I have pleasure to present to shareholders the annual report of the Group for the year ended 31st March, 2003.

REVIEW

Financial Performance and Positions

For the fiscal year ended 31st March, 2003, the Group's consolidated turnover decreased by 32% to approximately HK$3,636 million when compared with that of last year. It is mainly due to the continuing downturn in the Hong Kong construction sector.

Due to the intensified competition in the construction market in Hong Kong and declining tender prices of construction projects, the Group's gross profit declined by 86% to approximately HK$24 million and incurred a loss from operations of HK$260 million as compared with a profit of HK$18 million for last year. In view of the extended downturn in the property market and poor local economic environment, total provisions of HK$209 million, of which HK$110 million for impairment loss on property, plant and equipment and another HK$99 million for revaluation loss of investment properties, have been made. In addition, total investment loss (net) of HK$32 million has been recorded.

Share of results of associates and jointly controlled entities registered a profit of about HK$119 million, showing an increase which was mainly attributable to the contribution from Downer EDI Limited ("Downer") since the Group's share of Downer's results for the current year is calculated based on its results for the twelve months from 1st January, 2002 to 31st December, 2002 whilst the comparative amount for last year was calculated based on its results for the nine months from 1st April, 2001 to 31st December, 2001. Taxation of some HK$32 million represented mainly the overseas tax in respect of dividend received from and share of income tax of Downer. Loss for the year was HK$349 million and basic loss per share was 33.5 cents.

When compared with the Group's financial position as at last year end, as a result of the disposal of its hotel property and operation, the total assets of the Group decreased by 21% to HK$4,869 million but net current assets increased by 12% to some HK$524 million. Current assets have consequently been improved from 1.2 times to 1.3 times of current liabilities. The net debt to equity ratio decreased slightly by 0.03 to 0.2 times at this year end. As a result of the change in translation reserve amounting to some HK$81 million due to the appreciation of the Australian dollars in relation to the Group's interest in Downer, net of dividends paid of HK$15 million and the loss of HK$349 million during this year, shareholders' funds decreased by 9% to HK$2,712 million.

Net cash outflow from operations was about HK$11 million and outflow of HK$296 million in respect of investing and financing, resulting in a net decrease in cash of about HK$307 million for the year.

OPERATIONS

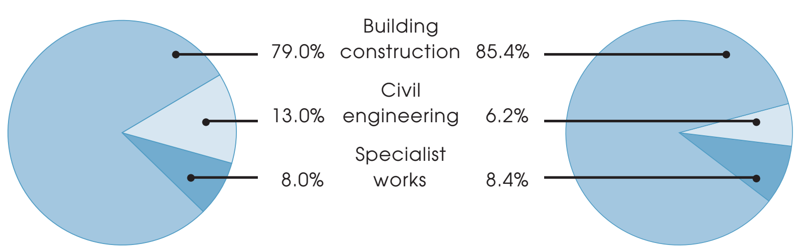
Contracting and Construction Materials

During the year, the Group secured new contracts with an aggregate attributable value of approximately HK$2,536 million, which comprised some HK$2,084 million of building construction contracts, some HK$191 million of civil engineering contracts and some HK$261 million of specialist works. When compared with last financial year end, contracts on hand and the value of work remaining at this year end decreased by 29% to approximately HK$10,358 million and 18% to approximately HK$4,935 million respectively.

Profile of Contracts On Hand as at 31st March, 2003

Value of contracts on hand HK$10,358 million

Value of work remaining HK$4,935 million



Subsequent to the year end, the Group secured further new contracts with an aggregate attributable value of approximately HK$1,765 million, which comprised some HK$542 million of building construction contracts, some HK$938 million of civil engineering contracts and some HK$285 million of specialist works. These newly secured contracts included Tung Chung Station Development Phase 4 & 5 of HK$500 million and Widening of Yuen Long Highway of HK$678 million.

The gross value of construction work in Hong Kong continued to shrink. The Government has been revising its housing policy, in particular the cutback in flat production under the Home Ownership Scheme, such that considerable reduction was recorded in the building construction work in public sector over the past two years. With its well-established credibility, experience and technical capabilities, the Group has managed to secure additional new building construction contracts from private sector to compensate the loss in revenue from public sector. Nevertheless, the drastic decrease in available works and the severe competition in the market had inevitably lowered the Group's turnover and gross margin from the contracting business. Consequently, the three major segments of the Group's contracting business, namely building construction, civil engineering and specialist works, all incurred losses.

The construction materials division has reduced its scale of operation and managed to contain its operating loss at around HK$21 million, similar to that of last year.

Major Contracts

	Value of contracts on hand as at 31/3/2003 HK$'million	Value of work remaining as at 31/3/2003 HK$'million
Cheung Kong Center, Central	2,890	82
Cyberport Residential Development (Contract R1a & R1b)	2,558	2,241
Tsing Yi Hotel Superstructure Phase 2	1,020	777
Site Formation for Lamma Power Station Extension	684	91
Tseung Kwan O Area 73A Phase 3	490	201
Shek Kip Mei Estate Phase 1	397	397
Thomson Road 121-131 & Fleming Road 2-10 Superstructure	288	272
Sheraton Hong Kong Hotel & Towers Guestroom Refurbishment	231	82
APT Satellite Telepark at Tai Po Industrial Estate	173	74
Others	1,627	718
Total	**10,358**	**4,935**

During the year, the Group has purchased a 100% interest in an industrial complex situated in Yuen Long for a consideration of HK$103 million which is designated for the use of pre-cast concrete product manufacturing. Due to the shrinkage in demand for pre-cast concrete building components, the redevelopment plan was dropped and provision has been made to record this property at its estimated recoverable amount.

Property, Hotel and Catering Operations

The Group's investment property portfolio included Paul Y. Centre, the Group's headquarter in Kwun Tong, In-Zone, a shopping arcade in Wanchai and certain investment properties in the PRC.

Although the overall rental rates of the investment properties had been reduced, occupancy rate was maintained at the satisfactory level in which Paul Y. Centre remained at an occupancy rate at around 92% at the year end. Due to the continuing weak retailing market, In-Zone was around 75% let at the year end. Following the completion of sale of the few residual residential flats of Cathay Lodge, the Group had successfully realise all its properties held for resale in cash.

In July 2002, the Group has entered into an agreement to dispose of its hotel property and operation for a consideration of HK$250 million to Rosedale Hotel Group Limited ("Rosedale"), formerly China Land Group Limited which is an associate of China Strategic Holdings Limited ("China Strategic"). The transaction was completed on 2nd December, 2002.

During the year, the Group entered into land use right grant contracts in two parcels of land in Taishan City, Guangdong, the PRC of land premium of around HK$42 million. These properties, which can be developed into commercial, finance and residential use, shall be delivered to the Group in vacant possession and cleared site state within this year.

MAJOR ASSOCIATE – DOWNER

Downer reported a revenue of A$2,430 million (HK$10,458 million) and A$1,211 million (HK$5,210 million) and a net profit after tax of A$56 million (HK$243 million) and A$22 million (HK$94 million) for the year ended 30th June, 2002 and six months ended 31st December, 2002 respectively. As at this year end, the Group held 354,674,194 shares in Downer which is equivalent to about 36.57% of the then issued ordinary share capital or about 32.25% on a fully diluted basis.

Downer, a top 150 listed company on the Australian Stock Exchange, which is also listed on the New Zealand Stock Exchange, has total assets of approximately A$1.8 billion (HK$8.4 billion) and number of employees of over 10,000. Downer provides comprehensive engineering and infrastructure management services to the mining, power, rail, resources, road and telecommunications sectors in Australia, New Zealand, Asia and the Pacific. Its services are organised through five operating divisions that have common core competencies. These core competencies include value-adding skills in engineering, design and asset management and maintenance to provide clients with single source solutions.

Downer's divisions are Downer Engineering (engineering division), Works Infrastructure (infrastructure division), Roche Mining (mining division), EDI Rail (rail division) and Century Resources (resource services division).

MAJOR INVESTMENT – CHINA STRATEGIC

As at the year end, the Group held 14.55% equity interest in China Strategic, a diversified investment holding company with its securities listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). China Strategic engages in business of tire manufacturing, manufacturing, retailing and distribution of Chinese medicine, western pharmaceuticals and health food and investment in infrastructure projects.

LIQUIDITY AND CAPITAL RESOURCES

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities is maintained to meet its working capital requirements. During the year, the Group obtained new bank loans in the amount of HK$296 million. The proceeds were used for general working capital purpose. The loans of the Group bear interest at market rates and are with terms of repayment ranging from one year to ten years. As at 31st March, 2003, the Group's total borrowings amounted to HK$782 million with HK$144 million repayable within one year and HK$638 million repayable after one year. Cash balances at 31st March, 2003 amounted to HK$236 million.

As at the year end, all of the Group's borrowings bear interest at floating rates and are denominated in Hong Kong dollars. As a result of the disposal of its hotel property and the corresponding mortgage loan, the Group's gearing ratio decreased considerably from 0.43 at last year end to 0.29 which is calculated based on the total borrowings of HK$782 million and the Group's shareholders' funds of HK$2,712 million.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

Including the directors of the Group, as at 31st March, 2003, the Group employed a total of approximately 1,260 full time employees. Remuneration packages comprised of salary and year-end bonuses based on individual merits. No share options were granted or exercised during the year.

PLEDGE OF ASSETS

As at 31st March, 2003, some of the Group's properties and debtors with an aggregate value of approximately HK$891 million and the issued shares of certain subsidiaries of the Company and its benefits under some construction contracts, have been pledged to banks and financial institutions to secure general credit facilities granted to the Group.

CONTINGENT LIABILITIES

As at the year end, the Group has contingent liabilities in respect of outstanding performance bonds on construction contracts of HK$741 million and guarantees given to banks and financial institutions on general banking facilities granted to associates of HK$2 million.

CASH OFFER TO ACQUIRE THE COMPANY'S SHARES AND WARRANTS

In October 2002, Anglo Chinese Corporate Finance, Limited on behalf of Hollyfield Group Limited, a wholly-owned subsidiary of ITC Corporation Limited ("ITC Corporation"), made a cash offer to acquire all shares and warrants of the Company, other than those shares and warrants owned by ITC Corporation or its wholly-owned subsidiaries. Pursuant to the closing of the offer in December 2002, ITC Corporation indirectly holds more than 50% of the issued share capital of the Company and hence becomes the ultimate holding company of the Company.

POST BALANCE SHEET EVENT

On 8th July, 2003, the Company and Hanny Holdings Limited ("Hanny") jointly announced that through Kingsway SW Securities Limited, they will make a voluntary conditional cash offer at the price of HK$0.10 for each share and HK$0.001 for each warrant of China Strategic respectively, other than those owned by the Company and Hanny and parties acting in concert with them, and to cancel all outstanding share options of China Strategic at HK$0.001 each. The Company and Hanny further jointly announced that after the purchase at the open market on 9th July, 2003, the Company and Hanny and their concert parties are interested in 291,675,000 shares of China Strategic, representing approximately 35.16% of the issued share capital of China Strategic, thus triggering a mandatory offer during the offer period of a voluntary offer under Rule 26 of the Takeovers Code. The Company and Hanny have notified China Strategic that, to make the offer price more attractive to the shareholders of China Strategic, the offer price per share of China Strategic is to be increased from HK$0.10 to HK$0.139, representing an increase of 39%. The shares and warrants of China Strategic to be acquired by Kingsway SW Securities Limited will be distributed to the Company and Hanny in the same proportion.

Following the close of the offer, the Company and Hanny intend to take appropriate steps to ensure that not less than 25% of the ordinary shares of China Strategic will be held by the public.

SECURITIES IN ISSUE

As at the year end, there were 1,063,016,037 shares in issue and outstanding share options over a total of 16,100,000 shares with subscription price remained at HK$0.5552 per share. No share options were granted or exercised during the year and share options over 38,349,206 shares at subscription prices per share of HK$0.6048 lapsed and were cancelled during the year. During the year, an aggregate of 26,271,113 shares were issued by way of scrip dividend.

As at the year end, there were 204,920,349 outstanding warrants ("2003 Warrants") which confer rights to the holders to subscribe up to approximately HK$82 million in cash for shares of HK$0.10 each at an initial subscription price of HK$0.40 per share. These warrants are exercisable at any time on or before 29th August, 2003 and none has been exercised up to 31st March, 2003.

FINAL DIVIDEND

The board of directors has resolved to recommend the payment of a final dividend of 1 cent per share for the year ended 31st March, 2003 (2002: 1 cent per share) to shareholders whose names appear on the Company's register of members as at the close of business on 6th October, 2003. The final dividend is expected to be paid to shareholders by post on or around 31st October, 2003.

The board of directors has also proposed that the final dividend should be satisfied by way of a scrip dividend of shares, with an option to elect cash in respect of part or all of such dividend. The market value of the shares to be issued under the scrip dividend proposal will be fixed by reference to the average of the closing prices of the Company's shares for the three consecutive trading days ending 6th October, 2003 less a discount of five per cent. of such average price or the par value of shares, whichever is the higher. The proposed scrip dividend is conditional upon the Hong Kong Stock Exchange granting listing of, and permission to deal in, the new shares to be issued and the passing at the forthcoming annual general meeting of the Company of an ordinary resolution to approve the final dividend. A circular giving full details of the scrip dividend proposal and a form of election will be sent to shareholders.

EXPIRY OF SUBSCRIPTION RIGHTS ATTACHED TO 2003 WARRANTS

Warrantholders are kindly reminded that the subscription rights attaching to the 2003 Warrants will expire immediately after 4:00 p.m. on 29th August, 2003. A circular, containing information in relation to the expiry of the 2003 Warrants, will be despatched to warrantholders as soon as practicable.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st March, 2003, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

OUTLOOK

The Government has announced in November 2002 its revised housing policy to restore the public's confidence in the local property market. Nine measures, including but not limited to stopping all scheduled land auctions, suspension of Application List for supply of new land and cessation of production of flats under Home Ownership Scheme, have been introduced with primary effect to reduce the supply, especially in public sector, in the residential market in the coming years. These measures would inexorably deteriorate the local construction market conditions, lessen tendering opportunities and intensify competitions. Tender price is anticipated to remain low or even be further reduced. In May 2003, the Government decided to temporarily put the Tamar development project on hold and would complete the review of its spending priorities within six months. Such move would cause further uncertainty over the recovery of the local construction market.

To tackle with the increasingly challenging market ahead, the Group will continue with its cost reduction and streamlining measures to enhance its cost competitiveness. With its comprehensive skill base, proven track records and a diversified client base, the Group devotes to maintain its market share in private sector and has already secured large scale contracts like Cyberport Residential Development R1a & R1b and Tsing Yi Hotel Development Phase 2. Subsequent to the year end, the Group has further been awarded with other large scale contracts including Tung Chung residential development project and widening of Yuen Long Highway which in aggregate amounts to HK$1,765 million and is confident to secure new prospect in the future.

Though Hong Kong remains its operation base, the Group will focus more on the PRC which is the market provides ample opportunities for the Group's business growth. The signing of the Closer Economic Partnership Arrangement ("CEPA") will liberalize market access and accelerate the Group's growth in the PRC. The Group will also revisit its investment plans to capture the benefits of CEPA.

In Australia and South Pacific region, Downer is well positioned to capitalise on global trends towards outsourcing and expects steady growth to come from its ability to provide clients with turnkey service delivery in its target markets of mining, power, rail, road and telecommunications. With its track record of steady earnings growth, the directors are confident that Downer will continue to enhance the Group's ability to maintain a stable income stream and create investment value.

In the years to come, the Group will continue its business and investment diversification strategy by venturing into the different geographical markets where sound business opportunities are identified, with its primary focus on the PRC market and investments generating earnings growth. Barring unforeseeable circumstances, the Group is well positioned to capture its prospects and meet the challenges ahead.

APPRECIATION

On behalf of the board of directors, I would like to take this opportunity to express my appreciation to the shareholders for their support, to the management and staff for their dedicated efforts and to our client, consultants and partners for all their valuable assistance offered during this past year.

Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong, 21st July, 2003