

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2002.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 5 to the financial statements.

### RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 63.

The directors do not recommend the payment of any dividend in respect of the year.

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group is set out on pages 64 and 65 of this annual report. This summary does not form part of the audited financial statements.

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 16 to the financial statements. Further details of the Group's investment properties are set out on page 66.

### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 29 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.

### 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.

## REPORT OF THE DIRECTORS

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### RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 30 to the financial statements.

### DISTRIBUTABLE RESERVES

At 31 March 2002, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK\$57,846,000. In addition, the Company's share premium account, in the amount of approximately HK\$31,603,000 at 31 March 2002, may be distributed in the form of fully paid bonus shares.

### CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions of approximately HK\$48,000.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, contract revenue earned from the Group's five largest customers accounted for approximately 87% of the total contract revenue for the year and contract revenue earned from the largest customer included therein accounted for approximately 27% thereof.

Subcontracting charges from the Group's five largest suppliers accounted for approximately 34% of the total contract costs for the year and subcontracting charges from the largest supplier included therein accounted for approximately 11% thereof.

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. Ngai Chun Hung (*Chairman*)

Mr. Yau Kwok Fai (*Deputy Chairman*)

Mr. Shek Yu Ming, Joseph

*Independent non-executive directors:*

Professor Ko Jan Ming

Mr. Ip Kwok Him, JP

In accordance with the Company's bye-laws, Mr. Shek Yu Ming, Joseph shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. The independent non-executive directors were appointed for an initial period of 2 years commencing from 1 September 2000, which has been extended for a further 2-year period as agreed between the respective directors and the Company.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 14.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial period of three years commencing from 1 September 2000 and shall continue thereafter unless terminated in accordance with the terms of the service contracts.

Apart from the foregoing, 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

No director of the Company had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

### DIRECTORS' INTERESTS IN SHARES

At 31 March 2002, the interests of the directors in the 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:

Name of director	Notes	Nature of interest	Number of ordinary shares
Mr. Ngai Chun Hung ("Mr. Ngai")	1	Others	122,733,600
Mr. Yau Kwok Fai ("Mr. Yau")	2	Corporate	7,722,000

*Notes:*

1. These shares are legally and beneficially owned by Winhale Limited ("Winhale"), which is a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by the Xyston Trust. The Xyston Trust is a discretionary family trust set up by Mr. Ngai for the benefits of Mr. Ngai and his family members.
2. These shares are legally and beneficially owned by Business Success Limited, the entire issued share capital of which is legally and beneficially wholly-owned by Mr. Yau.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirements of the Hong Kong Companies Ordinance. Certain directors also have beneficial interests in non-voting deferred shares practically carrying no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution or winding up in a subsidiary.

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Save as disclosed above, as at 31 March 2002, none of the directors or the chief executive of the Company or their respective spouse or children under 18 years of age had any interest in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or to the Model Code or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company 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, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include full-time employees, including any executive director, of the Company and any of its subsidiaries. The Scheme was adopted by the shareholders of the Company on 17 August 2000 and became effective on 8 September 2000 and, unless otherwise terminated, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted when aggregated with any other share option scheme of the Company shall represent 10% of the issued share capital of the Company from time to time. The maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the aggregate number of shares for the time being issued or issuable under the Scheme.

The offer of a grant of share options under the Scheme may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. Share options granted under the Scheme may be exercised during the period from the expiry of 6 calendar months after the date of acceptance of the grant until a date to be determined by the directors, provided such period shall not exceed the period of 10 years from the date of adoption of the Scheme. The exercise price of the share options is determinable by the directors but shall not be less than 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of grant of the options or the nominal value of the Company's shares, whichever is higher.

No share option has been granted, exercised, cancelled or lapsed since the adoption of the Scheme and there was no option outstanding both at the beginning and at the end of the year.

In compliance with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") effective on 1 September 2001, an ordinary resolution will be proposed at the forthcoming Annual General Meeting to terminate the existing Scheme and to adopt a new share option scheme. Details of the proposed new scheme are set out in the circular sent together with this annual report.

### SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, the following interests of 10% or more of the 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	Number of ordinary shares held	Percentage of issued share capital
Winhale Limited	122,733,600	58.11
HKSCC Nominees Limited	62,281,600	29.49

*Note:* The above interest in the name of Winhale Limited was also disclosed as interests of Mr. Ngai under the heading “Directors’ interests in shares”.

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

### CONNECTED TRANSACTIONS

Connected transactions required to be disclosed in accordance with Chapter 14 of the Listing Rules during the year ended 31 March 2002 included the following.

- (i) On 9 March 2001, the Group entered into a conditional sales and purchase agreement to acquire the remaining 48.55% equity interests in each of Excel Engineering Company Limited (“Excel”) and Gadelly Construction Company Limited (“Gadelly”) from the minority shareholders of each of Excel and Gadelly (the “Acquisition”). Pursuant to the resolution passed by the shareholders of the Company in a special general meeting on 23 April 2001, the Acquisition was approved and 16,000,000 new ordinary shares of HK\$0.10 each were allotted and issued on 27 April 2001, the date of completion of the Acquisition, as payment of the consideration for the Acquisition. Details of the Acquisition are disclosed in the circular of the Company dated 3 April 2001.
- (ii) The subcontracting construction fees amounting to approximately HK\$3,239,000 paid to close family members of Mr. Ngai Chun Hung, the Chairman of the Company (the “Subcontracting Arrangements”). The independent non-executive directors of the Company have reviewed the terms of the Subcontracting Arrangements and confirmed that:
  - (a) the Subcontracting Arrangements were entered into by the Group in the ordinary and usual course of its business and on normal commercial terms;
  - (b) the Subcontracting Arrangements were entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
  - (c) the amount of the Subcontracting Arrangements for the year ended 31 March 2002 did not exceed the upper limit of 5% of the turnover of the Group for the year ended 31 March 2002.

Details of other related party transactions of the Group for the year ended 31 March 2002 are set out in note 34 to the financial statements.

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### CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report.

### AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company.

### 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

**Ngai Chun Hung**  
*Chairman*

Hong Kong  
18 June 2002