

The directors had pleasure in presenting their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are engaged in property development and investment, hotel operations and relevant loan financing, and treasury management. These divisions are the basis on which the Group reports its primary segment information. Other operations include sale of boiler products and other interest income.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND A JOINTLY CONTROLLED ENTITY

Details of the Company's principal subsidiaries, associates and a jointly controlled entity at 31st March, 2005 are set out in notes 48, 49 and 18 to the financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 30.

The directors recommend a final dividend for the year of HK5 cents (2004: HK3 cents) per share to shareholders whose names appear on the Company's Register of Members on 19th August, 2005 amounting to HK\$70,713,000. The final dividend will take the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements ("Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to (i) the approval of the proposed final dividend at the annual general meeting to be held on 19th August, 2005; and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five trading days prior to and including 19th August, 2005. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders together with a form of election on or about 26th August, 2005. Dividends warrants or new shares certificates will be posted on or about 27th September, 2005.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 14.

INVESTMENT PROPERTIES

During the year, the Group acquired investment properties at an aggregate consideration of approximately HK\$239,875,000 partly through acquisition of subsidiaries and disposed of investment properties at an aggregate consideration of approximately HK\$481,599,000.

During the year, the Group revaluated its investment properties resulting in revaluation increases of HK\$166,952,000 which has been credited to income statement.

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

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$129,212,000 on hotel properties and hotel properties under development.

The Group disposed of a hotel property with a carrying value of HK\$110,483,000 during the year. During the year the Group revaluated its hotel properties resulting in revaluation increase of HK\$335,716,000 which has been credited to asset revaluation reserve.

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

PROPERTIES UNDER DEVELOPMENT

During the year, the Group spent approximately HK\$44,781,000 on properties under development.

In addition, certain properties under development with carrying amount of HK\$228,428,000 was transferred to property, plant and equipment.

Details of these and other movements during the year in the properties under development of the Group are set out in note 14 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2005 are set out on pages 94 to 101 of the annual report.

SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 32 to the financial statements.

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

BORROWINGS AND INTEREST CAPITALISED

Obligations under finance leases and bank and other borrowings and convertible bonds are set out in notes 30, 31 and 34 to the financial statements, respectively.

Interest capitalised by the Group during the year amounted to approximately HK\$27,486,000.

ANALYSIS OF THE GROUP'S LIQUIDITY

The Group's obligations under finance leases and total bank and other borrowings as at 31st March, 2005 were approximately HK\$726,000 and HK\$1,691,518,000, respectively.

DIRECTORS

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

Executive Directors

Mr. Deacon Te Ken Chiu, *Chairman*

Dato' David Chiu, *Deputy Chairman and Chief Executive Officer*

Mr. Craig Grenfell Williams

Mr. Dennis Chiu

Non-executive Directors

Madam Ching Lan Ju Chiu

Mr. Dick Tat Sang Chiu

Mr. Daniel Tat Jung Chiu

Independent Non-executive Directors

Datuk Kee Leong Chee

Mr. David Kwok Kwei Lo

Mr. Jian Yin Jiang

In accordance with the provisions of the Company's Articles of Association, the Directors retiring by rotation at the annual general meeting of the Company to be held on 19th August, 2005 are Datuk Kee Leong Chee, Mr. Craig Grenfell Williams and Madam Ching Lan Ju Chiu. Mr. Craig Grenfell Williams and Madam Ching Lan Ju Chiu being eligible, offer themselves for re-election.

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

DIRECTORS' INTERESTS IN SHARES

At 31st March, 2005, the interests and short positions of the directors 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 ("SFO")) as recorded in the register kept by the Company pursuant to 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 (the "Model Code") were as follows:

(a) Directors' Interests in Shares and Underlying Shares of the Company

Name of director	Nature of interests	Number of ordinary shares held			Percentage of issued share capital of the Company
		Personal interests	Corporate interests	Total interests	
Deacon Te Ken Chiu	Long Position	10,267,137	113,234,992 ⁽¹⁾	123,502,129	8.73%
David Chiu	Long Position	624,568	308,516,123 ⁽²⁾	309,140,691	21.86%
Dennis Chiu	Long Position	8,328	5,039,707 ⁽³⁾	5,048,035	0.36%
Ching Lan Ju Chiu	Long Position	1,280,627	–	1,280,627	0.09%
Dick Tat Shing Chiu	Long Position	816,685	–	816,685	0.06%
Daniel Tat Jung Chiu	Long Position	38,411	3,916,514 ⁽⁴⁾	3,954,925	0.28%

Notes:

- (1) These shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.
- (2) These shares are held by Sumptuous Assets Limited, a company controlled by Dato' David Chiu and includes the lending of 70,000,000 shares.
- (3) These shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis Chiu and First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.
- (4) These shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu and are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.

(b) Directors' Interests in Shares and Underlying Shares of Associated Corporations

Name of director	Nature of interests	Name of associated corporation	Number of ordinary shares held	Percentage of issued share capital of the associated corporation
David Chiu	Long Position	Oi Tak Enterprises Limited	250,000	25%

Save as disclosed above, none of the directors had registered an interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

At 31st March 2005, the register of interests in shares or short positions kept under Section 336 of the SFO showed that, other than the interests of directors as set out above, the following shareholders were interested in 5% or more of the issued share capital of the Company:

	Nature of interests	No. of ordinary shares held	Percentage of issued share capital of the Company
J.P. Morgan Chase & Co. ("JPMC")	Long Position	94,548,143	6.69%

Note:

According to the notice to the Company from JPMC, at 31st March 2005, JPMC held 94,548,143 shares in the company through its controlled corporations, of which 975,610 shares were held as beneficial interests; 79,514,470 shares were held as investment manager and 14,058,063 shares were held in the lending pool.

Save as disclosed herein, the Company has not been notified of any other person (other than a director or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31st March, 2005.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 28th August, 2002 (the "Share Option Scheme") and terminated the old share option scheme adopted on 28th September, 2000 (the "Old Scheme") in line with the amended Chapter 17 of the Listing Rules of 1st September 2001.

Pursuant to the Share Option Scheme, the Company may grant options to any employees, executive or directors (including executive and non-executive) of the Company or any of its subsidiaries and any business consultants, agents, financial or legal advisers or other suppliers of goods or services of the Company or any of its subsidiaries (collectively referred to as "Eligible Participants") subject to a maximum of 10% of the issued share capital of the Company from time to time.

The purpose of this Share Option Schemes is to enable the Company to grant option to Eligible Participants as incentives and rewards for their contribution or future contribution to the success and/or growth of the Company or any of its subsidiaries. Particulars of the Share Option Scheme is set out in note 35 to the financial statements.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options.

SHARE OPTION SCHEME *(continued)*

The exercise price of the share options is determinable by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Company's share.

The exercise price (HK\$2.075) is based on the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding on the date of grant on 21st October, 2004.

The directors of the Company do not consider it appropriate to disclose a theoretical value of the share options granted because a number of factors crucial for the valuation cannot be determined. Accordingly, any valuation of the share options based on various speculative assumptions would not be meaningful, but would be misleading to the shareholders of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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.

MANAGEMENT AND SERVICE CONTRACTS OF DIRECTORS

None of the directors of the Company has a contract of service with the Company or any of its subsidiaries not terminable by the employing company within one year without payment of compensation (other than statutory compensation).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

The aggregate turnover attributable to the Group's five largest customers was less than 30% of total turnover.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31st March, 2005 was approximately 1,000.

Employees are remunerated according to nature of jobs and market conditions. The Group has not adopted any training scheme for employees during the year. To provide incentives or rewards to staff, the Company adopted a share option scheme, particulars of which are set out in note 35.

Details of retirement benefits schemes are set out in note 47 to the financial statements.

CORPORATE GOVERNANCE

The Company has, throughout the year ended 31st March, 2005, complied with the Code of Best Practices and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 14 and Appendix 10 of the Main Board Listing Rules (the "Listing Rules"). The Code of Best Practices was replaced by the Code on Corporate Governance Practices which has become effective for accounting periods commencing on or after 1st January, 2005. The Company has, to certain extent, applied the principles and complied with code provisions and the Code on Corporate Governance Practices throughout the year ended 31st March, 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDITORS

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association of the Company and the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the year ended 31st March, 2005.

On behalf of the Board

David Chiu

Deputy Chairman and Chief Executive Officer

13th July, 2005