



Report of the Directors

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, 2002.

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 profit before taxation for the year ended 31st March, 2002 analysed by principal activity are set out in note 4 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 20. No interim dividend was paid during the year. The Directors do not recommend the payment of a final dividend.

Share Capital

Movements in the Company's share capital during the year are set out in note 19 to the financial statements.

Reserves

Movements in reserves during the year are set out in note 20 to the financial statements.

Property, Plant and Equipment

Movements in property, plant and equipment during the year are set out in note 10 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 21% of the Group's purchases for the year whereas the five largest customers accounted for 91% of the Group's sales for the year. The largest supplier and the largest customer accounted for 8.6% and 38% of the Group's purchases and sales respectively. Except for the contracts with Chevalier International Holdings Limited ("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.

Employees and Remuneration Policies

The Group employed approximately 170 full time staff in Hong Kong as at 31st March, 2002. Total staff costs amounted to HK\$81,864,000 for the year ended 31st March, 2002. The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. Other staff benefits include bonuses awarded on a discretionary basis, medical schemes, retirement schemes and employees' share option scheme.

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Donations

During the year, the Group made donations of HK\$447,000 to charitable bodies and HK\$22,000 to other communities.

Subsidiaries, Associate and Jointly Controlled Entities

Particulars regarding the subsidiaries, associate and jointly controlled entities of the Company are set out in notes 11, 12 and 13 to the financial statements respectively.

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	<i>(Resigned on 1st August, 2001)</i>

Independent Non-Executive Directors

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

In accordance with the Company's Bye-laws, Mr TING Hok Shou, Dennis shall retire from office at the forthcoming Annual General Meeting and does not offer himself for re-election. The Independent Non-Executive Directors are subject to the same retirement requirements as the Executive Directors.

Directors' Interests in Contracts

Dr CHOW Yei Ching, Messrs 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

During the year, none of the Directors have an interest in any business constituting a competing business to the Group.

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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 had 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 were 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 had entered into the following connected transactions as within the meaning of the Listing Rules:

Main contractor	Nature of transaction	Sub-contractor	Estimated contract value HK\$'000	Interest attributable to the Group %
Chevalier Construction (Hong Kong) Limited (“CCHK”)	Supply and installation of building materials	Chevalier (Building Supplies & Engineering) Limited (“CBS”)	5,757	100
CCHK	Supply and installation of electrical equipment	Chevalier (HK) Limited (“CHK”)	702	100
Chevalier (Construction) Company Limited (“CCCL”)	Supply and installation of building materials	Chevalier (Aluminium Engineering) Limited	15,000	99.67
CCCL	Supply and installation of building materials	CBS	9,082	99.67
CCCL	Supply and installation of electrical and mechanical equipment	CHK	32,992	99.67

Purchases and progress payments made during the year ended 31st March, 2002 in respect of the above contracts amounted to approximately HK\$44 million.

Report of the Directors

Connected Transactions (continued)

2. CCHK had rendered building services to Goldyork Investment Limited, a wholly-owned subsidiary of CIHL. The value of work completed and received by CCHK during the year ended 31st March 2002 amounted to HK\$3,000,000.
3. 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, 2002 amounted to HK\$1,584,000.
4. 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 <i>HK\$'000</i>
Union Pearl Development Limited	Portion of Chevalier Commercial Centre (office)	1,595
Winfield Development Limited	Portion of Chevalier Warehouse Building (warehouse)	236
Peak Gain Limited	Portion of Chevalier Engineering Service Centre (office/warehouse)	264
Futex Development Limited	Regent Villa (resort)	147

During the year, rentals amounting to approximately HK\$2.2 million was paid to CIHL Group.

5. The Group has maintained insurance policies with Chevalier Insurance Company Limited ("CIS"), a wholly-owned subsidiary of CIHL, including public liability insurance, employees compensation insurance and contractors all risk insurance. The aggregate insurance premium charged by CIS to the Group during the four years ended 31 March 2002 amounted to approximately HK\$1,163,521, HK\$6,086,809, HK\$5,665,000 and HK\$5,221,000 respectively. Dr CHOW Yei Ching, the Chairman, an Executive Director and a substantial shareholder of the Company is interested in approximately 50.23% interests in CIHL. The transactions constituted connected transactions which were subject to disclosure requirement under Rule 14.25(1) of the Listing Rules.

Application has been made to the Stock Exchange for waivers from the continue disclosure requirements in respect of such transactions for so long as the aggregate amount of the transactions do not exceed 3% of the latest published audited consolidated net tangible assets of the Company or HK\$10,000,000, whichever is higher.

The Independent Non-Executive Directors of the Company confirm that the aforesaid connected transactions conducted by the Group during the year ended 31st March, 2002 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.

Report of the Directors

Directors' Interests in Shares

As at 31st March, 2002, the interests of the Directors in the share capital of the Company and its associated corporations (as defined in 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 required to be recorded in the register of the Company pursuant to Section 29 of the SDI Ordinance were as follows:

(a) Interests in the Company – Shares

Name of Director	Number of ordinary shares			Total
	Personal interests	Corporate interests	Family interests	
CHOW Yei Ching	61,036,489	89,385,444*	–	150,421,933
KUOK Hoi Sang	1,326,437	–	–	1,326,437
TAM Kwok Wing	625,796	–	7,142	632,938
TING Hok Shou, Dennis	672,000	–	–	672,000

* Dr CHOW Yei Ching beneficially owned 640,527,782 shares in CIHL, representing approximately 50.23% of the issued share capital of CIHL, which in turn, was interested in 89,385,444 shares of the Company. Dr Chow was deemed to be interested in these shares under the SDI Ordinance and these shares were same as those shares described in "Substantial Shareholders" below.

(b) Interests in Associated Corporations – Shares

Name of Director	Associated corporation	Number of ordinary shares			Total
		Personal interests	Corporate interests	Family interests	
CHOW Yei Ching	CIHL	640,527,782	–	–	640,527,782
	Chevalier iTech Holdings Limited ("CiTL")	34,079,270	432,334,666*	–	466,413,936
	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
TAM Kwok Wing	CIHL	845,078	–	162,365	1,007,443
	CiTL	2,000,000	–	52,000	2,052,000

* Dr CHOW Yei Ching had notified CiTL and CSHL that under the SDI Ordinance, he was deemed to be interested in 432,334,666 shares in CiTL and 80,000,000 shares in CSHL which were all held by CIHL as Dr Chow beneficially owned 640,527,782 shares in CIHL, representing approximately 50.23% of the issued share capital of CIHL.

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Directors' Interests in Shares (continued)

In addition, certain Directors personally hold share options to subscribe for ordinary shares of the Company and its associated corporations as disclosed under the paragraph "Share Option Scheme" below.

Save as disclosed above and in the Share Option Scheme stating below, as at 31st March, 2002, none of the Directors of the Company nor their spouses nor children under the age of 18 had or were deemed to have any interest in the securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) pursuant to Section 28 of the SDI Ordinance or under Section 31 or Part I of the Schedule to the SDI Ordinance.

Share Option Scheme

A Share Option Scheme (the "Share Option Scheme") for the benefit of the full-time employees of the Company and its subsidiaries was approved and adopted on 28th December, 1995 under which the Directors of the Company or its subsidiaries are authorised to grant the share options to their respective full-time employees, including Executive Directors to take up options to subscribe for shares for an aggregate of not more than 10% of the total number of shares in issue at a consideration of HK\$1 for each grant. No option may be exercised earlier than six months or later than three and a half years after it has been accepted. No option may be granted after 27th December, 2005 and to any one person when if exercised in full by that person would result in the total number of shares issued to that person exceeding 25% of the aggregate number of the shares in respect of which options are granted.

As at 31st March, 2002, details of the share options of the Company and its associated corporations are as follows:

(a) Interests in the Company – Share Options

	Date of grant	Period during which options are exercisable	Exercise price per option (HK\$)	Number of Share Options					Outstanding as at 31st March, 2002
				Balance as at 1st April, 2001	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
(i) Name of Director									
CHOW Yei Ching	04/02/1998	03/09/1998–02/09/2001	0.3248	4,400,000	-	-	-	4,400,000	-
KUOK Hoi Sang	04/02/1998	03/09/1998–02/09/2001	0.3248	4,000,000	-	-	-	4,000,000	-
NG Sai On	09/03/1998	19/09/1998–18/09/2001	0.3552	604,000	-	-	604,000	-	-
(ii) Full-time employees	09/03/1998	19/09/1998–06/10/2001	0.3552	3,344,000	-	-	-	3,344,000	-



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Share Option Scheme (continued)

(b) Interests in Associated Corporations – Share Options

Name of Director	Associated corporation	Date of grant	Period during which options are exercisable	Exercise price per option (HK\$)	Number of Share Options					
					Balance as at 1st April, 2001	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31st March, 2002
CHOW Yei Ching	CIHL	04/02/1998	03/09/1998–02/09/2001	0.5376	18,000,000	-	-	-	18,000,000	-
		17/12/1999	30/06/2000–29/06/2003	0.4880	8,450,000	-	-	-	-	8,450,000
	CITL	04/02/1998	03/09/1998–02/09/2001	0.3376	14,000,000	-	-	-	14,000,000	-
		17/12/1999	30/06/2000–29/06/2003	0.4640	7,000,000	-	-	-	-	7,000,000
KUOK Hoi Sang	CIHL	04/02/1998	03/09/1998–02/09/2001	0.5376	10,000,000	-	-	-	10,000,000	-
		17/12/1999	30/06/2000–29/06/2003	0.4880	5,350,000	-	-	-	-	5,350,000
	CITL	04/02/1998	03/09/1998–02/09/2001	0.3376	4,300,000	-	-	-	4,300,000	-
		17/12/1999	30/06/2000–29/06/2003	0.4640	5,000,000	-	-	-	-	5,000,000
WONG Kie Ngok, Alexander	CIHL	04/02/1998	04/09/1998–30/09/2001	0.5376	1,200,000	-	-	-	1,200,000	-
		17/12/1999	30/06/2000–29/06/2003	0.4880	5,000,000	-	-	-	-	5,000,000
TAM Kwok Wing	CIHL	04/02/1998	04/09/1998–30/09/2001	0.5376	1,700,000	-	-	-	1,700,000	-
		17/12/1999	30/06/2000–29/06/2003	0.4880	5,000,000	-	-	-	-	5,000,000

The Stock Exchange has amended the requirements for share option schemes under Chapter 17 of the Listing Rules, which came into effect on 1st September, 2001. These new requirements make some of the provisions of the scheme no longer applicable. As such, no option has been granted since 1st September, 2001. The Directors proposed for the termination of the existing Share Option Scheme and the adoption of a new share option scheme at the forthcoming Annual General Meeting of the Company. During the transitional period, the Company must nevertheless comply with the new requirements of the Listing Rules.

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.

*Report of the Directors***Directors' Biographies****Executive Directors**

Dr CHOW Yei Ching, Chairman, aged 66, is the founder of Chevalier Group and the Chairman and Managing Director of CIHL and the Chairman of CiTL, both of which are public listed companies in Hong Kong, and the Chairman of CSHL, a public listed company in Singapore. He is also a Non-Executive Director of Van Shung Chong Holdings Limited, Television Broadcasts Limited and Shaw Brothers (Hong Kong) Limited. In 1995, Dr Chow was awarded an Honorary Doctor Degree in Business Administration by The Hong Kong Polytechnic University and an Honorary University Fellowship by The University of Hong Kong. In 1996 and 1997, he was appointed as 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 in a number of educational advisory committees and gives substantial support to the aforementioned two Universities in Hong Kong and The Hong Kong University of Science & Technology in areas of researches and developments. He is also an Honorary Professor of Zhejiang University and Sichuan Union University in the PRC. Dr Chow's enthusiasm in public services is evidenced in his appointment in 1996 as a Member of both The Selection Committee for the First Government of the Hong Kong Special Administrative Region and the Board of Directors of The Community Chest in Hong Kong in 1995. He was also appointed as the Honorary Consul of the Kingdom of Bahrain in Hong Kong in 2001. 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 the Chairman of the National Taiwan University-HK Alumni Association, etc.. In recognition of his contributions to local and overseas societies alike, Dr Chow was awarded honorable decorations from Britain, Belgium, France and Japan.

Mr KUOK Hoi Sang, Vice Chairman, aged 52, joined Chevalier Group in 1972 and is the 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, the 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 Chevalier Group.

Mr WONG Kie Ngok, Alexander, Director, aged 73, joined Chevalier Group in 1989 and is a Director of CIHL. He is responsible for the internal audit and project development of Chevalier Group. Mr Wong is a member of The 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.

Mr TAM Kwok Wing, Director, aged 41, joined Chevalier Group in 1986 and is a Director of CIHL. Apart from his participation in running the insurance underwriting business together with property development, property management and cold storage warehousing divisions, he is also responsible for legal affairs, general administration, human resources management, public relations and travel agency business of Chevalier Group. Mr Tam holds a Bachelor Degree in Laws from the Beijing University of the PRC, a Master of Arts Degree from 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.



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Directors' Biographies (continued)

Independent Non-Executive Directors

Mr TING Hok Shou, Dennis, aged 68, 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 62, was appointed to the Board in 1999. He has extensive experience in business management. Mr Sun is the founder of Zindart Limited, a company incorporated in 1977 and subsequently listed in the United States NASDAQ. He has retired from the position of Chief Executive Officer since 1998.

Retirement Schemes

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. The Scheme was granted exemption from Mandatory Provident Fund regulations by the Mandatory Provident Fund Scheme Authority. 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.

Pursuant to Government legislation, Bank Consortium Trust Company Limited was selected by the Group as an alternative Mandatory Provident Fund ("MPF") service provider for employees of the Group who do not wish to remain in the Scheme or join the Group from 1st December, 2000. The MPF is available to the employees aged 18 to 65 and 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\$1,056,000 against which the forfeited contributions amounting to HK\$2,406,000 have been deducted. There were forfeited contributions amounting to HK\$516,000 available at the year end date for the reduction of future employer's contributions.

Substantial Shareholders

As at 31st March, 2002, the substantial shareholders of the Company were CIHL Group which held 89,385,444 shares and Dr CHOW Yei Ching who held 61,036,489 shares, representing approximately 35.9% and 24.51% of the issued share capital of the Company respectively as recorded in the register of the Company required to be kept under Section 16(1) of the SDI Ordinance.

Save as disclosed above, none of the Directors is aware of any other person having an interest in shares or right to subscribe for shares, equivalent to 10% or more of the issued share capital of the Company during the year.

Report of the Directors

Arrangement for Acquisition of Shares or Debentures

Pursuant to the Subscription Agreement dated 24th August, 2000, Dr CHOW Yei Ching granted Wealthy Town Investments Limited (“Wealthy Town”) a right to put all of 20,000,000 shares (“Put Option Shares”) in the capital of the Company at HK\$0.21 per share to him which Wealthy Town has subscribed for under the First Tranche Subscription (the “Put Option”). Wealthy Town has exercised the Put Option and the sale and purchase of the Put Option Shares has been completed on 21st December, 2001. After the completion of the Put Option, Dr Chow held 61,036,489 shares of the Company.

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, both Independent Non-Executive Directors of the Company, 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, 11th July, 2002