

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the undertaking of superstructure construction, foundation piling, substructure works, slope improvement, special construction projects and interior decoration works in Hong Kong, Special Administrative Region (“Hong Kong, SAR”) during the year. There were no changes in the nature of the Group’s principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to loss from ordinary activities by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The Group’s loss for the year ended 31 March 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 29 to 89.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2002.

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests 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				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net loss from ordinary activities attributable to shareholders	<u>(29,342)</u>	<u>(71,640)</u>	<u>(10,651)</u>	<u>(5,711)</u>	<u>(55,605)</u>

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 March				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	271,844	370,284	450,742	372,567	435,758
TOTAL LIABILITIES	158,331	222,448	236,809	148,169	209,247
MINORITY INTERESTS	<u>1,537</u>	<u>6,547</u>	<u>4,590</u>	<u>4,239</u>	<u>3,691</u>
	<u>111,976</u>	<u>141,289</u>	<u>209,343</u>	<u>220,159</u>	<u>222,820</u>

FIXED ASSETS

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

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the year are set out in note 12 to the financial statements. Further details of the Group's investment property are set out on page 90.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in note 25 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.

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.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2002, 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. In addition, the Company's share premium account with a balance of HK\$166,405,000 as at 31 March 2002 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 59% 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 15% 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.

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MAJOR CUSTOMERS AND SUPPLIERS (continued)

None of the directors of the Company or any of their associates or any 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 five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Zhang Xiaoshu (Chairman)
Mr. Ng Tat Leung, George
Mr. Chan Wai Keung, Ivan
Mr. Wong Teck Ming, Phillip
Mr. Lui Siu Yee, Samuel
Mr. Miao Jianmin
Mr. Zheng Changyong
Mr. Lo Chung Sun

Non-executive director:

Mr. Wang Xianzhang

Independent non-executive directors:

Mr. Clive William Oxley, OBE, ED
Mr. Richard Kenneth Bryson
Mr. Tyebjee Hatam Barma, ISO, JP

In accordance with clause 98 of the Company's bye-laws, Messrs. Zheng Changyong, Clive William Oxley, OBE, ED, Richard Kenneth Bryson and Tyebjee Hatam Barma, ISO, JP, 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 director and independent non-executive directors but excluding the Chairman of the Company, 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.

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BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Executive directors

Mr. Zhang Xiaoshu, aged 58, is the chairman of the Company. He is currently the vice-president of China Insurance H.K. (Holdings) Company Limited ("China Insurance"), which owns 15.65% of the issued capital of the Company through its 99.9% owned subsidiary, Glado Development Limited. Mr. Zhang had more than 23 years' experience in administration and management with the Shanghai government prior to his joining the Group.

Mr. Ng Tat Leung, George, aged 43, 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 21 years' experience in the construction industry. Mr. Ng joined the Group in 1984.

Mr. Chan Wai Keung, Ivan, aged 31, 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 44, 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 21 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.

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BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF (continued)

Executive directors (continued)

Mr. Lui Siu Yee, Samuel, aged 42, is the finance director of the Company. Mr. Lui has more than 21 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. Miao Jianmin, aged 37, is an adviser on the Group's business activities in Hong Kong, SAR and the People's Republic of China excluding Hong Kong, SAR (the "PRC") and is currently the assistant general manager of China Insurance (Group) Company Limited, a subsidiary of China Insurance, in Hong Kong, SAR. 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 has worked in various departments of the People's Insurance Company of China for more than 12 years. He joined the Group in October 1998.

Mr. Zheng Changyong, aged 37, 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, SAR. 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 has worked in various departments of the People's Insurance Company of China for more than 12 years. He joined the Group in October 1999.

Mr. Lo Chung Sun, aged 48, 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 22 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.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF (continued)

Non-executive director

Mr. Wang Xianzhang, aged 61, is the honorary 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. Mr. Wang graduated with a bachelor's degree in economics from the Finance and Economics University of Northeast China and has over 38 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 66, was a senior administrative officer of the Hong Kong government prior to his retirement in May 1994. During his 25-year career with the Hong Kong government, he served, inter alia, 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 70, is a retired Hong Kong solicitor.

Mr. Tyebjee Hatam Barma, ISO, JP, aged 69, 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 Deputy Postmaster General, Deputy Secretary for the Civil Service and the Commissioner of the Hong Kong export credit insurance corporation. He then served for nearly six years (1993 – 1999) as the chief executive and the general manager of the Hong Kong industrial estates corporation.

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BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF (continued)

Senior management

Mr. Tse Siu Cheung, Edward, aged 42, is the projects director of W. Hing Construction Company Limited, a wholly-owned subsidiary of the Company. 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 authorised person (List 1) and a registered architect with the Hong Kong government. He has 16 years of local experience in both design and project management of building development projects. He joined the Group in 1997.

Mr. Lee Chi Kong, Stephen, aged 38, is the managing director of Allied (International) Process Engineering Limited, a subsidiary of the Company. 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 17 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. So Chi Kong, Sunny, aged 43, is the director of Anpoint Engineering Limited, a wholly-owned subsidiary of the Company. Mr. So holds a bachelor of science degree in mechanical engineering and is a member of the Hong Kong Institution of Engineers. He has 21 years' experience in electrical and mechanical works design and construction and is responsible for the marketing and business development of the company.

Mr. Kam Kwai Wa, aged 41, is the senior project manager of CWF Piling & Civil Engineering Company Limited, a wholly-owned subsidiary of the Company, 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 20 years' experience in the construction industry. He joined the Group in April 1994.

Mr. Au Yeung Chi Ching, aged 44, is the chief accountant of the Group. He has 25 years' experience in the accounting field and joined the Group in 2001.

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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.

Apart from the foregoing, 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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

The Group had transactions with certain subsidiaries of China Insurance, of which Messrs. Wang Xianzhang, Zhang Xiaoshu, Miao Jianmin and Zheng Changyong are directors. The particulars of these transactions are summarised in note 32 to the financial statements.

Save as disclosed above, no director had a material 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.

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DIRECTORS' INTERESTS IN SHARES

At 31 March 2002, the interests of the directors in the issued share capital of the Company or 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:

Ordinary shares of the Company

Name of director	Note	Number of shares held and nature of interest			
		Personal	Family	Corporate	Other
Ng Tat Leung, George	(a)	–	–	71,818,000	–
Richard Kenneth Bryson		250,000	–	–	–

Note:

- (a) These shares are beneficially owned by Total Success Worldwide Limited, the entire issued share capital of which 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.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate 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, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

On 22 November 1995, the Company adopted a share option scheme (the “Existing Scheme”) for the purpose of providing incentives and rewards to eligible employees including the executive directors of the Company or any of its subsidiaries and other full-time employees of the Group. The Existing Scheme became effective on 22 November 1995 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which share options may be granted under the Existing Scheme should not exceed 10% of the share capital of the Company in issue from time to time. The maximum number of shares in respect of which share options may be granted under the Existing Scheme to any eligible employee should not exceed 25% of the maximum aggregate number of shares issued and issuable under the Existing Scheme at the time it is proposed to grant the relevant option to such eligible employee.

The exercise price of the share options pursuant to the Existing Scheme should be the higher of 80% of the average closing price of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the five trading days immediately preceding the date of offer of the option, or the nominal value per share.

The offer of a grant of share options under the Existing Scheme must be accepted within 40 days after the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted under the Existing Scheme commences on any date after the date of grant of the share options but shall end in any event not later than 10 years from the date of adoption of the Existing Scheme.

No share options have been granted under the Existing Scheme or remain outstanding during the year ended 31 March 2002.

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SHARE OPTION SCHEME (continued)

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of share option schemes, which have come into effect on 1 September 2001. In compliance with the amendments to the Listing Rules, the directors consider that it is in the interests of the Company to terminate the Existing Scheme of the Company adopted on 22 November 1995 and to adopt a new share option scheme. An ordinary resolution will be proposed at the Company's forthcoming annual general meeting to be held on 28 August 2002 for the approval of the said adoption of the new share option scheme and termination of the Existing Scheme.

If the Company wishes to continue to grant share options under the Existing Scheme prior to the adoption of the new share option scheme, it must comply with the requirements of Chapter 17 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, 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:

Name	Number of ordinary shares held	Percentage of holding
Mr. Chan Mo Yan, deceased (Note 1)	71,818,000	24.98
Total Success Worldwide Limited (Note 1)	71,818,000	24.98
Glado Development Limited (Note 2)	<u>45,000,000</u>	<u>15.65</u>

Notes:

- (1) The shareholding interests of Mr. Chan Mo Yan, deceased, are held through Total Success Worldwide Limited. The entire issued share capital 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.
- (2) Glado Development Limited is a company incorporated in Hong Kong and is a 99.9% owned subsidiary of China Insurance.

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SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, no persons, other than the directors of the Company, whose interests are set out under the heading “Directors’ interests in shares” above, had registered an interest in the issued share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 32 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Group has complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year covered by the annual report, except that the non-executive director and the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The audit committee has met on two occasions during the year to review and provide supervision on the financial reporting process and internal controls of the Group.

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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 2002