



REPORT OF THE DIRECTORS

The directors herein 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. The principal activities of the subsidiaries consisted of (a) the construction business, as a main contractor, as well as contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and elsewhere in the People's Republic of China (the "PRC"); and (b) property development and investment. The Group had disposed partial interest in a subsidiary which then became an associate in prior year. The Group's trading and retailing of fitness, leisure and medical equipment and the provision of related installation and services are carried out by the associate in current 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 profit 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 27 to 86.

No interim dividend was paid during the year and the directors do not recommend the payment of a final dividend in respect of the year (2001: Nil).

**SUMMARY OF FINANCIAL INFORMATION**

The following is a summary of the published results and of the assets, liabilities and minority interests of the Group for the five financial years ended 31 March 2002. The amounts of each year in the five year summary have been adjusted for the effects of the retrospective changes in the accounting policy affecting dividends and goodwill as detailed in note 2 to the financial statements.

	Year ended 31 March				
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(Restated)</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i> <i>(Note ii)</i>
Turnover	<u>409,088</u>	<u>643,199</u>	<u>426,104</u>	<u>233,182</u>	<u>352,929</u>
Profit before impairment of goodwill on acquisition of subsidiaries and an associate	3,851	7,582	15,625	12,870	49,625
Impairment of goodwill arising on acquisition of subsidiaries and an associate	<u>–</u>	<u>(67,541)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit/(loss) before tax	3,851	(59,959)	15,625	12,870	49,625
Tax	<u>(817)</u>	<u>5,106</u>	<u>(1,859)</u>	<u>(2,381)</u>	<u>(7,207)</u>
Profit/(loss) before minority interests	3,034	(54,853)	13,766	10,489	42,418
Minority interests	<u>4,770</u>	<u>719</u>	<u>182</u>	<u>568</u>	<u>273</u>
Net profit/(loss) attributable to shareholders	<u>7,804</u>	<u>(54,134)</u>	<u>13,948</u>	<u>11,057</u>	<u>42,691</u>



SUMMARY OF FINANCIAL INFORMATION (continued)

Assets, liabilities and minority interests

	As at 31 March				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000 (Restated)
Fixed assets	64,023	67,709	71,290	47,495	56,787
Investment properties	–	–	–	8,960	56,650
Deferred development costs	3,706	2,953	–	–	–
Interests in associates	18,768	24,947	12,672	103,060	53,212
Long term investments	6,153	6,153	–	1,121	14,963
Pledged time deposits	5,100	–	–	–	–
Current assets	454,483	383,756	435,067	245,984	201,561
Total assets	552,233	485,518	519,029	406,620	383,173
Current liabilities	(200,480)	(198,059)	(227,390)	(141,380)	(144,945)
Long term bank and other borrowings	(57,208)	–	(1,983)	–	–
Convertible notes	(8,065)	(10,251)	–	–	–
Total liabilities	(265,753)	(208,310)	(229,373)	(141,380)	(144,945)
Minority interests	(15,227)	(15,063)	(25,227)	(20,044)	(6,247)
Net assets	271,253	262,145	264,429	245,196	231,981

Notes:

- (i) On 21 May 1997, pursuant to a Group reorganisation (the "Reorganisation") to rationalise the Group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued share capital of Deson Development Holdings Limited, the then holding company of the subsidiaries included in the Reorganisation, and became the holding company of the Group.
- (ii) Pursuant to the Reorganisation, the results of the Group for the year ended 31 March 1998 were prepared on a pro forma combined basis as if the structure of the Group upon the Reorganisation had been in existence throughout that year.



FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

CONVERTIBLE NOTES

Particulars of the Group's convertible notes at the balance sheet date are set out in note 28 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the share capital, share options and warrants of the Company during the year, together with the reasons therefor, are set out in note 29 to the financial statements.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 March 2002, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$156,008,000 (2001: HK\$155,962,000). In addition, the Company's share premium account and capital redemption reserve, in the amount of HK\$104,801,000 (2001: HK\$104,408,000), may be distributed in the form of fully paid bonus shares.

Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions from its contributed surplus in certain circumstances.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 31% (2001: 55%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 8% (2001: 17%). Purchases from the Group's five largest suppliers accounted for approximately 31% (2001: 31%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 8% (2001: 14%).

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



DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. WANG Ke Duan *(Chairman)*
Mr. TJIA Boen Sien *(Managing Director and Deputy Chairman)*
Mr. WANG Jing Ning
Mr. KEUNG Kwok Cheung
Mr. KONG Kwok Fai

Non-executive director

Mr. SIU Kam Chau *(resigned on 26 September 2001)*

Independent non-executive directors

Dr. HO Chung Tai, Raymond
Ms. WONG Sin Yee
Mr. SIU Man Po *(appointed on 26 September 2001)*
Mr. DING Shi Zhao *(resigned on 26 September 2001)*

Mr. Wang Jing Ning and Ms. Wong Sin Yee will retire by rotation according to the Company's by-laws and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors 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 other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a material beneficial 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.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT****Executive directors**

WANG Ke Duan, aged 71, is one of the co-founders of the Group. He is currently the chairman of the Group. He has over 47 years' experience in the construction engineering industry in the PRC and has been involved as a main contractor in projects such as Hot Spring Hotel and East Lake Hotel in Fuzhou, Yan Shan Hotel in Beijing and Shangri-La Hotel in Hangzhou. He was the deputy general manager of Fujian Province Construction Corporation for three years prior to the establishment of the Group. He is currently responsible for the daily operations of the Group.

TJIA Boen Sien, aged 58, is one of the co-founders of the Group. He is currently the managing director and deputy chairman of the Group. Mr. Tjia is responsible for the overall corporate strategy and the daily operations of the Group, including business development and overall management. He graduated from the Fujian Overseas Chinese University in the PRC. Mr. Tjia is well-respected and has established connections in the PRC construction industry through his extensive experience. He has over 19 years' experience in the construction industry in the PRC and Hong Kong. Mr. Tjia is the vice chairman and committee member of Zhan Tian You Civil Engineering Development for Science and Technology; a member of China Civil Engineering Society, PRC; a corporate member of the Chartered Institute of Building and a member within the Project Management Section, Architecture & Surveying Institute in the United Kingdom.

WANG Jing Ning, aged 46, joined the Group in 1988. Mr. Wang has over 22 years' experience in hotel management and construction engineering in the PRC and Hong Kong. He is currently responsible for managing the Group's projects in the PRC.

KEUNG Kwok Cheung, aged 44, joined the Group in March 1989. He is an executive director of the Group and is currently in charge of the Group's engineering and contracts departments. He has over 20 years' experience in the field of civil and structural engineering and building project management. He also holds an Associateship in Civil and Structural Engineering from the Hong Kong Polytechnic University and a Master's degree in Business Administration from the University of East Asia in Macau. He is a member of Civil Engineering & Architectural Society of Guangdong Province, PRC and is a member of the China Civil Engineering Society, PRC.

KONG Kwok Fai, aged 40, joined the Group in March 1991. He is an executive director of the the Group and supervises the Group's engineering department. He is responsible for overall projects operation and all contractual matters relating to construction. He holds a Master's degree in civil and structural engineering from the University of Sheffield in the United Kingdom and is a member of the Association for Project Management in the United Kingdom; a member of the Civil Engineering Society of China, PRC and a member of the Civil Engineering & Architectural Society of Guangdong Province, PRC.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(Continued)***Independent non-executive directors**

Dr Raymond Ho Chung-Tai, MBE, S.B. St. J., JP, aged 63, is currently a member of the second Legislative Council (Engineering Functional Constituency) and Joint Chairman of the Capital China Group of companies, which organises and manages industrial, energy, infrastructure, transportation and forestry projects in the PRC and other countries and also Joint Chairman of Ho Wang Group of companies, which provides professional services on transport planning, environment engineering and infrastructure. Dr Ho has 39 years' experience in the fields of civil, structural environmental and geotechnical engineering and project management including 29 years in Hong Kong and 10 years in the United Kingdom. Dr Ho holds a doctorate in civil engineering from the City University of London, U.K., Hon. Doctor of Business Administration from the City University of H.K., Honorary Doctor of Laws from University of Manchester, U.K., a postgraduate diploma in geotechnical engineering from Manchester University, U.K. and a bachelor degree of civil engineering from the University of Hong Kong. Dr Ho was formerly a partner and senior director of Maunsell Consultants Asia Limited from January 1976 to August 1993. Dr Ho was formerly President of the Hong Kong Institution of Engineers, Council Chairman of the City University of Hong Kong, Council Chairman of the former City Polytechnic of Hong Kong, the Chairman of the Technology Committee and member of Industry & Technology Development Council, Chairman of the Transport Advisory Committee, a member of the first Legislative Council (Engineering Functional Constituency), a member of the Provisional Legislative Council, Hong Kong Affairs Adviser, a member of the Selection Committee of the Hong Kong Special Administrative Region, Vice Chairman of the Legislative Council's Select Committee on the inquiry of the chaos of the New Airport opening, and member of the New Airport Consultative Committee. Dr Ho is currently a member of the Gas Safety Advisory Committee, Deputy Chairman of Guangdong Daya Bay Nuclear Plant and LingAo Nuclear Plant Safety Consultative Committee and member of the Legislative Council Select Committee on Building Problems of Public Housing Units.

SIU Man-Po, aged 64, obtained his MSc in Civil Engineering in 1963 from Auburn University in Auburn, Alabama, USA. Mr. Siu has extensive experience in construction field including construction of Tsing Yi Power Stations in 1966-1977, MTR stations in 1977-1987 and Hong Kong Baptist University campus development in 1989-1999. Mr. Siu is a Fellow Member of the Hong Kong Institution of Engineers, American Society of Civil Engineers, the Hong Kong Institute of Facility Management and the Hong Kong Institute of Directors. Mr. Siu is currently the Managing Director of Ho Wang Siu Mak Management Ltd.

WONG Sin Yee, aged 42, was graduated from the University of Hong Kong in 1982. She has extensive experience in property and construction matters in Hong Kong and the PRC. Miss Wong was admitted as a solicitor of the Supreme Court of Hong Kong in 1992 and has worked as an in-house lawyer and consultant since then. Miss Wong is now the principal of Messrs. S. Y. Wong & Co. specialising in commercial and corporate law.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(Continued)***Senior management**

SONG Sio Chong, age 47, joined the Group in July 1999. He is an executive director of the group and supervise the Group's engineering department and contracts department. He has 23 years' professional experience in structural design, site supervision and contract management. He is a Chartered Structural Engineer and Registered Professional Engineer. Other than academic qualification in Civil and Structural Engineering, he holds LLB, LLM and LLD in PRC Law from Peking University.

HO Ka Yiu, aged 43, joined the Group in August 1993. He is the director of Deson Development Limited and incharge of contracts department of the Group. His responsibilities include supervision of the quantity surveying and the contracts works. He has over 20 years' professional experience in quantity surveying and contract management. He holds a higher certificate in building studies from the Hong Kong Polytechnic University.

CHAN Chi Kwong, aged 39, joined the Group in July 1992. He is a senior project manager of the Group and is responsible for supervision of the Group's construction projects both in H.K. and in P.R.C. which include monitoring of site progress and quality, liaison and coordination with clients, architects, consultants and sub-contractors. He has over 18 years' experience in the field of civil and structural engineering. He holds a Higher Diploma in Building from City University of Hong Kong.

YEUNG Yam Chi, aged 40, joined the Group in April 1994. He is a project manager of the Group and is responsible for supervision of the Group's construction projects both in H.K. and in P.R.C. which include monitoring of site progress and quality, liaison and coordination with clients, architects, consultants and sub-contractors. He has over 16 years' experience in the field of civil and structural engineering. He holds a Master degree in civil and structural engineering from the University of Sheffield in the United Kingdom.

LEUNG Siu Lok, aged 44, joined the Group in April 1995. He is a project manager of the Group and is responsible for on-site supervision of Hong Kong projects which include monitoring of site progress and quality, liaison and coordination with government authorities, clients, architects, consultants and sub-contractors. He has over 21 years' experience in the field of civil and structural engineering. He holds an Associateship in Civil and Structural Engineering from the Hong Kong Polytechnic University.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Senior management *(continued)*

LEE Kai Ming, aged 44, joined the Group in August 1997. He is an E&M engineer of the Group and is responsible for supervising all building service projects. He has more than 20 years' experience in building services engineering. He is a member of the Hong Kong Institution of Engineer, a chartered engineer of the Engineer Council and a member of the Chartered Institution of Building Services Engineers.

KWOK Koon Keung, aged 34, joined the Group in February 1996. He is a Deputy Contracts Manager of the Group and is responsible for tender preparation and submission, preparation of payment application, measurement and cost estimates and settlement of final account. He has over 12 years' experience in the field. He holds a Bachelor of Science in Building from South Bank University. He is a Professional Associate Member of The Royal Institute of Chartered Surveyors.

Ong Chi King, aged 29, joined the Group in October 1999. He is the financial controller and company secretary of the Group. He is responsible for the overall supervision on the accounting, finance and company secretarial functions of the Group. He holds a bachelor degree in business administration from the Hong Kong University of Science and Technology. He is an associate of the Association of Chartered Certified Accountants and an associate of the Hong Kong Society of Accountants. Before joining the Group, he had several years' experience with an international accounting firm.

KONG Ping, aged 66, joined the Group in April 1990 as the accountant of the Group. She is responsible for overseeing all of the Group's accounting matters in the PRC. She obtained her accountancy qualification from Fujian Province in 1983 after having graduated from Fujian Finance School in the PRC. She has more than 36 years' cost accounting experience in major enterprises in the PRC.

LI Ngan Mei, aged 41, joined the Group in December 1988 and is the administration manager of the Group. She has more than 17 years' experience in personnel and administration management.

**DIRECTORS' INTERESTS IN SHARES AND WARRANTS**

At 31 March 2002, the interests of the Company's directors and their respective associates in the issued share capital and warrants of the Company and 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	Nature of interests	Number of shares held	Number of warrants held <i>(Note 2)</i>
Tjia Boen Sien	Corporate <i>(Note 1)</i>	1,968,750,000	24,375,000
	Personal	124,470,000	200,000
Wang Jing Ning	Corporate <i>(Note 1)</i>	1,968,750,000	24,375,000
	Personal	15,330,000	–
Wang Ke Duan	Personal	5,600,000	–
Keung Kwok Cheung	Personal	7,000,000	110,000
Kong Kwok Fai	Personal	5,000,000	–
Siu Man Po	Personal	1,500,000	–

Notes:

1. Sparta Assets Limited, a company incorporated in the British Virgin Islands, was beneficially interested in 1,968,750,000 shares of the Company. Mr. Tjia Boen Sien and Mr. Wang Jing Ning own 80% and 10% of the issued share capital of Sparta Assets Limited, respectively.
2. The warrants were expired on 31 December 2001.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' interests in shares and warrants" above and "Share option scheme" below, at no time during the year were 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 or any of its 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 “Option 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 Option Scheme include full-time employees (including executive directors) of the Group. The Option Scheme became effective on 10 June 1997 and, unless otherwise amended or altered, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 March 2002, the number of shares issuable under share options granted under the Option Scheme was 299,500,000, which represented approximately 6.25% of the shares of the Company in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Option Scheme is limited to 25% of the aggregate number of shares for the time being issued and are issuable under the Option Scheme.

Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant. An option may be exercised in accordance with the terms of the Option Scheme at any time during the two-year period commencing six months after the date on which the option is accepted and expiring on the last date of the two-year period or the tenth anniversary of the date on which the Option Scheme is adopted.

The exercise price of the share options is determinable by the directors at their discretion, but may not be less than the higher of a price being 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the offer date, and the nominal value of the shares of the Company.



REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Option Scheme during the year:

Name or category of participant	Number of share options			At 31 March 2002	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares	
	At 1 April 2001	Granted during the year	Exercised during the year					At grant date of options HK\$	At exercise date of options HK\$
Directors									
Wang Ke Duan	2,000,000	-	-	2,000,000	23 Oct 00	23 Apr 01 to 22 Apr 03	0.0384	0.055	-
	-	3,000,000	-	3,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088	0.039	-
	<u>2,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>5,000,000</u>					
Tjia Boen Sien	6,000,000	-	(6,000,000)	-	23 Oct 00	23 Apr 01 to 22 Apr 03	0.0384	0.055	0.043
	-	26,000,000	-	26,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088	0.039	-
	-	35,000,000	-	35,000,000	29 Aug 01	28 Feb 02 to 28 Feb 04	0.02864	0.037	-
	<u>6,000,000</u>	<u>61,000,000</u>	<u>(6,000,000)</u>	<u>61,000,000</u>					
Wang Jing Ning	3,000,000	-	-	3,000,000	23 Oct 00	23 Apr 01 to 22 Apr 03	0.0384	0.055	-
	-	5,000,000	-	5,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088	0.039	-
	<u>3,000,000</u>	<u>5,000,000</u>	<u>-</u>	<u>8,000,000</u>					
Keung Kwok Cheung	6,000,000	-	(1,300,000)	-	23 Oct 00	23 Apr 01 to 22 Apr 03	0.0384	0.055	0.050
	-	5,000,000	-	5,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088	0.039	-
			(4,700,000)						0.047
	<u>6,000,000</u>	<u>5,000,000</u>	<u>(6,000,000)</u>	<u>5,000,000</u>					
Kong Kwok Fai	5,000,000	-	-	5,000,000	23 Oct 00	23 Apr 01 to 22 Apr 03	0.0384	0.055	-
	-	4,000,000	-	4,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088	0.039	-
	<u>5,000,000</u>	<u>4,000,000</u>	<u>-</u>	<u>9,000,000</u>					
Siu Kam Chau	5,000,000	-	(5,000,000)	-	23 Oct 00	23 Apr 01 to 22 Apr 03	0.0384	0.055	0.043
Sub-total	<u>27,000,000</u>	<u>78,000,000</u>	<u>(17,000,000)</u>	<u>88,000,000</u>					



SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options				Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares	
	At 1 April 2001	Granted during the year	Exercised during the year	At 31 March 2002				At grant date of options HK\$	At exercise date of options HK\$
Other employees									
In aggregate	13,000,000	-	(1,500,000)	11,500,000	23 Oct 00	23 Apr 01 to 22 Apr 03	0.0384	0.055	0.047
	3,000,000	-	-	3,000,000	3 Nov 00	3 May 01 to 2 May 03	0.04032	0.054	-
	-	67,000,000	-	67,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088	0.039	-
	-	35,000,000	-	35,000,000	22 Aug 01	22 Feb 02 to 21 Feb 04	0.02880	0.040	-
	-	95,000,000	-	95,000,000	29 Aug 01	28 Feb 02 to 28 Feb 04	0.02864	0.037	-
	<u>16,000,000</u>	<u>197,000,000</u>	<u>(1,500,000)</u>	<u>211,500,000</u>					
	<u>43,000,000</u>	<u>275,000,000</u>	<u>(18,500,000)</u>	<u>299,500,000</u>					

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Details of movements in the Company's share options are set out in note 29 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year because the directors opine that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself. The directors consider that such disclosure does not give additional value in view of the above mentioned limitations surrounding these models.



SUBSTANTIAL SHAREHOLDERS

Save as disclosed under the section headed "Directors' interests in shares and warrants", at 31 March 2002, no person had registered as having an interest of 10% or more in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

Pursuant to a sub-contracting agreement entered into between LSY Asia Construction Limited ("LSY Asia"), a subsidiary of the Group and Lee Shing Yue Construction Co., Ltd. ("LSY") on 16 September 1998, LSY subcontracted certain construction works to LSY Asia for a contract sum of approximately HK\$185,780,000 (the "Subcontracting Transaction"). The subcontracting income earned during the year was HK\$4,493,000.

At the time of the Subcontracting Transaction, LSY Asia was owned 60% by Asia Construction Holdings Limited which in turn was 55% owned by the Group, and 40% by LSY. As such, the Subcontracting Transaction constituted a connected transaction under Rule 14.23 of the Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased a total of 24,140,000 of its ordinary shares of HK\$0.01 each on the Stock Exchange, the particulars of which are as follows:

Month	Number of shares repurchased	Price paid per share		Total price paid HK\$
		Highest HK\$	Lowest HK\$	
April 2001	20,680,000	0.028	0.023	514,350
September 2001	3,460,000	0.025	0.025	86,500
Total	<u>24,140,000</u>			<u>600,850</u>

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares, including expenses, of HK\$374,000 has been charged to the share premium account. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the year was effected by the directors pursuant to the mandate from shareholders with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

**PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES** *(Continued)*

Apart from the above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year.

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.

PARTICULARS OF PROPERTIES

The properties under development for sale of the Group are as follows:

Location	Group interest	Stage of completion	Expected completion date	Expected use	Gross floor area
Phase III, Asian Villas Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	Completion of phase III expected in December 2002	Completion of all phases in December 2002	Residential	The total site area is 66,000 sq. m. The total gross floor area will be 110,000 sq. m.
Park View No. 228, 238 Bai Se Road Shanghai PRC	100%	Pre-sale commenced on 21 June 2002	End of 2002	Residential	The total site area is 35,235 sq.m. The total gross floor area will be 49,325 sq. m.

**PARTICULARS OF PROPERTIES** *(Continued)*

The completed properties held for sale of the Group are as follows:

Location	Group interest	Tenure	Use	Gross floor area
24, 27-28 floors and 19 car park spaces at Zhongda Square 989 Dong Fang Road Lujiazhui Pudong District Shanghai PRC	100%	The property is held for a term of 50 years, commencing on 22 December 1993 and expiring on 21 December 2043	Office/ commercial	The total gross floor area is 3,098 sq. m.
Desin Building 367 Xin Da Road Xin Gan Zhen Ningbo Economic and Technology Development Zone Beilun, Ningbo Zhejiang Province PRC	100%	The property is held for a term of 50 years, commencing on 3 July 1993 and expiring on 2 July 2043	Office/ commercial	The total gross floor area is 15,994 sq. m.
Phase II, Asian Villas Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	The property is held for a term of 70 years, commencing on 13 May 1998 and expiring on 12 May 2068	Residential	The total gross floor area is 12,135 sq. m.
9/F Shartex Plaza 88 Zun Yi Nan Road Hong Qiao District Shanghai PRC	100%	The property is held for a term of 45 years, commencing on 29 March 1994 and expiring on 31 March 2039	Office	The total gross floor area is 954 sq. m.



POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 35 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”), as set out in Appendix 14 of the Listing Rules of the Stock Exchange, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s bye-laws.

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

Tjia Boen Sien

Managing Director and Deputy Chairman

Hong Kong
10 July 2002