



The directors herein present their report and the audited financial statements of the Company and 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 consisted of (a) the construction business, as a main contractor, as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and Mainland China; and (b) property development and investment. There were no significant 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 the Group at that date are set out in the financial statements on pages 26 to 90.

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 (2002: 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 2003.

	Year ended 31 March				
	2003	2002	2001	2000	1999
Results	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>529,273</u>	<u>409,088</u>	<u>643,199</u>	<u>426,104</u>	<u>233,182</u>
Profit before impairment of goodwill on acquisition of subsidiaries and an associate	10,239	3,851	7,582	15,625	12,870
Impairment of goodwill arising on acquisition of subsidiaries and an associate	<u>–</u>	<u>–</u>	<u>(67,541)</u>	<u>–</u>	<u>–</u>
Profit/(loss) before tax	10,239	3,851	(59,959)	15,625	12,870
Tax	<u>(5,619)</u>	<u>(817)</u>	<u>5,106</u>	<u>(1,859)</u>	<u>(2,381)</u>
Profit/(loss) before minority interests	4,620	3,034	(54,853)	13,766	10,489
Minority interests	<u>3,307</u>	<u>4,770</u>	<u>719</u>	<u>182</u>	<u>568</u>
Net profit/(loss) attributable to shareholders	<u>7,927</u>	<u>7,804</u>	<u>(54,134)</u>	<u>13,948</u>	<u>11,057</u>



SUMMARY OF FINANCIAL INFORMATION (continued)

Assets, liabilities and minority interests

	As at 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Fixed assets	47,162	64,023	67,709	71,290	47,495
Investment properties	–	–	–	–	8,960
Deferred development costs	–	3,706	2,953	–	–
Interests in associates	17,903	18,768	24,947	12,672	103,060
Long term investments	8,153	6,153	6,153	–	1,121
Pledged time deposits	–	5,100	–	–	–
Current assets	562,560	454,483	383,756	435,067	245,984
Total assets	635,778	552,233	485,518	519,029	406,620
Current liabilities	(358,067)	(200,480)	(198,059)	(227,390)	(141,380)
Long term portion of bank and other borrowings	(2,900)	(57,208)	–	(1,983)	–
Convertible notes	–	(8,065)	(10,251)	–	–
Total liabilities	(360,967)	(265,753)	(208,310)	(229,373)	(141,380)
Minority interests	(10,889)	(15,227)	(15,063)	(25,227)	(20,044)
	263,922	271,253	262,145	264,429	245,196



FIXED ASSETS

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

CONVERTIBLE NOTES

Details of the Group's convertible notes at the balance sheet date are set out in note 26 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 notes 27 and 28 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 29 to the financial statements and in the consolidated summary statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 March 2003, 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\$155,883,000. In addition, the Company's share premium account and capital redemption reserve, in the aggregate amount of HK\$104,801,000, 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 46% (2002: 31%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 11% (2002: 8%). Purchases from the Group's five largest suppliers accounted for approximately 33% (2002: 31%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 15% (2002: 8%).

None of the directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) or any other 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 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

Independent non-executive directors

Dr. HO Chung Tai, Raymond
Ms. WONG Sin Yee
Mr. SIU Man Po

Mr. Kong Kwok Fai and Mr. Siu Man Po will retire by rotation according to the Company's bye-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 72, is one of the co-founders of the Group. He is currently the chairman of the Group and has over 48 years' experience in the construction engineering industry in the PRC and Hong Kong. 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 59, 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 20 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 the China Civil Engineering Society, the 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 47, joined the Group in 1988. Mr. Wang has over 23 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 45, 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 21 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 41, joined the Group in March 1991. He is an executive director of 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 64, is currently a member of the second Legislative Council (Engineering Functional Constituency) and Joint Chairman of the Capital China Group, which organises and manages industrial, energy, infrastructure, transportation and forestry projects, and also the Joint Chairman of the Ho Wang Group of companies, which provides professional services on transport planning, environment engineering and infrastructure. Dr. Ho has 40 years' experience in the fields of civil, structural, environmental and geotechnical engineering and project management, including 30 years in Hong Kong and 10 years in the United Kingdom, with direct responsibility in major projects of tunnels, bridges, flyovers, roads, dockyards, jetties, hospitals, hotels, incinerators, high-rise commercial/residential buildings, geotechnical work, environmental studies and projects as well as project management. 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 in 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, Chairman of Hong Kong the Technology Committee of the Industry & Technology Development Council (ITDC) and member of ITDC, member of the first Legislative Council (Engineering Functional Constituency), member of the Provisional Legislature council, Chairman of the Transport Advisory Committee, Hong Kong Affairs Adviser, and member of Consultative Committee on the New Airport and related projects. Dr. Ho is currently, Deputy Chairman of Guangdong Daya Bay Nuclear Plant and LingAo Nuclear Plant Safety Consultative Committee and member of the Gas Safety Advisory Committee.

SIU Man Po, aged 65, obtained his MSc in Civil Engineering in 1963 from Auburn University in Auburn, Alabama, the USA. Mr. Siu has extensive experience in construction field including construction of Tsing Yi Power Stations from 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 43, 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, aged 48, joined the Group in July 1999. He is the director of Deson Development Limited and supervise the Group's engineering department and contracts department. He has 24 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.

CHAN Chi Kwong, aged 40, 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 Hong Kong and in PRC. He has over 19 years' experience in the field of civil and structural engineering. He holds a Higher Diploma in Building from City University of Hong Kong.

KWOK Koon Keung, aged 35, joined the Group in February 1996. He is the Contracts Manager of the Group and in-charge the contracts department. He has over 13 years' experience and holds a Bachelor of Science in Building from South Bank University. He is a Professional Associate Member of The Royal Institute of Chartered Surveyors.

HO Ka Yiu, aged 44, joined the Group in August 1993. He is the director of Deson Development Limited in-charge the safety and environmental department of the Group. His responsibilities include monitor the implementation of safety policies in the project and quantity surveying and has over 21 years' experience. He holds a higher certificate in building studies from the Hong Kong Polytechnic University.

LEUNG Siu Lok, aged 45, joined the Group in April 1995. He is a project manager of the Group and is responsible for the on-site supervision of Hong Kong projects. He has over 22 years' experience in the field of civil and structural engineering. He holds an Associateship in Civil and Structural Engineering and Master of Science in Project Management from the Hong Kong Polytechnic University.

YEUNG Yam Chi, aged 41, joined the Group in April 1994. He is a project manager of the Group and is responsible for the supervision of the Group's construction projects in Hong Kong and in the PRC. He has over 17 years' experience in the field of civil and structural engineering. He holds a Master's degree in civil and structural engineering from the University of Sheffield in the United Kingdom.



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

Senior management *(continued)*

LEE Kai Ming, aged 45, joined the Group in August 1997. He is an E&M engineer of the Group and is responsible for supervising all building services projects. He has more than 21 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.

ONG Chi King, aged 30, 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's 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 67, 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 37 years' cost accounting experience in major enterprises in the PRC.

LI Ngan Mei, aged 42, joined the Group in December 1988 and is the administration manager of the Group. She has more than 18 years' experience in personnel and administration management.

**DIRECTORS' INTERESTS IN SHARES AND WARRANTS**

At 31 March 2003, the interests of the Company's directors and their 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 interest	Number of shares held	Number of warrants held
Tjia Boen Sien	Corporate (<i>Note</i>)	1,968,750,000	393,750,000
	Personal	215,230,000	24,894,000
Wang Jing Ning	Corporate (<i>Note</i>)	1,968,750,000	393,750,000
	Personal	15,330,000	3,066,000
Wang Ke Duan	Personal	5,600,000	1,120,000
Keung Kwok Cheung	Personal	7,000,000	1,400,000
Kong Kwok Fai	Personal	5,000,000	1,000,000
Siu Man Po	Personal	1,500,000	300,000

Note: 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.

The interests of the directors in the share options of the Company are separately disclosed in note 28 to the financial statements.

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 heading "Directors interests in shares and warrants" above and in the share option scheme disclosures in note 28 to the financial statements, 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

Due to the adoption of Hong Kong Statement of Standard Accounting Practice No. 34 “Employee benefits” during the year, the detailed disclosures relating to the Company’s share option scheme have been moved to note 28 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed under the heading “Directors’ interests in shares and warrants” above, at 31 March 2003, 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 PARTY TRANSACTIONS

Pursuant to a sub-contracting agreement entered into between LSY Asia Construction Limited (“LSY Asia”), a subsidiary of the Group up to 11 December 2002 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 period was HK\$1,955,000.

At the time of the Subcontracting Transaction, LSY Asia was owned 60% by Asia Construction Holdings Limited (“Asia Construction”) which in turn was 55% owned by the Group and 40% owned by LSY up to 11 December 2002. As such, the Subcontracting Transaction constituted a connected transaction under Rule 14.23 of the Listing Rules. With effect from 12 December 2002, upon the disposal of 6% interest of Asia Construction, LSY Asia become an associate of the Group.

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.

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's interest	Stage of completion	Expected completion date	Expected use	Gross floor area
Southern Area, Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	Design stage	End of 2005	Residential	Total site area is 61,285 sq. m.
Villas and service apartments at Park View Nos. 228 & 238 Bai Se Road Shanghai PRC	100%	Completion expected in December 2003	End of 2003	Residential	Total site area is 35,235 sq. m. Total gross floor area will be 21,122 sq. m.

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

Location	Group's interest	Tenure	Use	Gross floor area
24, 27-28 floors and 19 car park spaces at Zhongda Square 989 Dongfang Road Lujiazhui Pudong District Shanghai PRC	100%	The property is held for a term of 45 years, commencing on 8 September 1998 and expiring on 21 December 2043	Office/ commercial	Total gross floor area is 3,098 sq. m.

**PARTICULARS OF PROPERTIES** *(continued)*

Location	Group's interest	Tenure	Use	Gross floor area
Phases II & III, 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	Total gross floor area is 89,251 sq. m.
Apartments at Park View Nos. 228 & 238 Bai Se Road Shanghai PRC	100%	The property is held for a term of 70 years, commencing on 18 February 1993 and expiring on 17 February 2063	Residential	Total gross floor area is 35,052 sq. m.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 34 to the financial statements.



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
24 July 2003