

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The activities of its principal subsidiaries, associates and jointly controlled entities at 31st March, 2004 are set out in note 43 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st March, 2004 are set out in the consolidated income statement on page 21 of the annual report and in the accompanying notes to the financial statements.

An interim dividend of 1.0 cent per share amounting to HK\$10,937,000 and a special dividend of 29.0 cents per share amounting to HK\$317,174,000 were paid to the shareholders during the year. The directors recommend the payment of a final dividend of 1.5 cent per share in scrip form with a cash option to shareholders whose names appear on the register of members on 6th October, 2004, amounting to approximately HK\$20,179,000. Details of the dividends are set out in note 11 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2004, the five largest customers and the single largest customer of the Group accounted for approximately 78% and 28% of the turnover of the Group, respectively. The aggregate purchases attributable to the five largest suppliers of the Group during the year were less than 30% of the purchases of the Group.

As far as the directors are aware, certain directors and/or their associates, within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"), have an interest of less than 1% in shares and/or equity derivatives of three of the five largest customers of the Group for the year ended 31st March, 2004.

Save as disclosed above, as far as the directors are aware, none of the directors, their associates, within the meaning of the Listing Rules, or those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital have an interest in any of the five largest customers of the Group for the year ended 31st March, 2004.

LIQUIDITY AND CAPITAL RESOURCES

The Group currently maintains a variety of credit facilities to meet its working capital requirements. At 31st March, 2004, the Group's total borrowings amounted to approximately HK\$561,048,000 with approximately HK\$44,048,000 repayable within one year, approximately HK\$217,000,000 repayable between one to two years and approximately HK\$300,000,000 repayable between two to five years. Cash, bank balances and deposits at 31st March, 2004 amounted to approximately HK\$250,255,000. The Group's current ratio was 1.6 and the long term debt to equity ratio was 0.2 at 31st March, 2004.

INVESTMENT PROPERTIES

The investment properties of the Group were revalued on 31st March, 2004. The aggregate deficit on revaluation of the properties amounting to approximately HK\$14,000,000 has been charged to the income statement.

Details of these and other movements in the investment properties of the Group during the year are set out in note 13 to the financial statements.

DIRECTORS' REPORT *(Continued)***PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group spent approximately HK\$9,859,000 on property, plant and equipment to expand and upgrade its operating capacity. In addition, a motor vessel of approximately HK\$53,758,000 was acquired as a result of the acquisition of a subsidiary.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

MAJOR PROPERTIES

Particulars regarding major properties of the Group at 31st March, 2004 are set out on page 69 of the annual report.

SHARE CAPITAL AND WARRANTS

Details of movements in the issued share capital and the warrants ("2003 Warrants") of the Company during the year are set out in notes 30 and 31 to the financial statements, respectively.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 32 to the financial statements.

The following table discloses movements in the Company's share options during the year:

Name of director	Date of grant	Exercise price per share HK\$	Number of shares of the Company to be issued upon exercise of the share options		
			Outstanding at 1.4.2003	Lapsed during the year	Outstanding at 31.3.2004
Lau Ko Yuen, Tom	17.12.1999	0.5552	5,000,000	(5,000,000)	-
Chan Fut Yan	17.12.1999	0.5552	5,000,000	(5,000,000)	-
Chau Mei Wah, Rosanna	17.12.1999	0.5552	6,100,000	(6,100,000)	-
			16,100,000	(16,100,000)	-

All the options granted were lapsed during the year.

DIRECTORS

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

Executive directors

Chan Kwok Keung, Charles	<i>(Chairman)</i>
Lau Ko Yuen, Tom	<i>(Deputy Chairman)</i>
Chan Fut Yan	<i>(Managing Director)</i>
Wong Wing Hoo, Billy	<i>(Deputy Managing Director)</i>
Chau Mei Wah, Rosanna	
Cheung Hon Kit	
Law Man Wah, Conrad	
Lee Hon Chiu	

Independent non-executive directors

Cheung Ting Kau, Vincent
Kwok Shiu Keung, Ernest

DIRECTORS' REPORT (Continued)

DIRECTORS (Continued)

In accordance with Clauses 87(1) and 87(2) of the Company's bye-laws, Mr. Lau Ko Yuen, Tom and Ms. Chau Mei Wah, Rosanna retire by rotation, and are eligible for re-election, at the forthcoming annual general meeting.

The term of office of each non-executive director is the period from the date of appointment up to his retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st March, 2004, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules were as follows:

(1) Interests and short positions in the shares, underlying shares and debentures of the Company

Name of director	Capacity	Long position/ short position	Number of shares of the Company held	Approximate percentage of the existing issued share capital of the Company
Chan Kwok Keung, Charles	Interest of controlled corporation/interest of concert party (Note)	Long position	740,668,056	55.06%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,603,952	0.86%
Cheung Hon Kit	Beneficial owner	Long position	400	0.00%
Law Man Wah, Conrad	Beneficial owner	Long position	6,445	0.00%

Note: Dr. Chan Kwok Keung, Charles was deemed to be interested in 740,668,056 shares in the Company by virtue of his deemed interest in approximately 33.58% of the issued ordinary share capital of ITC Corporation Limited ("ITC") which in turn owned the entire issued share capital of ITC Investment Holdings Limited ("ITC Investment"). Hollyfield Group Limited ("Hollyfield"), a wholly-owned subsidiary of ITC Investment, owned these shares.

Pursuant to a loan agreement dated 28th October, 2002 between ITC as borrower and Dr. Chan Kwok Keung, Charles as lender ("Concert Party Agreement"), Dr. Chan Kwok Keung, Charles has interest of concert party in 490,427,231 shares in the Company out of the aforesaid 740,668,056 shares in the Company held by Hollyfield.

DIRECTORS' REPORT (Continued)**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

(Continued)

(2) Interests and short positions in the shares, underlying shares and debenture of ITC

Name of director	Capacity	Long position/ short position	Number of ordinary shares of ITC held	Number of underlying shares (in respect of the convertible notes (unlisted equity derivatives)) of ITC held	Approximate percentage of the existing issued ordinary share capital of ITC
Chan Kwok Keung, Charles	Interest of controlled corporation (Note a)	Long position	219,681,911	-	33.58%
Chan Kwok Keung, Charles	Beneficial owner	Long position	-	833,333,333 (Note b)	127.36%

Notes:

- a. Dr. Chan Kwok Keung, Charles was deemed to be interested in 219,681,911 ordinary shares in ITC by virtue of his shareholding in Chinaview International Limited ("Chinaview"). Galaxyway Investments Limited ("Galaxyway"), a wholly-owned subsidiary of Chinaview, owned these shares.
- b. Dr. Chan Kwok Keung, Charles owned convertible notes issued by ITC in the principal amount of HK\$250,000,000 carrying rights to convert into 833,333,333 ordinary shares in ITC at an initial conversion price of HK\$0.30 per share, subject to adjustment.

(3) Interests and short positions in the shares, underlying shares and debentures of China Strategic Holdings Limited ("China Strategic")

Name of director	Capacity	Long position/ short position	Number of shares of China Strategic held	Approximate percentage of the existing issued share capital of China Strategic
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	258,819,795	29.36%

Note: Dr. Chan Kwok Keung, Charles was deemed to be interested in 258,819,795 shares in China Strategic by virtue of his deemed interest in 55.06% of the issued share capital of the Company. Calisan Developments Limited, an indirect wholly-owned subsidiary of the Company, owned these shares.

ITC and China Strategic are associated corporations, within the meaning of Part XV of the SFO, of the Company.

Save as disclosed above, at 31st March, 2004, none of the directors or chief executives of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Interests of directors of the Company in competing businesses at 31st March, 2004 required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of director	Name of company	Nature of competing business	Nature of interest
Chan Kwok Keung, Charles	Wing On Travel (Holdings) Limited ("Wing On") and its subsidiaries	Property business in Hong Kong	As a director of Wing On
	China Strategic and its subsidiaries	Property business in the PRC	As the chairman and chief executive officer of China Strategic
Chau Mei Wah, Rosanna	China Strategic and its subsidiaries	Property business in the PRC	As a director of China Strategic
Cheung Hon Kit	Wing On and its subsidiaries	Property business in Hong Kong	As the managing director of Wing On
	Universal Engineering & Construction Ltd ("Universal")	Construction	Holds indirect shareholding interest in Universal
	Silver City Limited ("Silver City")	Property business in Hong Kong	As a director and shareholder of Silver City
	Co-Forward Development Limited ("Co-Forward")	Property business in Hong Kong	As a director and shareholder of Co-Forward
	China Development Limited ("China Development")	Property business in Hong Kong	As a director and shareholder of China Development
	Asia City Holding Limited ("Asia City")	Property business in Hong Kong	As a director and shareholder of Asia City

The changes in details of the directors' interests in competing businesses previously disclosed in the annual report of the Company for the year ended 31st March, 2003 ("Annual Report 2003") were set out below:

- The name of Ananda Wing On Travel (Holdings) Limited was changed to Wing On Travel (Holdings) Limited during the year;
- Dr. Chan Kwok Keung, Charles ceased to be a substantial shareholder of SMI Corporation Limited ("SMI") (formerly known as Star East Holdings Limited) with effect from 25th February, 2004, which had competing business of property business in Hong Kong and the PRC as disclosed in the Annual Report 2003;
- Mr. Chan Fut Yan resigned as the vice chairman of China Velocity Group Limited ("China Velocity") (formerly known as Rosedale Hotel Group Limited) with effect from 9th January, 2004, which had competing business of property business in the PRC as disclosed in the Annual Report 2003;
- Ms. Chau Mei Wah, Rosanna resigned as a director of China Velocity with effect from 9th January, 2004 and retired as a director of SMI with effect from 4th September, 2003; and
- Mr. Cheung Hon Kit was appointed as the managing director of Wing On with effect from 9th October, 2003 and resigned as the executive vice chairman of China Velocity with effect from 9th January, 2004.

DIRECTORS' REPORT (Continued)**DIRECTORS' INTERESTS IN COMPETING BUSINESSES** (Continued)

Having considered the nature, size and scope of the above businesses, the directors of the Company believe that there is unlikely to be any significant competition with the businesses of the Group.

Save as disclosed above, none of the directors of the Company is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly and indirectly, with the businesses of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" below, no contracts of significance to which the Company or any of its holding companies or fellow subsidiaries or 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.

CONNECTED TRANSACTIONS

During the year, the Group entered into transactions with certain associates of ITC, a substantial shareholder of the Company. Dr. Chan Kwok Keung, Charles, Mr. Lau Ko Yuen, Tom, Mr. Chan Fut Yan, Ms. Chau Mei Wah, Rosanna and Mr. Cheung Hon Kit, directors of the Company, are also directors of ITC. The transactions include purchase of building materials, rental and related building management fee charged by the Group and the aggregate amount for each class of transaction is below HK\$1 million.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

At 31st March, 2004, so far as is known to the directors and the chief executives of the Company, the interests and short positions of the substantial shareholders/other persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

(1) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Name of shareholder	Capacity	Long position/ short position	Number of shares of the Company held	Approximate percentage of the existing issued share capital of the Company
Chan Kwok Keung, Charles	Interest of controlled corporation/interest of concert party (Note)	Long position	740,668,056	55.06%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,603,952	0.86%
Ng Yuen Lan, Macy	Interest of spouse (Note)	Long position	752,272,008	55.92%
Chinaview	Interest of controlled corporation (Note)	Long position	752,272,008	55.92%
Galaxyway	Interest of controlled corporation (Note)	Long position	752,272,008	55.92%
ITC	Interest of controlled corporation/interest of concert party (Note)	Long position	752,272,008	55.92%
ITC Investment	Interest of controlled corporation (Note)	Long position	740,668,056	55.06%
Hollyfield	Beneficial owner (Note)	Long position	740,668,056	55.06%
Aeneas Capital Management LP as Investment Manager	Investment manager	Long position	170,000,000	12.64%

DIRECTORS' REPORT (Continued)

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO (Continued)

(1) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company (Continued)

Note: Hollyfield, a wholly-owned subsidiary of ITC Investment which was, in turn, a wholly-owned subsidiary of ITC, owned 740,668,056 shares in the Company. Galaxyway, a wholly-owned subsidiary of Chinaview, owned 33.58% of the issued ordinary share capital of ITC. Dr. Chan Kwok Keung, Charles owned the entire issued share capital of Chinaview. ITC Investment was deemed to be interested in the said 740,668,056 shares in the Company held by Hollyfield. Ms. Ng Yuen Lan, Macy, the spouse of Dr. Chan Kwok Keung, Charles, was deemed to be interested in the said 740,668,056 shares in the Company held by Hollyfield and 11,603,952 shares in the Company held directly by Dr. Chan Kwok Keung, Charles.

Pursuant to the Concert Party Agreement, Dr. Chan Kwok Keung, Charles had interest of concert party in 490,427,231 shares in the Company out of the aforesaid 740,668,056 shares in the Company held by Hollyfield. Also, pursuant to the Concert Party Agreement, ITC had interest of concert party in 502,031,183 shares in the Company out of the aggregate of the aforesaid 740,668,056 shares in the Company held by Hollyfield and 11,603,952 shares in the Company held directly by Dr. Chan Kwok Keung, Charles. Galaxyway and Chinaview were deemed to be interested in 752,272,008 shares in the Company, of which ITC had interest of controlled corporation and interest of concert party.

(2) Interests and short positions of other persons in the shares and underlying shares of the Company

Name of person	Capacity	Long position/ short position	Number of shares of the Company held	Approximate percentage of the existing issued share capital of the Company
Deutsche Bank Aktiengesellschaft	Security interest	Long position	183,992,000	13.68%

Save as disclosed above, at 31st March, 2004, the Company has not been notified of any interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in notes 6(b) and 37 to the financial statements.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31st March, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

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.

DIRECTORS' REPORT (Continued)**DONATIONS**

During the year, the Group made charitable and other donations of approximately HK\$16,000.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

The following disclosure is made by the Company pursuant to Rules 13.20 and 13.22 of the Listing Rules:

(1) Advances to entities

Pursuant to Rule 13.20 of the Listing Rules, the details of the advances ("Advances") to and trading balances due from entities as at 31st March, 2004, which individually exceed 8% of one or more of the relevant percentage ratios as set out in Rule 14.07 of the Listing Rules are as follows:

Entities	Amount of Advances (HK\$'000)	Amount of trading balances (HK\$'000)	Total (HK\$'000)	Interest rate
Hanny Holdings Limited, its subsidiaries and its affiliated companies, excluding China Strategic	149,361	–	149,361	Prime rate + 2%
China Strategic, its subsidiaries and its affiliated companies, excluding China Velocity and Wing On	175,700	1,636	177,336	Prime rate + 2%
China Velocity, its subsidiaries and its affiliated companies	131,702 (Note)	641	132,343	Prime rate + 0.25%
Wing On, its subsidiaries and its affiliated companies	87,879	1,850	89,729	Prime rate + 2%
Bongear Enterprises Limited ("Bongear")	80,206	–	80,206	Prime rate + 1%
Banyan Profits Limited	69,869	–	69,869	Prime rate – 2%

Note: Amount repayable by instalment with final maturity on 30th June, 2005.

The amounts are unsecured and, except as otherwise stated in the note above, are repayable on demand.

The Group advanced the monies to these entities for their general working capital purpose in return of interest income and establishing and maintaining a business and investment relationship with them.

DIRECTORS' REPORT (Continued)

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES (Continued)

(1) Advances to entities (Continued)

In addition, as at 31st March, 2004, the Group has the following trading balances including retention monies ("Trade Receivable") due from three trade customers, their subsidiaries and their affiliated companies, which individually exceed 8% of one or more of the relevant percentage ratios as set out in Rule 14.07 of the Listing Rules:

	Amount of Trade Receivable (HK\$'000)
Cyber-port Limited	318,228
Cheung Kong (Holdings) Limited, its subsidiaries and its affiliated companies (Note)	230,887
Hutchison Whampoa Limited, its subsidiaries and its affiliated companies (Note)	173,793

Note: This includes the Trade Receivable from Hutchison Whampoa Limited and its subsidiaries in the sum of approximately HK\$95,087,000.

The Trade Receivable, which is unsecured, interest free and with payment terms ranging from 30 days to 90 days, is mainly arose from construction services rendered by the Group to the relevant customer.

(2) Financial assistance given to and trading balances due from affiliated companies

Details of the financial assistance given to and trading balances due from the Company's affiliated companies as at 31st March, 2004, which in aggregate exceed 8% of one or more of the relevant percentage ratios as set out in Rule 14.07 of the Listing Rules are as follows:

Affiliated companies	Percentage of interest (%)	Amount of financial assistance given (HK\$'000)	Amount of trading balance (HK\$'000)	Total (HK\$'000)
China Strategic and its subsidiaries	29.4	175,700 (Note)	636	176,336
Bongear	45.0	80,206 (Note)	-	80,206
Paul Y. - Penta-Ocean Joint Venture	50.0	2,000	-	2,000
lcofox International Limited and its subsidiaries	27.3	3,000	1,677	4,677
Domain - Paul Y. Sdn. Bhd.	49.0	-	1,505	1,505
DL & PY JV Limited	50.0	-	210	210
Downer EDI Limited and its subsidiaries	21.3	-	14	14
		260,906	4,042	264,948

Note: The amounts are interest bearing at the prime rate plus a margin ranging 1% to 2%

The amounts have no fixed repayment dates, are unsecured and, except as otherwise stated in the note above, are interest free.

DIRECTORS' REPORT (Continued)**DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES** (Continued)**(2) Financial assistance given to and trading balance due from affiliated companies** (Continued)

Pursuant to Rule 13.22 of the Listing Rules, the pro-forma balance sheet of the affiliated companies and the Group's attributable interest in these affiliated companies based on their latest financial statements available are presented below:

	Pro-forma combined balance sheet (HK\$'000)	The Group's attributable interest (HK\$'000)
Non-current assets	6,681,582	1,525,948
Current assets	7,419,626	1,685,767
Current liabilities	(4,471,112)	(1,002,236)
Non-current liabilities	(3,306,263)	(724,487)
Minority interests	(250,160)	(73,447)
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Net assets	6,073,673	1,411,545

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years. 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

Dr. Chan Kwok Keung, Charles

Chairman

Hong Kong, 23rd July, 2004