

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consisted of the undertaking of superstructure construction, foundation piling, substructure works, slope improvement and interior decoration works in Hong Kong, SAR during the year. Other than the commencement in the business of machine leasing, there were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities for the year ended 31 March 2001 by principal activity and geographical area of operations are set out in notes 3 and 5 to the financial statements, respectively.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

RESULTS

	Year ended 31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Net profit/(loss) from ordinary activities attributable to shareholders	<u>(71,640)</u>	<u>(10,651)</u>	<u>(5,711)</u>	<u>(55,605)</u>	<u>35,680</u>

ASSETS AND LIABILITIES

	31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
TOTAL ASSETS	<u>370,284</u>	<u>450,742</u>	<u>372,567</u>	<u>435,758</u>	<u>358,487</u>
TOTAL LIABILITIES	<u>222,448</u>	<u>236,809</u>	<u>148,169</u>	<u>209,247</u>	<u>154,259</u>
MINORITY INTERESTS	<u>6,547</u>	<u>4,590</u>	<u>4,239</u>	<u>3,691</u>	<u>5,285</u>
NET ASSETS	<u>141,289</u>	<u>209,343</u>	<u>220,159</u>	<u>222,820</u>	<u>198,943</u>

RESULTS

The Group's result for the year ended 31 March 2001 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 82.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in note 11 to the financial statements.

JOINTLY-CONTROLLED ENTITIES

Particulars of the Group's interests in jointly-controlled entities are set out in note 12 to the financial statements.

ASSOCIATE

Particulars of the Company's associate are set out in note 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

BORROWINGS

Details of the Group's borrowings at the balance sheet date are set out in notes 18 to 20 to the financial statements.

INTEREST CAPITALISED

Interest in the amount of HK\$160,000 was capitalised during the year in respect of the Group's construction contracts.

SHARE CAPITAL

Details of the Company's share capital are set out in note 22 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2001, the Company had no reserves available for cash distribution and/or distribution in specie to shareholders of the Company. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may only be distributed in certain circumstances which the Company is presently unable to meet. However, the Company's share premium account with a balance of HK\$166,405,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 63% of the Group's total sales for the year and sales to the largest customer included therein amounted to 21%.

Purchases from the Group's five largest suppliers accounted for less than 17% of the Group's total purchases for the year. In arriving at the relevant percentage, purchases during the year not yet charged to the profit and loss account have been included.

None of the directors of the Company or any of their associates or any shareholders (which, to the knowledge of the directors owned more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Zhang Xiaoshu *(Chairman)*
Ng Tat Leung, George
Chan Wai Keung, Ivan
Wong Teck Ming, Phillip
Lui Siu Yee, Samuel
Miao Jianmin
Zheng Changyong
Lo Chung Sun *(appointed on 1 December 2000)*
Szeto Chak Wah, Michael *(resigned on 1 December 2000)*

Non-executive directors:

Wang Xianzhang
Clive William Oxley, OBE, ED*
Richard Kenneth Bryson*
Tyebjee Hatam Barma, ISO, JP*

* *Independent non-executive directors*

In accordance with clauses 98 and 103(B) of the Company's bye-laws, Messrs. Chan Wai Keung, Ivan, Wong Teck Ming, Phillip, Miao Jianmin and Lo Chung Sun will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the non-executive directors but excluding the chairman, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

**BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR
MANAGEMENT STAFF****Executive directors**

Mr. Zhang Xiaoshu, aged 57, was appointed as the Chairman of the Company in the current year. He is currently the vice-president of China Insurance H.K. (Holdings) Company Limited. Mr. Zhang has more than 22 years' experience in administration and management with the Shanghai government prior to his joining the Group.

Mr. Ng Tat Leung, George, aged 42, is the Deputy Chairman and Managing Director of the Company and has the responsibility for the marketing and business development of the Group, including overseeing the progress of all of the Group's projects and liaison with its suppliers, subcontractors and clients. Mr. Ng holds a Bachelor of Science degree in Civil Engineering from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong. He has more than 20 years' experience in the construction industry. Mr. Ng joined the Group in 1984.

Mr. Chan Wai Keung, Ivan, aged 30, is the son of Mr. Chan Mo Yan, the late former Chairman of the Group. He is responsible for the development in office automation, information systems and mathematical operations research in the Group. He holds a Bachelor of Mathematics degree in Computer Science and Combinatorics and Optimisation from the University of Waterloo, Canada.

Mr. Wong Teck Ming, Phillip, aged 43, holds a Bachelor of Science degree in Civil Engineering and a Master's degree in Civil and Structural Engineering from the University of Hong Kong. He is a Corporate Member of the Institution of Civil Engineers in the United Kingdom. Mr. Wong has more than 20 years' experience in the construction industry and specialises in design and site formation. He is in charge of the piling and foundation work, structural design and the quality control of the Group's projects. He joined the Group in 1992.

Mr. Lui Siu Yee, Samuel, aged 41, is the Finance Director of the Company. Mr. Lui has more than 20 years of finance and accounting experience. Prior to joining the Group in December 1994, he was the financial controller of a Hong Kong property investment and development group.

Mr. Szeto Chak Wah, Michael, aged 52, is a solicitor and is a consultant to Messrs. Charles Yeung Clement Lam Liu & Yip Solicitors & Notaries. He is a member of the Board of Review (Inland Revenue). Mr. Szeto resigned as a director of the Company in December 2000.

Mr. Miao Jianmin, aged 36, is an adviser on the Group's business activities in Hong Kong and the PRC and is currently the Assistant General Manager of the China Insurance (Group) Company Limited in Hong Kong. Mr. Miao graduated from the post-graduate division of the head office of the People's Bank of China with a Master's degree in Economics and had worked in various departments of the People's Insurance Company of China for more than 11 years. He joined the Group in October 1998.

Mr. Zheng Changyong, aged 36, was an adviser on the Group's business activities in Hong Kong and the PRC and is currently the General Manager in the Finance and Accounts Department of the China Insurance (Group) Company Limited in Hong Kong. Mr. Zheng graduated from the School of Business of Beijing (the present University of Industry and Commerce of China) with a Master's degree in Economics and had worked in various departments of the People's Insurance Company of China for more than 11 years. He joined the Group in October 1999.

Mr. Lo Chung Sun, aged 47, is responsible for the undertaking of piling project works of the Group. Mr. Lo holds a Master's degree in Science from the University of Wales in the United Kingdom. He has more than 21 years' experience in the construction industry, and is a member of the Hong Kong Institution of Engineers and the Institution of Structural Engineers of the United Kingdom, as well as a Chartered Engineer of the Engineering Council of the United Kingdom and a Registered Structural Engineer with the Building Authority. He joined the Group in May 1994 and was admitted to the Company's board of directors in December 2000.

Non-executive directors

Mr. Wang Xianzhang, aged 60, is the Honourary Chairman of the Company. He is the vice-chairman and vice-president of the People's Insurance Company of China, and vice-chairman and president of China Insurance H.K. (Holdings) Company Limited. Mr. Wang graduated with a Bachelor's degree in Economics from the Finance and Economics University of Northeast China and has over 37 years' experience in finance, administration and management with the People's Insurance Company of China. Mr. Wang joined the Group in 1996.

Independent non-executive directors

Mr. Clive William Oxley, OBE, ED, aged 65, was a senior Administrative Officer of the Hong Kong Government prior to his retirement in May 1994. During his 25-year career with the government, he served, inter alia, as the Assistant Secretary to the Government Secretariat responsible for civil service discipline, as the District Officer for Sham Shui Po, Sai Kung and Tai Po, as the Deputy Secretary for Planning, Environment and Lands Branch responsible for town planning and the development of Kowloon and the New Territories, as a member of the Sino-British Land Commission and as the Commissioner of Customs and Excise.

Mr. Richard Kenneth Bryson, aged 69, is a retired solicitor in Hong Kong.

Mr. Tyebjee Haram Barma, ISO, JP, aged 68, joined the board in June 2000. He is also a director of the Hong Kong Industrial Technology Centre Corporation (a Government Statutory Organisation). He retired in 1993 after 26 years' service with the Hong Kong Government as the Director General of Industry after having served in a variety of posts including the Deputy Postmaster General, the Deputy Secretary for the Civil Service and the Commissioner of the Hong Kong Export Credit Insurance Corporation. He then had served for nearly six years (1993 - 1999) as the Chief Executive and the General Manager of the Hong Kong Industrial Estates Corporation.

Senior management

Mr. Tse Siu Cheung, Edward, aged 41, is the Projects Director of W. Hing Construction Co. Ltd. Mr. Tse holds a Bachelor of Arts degree in Architectural Studies and a Bachelor's degree in Architecture. He is a member of the Hong Kong Institute of Architects, an Authorized Person (List 1) and a Registered Architect with the Hong Kong government. He has 15 years of local experience in both design and project management of building development projects. He joined the Group in 1997.

Mr. Geoff Batley, aged 62, is the Commercial Manager of CWF Piling & Civil Engineering Company Limited. Mr. Batley is a Fellow of the Royal Institute of Chartered Surveyors in the United Kingdom. He has 42 years' experience in the construction industry and is responsible for the tendering and advising on contractual matters of the Company. He joined the Group in March 2000.

Mr. Wong Hong Fai, Matthew, aged 33, is the Deputy General Manager of CWF Piling & Civil Engineering Company Limited and is responsible for the site planning, supervision, tendering and design of foundation, site formation and infrastructural works. Mr. Wong holds a bachelor of Science Degree in Civil Engineering from the University of Alberta, Canada. He is a Corporate Member of the Institution of Civil Engineers. He joined the Group in January 2000.

Mr. Kam Kwai Wa, aged 40, is the Senior Project Manager of CWF Piling & Civil Engineering Company Limited and is responsible for site planning and the supervision of foundation piling and superstructural works. Mr. Kam holds a Higher Certificate in Civil Engineering from the Hong Kong Polytechnic University and has more than 19 years' experience in the construction industry. He joined the Group in April 1994.

Mr. Lee Chi Kong, Stephen, aged 37, is the Managing Director of Allied (International) Process Engineering Limited. Mr. Lee holds a Higher Diploma in Mechanical Engineering from the Hong Kong Polytechnic University and a Master's degree in Engineering Business Management from the University of Warwick in the United Kingdom. He has 16 years' experience in the gas production and industrial process engineering field and is responsible for the marketing and business development of the Company. He joined the Group in August 1998.

Mr. Yuen Mou Chung, aged 42, is the Chief Accountant of the Group. He has more than 19 years' experience in the accounting field and joined the Group in 1994.

DIRECTORS' REMUNERATION

Details of the remuneration of the directors are set out in note 7 to the financial statements.

FIVE HIGHEST PAID INDIVIDUALS

Details of the five highest paid individuals are set out in note 7 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Ng Tat Leung, George, Wong Teck Ming, Phillip and Lui Siu Yee, Samuel has entered into a service contract with the Company for an initial term of two years commencing from 1 September 1995. On their initial expiry, these service contracts provide that they will continue until terminated by not less than three months' written notice served by either party.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

The Group had transactions with certain subsidiaries of China Insurance H.K. (Holdings) Company Limited, of which Messrs. Wang Xianzhang, Zhang Xiaoshu, Miao Jianmin and Zheng Changyong are directors. The particulars of these transactions are summarised in note 4 to the financial statements.

Save as disclosed above, no director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2001, the interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Nature of interest	Number of shares held
Ng Tat Leung, George	Corporate	71,818,000*
Richard Kenneth Bryson	Personal	250,000

* These shares are beneficially owned by Total Success Worldwide Limited, the entire issued shares of which were owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, 46.46% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming, Phillip.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the share option scheme adopted by the Company, the board of directors of the Company may grant options to eligible employees of the Group, including executive directors, to subscribe for shares in the Company. Details of the share option scheme are set out in note 22 to the financial statements. During the year ended 31 March 2001, no share option was granted or remained outstanding pursuant to the share option scheme.

Except for the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Shareholder	Number of ordinary shares held	Percentage of holding
Mr. Chan Mo Yan, deceased*	71,818,000	24.98%
Total Success Worldwide Limited*	71,818,000	24.98%
Glado Development Limited**	45,000,000	15.65%

* The shareholding interests of Mr. Chan Mo Yan, deceased, is held through Total Success Worldwide Limited. The entire issued shares of Total Success Worldwide Limited are owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, 46.46% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming, Phillip.

** Glado Development Limited is a company incorporated in Hong Kong and is a 99.9% owned subsidiary of China Insurance H.K. (Holdings) Company Limited.

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 4 to the financial statements.

PENSION SCHEME

Particulars of the Group's accounting policy on pension scheme are set out in note 2 to the financial statements.

The employer's pension costs incurred during the year amounted to HK\$667,000 and are charged as to HK\$497,000 to the profit and loss account and capitalised as to HK\$170,000 in respect of the Group's construction contracts.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Group has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the year covered by the annual report, except that independent non-executive directors are not appointed for a specific term as all directors, excluding the executive chairman, and without limitation to non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Committee presently comprises the independent non-executive directors of the Company. The audit committee has met on two occasions during the year for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group.

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

Ng Tat Leung, George

Deputy Chairman and Managing Director

Hong Kong

26 July 2001