

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The activities of its principal subsidiaries, associates and jointly controlled entities at 31st March, 2005 are set out in note 44 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st March, 2005 are set out in the consolidated income statement on page 27 of the annual report and in the accompanying notes to the financial statements.

An interim dividend of 1.5 cents per share amounting to approximately HK\$20,538,000 was paid to the shareholders during the year. In addition, the directors resolved the payment of a special cash dividend of 70 cents per share to shareholders whose names appear on the register of member on 8th July, 2005, amounting to a total sum of approximately HK\$957,177,000. The directors further recommended for shareholders' approval the payment of a final dividend of 1.5 cents per share in scrip form with a cash option to shareholders whose names appear on the register of members on 16th September, 2005, amounting to a total sum of approximately HK\$20,511,000. Details of the dividends are set out in note 11 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2005, the five largest customers and the single largest customer of the Group accounted for approximately 72% and 26% 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 "Listing Rules"), have an interest of less than 1% in shares and/or equity derivatives of one of the five largest customers of the Group for the year ended 31st March, 2005.

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, 2005.

LIQUIDITY AND CAPITAL RESOURCES

The Group currently maintains a variety of credit facilities to meet its working capital requirements. As at 31st March, 2005, the Group's total borrowings amounted to approximately HK\$830,960,000 with approximately HK\$289,960,000 repayable within one year, approximately HK\$541,000,000 repayable between one to two years. Cash, bank balances and deposits as at 31st March, 2005 amounted to approximately HK\$1,254,556,000. The Group's current ratio was 2.1 and the long term debt to equity ratio was 0.2 as at 31st March, 2005.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$12,155,000 on property, plant and equipment to expand and upgrade its operating capacity.

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

INVESTMENT PROPERTIES

The investment properties of the Group were revalued on 31st March, 2005. No surplus or deficit arose on revaluation of the properties.

Details of these and other movements in the investment properties 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 as at 31st March, 2005 are set out on page 73 of the annual report.

SHARE CAPITAL

Details of movements in the issued share capital of the Company during the year are set out in note 33 to the financial statements.

SHARE OPTIONS

Particulars of the Company's share option scheme adopted on 27th August, 2002 (the "Share Option Scheme") are set out in note 34 to the financial statements.

Details of the share options granted under the Share Option Scheme during the year to certain directors of the Company to subscribe for shares in the Company are as follows:

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding as at 1.4.2004	Number of underlying shares comprised in the options		Outstanding as at 31.3.2005
					Grant during the year	Lapsed during the year	
Lau Ko Yuen, Tom	28.12.2004	28.12.2004 to 26.08.2012	1.94	–	6,500,000	–	6,500,000
	28.12.2004	28.12.2004 to 26.08.2012	2.20	–	6,500,000	–	6,500,000
Chan Fut Yan	28.12.2004	28.12.2004 to 26.08.2012	1.94	–	6,500,000	–	6,500,000
	28.12.2004	28.12.2004 to 26.08.2012	2.20	–	6,500,000	–	6,500,000
Chau Mei Wah, Rosanna	28.12.2004	28.12.2004 to 26.08.2012	1.94	–	6,500,000	–	6,500,000
	28.12.2004	28.12.2004 to 26.08.2012	2.20	–	6,500,000	–	6,500,000
Cheung Ting Kau, Vincent	28.12.2004	28.12.2004 to 26.08.2012	1.94	–	650,000	–	650,000
	28.12.2004	28.12.2004 to 26.08.2012	2.20	–	650,000	–	650,000
Kwok Shiu Keung, Ernest	28.12.2004	28.12.2004 to 26.08.2012	1.94	–	650,000	–	650,000
	28.12.2004	28.12.2004 to 26.08.2012	2.20	–	650,000	–	650,000
Chan Shu Kin	28.12.2004	28.12.2004 to 26.08.2012	1.94	–	650,000	–	650,000
	28.12.2004	28.12.2004 to 26.08.2012	2.20	–	650,000	–	650,000
Chow Ming Kuen, Joseph	28.12.2004	28.12.2004 to 26.08.2012	1.94	–	650,000	–	650,000
	28.12.2004	28.12.2004 to 26.08.2012	2.20	–	650,000	–	650,000
				–	44,200,000	–	44,200,000

SHARE OPTIONS (Cont'd)

The closing price of the Company's shares immediately before the date of grant was HK\$1.91.

As at the date of this report, the above share options granted under the Share Option Scheme to certain directors of the Company in respect of a total of 44,200,000 underlying shares of the Company remain outstanding, representing 3.23% of issued share capital of the Company on that date.

The directors are of the view that the value of the share options granted under the Share Option Scheme during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained on a number of theoretical bases and speculative assumptions. Accordingly, the directors considered that in the absence of readily available market value of the share options under the Share Option Scheme, any calculation of the value of the share options will not be meaningful and could be misleading to the shareholders in the circumstances.

DIRECTORS

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

Independent non-executive directors

Chow Ming Kuen, Joseph *OBE, JP (Chairman)* (appointed on 30th September, 2004)
 Kwok Shiu Keung, Ernest
 Chan Shu Kin (appointed on 27th September, 2004)

Executive directors

Lau Ko Yuen, Tom (*Deputy Chairman & Managing Director*)
 Chan Fut Yan
 Chau Mei Wah, Rosanna
 Cheung Hon Kit
 Wong Wing Hoo, Billy (resigned on 17th January, 2005)
 Law Man Wah, Conrad (resigned on 17th January, 2005)
 Lee Hon Chiu (resigned on 17th January, 2005)

Non-executive directors

Chan Kwok Keung, Charles (re-designated as non-executive director on 22nd July, 2005)
 Cheung Ting Kau, Vincent (re-designated as non-executive director on 30th September, 2004)

In accordance with bye-law 87(1) and 87(2) of the Company's bye-laws, Messrs. Chan Fut Yan, Cheung Hon Kit and Cheung Ting Kau, Vincent and Ms. Chau Mei Wah, Rosanna will retire by rotation at the forthcoming annual general meeting. All these retiring directors have informed the board of directors (the "Board") of their intention not to seek, and do not offer themselves for, re-election.

In addition, Mr. Chan Shu Kin and Dr. Chow Ming Kuen, Joseph, being directors appointed by the Board during the year, shall retire and, being eligible, offer themselves 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 at least one every three years and 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March, 2005, the interests and short positions of the directors and chief executive 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 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") in the Listing Rules were as follows:

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

(a) Shares of the Company

Name of director/ chief executive	Capacity	Long position/ short position	Number of shares of the Company held	Approximate percentage of the then existing issued share capital of the Company
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	678,791,961	49.58%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,840,896	0.86%
Cheung Hon Kit	Beneficial owner	Long position	400	0.00%

Note: Dr. Chan Kwok Keung, Charles was deemed to be interested in 678,791,961 shares in the Company by virtue of his shareholding in Chinaview International Limited ("Chinaview"). Galaxyway Investments Limited ("Galaxyway"), a wholly-owned subsidiary of Chinaview, owned approximately 33.55% 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

(1) Interests and short positions in the shares, underlying shares and debentures of the Company: (Cont'd)

(b) Options of subscribe for shares of the Company

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of underlying shares comprised in the options	Approximate percentage of the then existing issued share capital of the Company
Lau Ko Yuen, Tom	28.12.2004	28.12.2004 to 26.08.2012	1.94	6,500,000	0.475%
	28.12.2004	28.12.2004 to 26.08.2012	2.20	6,500,000	0.475%
Chan Fut Yan	28.12.2004	28.12.2004 to 26.08.2012	1.94	6,500,000	0.475%
	28.12.2004	28.12.2004 to 26.08.2012	2.20	6,500,000	0.475%
Chau Mei Wah, Rosanna	28.12.2004	28.12.2004 to 26.08.2012	1.94	6,500,000	0.475%
	28.12.2004	28.12.2004 to 26.08.2012	2.20	6,500,000	0.475%
Cheung Ting Kau, Vincent	28.12.2004	28.12.2004 to 26.08.2012	1.94	650,000	0.047%
	28.12.2004	28.12.2004 to 26.08.2012	2.20	650,000	0.047%
Kwok Shiu Keung, Ernest	28.12.2004	28.12.2004 to 26.08.2012	1.94	650,000	0.047%
	28.12.2004	28.12.2004 to 26.08.2012	2.20	650,000	0.047%
Chan Shu Kin	28.12.2004	28.12.2004 to 26.08.2012	1.94	650,000	0.047%
	28.12.2004	28.12.2004 to 26.08.2012	2.20	650,000	0.047%
Chow Ming Kuen, Joseph	28.12.2004	28.12.2004 to 26.08.2012	1.94	650,000	0.047%
	28.12.2004	28.12.2004 to 26.08.2012	2.20	650,000	0.047%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

(2) Interests and short positions in the shares, underlying shares and debentures of the associated corporations:

(a) Paul Y. Engineering Group Limited (formerly known as Skynet (International Group) Holdings Limited ("Paul Y Engineering"))

Name of director	Capacity	Long position/ short position	Number of shares of Paul Y Engineering held	Number of underlying shares (in respect of the unlisted equity derivatives) of Paul Y Engineering held	Approximate percentage of the then existing issued share capital of Paul Y Engineering
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	375,826,317	–	65.17%
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	–	100,000,000	17.34%

Note: The shares of Paul Y Engineering were held by Paul Y. Investments Limited, an indirect wholly-owned subsidiary of the Company. The Company also directly held an interest in 100,000,000 underlying shares of Paul Y Engineering by virtue of a loan facility pursuant to which convertible note(s) will be issued by Paul Y Engineering, upon draw down of the facility, in the principal amount of the facility drawn. Such convertible notes are convertible into shares of Paul Y Engineering at an initial conversion price of HK\$1.00 per share, up to a maximum aggregate principal amount of HK\$100,000,000. By virtue of his deemed interests in approximately 33.55% of the issued ordinary share capital of ITC, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and underlying shares of Paul Y Engineering.

(b) 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 then existing issued share capital of China Strategic
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	258,819,795	29.36%

Note: The shares of China Strategic were held by Calisan Developments Limited, an indirect wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 33.55% of the issued ordinary share capital of ITC, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of China Strategic.

The Company entered into a conditional share sale agreement on 10th March, 2005 for the disposal of 135,000,000 shares of China Strategic. The disposal has not yet been completed as at 31st March, 2005.

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

Save as disclosed above, as at 31st March, 2005, 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 Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Interests of directors of the Company in competing businesses as at 31st March, 2005 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	China Strategic and its subsidiaries	Property business in Mainland China	As the Chairman, chief executive officer and substantial shareholder of China Strategic
	Hanny Holdings Limited ("Hanny") and its subsidiaries	Property business in Mainland China	As the Chairman, an executive director and substantial shareholder of Hanny
Lau Ko Yuen, Tom	Downer EDI Limited ("Downer") and its subsidiaries	Construction business in Hong Kong	As the non-executive Deputy Chairman of Downer
Chau Mei Wah, Rosanna	China Strategic and its subsidiaries	Property business in Mainland China	As an executive director of China Strategic
Cheung Hon Kit	Wing On Travel (Holdings) Limited ("Wing On Travel") and its subsidiaries	Property business in Hong Kong	As the Managing Director of Wing on Travel
	Universal Engineering & Construction Ltd. ("UECL")	Construction	Indirect shareholding interest in UECL
	Silver City Limited ("Silver City")	Property business in Hong Kong	As a director and shareholder of Silver City
	Hanny and its subsidiaries	Property business in Mainland China	As a non-executive director of Hanny
	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
	Artnos Limited ("Artnos")	Property business in Hong Kong	As a director and shareholder of Artnos
	Orient Centre Limited ("Orient Centre")	Property business in Hong Kong	As a shareholder of Orient Centre
	Super Time Limited ("Super Time")	Property business in Hong Kong	As a director and shareholder of Super Time
	A subsidiary of China Strategic ("CSH Subsidiary")	Property business in Mainland China	As a director of the CSH Subsidiary
	Asia City Holdings 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, 2004 ("Annual Report 2004") were set out below:

1. Dr. Chan Kwok Keung, Charles resigned as a director of Wing On Travel which had property business in Hong Kong as with the Group as disclosed in the Annual Report 2004, with effect from 30th December, 2004;
2. Hanny and its subsidiaries were engaged in property business in Mainland China during the year.
3. Downer and its subsidiaries were engaged in construction business in Hong Kong during the year.
4. Artnos, Orient Centre and Super Time and the CSH Subsidiary were engaged in property business in Hong Kong during the year.

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 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. The transactions include the purchase of building materials and rental and related building management fee charged by the Group. The aggregate amount for each class of transaction is below HK\$1 million.

The independent non-executive directors confirm that the transactions were entered into by the Group in the ordinary course of its businesses and in accordance with the terms of the agreement, if any, governing such transactions.

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

At 31st March, 2005, so far as is known to the directors and the chief executive 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 then existing issued share capital of the Company
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	678,791,961	49.58%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,840,896	0.86%
Ng Yuen Lan, Macy	Interest of spouse (Note)	Long position	690,632,857	50.44%
Chinaview	Interest of controlled corporation (Note)	Long position	678,791,961	49.58%
Galaxyway	Interest of controlled corporation (Note)	Long position	678,791,961	49.58%
ITC	Interest of controlled corporation/interest of concert party (Note)	Long position	678,791,961	49.58%
ITC Investment	Interest of controlled corporation (Note)	Long position	678,791,961	49.58%
Hollyfield	Beneficial owner (Note)	Long position	678,791,961	49.58%

Note: Hollyfield, a wholly-owned subsidiary of ITC Investment (which was in turn a wholly-owned subsidiary of ITC), owned 678,791,961 shares in the Company. Galaxyway, a wholly-owned subsidiary of Chinaview, owned 33.55% of the issued ordinary share capital of ITC. Dr. Chan Kwok Keung, Charles owned the entire issued share capital of Chinaview. Dr. Chan Kwok Keung, Charles, Chinaview, Galaxyway, ITC and ITC Investment were therefore all deemed to be interested in the said 678,791,961 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 678,791,961 shares in the Company held by Hollyfield and 11,840,896 shares in the Company held directly by Dr. Chan Kwok Keung, Charles.

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

(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 then existing issued share capital of the Company
Aeneas Capital Management LP	Investment manager	Long position	119,355,009	8.72%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long position	95,528,000	6.98%
Deutsche Bank Aktiengesellschaft	Security interest	Long position	71,373,189	5.21%
Toggenburger Christian Emil	Beneficial owner	Long position	82,457,653	6.02%
FMR Corp	Investment manager	Long position	68,869,900	5.03%

Save as disclosed above, at 31st March, 2005, 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 7(b) and 38 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.

CODE OF BEST PRACTICE

Save that non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at annual general meeting in accordance with the Company's bye-laws, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the year ended 31st March, 2005, in compliance with the Code of Best Practice as previously set out in Appendix 14 of the Listing Rules prior to 1st January, 2005, which remains applicable to disclosure in annual reports in respect of accounting periods commencing before 1st January, 2005 under the transitional arrangement.

MODEL CODE

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in the Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the directors and relevant employees of the Company. Based on specific enquiry of all its directors, the Company considers that the directors complied with the required standards set out in the Model Code throughout the year under review.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited financial statements for the year ended 31st March, 2005. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Chan Shu Kin, Dr. Chow Ming Kuen, Joseph and Mr. Kwok Shiu Keung, Ernest, and a non-executive director, Mr. Cheung Ting Kau, Vincent.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, the Company has maintained sufficient public float as required under 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.

DONATIONS

During the year, the Group made charitable and other donations of approximately HK\$4,449,000.

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, details of the advances ("Advances") to and trading balances due from entities as at 31st March, 2005, which individually exceed 8% of one or more of the relevant ratios as set out in Rule 14.07 of the Listing Rules are as follows:

Entities	Amount of Advances HK\$'000	Interest rate in respect to the Advances	Amount of trading balances HK\$'000 (Note 1)	Total HK\$'000	Percentage of total assets (Note 2)	Percentage of market capitalisation (Note 3)
Hanny Holdings Limited, its subsidiaries (the "Hanny Group") and its affiliated companies, including the China Strategic Group (Note 4)	347,820	Prime rate + 2%	7,196	355,016	5.8%	10.6%
China Strategic, its subsidiaries (the "China Strategic Group") and its affiliated companies, including China Velocity Group Limited ("China Velocity") and Wing On Travel (Holdings) Limited and its subsidiaries (the "Wing On Group") (Note 5)	470,003	Prime rate +2% (for the China Strategic Group and the Wing On Group) Prime rate + 0.25% (for China Velocity)	5,783	475,786	7.8%	14.2%

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES (Cont'd)

(1) Advances to entities (Cont'd)

Note:

- All of the trading balances are interest free.
- Total assets amounted to HK\$6,133,628,000 which is calculated based on total assets of the Group of HK\$7,111,316,000 as at 31st March, 2005 according to the Group's consolidated balance sheet as at 31st March, 2005, net of the total of special dividend declared and final dividend proposed for the year then ended of HK\$977,688,000.
- Market capitalisation refers to the average closing price of the Company as stated in the daily quotation sheets of the Hong Kong Stock Exchange for the five business days immediately preceding 31st March, 2005.
- The Company does not have any interests in Hanny Holdings Limited.
- China Strategic is owned as to 29.4% by the Company and is also an affiliated company of the Company (as defined in rule 13.11 (2)(a) of the Listing Rules). Wing On and China Velocity are indirectly owned as to 21.1% and 22.7% respectively by China Strategic as at 31st March, 2005.

The amounts are unsecured and are repayable on demand.

The Group made the Advances to these entities for their general working capital purpose in return of interest income. The trading balances above represent amount arising from rental and related building management services, sharing of administrative services and staff secondment services rendered to the respective entities as follows:

	Rental and related building management services HK\$'000	Share of administrative services HK\$'000	Staff secondment services HK\$'000	Total HK\$'000
The Hanny Group and its affiliated companies, including the China Strategic Group	5,349	2	1,845	7,196
The China Strategic Group and its affiliated companies, including China Velocity and the Wing On Group	2,142	–	3,641	5,783

As at 31st March, 2005, the Group has trading balances including retention monies (the "Trade Receivable") due from a trade customer, its subsidiaries and its affiliated companies, which exceeded 8% of the consideration ratio as set out in Rule 14.07 of the Listing Rules.

Details of which are set out as below:

	Amount of Trade Receivable HK\$'000	Percentage of total assets	Percentage of market capitalisation
Cheung Kong (Holdings) Limited, its subsidiaries and its affiliated companies	297,661	4.9%	8.9%

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

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES (Cont'd)**(2) Financial assistance given to and other balances due from affiliated companies**

Details of the financial assistance given to and other balances due from the Company's affiliated companies as at 31st March, 2005 which in aggregate exceeded 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 attributable to the Group %	Amount of Advances given HK\$'000	Interest rate in respect of Advances	Amount of other balance receivable HK\$'000	Total HK\$'000
The China Strategic Group	29.4	187,972	Prime rate +2%	2,071	190,043
Bongear Enterprises Limited	45.0	80,206	Prime rate +1%	–	80,206
Icfox International Limited and its subsidiaries (the "Icfox International Group")	27.3	3,000	Nil	1,677	4,677
北京中宇保華工程項目管理有限公司	26.1	–	Nil	2	2
DL & PY JV Limited	32.6	–	Nil	425	425
		271,178		4,175	275,353

The Group made the Advances to these affiliated companies for their general working capital purpose.

The amounts above are repayable on demand by cash. There is no security in respect of the above amounts. All of the trade receivables above are interest free. The Group advanced the monies to these entities in return of interest income. The other balances above represent amounts arising from rental and related building management services, construction and project management services, sharing of administrative services and staff secondment services rendered to the respective entities as follows:

	Rental and related building management services HK\$'000	Construction and project management services HK\$'000	Share of administrative services HK\$'000	Staff secondment services HK\$'000	Total HK\$'000
The China Strategic Group	556	–	–	1,515	2,071
The Icfox International Group	1,137	–	540	–	1,677
北京中宇保華工程項目管理有限公司	–	–	2	–	2
DL & PY JV Limited	–	425	–	–	425
	1,693	425	542	1,515	4,175

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES (Cont'd)**(2) Financial assistance given to and other balances due from affiliated companies** (Cont'd)

As at 31st March, 2005, apart from the amounts set out above, there are no other financial assistance or committed capital injection to affiliated companies which are required to be disclosed by way of an announcement pursuant to Rule 13.16 of the Listing Rules.

A pro-forma balance sheet of the above-named affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	Pro-forma combined balance sheet HK\$'000	The Group's attributable interest HK\$'000
Non-current assets	816,469	241,016
Current assets	1,096,854	322,217
Current liabilities	(145,750)	(48,197)
Non-current liabilities	(267,820)	(91,593)
Minority interests	(295,609)	(86,791)
Net assets	1,204,144	336,652

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.

By Order of the Board

Lau Ko Yuen, Tom

Deputy Chairman and Managing Director

Hong Kong, 22nd July, 2005