

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2003.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the undertaking of superstructure construction, foundation piling, substructure works, slope improvement, special construction projects and interior decoration works in Hong Kong, Special Administrative Region ("Hong Kong, SAR") during the year. There were no changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 March 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 23 to 89.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2003.

Summary financial information

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

RESULTS

	2003	Year ended 31 March			
		2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net profit/(loss) from ordinary activities attributable to shareholders	4,179	(29,342)	(71,640)	(10,651)	(5,711)

Summary financial information (continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2003	31 March			
		2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	240,797	271,844	370,284	450,742	372,567
TOTAL LIABILITIES	120,577	158,331	222,448	236,809	148,169
MINORITY INTERESTS	2,602	1,537	6,547	4,590	4,239
	117,618	111,976	141,289	209,343	220,159

Fixed assets

Details of movements in the fixed assets of the Company and of the Group during the year are set out in note 12 to the financial statements.

Investment property

Details of movements in the investment property of the Group during the year are set out in note 12 to the financial statements. Further details of the Group's investment property are set out on page 90 of this annual report.

Share capital and share options

Details of the Company's share capital and share options are set out in notes 25 and 26 to the financial statements, respectively.

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.

Purchase, redemption or sale of listed securities of the Company

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

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

At 31 March 2003, the Company had no reserves available for cash distribution and/or distribution in specie to shareholders of the Company. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may only be distributed in certain circumstances which the Company is presently unable to meet. In addition, the Company's share premium account with a balance of HK\$166,405,000 as at 31 March 2003 may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 52% of the Group's total sales for the year and sales to the largest customer included therein amounted to 14%. Purchases from the Group's five largest suppliers accounted for less than 16% of the Group's total purchases for the year. In arriving at the relevant percentage, purchases during the year not yet charged to the profit and loss account have been included.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

Directors

The directors of the Company during the year were:

Executive directors:

Mr. Zhang Xiaoshu (*Chairman*)

Mr. Ng Tat Leung, George

Mr. Chan Wai Keung, Ivan

Mr. Wong Teck Ming, Phillip

Mr. Lui Siu Yee, Samuel

Mr. Miao Jianmin

Mr. Zheng Changyong

Mr. Lo Chung Sun

Directors (continued)

Non-executive director:

Mr. Wang Xianzhang

Independent non-executive directors:

Mr. Clive William Oxley, OBE, ED

Mr. Richard Kenneth Bryson

Mr. Tyebjee Hatam Barma, ISO, JP

Subsequent to the balance sheet date, on 10 June 2003, Messrs. Clive William Oxley, Richard Kenneth Bryson and Tyebjee Hatam Barma resigned as independent non-executive directors and Messrs. Leung Wai Cheung and Cheung Yiu Kuen, Vincent were appointed as independent non-executive directors of the Company.

In accordance with clauses 98 and 103(B) of the Company's bye-laws, Messrs. Ng Tat Leung, George, Lui Siu Yee, Samuel, Wang Xianzhang, Leung Wai Cheung and Cheung Yiu Kuen, Vincent will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the non-executive director and independent non-executive directors but excluding the Chairman of the Company, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

Biographical details of the directors and senior management staff

Executive directors

Mr. Zhang Xiaoshu, aged 59, is the chairman of the Company. He is currently the vice-president of China Insurance H.K. (Holdings) Company Limited ("China Insurance"), which owns 15.65% of the issued capital of the Company through its 99.9% owned subsidiary, Glado Development Limited. Mr. Zhang had more than 23 years' experience in administration and management with the Shanghai government prior to his joining the Group.

Mr. Ng Tat Leung, George, aged 44, is the deputy chairman and managing director of the Company and has the responsibility for the marketing and business development of the Group, including overseeing the progress of all of the Group's projects and liaison with its suppliers, sub-contractors and clients. Mr. Ng holds a bachelor of science degree in civil engineering from the University of Hong Kong and a master of business administration degree from the Chinese University of Hong Kong. He has more than 22 years' experience in the construction industry. Mr. Ng joined the Group in 1984.

Biographical details of the directors and senior management staff (continued)

Executive directors (continued)

Mr. Chan Wai Keung, Ivan, aged 32, is the son of Mr. Chan Mo Yan, the late former chairman of the Group. He is responsible for the development of office automation, information systems and mathematical operations research in the Group. He holds a bachelor of mathematics degree in computer science and combinatorics and optimisation from the University of Waterloo, Canada.

Mr. Wong Teck Ming, Phillip, aged 45, holds a bachelor of science degree in civil engineering and a master's degree in civil and structural engineering from the University of Hong Kong. He is a corporate member of the Institution of Civil Engineers in the United Kingdom. Mr. Wong has more than 22 years' experience in the construction industry and specialises in design and site formation. He is in charge of the piling and foundation work, structural design and the quality control of the Group's projects. He joined the Group in 1992.

Mr. Lui Siu Yee, Samuel, aged 43, is the finance director of the Company. Mr. Lui has more than 22 years of finance and accounting experience. Prior to joining the Group in December 1994, he was the financial controller of a Hong Kong property investment and development group.

Mr. Miao Jianmin, aged 38, is an adviser on the Group's business activities in Hong Kong, SAR and the People's Republic of China excluding Hong Kong, SAR (the "PRC") and is currently the assistant general manager of China Insurance (Group) Company Limited, a subsidiary of China Insurance, in Hong Kong, SAR. Mr. Miao graduated from the post-graduate division of the head office of the People's Bank of China with a master's degree in economics and has worked in various departments of the People's Insurance Company of China for more than 13 years. He joined the Group in October 1998.

Mr. Zheng Changyong, aged 38, was an adviser on the Group's business activities in Hong Kong, SAR and the PRC and is currently the general manager in the finance and accounts department of the China Insurance (Group) Company Limited in Hong Kong, SAR. Mr. Zheng graduated from the School of Business of Beijing (the present University of Industry and Commerce of China) with a master's degree in economics and has worked in various departments of the People's Insurance Company of China for more than 13 years. He joined the Group in October 1999.

Biographical details of the directors and senior management staff (continued)

Executive directors (continued)

Mr. Lo Chung Sun, aged 49, is responsible for the undertaking of piling project works of the Group. Mr. Lo holds a master's degree in science from the University of Wales in the United Kingdom. He has more than 23 years' experience in the construction industry, and is a member of the Hong Kong Institution of Engineers and the Institution of Structural Engineers of the United Kingdom, as well as being a chartered engineer of the Engineering Council of the United Kingdom and a registered structural engineer with the Building Authority in Hong Kong. He joined the Group in May 1994 and was admitted to the Company's board of directors in December 2000.

Non-executive director

Mr. Wang Xianzhang, aged 62, is the honorary chairman of the Company. He is the vice-chairman and vice-president of the People's Insurance Company of China, and vice-chairman and president of China Insurance. Mr. Wang graduated with a bachelor's degree in economics from the Finance and Economics University of Northeast China and has over 39 years' experience in finance, administration and management with the People's Insurance Company of China. Mr. Wang joined the Group in 1996.

Independent non-executive directors

Mr. Clive William Oxley, *OBE, ED*, aged 67, was a senior administrative officer of the Hong Kong government prior to his retirement in May 1994. During his 25-year career with the Hong Kong government, he served, inter alia, as the assistant secretary to the government secretariat responsible for civil service discipline, as the district officer for Sham Shui Po, Sai Kung and Tai Po, as the deputy secretary for planning, environment and lands branch responsible for town planning and the development of Kowloon and the New Territories, as a member of the Sino-British land commission and as the commissioner of customs and excise. Subsequent to the balance sheet date, on 10 June 2003, he resigned as a director of the Company.

Mr. Richard Kenneth Bryson, aged 71, is a retired solicitor in Hong Kong, SAR. Subsequent to the balance sheet date, on 10 June 2003, he resigned as a director of the Company.

Biographical details of the directors and senior management staff (continued)

Independent non-executive directors (continued)

Mr. Tyebjee Hatam Barma, *ISO, JP*, aged 70, joined the board in June 2000. He is also a director of the Hong Kong Industrial Technology Centre Corporation (a government statutory organisation). He retired in 1993 after 26 years' service with the Hong Kong government as the director general of industry after having served in a variety of posts, including the deputy postmaster general, the deputy secretary for the civil service and the commissioner of the Hong Kong export credit insurance corporation. He then served for nearly six years (1993 – 1999) as the chief executive and the general manager of the Hong Kong Industrial Estates Corporation. Subsequent to the balance sheet date, on 10 June 2003, he resigned as a director of the Company.

Mr. Leung Wai Cheung, aged 39, is a qualified accountant and chartered secretary with over 10 years of experience in accounting and auditing and over 3 years of experience in financial management. He graduated from the Curtin University of Technology in Australia with a bachelor of commerce degree majoring in accounting and subsequently obtained a postgraduate diploma in corporate administration and a master of professional accounting from The Hong Kong Polytechnic University. He is an associate member of the Hong Kong Society of Accountants, CPA Australia, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Companies Secretaries and The Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Subsequent to the balance sheet date, on 10 June 2003, he was appointed as an independent non-executive director of the Company.

Mr. Cheung Yiu Kuen, Vincent, aged 42, is a senior banker with over 19 years of experience in the banking industry, especially in commercial and corporate banking. Mr. Cheung holds a bachelor's degree majoring in general business management from The Chinese University of Hong Kong. Subsequent to the balance sheet date, on 10 June 2003, he was appointed as an independent non-executive director of the Company.

Senior management

Mr. Tse Siu Cheung, Edward, aged 43, is the projects director of W. Hing Construction Company Limited, a wholly-owned subsidiary of the Company. Mr. Tse holds a bachelor of arts degree in architectural studies and a bachelor's degree in architecture. He is a member of the Hong Kong Institute of Architects, an authorised person (List 1) and a registered architect with the Hong Kong government. He has 17 years of local experience in both the design and project management of building development projects. He joined the Group in 1997.

Biographical details of the directors and senior management staff (continued)

Senior management (continued)

Mr. Lee Chi Kong, Stephen, aged 39, is the managing director of Allied (International) Process Engineering Limited, a subsidiary of the Company. Mr. Lee holds a higher diploma in mechanical engineering from the Hong Kong Polytechnic University and a master's degree in engineering business management from the University of Warwick in the United Kingdom. He has 18 years' experience in the gas production and industrial process engineering field and is responsible for the marketing and business development of the Group. He joined the Group in August 1998.

Mr. So Chi Kong, Sunny, aged 44, is the director of Anpoint Engineering Limited, a wholly-owned subsidiary of the Company. Mr. So holds a bachelor of science degree in mechanical engineering and is a member of the Hong Kong Institution of Engineers. He has 22 years' experience in electrical and mechanical works design and construction and is responsible for the marketing and business development of the Group.

Mr. Kam Kwai Wa, aged 42, is the senior project manager of CWF Piling & Civil Engineering Company Limited, a wholly-owned subsidiary of the Company, and is responsible for site planning and the supervision of foundation piling and superstructural works. Mr. Kam holds a higher certificate in civil engineering from the Hong Kong Polytechnic University and has more than 21 years' experience in the construction industry. He joined the Group in April 1994.

Mr. Au Yeung Chi Ching, aged 45, is the chief accountant of the Group. He has 26 years' experience in the accounting field and joined the Group in 2001.

Directors' service contracts

Each of Messrs. Ng Tat Leung, George, Wong Teck Ming, Phillip and Lui Siu Yee, Samuel has entered into a service contract with the Company for an initial term of two years commencing from 1 September 1995. On their initial expiry, these service contracts provide that they will continue until terminated by not less than three months' written notice served by either party.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

The Group had transactions with certain subsidiaries of China Insurance, of which Messrs. Wang Xianzhang, Zhang Xiaoshu, Miao Jianmin and Zheng Changyong are also directors. The particulars of these transactions are summarised in note 33 to the financial statements.

Save as disclosed above, no director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' interests in share capital

At 31 March 2003, the interests of the directors in the issued share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Ordinary shares of the Company

Name of director	Note	Number of shares held and nature of interest			
		Personal	Family	Corporate	Other
Ng Tat Leung, George	(a)	–	–	71,818,000	–
Richard Kenneth Bryson		250,000	–	–	–

Note:

- (a) These shares are beneficially owned by Total Success Worldwide Limited, the entire issued share capital of which is owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, 46.46% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming, Phillip.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the issued share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

Directors' rights to acquire shares or debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

Share option schemes

Due to the adoption of Hong Kong Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option schemes have been moved to note 26 to the financial statements.

Substantial shareholders

At 31 March 2003, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Notes	Number of ordinary shares held	Percentage of interest
Mr. Chan Mo Yan, deceased	(1)	71,818,000	24.98%
Total Success Worldwide Limited	(1)	71,818,000	24.98%
Glado Development Limited	(2)	45,000,000	15.65%

Notes:

- (1) The shareholding interest of Mr. Chan Mo Yan, deceased is held through Total Success Worldwide Limited. The entire issued share capital of Total Success Worldwide Limited is owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, 46.46% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming, Phillip.
- (2) Glado Development Limited is a company incorporated in Hong Kong and is a 99.9% owned subsidiary of China Insurance.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out under the heading "Directors' interests in share capital" above, had registered an interest in the issued share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Code of Best Practice

In the opinion of the directors, the Group complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year covered by the annual report, except that the non-executive director and the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprised the three independent non-executive directors of the Company during the year ended 31 March 2003 and up to 10 June 2003. Since 10 June 2003, due to the resignations of the three existing independent non-executive directors, the audit committee has comprised the two newly appointed independent non-executive directors of the Company. The audit committee met on two occasions during the year to review and provide supervision over the financial reporting process and internal controls of the Group.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ng Tat Leung, George

Deputy Chairman and Managing Director

Hong Kong

28 July 2003