wholly owned subsidiary of Capital Strategic.

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Substantial shareholders *(continued)*

Short positions

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st July, 2004.

Purchase, sale or Redemption of the company's listed securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate governance

The Company has complied throughout the year ended 31st July, 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that the independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting in accordance with Articles 94 and 103(A) of the Company's Articles of Association .

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Choo Yeow Ming

Executive Chairman

Hong Kong, 16th November, 2004