

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 financial year ended 31st March, 2005.

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 and Dividends

The results of the Group for the financial year ended 31st March, 2005 are set out in the Consolidated Profit and Loss Account on page 77.

The Directors recommended the payment of a final dividend of HK2.0 cents per share, payable to the shareholders who are registered on the Register of Members on 29th July, 2005, on 23rd August, 2005.

Reserves

Movements in the reserves of the Group and the Company during the financial year are set out in note 27 to the accounts.

Donations

During the financial year, donations by the Company and its subsidiaries amounted to HK\$87,000 (2004: HK\$64,000).

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 26 to the accounts.

No pre-emptive rights exist in Bermuda where 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.

Report of the Directors

Directors

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

V-nee YEH

Rodney Gordon FRANKS

Tobias Josef BROWN *

Ho-ming Herbert HUI *

Kin-fung Jeffrey LAM *

Kwok-kuen Peter LAU *

Anthony Francis RADEMEYER * (resigned on 18th March, 2005)

Mou-chong David YEH ** (deceased on 7th June, 2004)

Ki-chi KWONG ** (ceased as alternate director to V-nee YEH and appointed as non-executive director on 20th August, 2004)

Barry John BUTTIFANT (appointed as alternate director to V-nee YEH on 3rd December, 2004)

* Independent Non-Executive Director

** Non-Executive Director

Mr. Ki-chi KWONG was appointed as Non-Executive Director of the Company on 20th August, 2004, he will retire at the forthcoming Annual General Meeting in accordance with Bye-Law 101(A) of the Company's Bye-Laws and, being eligible, offer himself for re-election at the forthcoming Annual General Meeting.

Mr. Kin-fung Jeffrey LAM will 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.

Mr. Ki-chi KWONG, Non-Executive Director and Messrs. Ho-ming Herbert HUI, Kin-fung Jeffrey LAM, Kwok-kuen Peter LAU 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

At 31st March, 2005, 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 *	15,826,260	—	—	113,350,819 (Note 1)	20.20

* 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.

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Mr. V-nee YEH was a participant of the Employee Share Subscription Scheme ("ESSS") of the Company for the Operating Period from 1st January, 2005 to 30th June, 2005. The unit price and the number of shares to be issued to the participant under the ESSS will only be determined at the end of the Operating Period.

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, 2005.

(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 as at 31st March, 2005.

Substantial Shareholders' Interests

As at 31st March, 2005, 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 as at 31st March, 2005.

Shareholder's Name	Number of Shares Held	Percentage Interest in the Company's Issued Share Capital
Meou-tsen Geoffrey YEH	186,866,064 (Note 1)	29.22
Hsin Chong International Holdings Limited	183,130,508	28.64
V-nee YEH	129,177,079 (Note 2)	20.20
GHY Company Limited	113,350,819	17.73
Shai-yun TUNG	80,074,576 (Note 3)	12.52
Howay Investment Ltd.	80,074,576	12.52
J.P. Morgan Trust Company (Jersey) Limited	80,074,576	12.52
HSBC International Trustee (BVI) Limited	296,481,327 (Note 4)	46.37
HSBC International Trustee Limited	296,481,327	46.37

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. Ms. Shai-yun TUNG is the founder and has beneficial interests in the trust. J.P. Morgan Trust Company (Jersey) Limited is the trustee of the trust.

Note 4: These share interests include 183,130,508 shares and 113,350,819 shares held by Hsin Chong International Holdings Limited and GHY Company Limited respectively. HSBC International Trustee (BVI) Limited is controlled by HSBC International Trustee Limited and both of them are trustees of trusts.

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

As at 31st March, 2005, 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 14A of the Listing Rules of The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"), the following transactions between the Company with its subsidiaries and subsidiaries of Hsin Chong International Holdings Limited ("HCIH") constituted continuing connected transactions during the year by virtue of HCIH being the Substantial Shareholder of the Company. They were covered under a business services agreement entered into between the Company and HCIH on 22nd July, 2004:

- (a) During the financial year, the Company and its subsidiaries engaged Summit Insurance (Asia) Limited ("Summit"), a subsidiary of HCIH for provision of various insurance services to cover potential insurable risks arising from the daily operations (e.g. contractors' all risk, fire, public liability, property all risk, employee compensation, travelling) with an aggregate insurance premiums of approximately HK\$3,588,349 paid to Summit on normal commercial terms.
- (b) On 3rd January, 1993, a management agreement was entered into between Cogent Spring Limited ("Cogent Spring"), a subsidiary of the Company and Hsin Chong Real Estate Management Limited ("HCREM") (now known as Synergis Management Services Limited ("SMS")), a subsidiary of HCIH whereby Cogent Spring appointed SMS as the property manager for provision of property management services to No. 3 Lockhart Road, Wanchai, Hong Kong ("No. 3 Lockhart Road") with a management fee of 10% on monthly budgeted expenses. A total management fee of HK\$295,584 was paid to SMS during the financial year.

On 3rd January, 1994, Cogent Spring entered into an agency agreement with 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 with an agency fee of 3.5% of rental income and licence fees. A total agency fee of HK\$491,972 was paid to HCREA during the financial year.

- (c) On 9th May, 1996, Anber Limited ("Anber"), a subsidiary of the Company entered into a project management consultancy contract with 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.

On 1st April, 1998, Easeway Thaison Co. Limited ("Easeway"), a subsidiary of the Company entered into an agreement with HCPM whereby Easeway appointed HCPM to provide logistic services for the Vietnam Development.

Due to the suspension of the Vietnam Development, no fees were paid for any project management and logistic services during the financial year.

- (d) On 15th July, 1996, Rife Yard Limited ("Rife Yard"), a subsidiary of the Company entered into an agency agreement with 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 ("Lung Mun Oasis") 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. A total agency fee of HK\$1,650 was paid to HCREA during the financial year.

Report of the Directors

- (e) On 10th January, 2003, Guangzhou Fengyu Real Estate Co. Ltd. ("GZFRE"), a subsidiary of the Company entered into an agreement with HCPM whereby GZFRE appointed HCPM as the project manager of the development of Guangzhou Wen Chang Pavilion (Phase I), Guangzhou City, PRC ("Guangzhou Development") with a project management fee of 3% of the total construction cost of the Guangzhou Development.

On 3rd November, 2003, Glenwell Orient Limited ("Glenwell"), a subsidiary of the Company entered into an agreement with HCPM whereby Glenwell appointed HCPM to provide logistic services for the Guangzhou Development with a fee of HK\$5,000 per month.

As HCPM had not rendered any project management or logistic services, no fees were paid during the financial year.

- (f) On 13th November, 2001, Deventer Limited ("Deventer"), a subsidiary of the Company entered into an agreement with HCREA whereby Deventer appointed HCREA to handle tenancy matters for the property at 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong ("Hsin Chong Center") with a fee of HK\$10,000 per annum. As HCREA had not provided any service, no fee was paid during the financial year.

On 25th July, 2003, Deventer entered into a management agreement with Hsin Chong Facility Management Limited ("HCFM") (now known as Synergis Facility Management Limited ("SFM")), a subsidiary of HCIH, whereby Deventer appointed SFM as property manager in respect of management and maintenance of Hsin Chong Center with a management fee of 5% on actual monthly expenses ("Management Agreement"). The agreement expired on 31st August, 2004. A total fee of HK\$139,793 was paid to SFM during the financial year.

Upon expiry of the Management Agreement, Deventer entered into another management agreement with SMS signed on 14th December, 2004 for the period from 1st September, 2004 to 31st March, 2006 whereby Deventer appointed SMS as property manager in respect of management and maintenance of Hsin Chong Center with a management fee of 5% on actual monthly expenses and administration fee of HK\$9,900 per month. A total fee of HK\$182,938 was paid to SMS during the financial year.

On 25th July, 2003, the Company entered into a management agreement with HCFM (now known as SFM), whereby the Company appointed SFM to provide office administration ("OA") services at Hsin Chong Center with a management fee of 5% on actual monthly expenses ("Management Agreement I"). The agreement expired on 31st August, 2004. A total fee of HK\$69,137 was paid to SFM during the financial year.

Upon expiry of the Management Agreement I, the Company entered into another management agreement with SMS on 14th December, 2004 for the period from 1st September, 2004 to 31st March, 2006 whereby the Company appointed SMS to provide OA services at Hsin Chong Center with a management fee of 5% on actual monthly expenses. A total fee of HK\$99,620 was paid to SMS during the financial year.

- (g) On 17th February, 2003, Hsin Chong Construction (Asia) Limited ("HCCA"), a subsidiary of the Company entered into an agreement with Master Clean Service Limited ("MCS"), a subsidiary of HCIH, whereby HCCA appointed MCS to provide cleaning service to HCCA for a construction site in Hong Kong with a total consideration of HK\$331,538. A total fee of HK\$257,696 was paid to MCS during the financial year.

On 9th September, 2004, MCS rendered cleaning service to HCCA for another construction site in Hong Kong with a total consideration of HK\$175,350. A total fee of HK\$175,350 was paid to MCS during the financial year.

- (h) On 10th September, 2002, Hsin Chong Construction Company Limited ("HCC"), a subsidiary of the Company entered into an agreement with Hsin Sheng Security Services Limited ("HSSS"), a subsidiary of HCIH, whereby HCC appointed HSSS to provide security services to HCC for a godown ("Security Services") in Hong Kong with a fee of HK\$8,500 per month ("Security Services Agreement"). The fee was revised to approximately HK\$8,800 per month with effect from 16th June, 2004 pursuant to an agreement dated 9th June, 2004. A total fee of HK\$148,412 was paid to HSSS during the financial year.

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The Independent Non-Executive Directors of the Company have reviewed the said 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 and in the interests of the shareholders of the Company as a whole. Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the Board of Directors of the Company; (b) have been entered into in accordance with the terms on the relevant agreements governing the transactions; (c) have been entered into in accordance with the pricing policies of the Group; and (d) are within the cap amounts approved by the independent shareholders at the Special General Meeting held on 20th August, 2004.

- (i) On 17th September, 2003 and 1st February, 2004, two master tenancy agreements were entered into between Deventer as the landlord and Hsin Chong Holdings (H.K.) Limited ("HCH"), a subsidiary of HCHI as the tenant whereby HCH rent the premises for its subsidiaries at Hsin Chong Center as headquarters for the period from 1st August, 2003 to 31st March, 2005 with the monthly rent of HK\$176,856 in aggregate ("Master Tenancy Agreements"). A total rent of HK\$2,122,275 was received from HCH during the financial year.

On 1st February, 2004, Deventer entered into a licence agreement with SMS whereby SMS used a function room in Hsin Chong Center for call center purpose for the period from 1st December, 2003 to 30th November, 2005 with the monthly licence fee of HK\$7,581. A total fee of HK\$90,976 was received from SMS during the financial year.

Upon expiry of the Master Tenancy Agreements with HCH, Deventer entered into respective new tenancy agreements on 1st April, 2005 with Summit, SMS (previously covered under the expired Master Tenancy Agreements) and HCH (for other subsidiaries of HCH) with the monthly rent of HK\$34,514, HK\$128,303 and HK\$14,039 respectively for the period from 1st April, 2005 to 31st March, 2008 ("Tenancy Agreements"). It constituted continuing connected transactions under the Listing Rules subsequent to the financial year. Annual review of the transactions under the Tenancy Agreements by the Independent Non-Executive Directors and the auditors of the Company will be arranged pursuant to the Listing Rules' requirement.

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

- (j) 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 (now known as Guangzhou Hongkong Real Estate Co. Ltd.) ("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, 2005, 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. Upon expiry of the aforesaid facility, Glenwell arranged a one-year refinancing loan facility with another financial institution in PRC of RMB2,500,000 in December, 2004. As at 31st March, 2005, the refinancing facility was fully drawn and secured by a collateral deposit of Glenwell.

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- (iii) In December, 2003, Dongjing arranged a loan facility for a tenor of one year, which was further extended for six months in December, 2004 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, 2005, 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, 2005, the drawdown of the facility amounted to RMB90,346,000.

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 is a director and a substantial shareholder of Hsin Chong International Holdings Limited ("HCIH"), the controlling shareholder of Synergis Holdings Limited ("SHL") which is engaged principally in property management and IFM business.
- (ii) Mr. Barry John BUTTIFANT was appointed as alternate director to Mrs. Yi-hao Yvette FUNG, deputy chairman of SHL with effect from 1st January, 2005. Mr. BUTTIFANT was also appointed as managing director of HCIH with effect from 1st December, 2004.
- (iii) Mr. Ki-chi KWONG was an alternate director to Mrs. Yi-hao Yvette FUNG, deputy chairman of SHL until 12th September, 2004 and was appointed as non-executive director of SHL with effect from 13th September, 2004.

The Company's management team is separate and independent from that of SHL. The Directors 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".

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During the financial year, movements of the options granted under the ESOS are set out below:

Name of participant	Date of grant	Options held as at 1/4/2004	Changes during the financial year				Options held as at 31/3/2005	Exercise price (HK\$)	Exercisable period
			Lapsed	Granted	Exercised	Cancelled			
Director and/or Substantial Shareholder									
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
Employees (in aggregate)	25/9/1996	266,000	—	—	—	—	266,000	0.80	25/9/1997 – 24/9/2007
	25/9/1996	2,068,000	76,000	—	—	—	1,992,000	0.80	25/9/1998 – 24/9/2008
	25/9/1996	2,062,000	74,000	—	—	—	1,988,000	0.80	25/9/1999 – 24/9/2009
		5,164,000	150,000	—	—	—	5,014,000		

During the financial year, Mr. V-nee YEH was a participant of the ESSS of the Company for the two Operating Periods from 1st July, 2004 to 31st December, 2004 (Operating Period I) and from 1st January, 2005 to 30th June, 2005 (Operating Period II). A total of 149,417 shares were issued to the participant for the Operating Period I under the ESSS at HK\$0.48 per share on 3rd January, 2005. The unit price and the number of shares to be issued to the participant for the Operating Period II under the ESSS will only be determined at the end of the Operating Period II.

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.

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Bank Loans, Overdrafts and Other Borrowings

The particulars of bank loans, overdrafts and other borrowings of the Company and its subsidiaries at 31st March, 2005 are as follows:

	2005 HK\$'000	2004 HK\$'000
Short term bank loan, secured	2,355	40,000
Long term bank loans for which an analysis of the repayment schedule is set out in note 24 to the accounts		
— secured	195,274	178,764
— unsecured	46,000	20,000
	243,629	238,764

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 136 pursuant to Chapter 13 of the Listing Rules of The Stock of Exchange of Hong Kong Limited.

Major Customers and Suppliers

During the financial year, the Group's five largest customers accounted for 74% 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 27% 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 8% 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, 8th July, 2005