

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31st July, 2005.

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, 2005, the aggregate amount of turnover attributable to the Group's largest customer represented approximately 39% of the Group's total turnover. The aggregate amount of turnover attributable to the Group's five largest customers represented approximately 93% of the Group's total turnover.

The aggregate amount of the purchase attributable to the Group's largest supplier represented approximately 40% of the Group's total purchase. The aggregate amount of the purchase attributable to the Group's five largest suppliers represented approximately 95% 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, 2005 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.

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.

MAJOR PROPERTIES

Particulars of the major properties of the Group as at 31st July, 2005 are set out on page 58.

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SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 24 to the financial statements.

SHARE OPTIONS

Pursuant to a resolution passed on 30th December, 2002, the existing share option scheme was adopted (the "Scheme").

Particulars of the Scheme are set out in note 25 to the financial statements.

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

	Date of Grant	Exercisable period	Exercise price HK\$	Outstanding at 1.8.2004	Cancelled during the year	Outstanding at 31.7.2005
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
				<u>81,900,000</u>	<u>—</u>	<u>81,900,000</u>
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	(1,000,000)	21,500,000
				<u>43,300,000</u>	<u>(1,000,000)</u>	<u>42,300,000</u>
Total all categories				<u>125,200,000</u>	<u>(1,000,000)</u>	<u>124,200,000</u>

* The options will lapse in November 2005 and January 2006 after the relevant directors resigned during the year.

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DIRECTORS

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

Executive Chairman:

Chu Nin Yiu, Stephen	(appointed on 17th May, 2005)
Choo Yeow Ming	(resigned on 17th May, 2005)

Executive Directors:

Chu Nin Wai, David (<i>Deputy Chairman</i>)	(appointed on 26th May, 2005)
Lau Chi Kan, Michael	(appointed on 26th May, 2005)
Ng Kai Man, Luke (<i>Deputy Chairman</i>)	(resigned on 6th July, 2005)
Ma Wai Man, Catherine	(resigned on 26th May, 2005)
Chow Hou Man	(resigned on 17th May, 2005)

Independent Non-Executive Directors:

Leung Kam Fai	(appointed on 15th June, 2005)
Wong Kwong Fat	(appointed on 8th June, 2005)
Li Sze Kuen, Billy	(appointed on 26th May, 2005)
Ng Yuk Yee, Feona	(appointed on 23rd March, 2005 and resigned on 15th June, 2005)
Sin Chi Fai	(appointed on 27th September, 2004 and resigned on 8th June, 2005)
Miu, Frank H.	(resigned on 13th June, 2005)
Li Chok Sun, Sean	(resigned on 29th December, 2004)

In accordance with Article 94 of the Company's Articles of Association, all remaining directors retire and, being eligible, offer themselves 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.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to the new independence guidelines under the Rules Governing the listing of securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules") and that the Company still considers the independent non-executive directors to be independent.

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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31st July, 2005, 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:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Chu Nin Yiu, Stephen ("Mr. Chu")	Held by controlled corporation (Note)	859,864,000	16.36%

Note: The 859,864,000 shares were held by Supervalue Holdings Limited ("Supervalue"), which is in turn wholly owned by Mr. Chu. Mr. Chu is therefore deemed to be interested in 859,864,000 shares of the Company.

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, 2005.

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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "Related Party Disclosure" as set out in note 34 to the financial statements, there were no other 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.

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SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2005, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholder 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
Supervalve	Beneficial owner	859,864,000	16.36%
Mr. Chu	Held by controlled corporation (<i>Note</i>)	859,864,000	16.36%

Note: The 859,864,000 shares were held by Supervalve, which is in turn wholly owned by Mr. Chu. Mr. Chu is therefore deemed to be interested in 859,864,000 shares of the Company.

Short positions

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, 2005.

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, 2005 with the Code of Best Practice as set out in Appendix 14 of 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 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.

On 1st January, 2005, the Code of Best Practice was replaced by the new "Code on Corporate Governance Practices", and "Corporate Governance Report" was introduced in Appendix 23 of the Listing Rules. The Company's compliance of the new Appendix 14 and 23 will come into effect in the year ending 31st July, 2006.

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AUDIT COMMITTEE

The audit committee comprising Messrs. Sin Chi Fai, Miu, Frank H. and Li Chok Sun, Sean and Ms. Ng Yuk Yee, Feona resigned during the year. At the 31st July, 2005, the audit committee comprises Messrs. Leung Kam Fai, Wong Kwong Fat and Li Sze Kuen, Billy, all of whom are independent non-executive directors.

During the year, the audit committee held two meetings and performed the following duties:

1. reviewed and commented on the Company's draft annual and interim financial reports;
2. reviewed and commented on the Group's internal controls; and
3. met with the external auditors and participated in the re-appointment and assessment of the performance of the external auditors.

The audit committee has reviewed the audited results of the Group for the year ended 31st July, 2005.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the board of directors on the basis of their merit, qualifications and competence.

The emoluments of the Company are decided by the board of directors, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st July, 2005.

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
Chu Nin Yiu, Stephen
Executive Chairman

18th November, 2005