

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited accounts of the Company and the Group for the year ended 31st March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are provision of property management and facility management services, security services, cleaning services, laundry services, repair and maintenance works and trading of related products. Particulars of subsidiaries of the Company are shown in note 31 to the accounts.

An analysis of the Group's performance for the year by business segments is set out in note 4 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March 2004 are set out in the Consolidated Profit and Loss Account on page 53.

An interim dividend of 2.0 HK cents per share amounting to HK\$6,640,000 was paid to shareholders during the year.

The directors recommend the payment of a final dividend of 3.0 HK cents per share to shareholders on the register of members of the Company on 6th August 2004. Subject to approval of the directors recommendation by shareholders at the forthcoming annual general meeting, the final dividend will be paid on 17th August 2004.

The register of members will be closed from Friday, 6th August 2004 to Tuesday, 10th August 2004, both days inclusive, during which period, no transfer of shares will be registered. In order to qualify for the final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 5th August 2004.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the accounts.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last five financial years is set out in the section entitled "Five Year Financial Summary" in the annual report.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

DONATIONS

Donations by the Group for charitable and other purposes during the year amounted to HK\$1,336,000 (2003: HK\$25,000).

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 22 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st March 2004, calculated under the Company Act 1981 of Bermuda (as amended), amounted to HK\$84,359,000.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws (the "Bye-laws") and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS

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

Woo Chia Wei (<i>Chairman</i>)*	(appointed on 16th September 2003)
Fung Yi Hao, Yvette (<i>Deputy Chairman</i>)	(appointed on 5th August 2003)
Fan Cheuk Hung (<i>Managing Director</i>)	(appointed on 5th August 2003)
Lai Ming, Joseph**	(appointed on 5th August 2003)
Shih Wing Ching*	(appointed on 16th September 2003)
Kwong Ki Chi	(appointed as alternate director to Fung Yi Hao, Yvette on 2nd January 2004)

* *Independent Non-executive Director*

** *Non-executive Director*

In accordance with Bye-law 87, Mr. Lai Ming, Joseph will retire by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Bye-law 92, Mr. Kwong Ki Chi who was appointed on 2nd January 2004 will also retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company 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 CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

SHARE OPTION SCHEME

Pursuant to the resolution passed by all shareholders of the Company on 19th September 2003, a share option scheme (the "Scheme") was approved and adopted for the purpose of motivating the Group's employees and recognising their contribution by granting them options to acquire shares in the Company. The following information relating to the Scheme is disclosed pursuant to the requirements as contained in Chapter 17 of the Listing Rules:

(a) Purpose of the Scheme

The Scheme is set up for the purpose of recognising and motivating the contribution of the Eligible Persons (as defined below) to the Company and/or any of its subsidiaries and/or any Invested Entity (as defined below).

(b) Participants of the Scheme

The board of directors or a duly authorised committee thereof (the "Board") may at its sole and absolute discretion at any time on any business day following the date of adoption and before the tenth anniversary thereof, offer to grant to any person belonging to any of the following classes of participants ("Eligible Person"), an option to subscribe for shares.

- (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity in which the Company or any of its subsidiaries holds an equity interest (the "Invested Entity"), including any executive director of the Company, any of its subsidiaries or any Invested Entity but excluding any employee employed or to be employed by the Company, any of its subsidiaries or any Invested Entity in the Mainland of China;
- (ii) any non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any shareholder of the Company, any of its subsidiaries or any Invested Entity or any holder of any securities issued by the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity;
- (iv) any person or entity that provides research, development or other technological support to the Company, any of its subsidiaries or any Invested Entity;
- (v) any supplier of goods and/or services to the Company, any of its subsidiaries or any Invested Entity;

SHARE OPTION SCHEME *(continued)*

(b) Participants of the Scheme *(continued)*

- (vi) any business collaborator, business consultant, joint venture or business partner, technical, financial, legal and other professional advisers engaged by the Company, any of its subsidiaries or any Invested Entity;
- (vii) any associate of the directors or the substantial shareholders of the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity; or
- (viii) the trustee of any trust pre-approved by the Board, the beneficiary (or in case of discretionary trust, the discretionary objects) of which includes any of the above-mentioned persons and, for the purposes of the Scheme, the options may be granted to any company wholly-owned by one or more Eligible Persons.

(c) Maximum number of shares available for issue under the Scheme

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company as at the date of listing of the shares on the Main Board. No share option was granted pursuant to the Scheme as at 31st March 2004 and up to the date of this report. Accordingly, there was no share available for issue under the Scheme as at 31st March 2004 and up to the date of this report.

(d) Maximum entitlement of each participant under the Scheme

No option may be granted to any one Eligible Person in any 12-month period which, if exercised in full, would result in the total number of shares already issued to him/her under all the options previously granted to him/her which have been exercised and, issuable to him/her under all the options previously granted to him/her which are for the time being subsisting and unexercised, exceeding 1% of the share capital of the Company in issue on the last date of such 12-month period.

(e) Period and payment on acceptance of options

An offer for the grant of an option may be accepted by an Eligible Person concerned (and by no other person including his/her personal representative(s)) in respect of all shares for which it is offered to such Eligible Person when the duplicate offer letter comprising acceptance of the offer duly signed by such Eligible Person together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within the time period specified in the offer letter.

SHARE OPTION SCHEME *(continued)***(f) The basis of determining the exercise price**

The subscription price for shares under the Scheme shall be a price determined by the Board and notified to each grantee and shall not be less than the highest of (i) the closing price of the shares as stated in daily quotations sheet of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant and (iii) the nominal value of a share.

(g) Period of the Scheme

The Scheme shall remain in force for a period of 10 years commencing on the date of its adoption unless otherwise terminated under the terms of the Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31st March 2004, the interests and short positions of the directors and chief executive of the Company (including those interests and short positions which were taken or deemed to have been taken under the provisions of the Securities and Futures Ordinance (the "SFO")) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company 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 ("Model Code"), were as follows:

The Company*Long position in shares of the Company*

Name of Director	Number of Ordinary Shares				Percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Other interests	
Fung Yi Hao, Yvette (<i>"Mrs. Fung"</i>) (<i>Note 1</i>)	–	–	–	220,448,000	66.40
Fan Cheuk Hung	11,616,000	–	–	–	3.50
Kwong Ki Chi (<i>Note 2</i>)	250,576	–	–	–	0.08

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(continued)

Notes:

1. Mrs. Fung's interests in the shares of the Company are held through Hsin Chong International Holdings Limited ("HCI Holdings") (the ultimate holding company of Hsin Chong Holdings (H.K.) Limited ("HCHK Holdings")), the entire issued share capital of which is beneficially owned as to approximately 47.78% by Dr. Yeh Meou Tsen, Geoffrey ("Dr. Yeh"), as to approximately 27.08% by Mr. Yeh Mou Chong, David (the elder brother of Dr. Yeh), as to approximately 18.14% by GHY Company Limited (a trustee of The GHY HK Trust, the ultimate beneficiaries of which are Mr. Yeh V Nee (the son of Dr. Yeh), the issue of Mr. Yeh V Nee and The Hsin Chong KN, Godfrey Yeh Education Fund), as to approximately 4.86% by Mr. Yeh V Nee, as to approximately 2.13% by Mrs. Fung (the daughter of Dr. Yeh, the deputy chairman of the Group and an executive director of the Company) and as to approximately 0.01% by Mrs. Yeh Wang Zung Sing, Helen (the spouse of Dr. Yeh).
2. Such interests with respect to the right to acquire shares in the Company will be granted pursuant to the terms of the employment contract entered with HCI Holdings. The number of shares is based on the average closing market price of HK\$0.9977 per share of the Company for the 30 trading days preceding 2nd January 2004.

Save as disclosed above, as at 31st March 2004, none of the directors or chief executive of the Company had, or were deemed under the SFO to have, any interests or short positions in any of the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st March 2004, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the directors and chief executive of the Company) had interests, being 5% or more of the Company's issued share capital, and short positions in the shares and underlying shares of the Company:

The Company

Long position in shares of the Company

Name of Shareholder	Number of shares held	Nature of interest	Percentage interest in the Company's issued share capital
HCHK Holdings (<i>Note 1</i>)	220,448,000	Beneficial owner	66.40%
Hsin Chong Holdings (BVI) Limited (<i>Note 2</i>)	220,448,000	Interest of a controlled corporation	66.40%
HCI Holdings (<i>Note 3</i>)	220,448,000	Interest of a controlled corporation	66.40%
Deutsche Bank Aktiengesellschaft	25,876,000	Person having a security interest in shares	7.79%

Notes:

1. HCHK Holdings is beneficially wholly-owned by Hsin Chong Holdings (BVI) Limited, which in turn, is beneficially wholly-owned by HCI Holdings. HCI Holdings is beneficially owned as to approximately 47.78% by Dr. Yeh, as to approximately 27.08% by Mr. Yeh Mou Chong, David (the elder brother of Dr. Yeh), as to approximately 18.14% by GHY Company Limited (a trustee of The GHY HK Trust, the ultimate beneficiaries of which are Mr. Yeh V Nee (the son of Dr. Yeh), the issue of Mr. Yeh V Nee and The Hsin Chong KN, Godfrey Yeh Education Fund), as to approximately 4.86% by Mr. Yeh V Nee, as to approximately 2.13% by Mrs. Fung (the daughter of Dr. Yeh, the deputy chairman of the Group and an executive director of the Company) and as to approximately 0.01% by Mrs. Yeh Wang Zung Sing, Helen (the spouse of Dr. Yeh).
2. The interest of Hsin Chong Holdings (BVI) Limited was held through its interest in HCHK Holdings.
3. The interest of HCI Holdings was held through its interest in Hsin Chong Holdings (BVI) Limited and HCHK Holdings.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Save as disclosed above, as at 31st March 2004, there was no person (other than the directors and chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the Company's issued share capital, and short positions in the shares and underlying shares of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the Group's five largest customers comprised approximately 60% of the Group's total turnover and the turnover attributable to the Group's largest customer were approximately 42% of the Group's total turnover. None of the directors, their associates, or any shareholder which, to the knowledge of the directors, own more than 5% of the Company's share capital has any interest in any of the Group's five largest customers. The Group's five largest suppliers attributable to the Group's total purchases were less than 30%.

BANK BORROWINGS

The total borrowings of the Group as at 31st March 2004 amounted to HK\$20 million (2003: HK\$40 million). Particulars of borrowings are set out in note 21 to the accounts.

REWARD FOR EMPLOYEES

As at 31st March 2004, the Group employed over 4,100 employees in Hong Kong and the Mainland of China. Employees of the Group are remunerated with monthly salary, subject to annual review and discretionary bonuses. Employees of the Group are also entitled, subject to eligibility, to retirement fund and provident fund and to participate in a share option scheme. The Group places strong emphasis on nurturing a continuous learning culture within the organisation and implements a variety of programmes to promote training. The Group has implemented various bonus schemes for its management staff in Hong Kong. The payment of bonuses under these schemes is tied to the profitability of the Group and the performance of the particular staff. These schemes help to provide incentives for the Group's staff to pursue and achieve the targets and goals set by the Group.

CONNECTED TRANSACTIONS

By virtue of HCHK Holdings being the substantial shareholders of the Company, transactions entered into between HCHK Holdings or its associates and the Group constituted connected transactions. Details of discloseable connected transactions of the Group during the year are set out below.

- (a) On 18th September 2003, a sub-lease agreement was entered into between HCHK Holdings and Synergis Management Services Limited ("SMS"), a subsidiary of the Company whereby HCHK Holdings confirmed its agreement to sub-lease to SMS the premises located at portions of the 3/F, 6/F and 10/F together with eleven car parking spaces at Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Kowloon. The sub-lease agreement is for a period of twenty months from 1st August 2003 to 31st March 2005 with a total consideration of HK\$4,071,000. The premises are used by SMS for office and car parking purposes. The directors considered that such transaction had been entered into by SMS on normal commercial terms which are fair and reasonable.
- (b) During the financial year, Summit Insurance (Asia) Limited ("Summit"), a general insurer registered with Insurance Authority and a direct 88%-owned subsidiary of HCHK Holdings, provided various insurance policies (the "Insurance Policies") for the Group to cover its risks in respect of the properties and facilities that managed by the Group and in compliance with the legal requirements against loss on fire, burglary, public liability, contractors all risks, property all risks, fidelity guarantee, money, vehicle and employee compensation. Insurance premium paid by the Group to Summit was amounted to approximately HK\$3.0 million.
- (c) During the financial year, Master Clean Service Limited ("Master Clean"), a subsidiary of the Company, provided cleaning services to HCHK Holdings and its associates. Cleaning service fees received by Master Clean from HCHK Holdings and its associates for the provision of cleaning services was amounted to approximately HK\$1.6 million.
- (d) During the financial year, HCHK Holdings provided guarantees (the "Guarantee Arrangements") to the clients of SMS in respect of SMS's performance under various property management contracts and SMS paid commissions and gave "back-to-back" counter-indemnities to HCHK Holdings in respect of the Guarantee Arrangements. In the event that HCHK Holdings has to make good on guarantees made pursuant to the Guarantee Arrangements as a result of SMS's non-performance, the aggregate amount paid by HCHK Holdings is theoretically recoverable from SMS pursuant to the "back-to-back" counter indemnities given by SMS. The total maximum theoretical liabilities under the Guarantee Arrangements and the aggregate annual amount of commissions payable by SMS to HCHK Holdings for the year in respect of the Guarantee Arrangements was amounted to approximately HK\$14.6 million and HK\$18,000 respectively.

CONNECTED TRANSACTIONS *(continued)*

- (e) During the financial year, Summit provided guarantees (the “Surety Arrangements”) as surety to the clients of SMS in respect of SMS’s performance under various property management contracts and SMS paid premiums and gave “back-to-back” counter-indemnities to Summit or the Company gave guarantees as guarantor to Summit in respect of the Surety Arrangements. In the event that Summit has to make good on guarantees made pursuant to the Surety Arrangements as a result of SMS’s non-performance, the aggregate amount paid by Summit is theoretically recoverable from the Company or SMS pursuant to the respective guarantees or “back-to-back” counter indemnities given under the Surety Arrangements. The total maximum theoretical liabilities under the Surety Arrangements and the aggregate premiums payable by the Company and SMS to Summit for the year in respect of the Surety Arrangements was amounted to approximately HK\$115.4 million and HK\$232,000 respectively.

With regards to those connected transactions under (b) to (e) (the “Transactions”) above, the Stock Exchange has granted conditional waivers to the Company from strict compliance with the requirements of the Listing Rules. The independent non-executive directors of the Company confirmed that the Transactions were conducted in compliance with the conditions set out in the waivers granted by the Stock Exchange.

In the opinion of independent non-executive directors:–

1. The connected transactions under (b) to (e) above were conducted in the ordinary and usual course of business of the Group, on normal commercial terms that are fair and reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders as a whole.
2. The aggregate annual amount which the Group paid or received from the relevant connected persons of the Company for the year in respect of the connected transactions under (b) and (c) above are within the relevant cap amounts as agreed by the Stock Exchange.
3. The total maximum theoretical liabilities and the aggregate annual amount of commissions and premiums payable to the relevant connected persons of the Company for the year in respect of the connected transactions under (d) and (e) above are within the relevant cap amounts as agreed by the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

Written terms of reference of the Audit Committee based primarily on "A Guide for Effective Audit Committees" issued by the Hong Kong Society of Accountants have been adopted by the board.

The Audit Committee provides an important link between the board and the Company's auditors in matters coming within the scope of the Group audit. It will review the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee, comprising two independent non-executive directors, namely Mr. Shih Wing Ching and Professor Woo Chia Wei and one non-executive director namely Mr. Lai Ming, Joseph, has reviewed with management and the Company's auditors the accounting principles and practices adopted by the Group.

AUDITORS

The retiring auditors, PricewaterhouseCoopers, have signified their willingness to continue in office. A resolution will be proposed at the annual general meeting to re-appoint them and to authorise the directors to fix their remuneration.

On Behalf of the Board

Professor Woo Chia Wei

Chairman

Hong Kong, 24th May 2004