

The Directors present to shareholders their annual report together with the audited financial statements of the Company and of the Group for the year ended 31st March, 2001.

Principal Activities

The principal activity of the Company is investment holding while its subsidiaries are engaged in building construction, building maintenance and civil engineering.

The Group's turnover and loss before taxation for the year ended 31st March, 2001 analysed by principal activity are set out in note 3 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 21. No interim dividend was paid during the year. The Directors do not recommend the payment of a final dividend.

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Share Capital

Movements in the Company's share capital during the year are set out in note 18 to the financial statements.

Share Option Scheme

Particulars of the share option scheme to subscribe for shares in the Company are set out in note 18 to the financial statements.

Reserves

Movements in reserves during the year are set out in note 19 to the financial statements.

Property, Plant and Equipment

Movements in property, plant and equipment during the year are set out in note 9 to the financial statements.

Financial Summary

A financial summary of the Group is shown on page 2.

Major Customers and Suppliers

The five largest suppliers accounted for 18.6% of the Group's purchases of the year whereas the five largest customers accounted for 95% of the Group's sales of the year. The largest supplier and the largest customer accounted for 4.8% and 74% of the Group's purchases and sales respectively. Except for the contracts with CIHL Group as disclosed more fully in the section "Connected Transactions" below, none of the Directors, their associates or any shareholder (whom to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or five largest customers.



Employee and Remuneration Policy

The Group employed approximately 400 full time staff as at 31st March, 2001. The remuneration policy is reviewed periodically according to the nature of their jobs, market trend, company performance and individual performance. Other staff benefits include bonuses awarded on a discretionary basis, medical schemes, retirement schemes and employee share option scheme. Total staff costs amounted to HK\$136.44 million for the year ended 31st March, 2001.

Donations

During the year, the Group made donations of HK\$190,000 to charitable bodies.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda where the Company is incorporated.

Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

Directors

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Dr CHOW Yei Ching	<i>(Chairman)</i>
Mr KUOK Hoi Sang	<i>(Vice Chairman)</i>
Mr WONG Kie Ngok, Alexander	<i>(Appointed on 18th May, 2001)</i>
Mr TAM Kwok Wing	<i>(Appointed on 18th May, 2001)</i>
Mr NG Sai On	
Mr Timothy LAM Junior	<i>(Deputy Managing Director, resigned on 1st October, 2000)</i>

Independent Non-Executive Directors

Mr TING Hok Shou, Dennis
Mr SUN Kai Dah, George

In accordance with the Company's Bye-laws, Messrs KUOK Hoi Sang, WONG Kie Ngok, Alexander and TAM Kwok Wing shall retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The Independent Non-Executive Directors are subject to the same retirement requirements as the Executive Directors.

Directors' Interests in Contracts

Messrs CHOW Yei Ching, KUOK Hoi Sang, WONG Kie Ngok, Alexander and TAM Kwok Wing are interested in certain contracts in that they are the Directors and/or have beneficial interests in CIHL. Details of these contracts are more fully disclosed in the section "Connected Transactions" below.

Save as aforementioned, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

None of the Directors have an interest in any business constituting a competing business to the Group.

Connected Transactions

The Group has from time to time conducted transactions with CIHL which is a "connected person" for the purposes of the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The Stock Exchange granted waivers on 31st January, 1996 and 29th December, 1997 to the Company from strict compliance with the requirements stipulated in Chapter 14 of the Listing Rules on connected transactions. Pursuant to the waivers, details of the following connected transactions which have been entered into between certain subsidiaries of CIHL and the Group in the ordinary and usual course of business are not required to be disclosed by press notice and/or circular nor is the Company required to obtain prior independent shareholders' approval on each occasion when they arise:

1. An agreement was made between the Company and CIHL whereby the Group as main contractor may source from time to time supply of the lifts and escalators, air conditioning systems, electrical and mechanical systems, building materials and equipment and related installation services from the various subsidiaries of CIHL. The Group has entered into the following connected transactions within the meaning of the Listing Rules:



Connected Transactions (continued)

Main contractor	Nature of transaction	Sub-contractor	Estimated contract value HK\$	Interest attributable to the Group %
CCHK	Supply and installation of building materials	Chevalier (Building Supplies & Engineering) Limited	3,640,000	100
CCHK	Electrical installation	Chevalier (HK) Limited ("CHK")	2,323,000	100
Chevalier (Construction) Company Limited ("CCCL")	Electrical installation	CHK	38,890,000	99.67
CCCL	Supply and installation of building materials	Chevalier (Aluminium Engineering) Limited	569,000	99.67

Purchases and progress payments made during the year ended 31st March, 2001 in respect of the above contract amounted to approximately HK\$4,158,000.

- The Company had entered into an administrative service agreement with CIHL under which CIHL Group provided accounting, treasury, electronic data processing, company secretarial and personnel management services to the Group at a management fee calculated based on 0.3% of the Group's annual turnover. The management fee paid to CIHL during the year ended 31st March, 2001 amounted to HK\$3,679,000.
- The following properties were leased to the Group by the wholly-owned subsidiaries of CIHL at commercial rates:

Landlord	Renting of property (usage)	Rental for the year HK\$
Union Pearl Development Limited	Portion of Chevalier Commercial Centre (office)	1,994,000
Winfield Development Limited	Portion of Chevalier Warehouse Building (warehouse)	286,000
Peak Gain Limited	Portion of Chevalier Engineering Service Centre (office/warehouse)	395,000
Futex Development Limited	Regent Villa (resort)	160,000

During the year, rentals amounting to approximately HK\$2,835,000 was paid to CIHL Group.

Connected Transactions (continued)

The Independent Non-Executive Directors of the Company confirm that the aforesaid connected transactions conducted by the Group during the year ended 31st March, 2001 were:

- (i) in the ordinary and usual course of the Group's business;
 - (ii) on normal commercial terms or on terms no less favourable than terms available to/from independent third parties;
 - (iii) fair and reasonable so far as the shareholders of the Company are concerned; and
 - (iv) within the relevant amounts as stipulated under the relevant waivers.
4. Pursuant to the Subscription Agreement, Wealthy Town agreed to subscribe for 20,000,000 new ordinary shares of the Company at HK\$0.21 per share. In view of the first rights of refusal given to CIHL and Dr Chow by Wealthy Town, and the fact that CIHL is the controlling shareholder of the Company while Dr Chow is the Chairman of both CIHL and the Company, the Subscription Agreement constituted a connected transaction of the Company under the Listing Rules. The transaction was completed in November 2000.
 5. In August 2000, a wholly-owned subsidiary of the Company entered into an agreement with CIHL Group to dispose of its 45% interest in PPRHK and PPRHK debt at a total consideration of HK\$21,248,000 ("the Sale and Purchase Agreement"). As CIHL is the controlling shareholder of the Company, the Sale and Purchase Agreement constituted a connected transaction of the Company under the Listing Rules. The transaction was completed in October 2000.

Directors' Interests in Shares and Options

As at 31st March, 2001, the interests of the Directors in the share capital and options of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance") which have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 29 of the SDI Ordinance to be entered in the register referred to therein are as follows:

(a) Interests in the Company

(i) Shares

Directors	Number of ordinary shares		
	Personal interest	Corporate interest	Total
CHOW Yei Ching	41,036,489	87,165,444*	128,201,933
KUOK Hoi Sang	1,326,437	—	1,326,437
TING Hok Shou, Dennis	672,000	—	672,000

* Dr CHOW Yei Ching beneficially owned 615,445,993 shares in CIHL, representing in aggregate approximately 50% of the issued share capital of CIHL, which in turn, was interested in 87,165,444 shares of the Company. Dr Chow was deemed to be interested in these shares under the SDI Ordinance and these shares duplicated in the paragraph headed "Substantial Shareholders" below.



Directors' Interests in Shares and Options (continued)

(a) Interests in the Company (continued)

(ii) Share options

Directors	Date granted	Period during which options are exercisable	Consideration paid for options granted	Price per share to be paid upon exercise of options	Number of shares issued upon exercise of options during the year	Number of shares to be issued upon exercise of the remaining options
CHOW Yei Ching	04/02/1998	03/09/1998 - 02/09/2001	1	0.3248	—	4,400,000
KUOK Hoi Sang	04/02/1998	03/09/1998 - 02/09/2001	1	0.3248	—	4,000,000
NG Sai On	09/03/1998	19/09/1998 - 18/09/2001	1	0.3552	—	604,000

Details of the share options are set out in note 18 to the financial statements.

(b) Interests in Associated Corporations

(i) Shares

Directors	Associated corporations	Number of ordinary shares		
		Personal interest	Corporate interest	Total
CHOW Yei Ching	CIHL	615,445,993	—	615,445,993
	Chevalier iTech Holdings Limited ("CiTL")	34,079,270	431,618,666*	465,697,936
	Chevalier Singapore Holdings Limited ("CSHL")	4,375,000	80,000,000*	84,375,000
KUOK Hoi Sang	CIHL	491,083	—	491,083
	CiTL	12,000,000	—	12,000,000

* Dr CHOW Yei Ching had notified CiTL and CSHL that he was deemed to be interested in 431,618,666 shares in CiTL and 80,000,000 shares in CSHL under the SDI Ordinance as the said shares were held by CIHL in which Dr Chow beneficially owned 615,445,993 shares, representing in aggregate approximately 50% of the issued share capital of CIHL.

Directors' Interests in Shares and Options (continued)

(b) Interests in Associated Corporations (continued)

(ii) Share options

Directors	Associated corporations	Date granted	Period during which options are exercisable	Consideration paid for options granted	Price per share to be paid upon exercise of options	Number of shares issued upon exercise of options during the year	Number of shares to be issued upon exercise of the remaining options
CHOW Yei Ching	CIHL	04/02/1998	03/09/1998 - 02/09/2001	1	0.5376	—	18,000,000
		17/12/1999	30/06/2000 - 29/06/2003	1	0.4880	—	8,450,000
	CiTL	04/02/1998	03/09/1998 - 02/09/2001	1	0.3376	—	14,000,000
		17/12/1999	30/06/2000 - 29/06/2003	1	0.4640	—	7,000,000
KUOK Hoi Sang	CIHL	04/02/1998	03/09/1998 - 02/09/2001	1	0.5376	—	10,000,000
		17/12/1999	30/06/2000 - 29/06/2003	1	0.4880	—	5,350,000
	CiTL	04/02/1998	03/09/1998 - 02/09/2001	1	0.3376	—	4,300,000
		17/12/1999	30/06/2000 - 29/06/2003	1	0.4640	—	5,000,000

Save as disclosed above, as at 31st March, 2001, none of the Directors of the Company nor their spouses or children or step children under the age of 18 years had or were deemed pursuant to Section 28 of the SDI Ordinance or under Section 31 or Part 1 of the Schedule to the SDI Ordinance to have any interest in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

Directors' Service Contracts

No Director offering 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).

Management Contracts

Apart from the management agreement entered into with CIHL as mentioned above, no other contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into or subsisted during the year.



Directors' Biographies

Executive Directors

Dr CHOW Yei Ching, Chairman, aged 65, is the founder of the Chevalier Group and the Chairman and Managing Director of CIHL, the Chairman of CiTL, both of which are publicly listed companies in Hong Kong, and the Chairman of CSHL, a publicly listed company in Singapore. He is also a Non-Executive Director of Van Shung Chong Holdings Limited, United Chinese Bank Limited, Television Broadcasts Limited and Shaw Brothers (Hong Kong) Limited. In 1995, Dr Chow was awarded with an Honorary Doctor Degree in Business Administration by The Hong Kong Polytechnic University, and with an Honorary University Fellowship by The University of Hong Kong. In 1996 and 1997, he was appointed an Honorary Member of the Board of Directors by Nanjing University and was conferred an Honorary Degree of Doctor of Laws by The University of Hong Kong respectively. Dr Chow also serves actively on a number of educational advisory committees and gives substantial support in areas of researches and developments to the aforementioned two Universities in Hong Kong and The Hong Kong University of Science and Technology. He is also an Honorary Professor to Zhejiang University and Sichuan Union University of the PRC. Dr Chow's enthusiasm in public services is evidenced in his appointment in 1996 as a Member of The Selection Committee for the First Government of the Hong Kong Special Administrative Region and as a Member of the Board of Directors of The Community Chest in Hong Kong in 1995. He was also appointed early this year as the Honorary Consul of the State of Bahrain in Hong Kong. He also actively participates in various professional bodies and associations on fraternal and Chinese affairs. To name a few, he is a Member of the Chinese People's Political Consultative Conference (Shanghai), the President of The Japan Society of Hong Kong and he is also the Chairman of the National Taiwan University-HK Alumni Association. In recognition of his contributions to local and overseas societies alike, Dr Chow has been awarded with the honorable decorations from Britain, Belgium, France and Japan, namely, Officer of the Most Excellent Order of the British Empire, Officer in the Order of the Crown, Officier de l'Ordre National du Mérite and The Order of the Sacred Treasure, Gold Rays with Rosette respectively.

Mr KUOK Hoi Sang, Vice Chairman, aged 51, joined the Chevalier Group in 1972 and is the Deputy Managing Director of CIHL, a Director of CiTL and CSHL. He is also the President of The Lift and Escalator Contractors Association in Hong Kong, Vice-Chairman of the Hong Kong – China Branch of The International Association of Elevator Engineers and a Registered Lift and Escalator Engineer in Hong Kong. He was appointed as member of Chinese People's Political Consultative Conference, Guangzhou. Mr Kuok has extensive experience in business development and is responsible for the strategic planning and management of the operations of lifts and escalators, building construction, building materials and supplies, aluminium works, electrical and mechanical services, civil engineering, property development as well as investment projects of the Chevalier Group.

Mr WONG Kie Ngok, Alexander, Director, aged 72, joined the Chevalier Group in 1989 and is a Director of CIHL. He is responsible for the internal audit and project development of the Chevalier Group. Mr Wong is a member of Australian Society of Certified Public Accountants, a fellow member of The Hong Kong Society of Accountants and a fellow member of The Taxation Institute of Hong Kong.

Directors' Biographies (continued)

Executive Directors (continued)

Mr TAM Kwok Wing, Director, aged 40, joined the Chevalier Group in 1986 and is also a Director of CIHL. Apart from his participation in running the insurance underwriting business together with property development and property management divisions, he is also responsible for legal affairs, general administration, human resources management, public relations and travel agency business of the Chevalier Group. Mr Tam holds a Bachelor Degree in Laws from the Beijing University of the PRC, a Master of Arts Degree from the City University of Hong Kong and a Postgraduate Diploma in Corporate Administration from The Hong Kong Polytechnic University. He is also fellow members of the Chartered Institute of Arbitrators, the Institute of Chartered Secretaries and Administrators in the U.K. and the Hong Kong Institute of Company Secretaries. Presently, he also serves as an Honorary Secretary of the Insurance Claims Complaints Bureau.

Mr NG Sai On, Director, aged 46, joined the Group in 1989. Mr Ng left the Group in September 1997 and re-joined in February 1998. He received a higher certificate in civil engineering and a higher certificate in building studies from The Hong Kong Polytechnic University as well as a postgraduate diploma in MSc of Construction Management. He is an incorporated engineer of the Engineering Council.

Independent Non-Executive Directors

Mr TING Hok Shou, Dennis, aged 67, was appointed to the Board in 1995. He is the Chairman of Kader Group and Qualidux Industrial Company Limited. Mr Ting was appointed Justice of the Peace in 1977 and was awarded Officer of the Most Excellent Order of the British Empire by Her Majesty, the Queen in 1988. He was conferred an Honorary Degree of Doctor in Science by Worcester Polytechnic Institute, Mass, U.S.A. in 1997.

Mr SUN Kai Dah, George, aged 61, was appointed to the Board in 1999. He has extensive experience in building construction in Hong Kong.

Retirement Schemes

From 1st April, 2000 to 30th November, 2000, the Company and its Hong Kong subsidiaries were participating companies in the Chevalier Group Staff Provident Fund Scheme ("the Scheme") as defined in the Occupational Retirement Schemes Ordinance which is a defined contribution retirement scheme for its eligible employees. Contributions to the Scheme are made by both the employers and the employees at the rate of 5% to 7.5% on the employees' salaries.

There has been a change in the pension scheme policy for the Group since the introduction of Mandatory Provident Fund Scheme ("the MPF") under the Mandatory Provident Fund Schemes Ordinance by the Government in December 2000. From 1st December, 2000 onwards, existing staff members can opt to stay in the Scheme or join the MPF while all new staff members are only entitled to join the MPF.

The MPF is available to all employees aged 18 to 65 with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income at a maximum of HK\$20,000 per month. The benefits are required by law to be preserved until the retirement age of 65.

The Group's total contributions to these schemes charged to the consolidated income statement during the year amounted to HK\$2,059,000 against which forfeited contributions amounting to HK\$2,262,000 have been deducted. There were forfeited contributions amounting to HK\$587,000 available at the year end date for the reduction of future employer's contributions.



Substantial Shareholders

As at 31st March, 2001, the substantial shareholders of the Company were CIHL Group which held 87,165,444 shares and Dr CHOW Yei Ching who held 41,036,489 shares representing approximately 35.01% and 16.48% respectively of the issued share capital of the Company as recorded in the registers required to be kept under Section 16(1) of the SDI Ordinance.

Save as disclosed above, there were no parties whom were known to the Directors to be the registered holders or have any interest or right to subscribe for 10% or more of the issued share capital of the Company.

Arrangement for Acquisition of Shares or Debentures

Pursuant to the Subscription Agreement, Dr CHOW Yei Ching was granted a right to acquire shares which Wealthy Town has subscribed for under the First Tranche Subscription at HK\$0.21 per share, details of which are set out in the Company's circular dated 14th September, 2000.

Save as disclosed above and except for the share option scheme adopted by the Company and the share options granted to certain Directors, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Audit Committee

The Audit Committee, which was established pursuant to the requirements of the Listing Rules, comprising Messrs TING Hok Shou, Dennis and SUN Kai Dah, George, met twice in the year. During the meetings, the Committee reviewed the Connected Transactions, interim and annual reports of the Group and discussed with management the auditing, internal controls and financial reporting matters.

Code of Best Practice

In the opinion of the Directors, the Company has complied throughout the year with the guidelines for the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Auditors

The financial statements for the year have been audited by Messrs Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

CHOW Yei Ching

Chairman

Hong Kong, 10th July, 2001