

Report of the Directors

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31st March 2005.

Principal Activities

The principal activity of the company is investment holding. The principal activities of its subsidiaries include property investment and development, investment holding and property management. Details are set out in note 29 to the accounts.

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

Results and Appropriations

The results of the group for the year are set out in the consolidated profit and loss account on page 11.

The directors declared an interim dividend of HK 4 cents per ordinary share, totalling HK\$24.7 million, which was paid on 18th February 2005.

The directors recommend the payment of a final dividend of HK 6 cents per ordinary share, totalling HK\$37.1 million, to persons registered as shareholders on 1st September 2005.

Reserves

Movements in the reserves of the group and the company during the year are set out in note 20 to the accounts.

Fixed Assets

Details of the movements in fixed assets of the group are set out in note 11 to the accounts.

Financial Summary

A five years financial summary of the group is set out on page 44.

Long Term Liabilities

Details of the long term liabilities of the group are set out in note 21 to the accounts.

Major Properties

Particulars of major properties of the group are set out on pages 42 and 43.

Directors

The directors in office during the year and up to the date of this report are Messrs David Pun Chan, Joseph Wing Siu Cheung* (appointed on 13th September 2004), Karl Chi Leung Kwok*, William Wai Lim Lam (appointed on 13th September 2004), Wing Sau Li, Benedict Cho Hung Woo* and Ms Ivy Sau Ching Chan.

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In accordance with Bye-law 83(2) of the company's Bye-laws, Mr Joseph Wing Siu Cheung and Mr William Wai Lim Lam retire from the board and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 84 of the company's Bye-laws, Mr Wing Sau Li retires from the board by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

None of the directors has a service contract with the company which is not determinable within one year without payment of compensation.

* independent non-executive directors

Biography of Directors and Senior Management

The biographical details of the directors and senior management are set out on pages 3 and 4.

Directors' Interests

At 31st March 2005, the interests of the directors and chief executive in the shares of the company as recorded in the register maintained under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Name	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
David Pun Chan	108,166,971	–	*61,335,074	–	169,502,045
Ivy Sau Ching Chan	20,132,706	–	–	–	20,132,706
Karl Chi Leung Kwok	221,212	–	–	–	221,212
Wing Sau Li	54,000	–	–	–	54,000

*Note: Such shares were held through a corporation wholly owned by Mr David Pun Chan.

All the interests disclosed above represent long position in the shares of the company.

Save as disclosed above, no directors, chief executives or their associates had any interest or short position in the shares of the company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of 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 Issuers.

During the year, the company did not grant to the directors or chief executive any right to subscribe for shares of the company.

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No contracts of significance in relation to the group's business to which the company or 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 its subsidiaries a party to any arrangement 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.

Substantial Shareholders

At 31st March 2005, the register of substantial shareholders maintained under section 336 of the SFO showed that the company has been notified of the following interest, being 5% or more in the company's issued share capital. This interest is in addition to those disclosed above in respect of the directors and chief executive:

Name	Number of shares
Chan Poon Wai Kuen	96,185,380

All the interests disclosed above represent long position in the shares of the company.

Save as disclosed above, the company has not been notified by any other person (other than a director of the company disclosed above) who has an interest or short position in the shares of the company which are required to be recorded in the register kept by the company pursuant to section 336 of the SFO as at 31st March 2005.

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.

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to issue of new shares by the company.

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 Suppliers and Customers

For the year ended 31st March 2005, the five largest suppliers and the largest supplier of the group accounted for approximately 49% and 11% respectively of the group's total purchases and the five largest customers and the largest customer of the group accounted for approximately 14% and 4% respectively of the group's turnover.

At 31st March 2005, none of the directors, their associates or any shareholder (which to the knowledge of the directors owned more than 5% of the company's share capital) had a beneficial interest in any of the group's five largest suppliers or five largest customers.

Operational Review

Liquidity and Financial Resources

The group's funding requirements are met with cash on hand, internally generated cash and, to the extent required, by external floating rate bank borrowings. Other sources of funds include dividends received from associated companies.

At 31st March 2005, the group's borrowings net of cash, was HK\$315.8 million as compared with HK\$201.3 million last year. The group's borrowings were secured by certain investment properties and other properties held by the group with a total carrying value of HK\$1,391.6 million. Approximately 84.4% of the group's borrowings were denominated in Hong Kong dollars and the remaining 15.6% were in United States dollars. The US dollar loans are directly tied in with the business of the group's US operations, and therefore these loans are substantially hedged by assets in the same currency.

As at year end, approximately 40.8% of the group's borrowings were payable within one year and 59.2% were payable between two to five years.

The gearing ratio, which is calculated as the ratio of the bank borrowings to shareholders' funds, is maintained at a low level of 8.5% at 31st March 2005. The gearing ratio was 5.8% last year.

Committed borrowing facilities available to the group, but not drawn at 31st March 2005, amounted to HK\$508.0 million. Together with the receipts over the next twelve months from tenants and purchasers of the group's properties, the liquid funds of the group is adequate to meet the anticipated working capital requirement in the coming year.

Treasury Policies

The group's overall treasury and funding policy is that of risk management and control. The assets and liabilities of the group are denominated either in Hong Kong or United States dollars. Accordingly, the group has minimal exposure to foreign exchange fluctuation. However, the group will closely monitor the overall currency and interest rate exposures and, when considered appropriate, the group will take the necessary actions to ensure that such exposures are properly hedged.

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Human Resources

The group, excluding associated companies, employs a total of 239 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$46.5 million for the year ended 31st March 2005. Remuneration packages are reviewed annually with other employee benefits including medical subsidies, a non-contributory provident fund scheme and a mandatory provident fund scheme.

Contingent Liabilities

The company executed corporate guarantee as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries.

Corporate Governance

During the year, the company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") which was in force prior to 1st January 2005 except that the independent non-executive directors of the company are not appointed for a specific term as 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.

Connected Transactions

No transactions entered by the group during the year ended 31st March 2005 constituted connected transactions under the Listing Rules.

Audit Committee

An audit committee was established with written terms of reference which set out the authorities and duties of the audit committee. The function of the audit committee is to assist the Board in providing an independent review of the financial reporting processes and internal controls. The audit committee comprises four non-executive directors, namely Messrs Karl Chi Leung Kwok, Joseph Wing Siu Cheung, Benedict Cho Hung Woo and Ms Ivy Sau Ching Chan.

Auditors

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

On behalf of the Board

David P. Chan

Chairman

Hong Kong, 23rd June 2005