

The Directors present their annual report and the audited financial statements for the year ended 31 March, 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in construction and contracting, renovation and fitting out, manufacturing and trading of construction and building materials, property development, property investment and investment holding.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March, 2001 are set out in the consolidated income statement on page 45.

An interim dividend of HK\$0.60 per share amounting to HK\$158.0 million was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK\$1.20 per share to the shareholders on the register of members on 21 August, 2001, amounting to HK\$316.0 million, and the retention of the remaining profit for the year of HK\$33.1 million.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

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

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 24 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 81.

INVESTMENT PROPERTY

The Group's investment property was revalued at 31 March, 2001, as set out in note 13 to the financial statements. The revaluation surplus over book value amounting to HK\$10.0 million has been credited directly to the income statement.

PROPERTY, PLANT AND EQUIPMENT

With the exception of certain land and buildings with insignificant carrying values which the directors are of the opinion that their carrying values approximate their fair values, all of the Group's leasehold land and buildings were revalued at 31 March, 2001. The revaluation surplus over book values amounting to HK\$1.4 million has been credited directly to the property, plant and equipment revaluation reserve.

Details of additions to and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 14 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 March, 2001 are set out on page 80 of the annual report.

DIRECTORS

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

- Mr. Lo Hong Sui, Vincent
- Mr. Wong Yuet Leung, Frankie
- Mr. Choi Yuk Keung, Lawrence
- Mr. Wong Hak Wood, Louis
- Mr. Wong Ying Wai, Wilfred (redesignated from non-executive director on 6 September 2000)
- Mr. Wong Fook Lam, Raymond
- Mrs. Lowe Hoh Wai Wan, Vivien
- * Mr. Cheng Bing Chark, Henry
- *# Mr. Griffiths, Anthony
- *# Professor Enright, Michael John (appointed on 6 September 2000)

*Non-executive directors

#Independent directors

In accordance with the Company's Bye-laws, Mr. Wong Yuet Leung, Frankie and Mr. Wong Hak Wood, Louis, shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN SHARES**(i) Shares**

As at 31 March, 2001, the interests of the Directors and their associates 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 Directors	Number of shares			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Lo Hong Sui, Vincent	-	-	-	168,458,000 <i>(Note)</i>
Mr. Wong Yuet Leung, Frankie	267,000	-	-	-
Mr. Choi Yuk Keung, Lawrence	1,389,000	-	-	-
Mr. Wong Hak Wood, Louis	378,000	-	-	-
Mr. Wong Ying Wai, Wilfred	-	-	-	-
Mr. Wong Fook Lam, Raymond	-	-	-	-
Mrs. Lowe Hoh Wai Wan, Vivien	216,000	-	-	-
Mr. Cheng Bing Chark, Henry	-	-	-	-
Mr. Griffiths, Anthony	-	-	-	-
Professor Enright, Michael John	-	-	-	-

Apart from the above, as at 31 March, 2001, there was no other interest recorded in the register required to be kept under Section 29 of the SDI Ordinance.

Note:

The 168,458,000 shares are held as to 166,148,000 shares and 2,310,000 shares by the ultimate holding company, Shui On Company Limited ("SOCL") and Shui On Finance Company Limited respectively, which is an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust. The units of the Bosrich Unit Trust are the property of a discretionary trust of which Mr. Lo Hong Sui, Vincent is a discretionary beneficiary. Accordingly, Mr. Lo Hong Sui, Vincent is deemed to be interested in such shares.

DIRECTORS' INTERESTS IN SHARES - continued**(ii) Options**

As at 31 March, 2001, the Directors had personal interests in share options granted under the Company's employee share option scheme as follows:

Name of Directors	Date of grant	Subscription price per share HK\$	Number of share options				Period during which share options outstanding at 31.3.2001 are exercisable
			At 1.4.2000	Granted during the year	Exercised during the year	At 31.3.2001	
Mr. Wong Yuet Leung, Frankie	25.7.1997	7.50	160,000	-	80,000	80,000	25.7.2001 to 24.7.2002
	15.7.1998	4.14	72,000	-	24,000	48,000	15.7.2001 to 14.7.2003
	7.7.1999	11.21	200,000	-	-	200,000	7.1.2000 to 6.7.2004
	4.7.2000	9.56	-	200,000	-	200,000	4.1.2001 to 3.7.2005
Mr. Choi Yuk Keung, Lawrence	25.7.1997	7.50	160,000	-	80,000	80,000	25.7.2001 to 24.7.2002
	15.7.1998	4.14	132,000	-	44,000	88,000	15.7.2001 to 14.7.2003
	7.7.1999	11.21	280,000	-	-	280,000	7.1.2000 to 6.7.2004
	4.7.2000	9.56	-	350,000	-	350,000	4.1.2001 to 3.7.2005
Mr. Wong Hak Wood, Louis	25.7.1997	7.50	168,000	-	56,000	112,000	25.7.2001 to 24.7.2002
	15.7.1998	4.14	90,000	-	30,000	60,000	15.7.2001 to 14.7.2003
	7.7.1999	11.21	250,000	-	-	250,000	7.1.2000 to 6.7.2004
	4.7.2000	9.56	-	280,000	-	280,000	4.1.2001 to 3.7.2005
Mr. Wong Fook Lam, Raymond	25.7.1997	7.50	112,000	-	56,000	56,000	25.7.2001 to 24.7.2002
	15.7.1998	4.14	72,000	-	24,000	48,000	15.7.2001 to 14.7.2003
	7.7.1999	11.21	150,000	-	-	150,000	7.1.2000 to 6.7.2004
	4.7.2000	9.56	-	160,000	-	160,000	4.1.2001 to 3.7.2005
Mrs. Lowe Hoh Wai Wan, Vivien	25.7.1997	7.50	80,000	-	24,000	56,000	25.7.2000 to 24.7.2002
	15.7.1998	4.14	72,000	-	24,000	48,000	15.7.2001 to 14.7.2003
	7.7.1999	11.21	150,000	-	-	150,000	7.1.2000 to 6.7.2004
	4.7.2000	9.56	-	160,000	-	160,000	4.1.2001 to 3.7.2005

Consideration paid for each grant was HK\$1.

Details of the employee share option scheme are set out in note 23 to the financial statements.

Apart from the above, during the year, none of the Directors or the chief executive of the Company or their spouses or children under the age of 18 were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

Other than the interests disclosed under the section headed "Directors' Interests in Shares", the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed that there was no person having an interest in 10% or more of the issued share capital of the Company as at 31 March, 2001.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries a party to any arrangements 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.

CONNECTED TRANSACTIONS

The Company provided management information systems services to Shui On Investment Company Limited, Shui On Properties Management Limited, Shui On Properties Limited and Centre Top Limited, wholly-owned subsidiaries of SOCL, during the year. The services were charged at rates designed to recover the costs and expenses incurred by the Company on a reasonable basis. The aggregate amount charged by the Company for such services for the year was approximately HK\$0.7 million.

The Group occupies two offices in Beijing and Shanghai which were owned by Beijing Hua Wei Center Co. Ltd and Shanghai Jiu Hai Rimmer Properties Co. Ltd., subsidiaries of SOCL. The rental deposits paid during the year amounted to HK\$0.1 million.

The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL to use the trademark, trade name "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.

In the opinion of those Directors not having an interest in the above transactions, these transactions were carried out in the ordinary course of business of the Group and on normal commercial terms.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as aforesaid under the section headed "Connected Transactions", no contracts of significance, to which the Company, its ultimate holding company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly which subsisted at the end of the year or at any time during the year.

PROVIDENT AND RETIREMENT FUND SCHEMES

Details of the Group's provident and retirement fund schemes are shown in note 29 to the financial statements.

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

The five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group in the year.

The five largest customers of the Group accounted for approximately 61% of the total turnover of the Group in the year with the largest customer accounting for approximately 44% of the turnover of the Group.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers or five largest suppliers.

DONATIONS

During the year, the Company and its subsidiaries made donations of HK\$0.2 million to charitable bodies and HK\$0.6 million to other communities.

POST BALANCE SHEET EVENT

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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.

DISCLOSURE UNDER PRACTICE NOTE 19 TO THE LISTING RULES

An indirect wholly-owned subsidiary of the Company has entered into a loan agreement for the financing of the development of a Private Sector Participation Scheme ("PSPS") project which requires Mr. Lo Hong Sui, Vincent and his associates (as defined in the Listing Rules) to retain beneficially in aggregate an attributable interest in more than 50% of the issued share capital of the Company as well as that of the relevant subsidiary throughout the tenure of the loan agreement. As at 31 March, 2001, the outstanding amount of this project loan was approximately HK\$2,022.6 million, which was fully repaid on 2 May 2001.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Lo Hong Sui, Vincent

Chairman

3 July, 2001