

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

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is that of a holding company. The principal activities of the Company's subsidiaries are building construction, civil engineering, renovation and fitting-out, building repair and maintenance, construction management, property investment, property rental, property development, contractor finance and undertaking projects on a "Build, Operate and Transfer" basis. An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

#### **RESULTS**

The results of the Group for the financial year ended 31st March, 2004 are set out in the Consolidated Profit and Loss Account on page 79.

The Directors do not recommend the payment of dividend for the financial year.

#### **RESERVES**

Movements in the reserves of the Group and the Company during the financial year are set out in note 26 to the accounts.

#### **DONATIONS**

During the financial year, donations by the Company and its subsidiaries amounted to HK\$64,000 (2003: HK\$ 59,000).

#### **FIXED ASSETS**

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

#### **GROUP'S PROPERTIES**

A summary of the Group's major properties is included in the section of the annual report entitled "Major Properties".

#### **SHARE CAPITAL**

Detail of the movement in share capital of the Company are set out in note 25 to the accounts.

No pre-emptive rights exist in Bermuda in which the Company is incorporated.

#### **SALE AND PURCHASE OF OWN SHARES**

Pursuant to the Listing Rules of The Stock Exchange of Hong Kong Limited and according to the provisions of the Bye-Laws of the Company relating to share repurchase, the Directors intend to seek the shareholders' approval at the forthcoming Annual General Meeting for the grant of an unconditional general mandate to purchase shares of the Company to an extent not exceeding 10% of the issued share capital of the Company at the date of passing the resolution approving the mandate for share repurchase.

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

**DIRECTORS**

The Directors in office during the financial year and up to the date of this report are:

V-nee YEH	
Rodney Gordon FRANKS	
Siu-lun CHEUNG	(resigned on 22nd September, 2003)
Ming Joseph LAI	(resigned on 22nd September, 2003)
Wai-tai LAW	(resigned on 22nd September, 2003)
Tobias Josef BROWN *	(appointed on 13th June, 2003)
Ho-ming Herbert HUI *	
Kin-fung Jeffrey LAM *	
Kwok-kuen Peter LAU *	
Anthony Francis RADEMEYER *	
Mou-chong David YEH **	(deceased on 7th June, 2004)
Ki-chi KWONG	(appointed as alternate director to V-nee YEH on 2nd January, 2004)
Kok-foo James LEE	(ceased as alternate director to Siu-lun CHEUNG on 22nd September, 2003)
Shiu-chung Jacky POON	(ceased as alternate director to Wai-tai LAW on 22nd September, 2003)

\* Independent Non-Executive Director

\*\* Non-Executive Director

Mr. Ho-ming Herbert HUI shall retire by rotation at the forthcoming Annual General Meeting in accordance with Bye-Law 182(iv) of the Company's Bye-Laws and, being eligible, offer himself for re-election at the forthcoming Annual General Meeting.

Messrs. Ho-ming Herbert HUI, Kin-fung Jeffrey LAM, Kwok-kuen Peter LAU, Anthony Francis RADEMEYER and Tobias Josef BROWN, Independent Non-Executive Directors, were appointed for a term of two years subject to rotation as stipulated in the Company's Bye-Laws.

**DIRECTORS' INTERESTS**

As at 31st March, 2004, the interests/short positions of each of the Directors and Alternate Director(s) in the shares and underlying shares of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, are set out below:

**(i) Long position in the shares and underlying shares of the Company and its associated corporations**

	Number of Shares Held				Percentage interest in the Company's issued share capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
V-nee YEH*	15,676,843	—	—	113,350,819 (Note 1)	20.18%
Mou-chong David YEH	831,959	—	—	80,074,576 (Note 2)	12.66%
Ki-chi KWONG (Alternate Director to V-nee YEH)	735,294 (Note 3)	—	—	—	0.11%

\* Mr. V-nee YEH holds 768,000 options to subscribe for shares in the Company under the Company's Executive Share Option Scheme.

*Note 1:* The share interests are held by GHY Company Limited acting as trustee of a trust in which Mr. V-nee YEH has a beneficial interest.

*Note 2:* The share interests are held by Howay Investment Ltd. which is wholly owned by a trust. Mr. Mou-chong David YEH and his spouse are the founders and have beneficial interests in the trust. Mr. YEH passed away on 7th June, 2004.

*Note 3:* Granting of these shares was in accordance with the terms of the employment contract entered into between Mr. KWONG and Hsin Chong International Holdings Limited. Mr. KWONG ceased to have such share interests with effect from 1st July, 2004 as the said employment contract was terminated on the same day.

Save as disclosed above, none of the other Directors and Alternate Director(s) had interests in the shares and underlying shares of the Company and its associated corporations as at 31st March, 2004.

**(ii) Short position in the shares and underlying shares of the Company and its associated corporations**

None of the Directors and Alternate Director(s) had short positions in respect of the shares and underlying shares of the Company and its associated corporations.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 31st March, 2004, the interests/short positions of Substantial Shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO are set out below:

**(i) Long position in the shares and underlying shares of the Company**

The Company had been notified of the following Substantial Shareholders' interests in the shares of the Company as at 31st March, 2004.

Shareholder's Name	Number of Shares Held	Percentage interest in the Company's issued share capital
Meou-tsen Geoffrey YEH	186,866,064 ( <i>Note 1</i> )	29.23%
Hsin Chong International Holdings Limited	183,130,508	28.65%
V-nee YEH	129,027,662 ( <i>Note 2</i> )	20.18%
GHY Company Limited	113,350,819	17.73%
Mou-chong David YEH	80,906,535 ( <i>Note 3</i> )	12.66%
Howay Investment Ltd.	80,074,576	12.53%

*Note 1:* These share interests include 183,130,508 shares held by Hsin Chong International Holdings Limited in which Dr. Meou-tsen Geoffrey YEH has a corporate interest pursuant to the SFO.

*Note 2:* These share interests include 113,350,819 shares held by GHY Company Limited acting as trustee of a trust in which Mr. V-nee YEH has a beneficial interest.

*Note 3:* These share interests include 80,074,576 shares held by Howay Investment Ltd. which is wholly owned by a trust. Mr. Mou-chong David YEH and his spouse are the founders and have beneficial interests in the trust.

**(ii) Short position in the shares and underlying shares of the Company**

As at 31st March, 2004, the Company had not been notified of any short position being held by any Substantial Shareholder in the shares and underlying shares of the Company.

**PUBLIC FLOAT**

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

**DIRECTORS' INTERESTS IN CONTRACTS**

During or at the end of the financial year, none of the Directors had a material interest in any significant contracts with the Company or its subsidiaries.

**CONNECTED TRANSACTIONS**

Under Chapter 14 of the old Listing Rules of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the following transactions between the subsidiaries of the Company and subsidiaries of Hsin Chong International Holdings Limited ("HCIH") constituted connected transactions by virtue of HCIH being the substantial shareholder of the Company:

- (a) During the financial year, certain subsidiaries of the Company paid insurance premiums on normal commercial terms in an aggregate amount of approximately HK\$34,421,000 to Summit Insurance (Asia) Limited, a subsidiary of HCIH.
- (b) During the financial year, an agency agreement subsisted which was entered into between Cogent Spring Limited ("Cogent Spring"), a subsidiary of the Company and Hsin Chong Real Estate Agency Limited ("HCREA"), a subsidiary of HCIH whereby Cogent Spring appointed HCREA as sole agent relating to sub-letting of the leased premises at No. 3 Lockhart Road, Wanchai, Hong Kong. In the opinion of the Directors, the transaction was conducted on normal commercial terms in the ordinary course of business of the Group. The transaction was reviewed by Independent Non-Executive Directors on 9th June, 1994.
- (c) During the financial year, an agreement subsisted which was entered into between Anber Limited ("Anber"), a subsidiary of the Company and Hsin Chong (Project Management) Limited ("HCPM"), a subsidiary of HCIH whereby Anber appointed HCPM as the project manager of the development of the Proposed Service Apartments at 179 Nguyen Cu Trinh Street, District 1, Ho Chi Minh City, Vietnam ("Vietnam Development") with a project management fee of 2.5% of the total construction cost of the Vietnam Development and a bonus equivalent to 15% of the profit from the sale of the Vietnam Development. In addition, another agreement subsisted which was entered into between Easeway Thaison Co. Limited ("Easeway"), a subsidiary of the Company and HCPM whereby Easeway appointed HCPM to provide logistic services for the Vietnam Development. Due to the suspension of the Vietnam Development, the fee for providing logistic services has been suspended during the financial year.
- (d) During the financial year, an agreement subsisted which was entered into between Rife Yard Limited ("Rife Yard"), a subsidiary of the Company and HCREA whereby Rife Yard appointed HCREA as the selling agent for the commercial areas of Tuen Mun Town Lot No. 395 Private Sector Participation Scheme with an agency fee of 1% of the selling price and a further incentive bonus with rates ranging from 2.5% to 10% for sales exceeding HK\$400,000,000.
- (e) During the financial year, an agreement subsisted which was entered into between Guangzhou Fengyu Real Estate Co. Ltd. ("GZFRE"), a subsidiary of the Company and HCPM whereby GZFRE appointed HCPM as the project manager of the development of Guangzhou Wen Chang Court (Phase I), Guangzhou City, PRC ("Guangzhou Development") with a project management fee of 3% of the total construction cost of the Guangzhou Development. Another agreement subsisted which was entered into between Glenwell Orient Limited ("Glenwell"), a subsidiary of the Company and HCPM whereby Glenwell appointed HCPM to provide

logistic services for the Guangzhou Development. In addition, another agreement subsisted which was entered into between GZFRE and HCPM whereby HCPM was appointed to provide demolition and removal management services for the Guangzhou Development. The demolition and removal was completed in May 2003.

- (f) On 25th July, 2003, a management agreement was entered into between Deventer Limited ("Deventer"), a subsidiary of the Company and Synergis Facility Management Limited ("SFM") (formerly "Hsin Chong Facility Management Limited"), a subsidiary of HCIH, whereby Deventer appointed SFM as property manager in respect of management and maintenance of the property at 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong ("Hsin Chong Center").
- (g) During the financial year, a tenancy agreement subsisted which was entered into between Deventer as the landlord and Hsin Chong Holdings (H.K.) Limited ("HCH"), a subsidiary of HCIH as the tenant whereby HCH rents the premises at Hsin Chong Center as headquarters for the period from 1st August, 2003 to 31st March, 2005, with rental determined at the then prevailing market rate.

For transactions (c) to (f) above, the Independent Non-Executive Directors have reviewed the transactions and confirmed that they are conducted in the ordinary and usual course of business of the Group; on normal commercial terms or on terms no less favourable than terms available to (or from) independent third parties; fair and reasonable so far as the shareholders of the Company are concerned and that the said transactions entered into in the financial year are within the cap amount approved by the shareholders at the Annual General Meeting held on 21st August, 1997.

Pursuant to new Chapter 14A of the Listing Rules effective from 31st March, 2004 ("New Listing Rules"), the waiver from strict disclosure and approval requirements for transactions (c) to (f) above granted by the Stock Exchange to the Company ceased to exist, the Board will ensure that all such on-going transactions are in compliance with the New Listing Rules.

The following connected transactions are relating to granting of financial assistance by the Group to its non wholly owned subsidiaries:

- (h) On 21st September, 1995, a joint venture agreement was entered into between Glenwell, Guangzhou Free Trade Zone Dongjing Property Co. Ltd. ("Dongjing"), both in which the Group has 70% equity interest (after taking into account the changes in shareholding of Glenwell and Dongjing subsequent to 21st September, 1995), and Guangzhou Development District Real Estate Corporation ("PRC Party") for setting up a joint venture known as GZFRE for the Guangzhou Development. GZFRE is owned as to 60% by Glenwell and 40% by the PRC Party. Pursuant to the terms of the said joint venture agreement, Glenwell has agreed to make financial arrangements for any additional working capital for the Guangzhou Development in excess of the initial registered capital of GZFRE of HK\$80,000,000. However, such additional working capital will not exceed HK\$120,000,000 (of which Dongjing will provide a maximum of HK\$48,000,000) and will be arranged either by way of shareholders' loan or external borrowings. The details have been disclosed in the announcement dated 21st September, 1995. Accordingly, the Group entered into the following transactions:
  - (i) As at 31st March, 2004, Glenwell advanced a total of HK\$45,010,000 to GZFRE which carries interest at 3% over the Hong Kong prime rate per annum.
  - (ii) In December 2001, Glenwell arranged a three-year loan facility with a financial institution in PRC of RMB2,500,000 on the condition that each drawdown is to be secured by a collateral deposit of Glenwell. As at 31st March, 2004, the said facility was fully drawn.

- (iii) In June 2003, Dongjing re-arranged a loan facility for a tenor of six months, which was further extended for one year in December 2003 with a financial institution in PRC of RMB10,800,000 on the condition that each drawdown is to be secured by a collateral deposit of Dongjing. As at 31st March, 2004, the said facility was fully drawn.

On 28th November, 2002, the Company had provided parent company guarantee ("Guarantee") to the extent of 70% in favour of The Hongkong and Shanghai Banking Corporation Limited, Shenzhen Office in respect of a construction finance facility of RMB130,000,000 granted to GZFRE ("Facility"). The purpose of the Facility is to finance the construction and development costs of Guangzhou Development. In consideration for the Guarantee provided, a commission at 1% per annum on the amount guaranteed will be charged to GZFRE, with total maximum amount not exceeding RMB3,900,000. As at 31st March, 2004, the drawdown of the Facility amounted to RMB58,615,000.

Save as aforementioned, there were no other connected transactions which were required to be disclosed under the Listing Rules, entered into between the Company or any of its subsidiaries and a connected person in respect of and subsequent to the financial year.

#### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

The Group's business includes provision of integrated facility management ("IFM") services. The following Directors and Alternate Director are considered to have interests in other activities that compete or are likely to compete with the Group's IFM business, all within the meaning of the Listing Rules.

- (i) Mr. V-nee YEH and Mr. Mou-chong David YEH (deceased) are directors and substantial shareholders of Hsin Chong International Holdings Limited ("HCIH"), the controlling shareholder of Synergis Holdings Limited which is engaged principally in property management and IFM business.
- (ii) Mr. Ki-chi KWONG is the alternate director to Mrs. Yi-hao Yvette FUNG, deputy chairman of Synergis Holdings Limited. Mr. KWONG was also a director of HCIH until 30th June, 2004.

The Company's management team is separate and independent from that of Synergis Holdings Limited. The Company always performs fiduciary duties and provides its oversight to safeguard the interests of the shareholders of the Company.

#### **CONTRACTS OF SIGNIFICANCE**

No contracts of significance to which the Company or 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 financial year or at any time during the financial year.

#### **DIRECTORS' SERVICE CONTRACT**

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting have entered into any service contract with the Company, which is not determinable by the employer within one year without payment of compensation other than statutory compensation.

**EXECUTIVE SHARE OPTION AND EMPLOYEE SHARE SUBSCRIPTION SCHEMES**

The Company operates an Executive Share Option Scheme (“ESOS”) and an Employee Share Subscription Scheme (“ESSS”). Summaries of the ESOS and ESSS are included in the section of the annual report entitled “Summary of Share Schemes”.

During the financial year, there was no movement of shares allotted under ESSS. The movements of the options granted under the ESOS are set out below:

Name of participant	Date of grant	Options held as at	Changes during the financial year				Options held as at	Exercise price	Exercisable period
		1/4/2003	Lapsed	Granted	Exercised	Cancelled	31/3/2004	(HK\$)	
<b>Director and Substantial Shareholder</b>									
V-nee YEH	25/9/1996	384,000	—	—	—	—	384,000	0.80	25/9/1998–24/9/2008
	25/9/1996	384,000	—	—	—	—	384,000	0.80	25/9/1999–24/9/2009
<b>Employees</b> (in aggregate)	25/9/1996	366,000*	100,000	—	—	—	266,000	0.80	25/9/1997–24/9/2007
	25/9/1996	2,208,000*	140,000	—	—	—	2,068,000	0.80	25/9/1998–24/9/2008
	25/9/1996	2,202,000*	140,000	—	—	—	2,062,000	0.80	25/9/1999–24/9/2009
		5,544,000	380,000	—	—	—	5,164,000		

\* As Messrs. Wai-tai LAW and Kok-foo James LEE resigned as Director and Alternate Director respectively during the financial year but remain as employees of the Company, all their options have been included in the above section for Employees (in aggregate).

Save as mentioned in the preceding paragraphs, at no time during the year was the Company or its subsidiaries, a party to any other arrangements to enable the Directors or Chief Executive or any of their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, its subsidiaries or any other body corporate.

**MANAGEMENT CONTRACT**

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 financial year.

**BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS**

The particulars of bank loans, overdrafts and other borrowings of the Company and its subsidiaries at 31st March, 2004 are as follows:

	<b>2004 HK\$'000</b>	2003 HK\$'000
Short term bank loan, secured	<b>40,000</b>	—
Long term bank loans for which an analysis of the repayment schedule is set out in note 23 to the accounts		
— secured	<b>178,764</b>	174,061
— unsecured	<b>20,000</b>	30,000
	<b>238,764</b>	204,061

**FIVE YEAR FINANCIAL INFORMATION**

The published results and the assets and liabilities of the Group for the last five years are included in the section of the annual report entitled "Five Year Financial Summary".

**PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES**

A proforma combined balance sheet of certain affiliated companies with major financial assistance and the Group's attributable interest in these affiliated companies are shown on page 134 pursuant to Chapter 13 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

**MAJOR CUSTOMERS AND SUPPLIERS**

During the financial year, the Group's five largest customers accounted for 63% of the Group's total turnover. None of the Directors, their associates, or any shareholder which, to the knowledge of the Directors, owns more than 5% of the Company's share capital has any interest in any of the Group's five largest customers. The Group's largest customer accounted for 19% of the Group's total turnover for the year.

During the financial year, the Group's five largest suppliers accounted for less than 18% of the Group's total purchases. The Group's largest supplier accounted for 5% of the Group's total purchases for the year.

**AUDITORS**

The accounts have been audited by PricewaterhouseCoopers who shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment at a fee to be determined by the Board.

On behalf of the Board  
**V-nee YEH**  
*Chairman*

Hong Kong SAR, 9th July, 2004