

On behalf of the Board of Directors, I would like to present to the shareholders the annual report of CIG-WH International (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") for the financial year ended 31 March 2001.

## RESULTS

During the financial year 2000/2001, the Group recorded a net loss of HK\$71,640,000 with losses of HK\$24.92 cents per share compared with a net loss for the year 1999/2000 of HK\$10,651,000 with losses of HK3.70 cents per share.

## DIVIDEND

The Board of Directors has resolved not to recommend the payment of any dividend in respect of the year.

## BUSINESS REVIEW

As a result of the continuing gloomy property market and the low demand for domestic units, the local construction industry is still being adversely affected. With these unfavourable conditions, the Group has recorded an operating loss in the financial year under review. Operating losses continued to be recorded in some of the Group's foundation operations as a result of the increasing demands of certain customers arising from the recent problems and scandals within the piling industry.

The Group has continued to experience fierce competition from other companies in tendering for construction projects both in the private and public sectors. In view of the increasingly demanding expectations of customers and other participating professionals concerning the quality of the final products, the Group has adopted a more prudent approach when tendering for new projects. As a result, the number of projects secured by the Group has declined significantly compared with the same period last year. The contracts secured in the second half of the financial year include a piling contract for a residential development at Wharf Road, two piling contracts undertaken for the Architectural Services Department, a site formation and foundation contract for a primary school at Tai Po and the construction of a residential development at Tung Shan Terrace. Together with contracts secured in the first half of the financial year, the total value of contracts secured during the period was about HK\$250 million.

During the financial year, the Group has satisfactorily completed the major portion of the foundation works at Mei Foo Station for the KCRC West Rail Project, the tunnel and foundation works for the MTR Tseung Kwan O Line Extension and the Wave Cove Renovation for the Ocean Park Corporation. The construction of the Headland Thrill Ride and Food/Retail Facility at Ocean Park and the cable-laying contract across the Shenzhen River have also been completed recently.

## PROSPECTS

Looking ahead, it is anticipated that the private sector will continue to be sluggish in the foreseeable future and accordingly the Group will concentrate on securing public and institutional works.

Following the more prudent policy adopted by the Housing Authority in tightening up the criteria for contractors to be included in their List of Piling Contractors after the recent piling scandal, the Group has been successfully retained within the List for Percussive Piling. This will enable the Group to continue tendering for piling projects for the Housing Authority.

It is expected that as a result of the more stringent requirements and demands of the Housing Authority, a lesser number of competitors will remain in the market; and this, together with the proactive measures taken by the Group, should result in reasonable profit margins being attained in future foundation operations in the public sector.

The Group will continue to manage its core business to avoid high risk. With its healthy financial status, the Group is confident of its long-term opportunities within the industry.

In order to increase the Group's competitiveness in the current extremely competitive environment, the directors are actively investigating various options to reduce and control costs. On cost reduction, all facets of the Group's cost structures have been reviewed and a number of cost cutting measures on head office overheads have been implemented. The directors are also implementing an integrated computer management system to further strengthen the cost control system.

## EMPLOYEES

During the year under review, the Group employed approximately 180 staff, excluding workers under exclusive sub-contracting arrangements.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Group has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the year.

Independent non-executive directors are not appointed for a specific term as all directors, excluding the executive chairman, are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2001, the Group's outstanding borrowings amounted to HK\$34,950,000, comprising bank loans and other bank borrowings of HK\$32,749,000 and finance lease liabilities of HK\$2,201,000.

The Group has previously raised a total amount of about HK\$103.5 million capital by two private placements on 2 September 1996 and 1 April 1997. The net proceeds derived from the first placement of approximately HK\$48.5 million were originally intended to be used in the expansion of the Company's existing business ventures, whilst the net proceeds derived from the second placement of approximately HK\$55 million were intended to be used as working capital for certain construction and development projects in the PRC. At present, the Group has not utilised the proceeds derived from the above fund-raising exercises as planned, and only part of the proceeds, about HK\$20 million, has been used as a deposit for the Ap Lei Chau ILI 28 PSPS project. This deposit was subsequently forfeited by the Government and was recorded as part of the operating loss for the year ended March 1998. Another part of the proceeds, about HK\$30 million has been used as working capital for the Group. The remaining balance of the proceeds has been deposited in banks as fixed deposits, and is intended to be used as further working capital for the Group.

The Group continues to adopt a cautious strategy towards credit management, consolidating the strong financial position of the Group. Meanwhile, the Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship. In this way, the Group can continue to further minimise risks in its business.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

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

Finally, on behalf of the Board, I should like to express our appreciation to the management, our bankers, our auditors and to all the staff for their efforts, and to wish all our shareholders a more prosperous year ahead.

On behalf of the Board

**Ng Tat Leung, George**

*Deputy Chairman*

Hong Kong SAR, 26 July 2001