

right  
direction

***The Group's experienced management team and full range of machinery and equipment have continued to be the strengths of the Group***

**Group reorganisation and listing of the Company's Shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")**

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 26th June 2002 and was registered as an overseas company in Hong Kong under Part XI of the Companies Ordinance on 13th March 2003. Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 28th March 2003. Details of the Reorganisation are set forth in the section headed "Corporate reorganisation" in appendix V to the prospectus of the Company dated 31st March 2003 (the "Prospectus").



(from left:)  
Dr. LEE Peng Fei, Allen; Professor WONG Sue Cheun, Roderick; Mr. HSU Kam Yee, Simon; Mr. CHIU Kam Kun, Eric; Mr. LAU Chun Ming (Chairman & Managing Director); Ms. LEUNG Lai So; Mr. LAU Chun Ka; Mr. LAU Chun Kwok; Mr. CHAN Sun Kwong

The shares of the Company were listed on the Stock Exchange on 9th April 2003 (the "Listing Date").

The Reorganisation has been reflected in the accounts by regarding the Company as having been the holding company of the Group from the beginning of the earliest period presented. The basis of preparation of these accounts is set forth in note 1 to the accounts.

### Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set forth in note 28 to the accounts.

An analysis of the Group's performance by business segment is set forth in note 4 to the accounts. No geographical segment analysis is presented as all assets and operations of the Group are located in Hong Kong.

### Results and appropriations

The results of the Group for the year are set forth in the consolidated profit and loss account on page 20.

The directors do not recommend the payment of any dividend in respect of the year.

### Fixed assets

Details of the movements in fixed assets of the Group are set forth in note 13 to the accounts.

### Share capital

Details of the movements in share capital of the Company are set forth in note 21 to the accounts.



*Construction of Road T7 in Ma On Shan  
(Bored Piling Works)*

## Reserves

Movements in the reserves of the Group and the Company during the year are set forth in note 22 to the accounts.

## Donations

Charitable and other donations made by the Group during the year amounted to HK\$68,799.

## Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set forth on page 51.

## Share option scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution of the then sole shareholder passed on 25th March 2003 for the purpose of providing incentives or rewards to eligible participants<sup>(1)</sup> for their contribution to the Group.

The maximum number of shares in respect of which options may be granted shall not exceed 30,000,000 shares representing 10 per cent. in nominal amount of the issued share capital of the Company on the Listing Date and the maximum entitlement of each participant shall not exceed 1 per cent. of the shares in issue in any 12-month period up to the date of the latest grant of options. Approval of independent non-executive directors is required if options are granted to connected persons.

Where the grant of options to a substantial shareholder or an independent non-executive director would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person in the 12-month period up to and including the date of such grant representing over 0.1 per cent. of the shares in issue and having an aggregate value in excess of HK\$5 million, shareholders' approval for such further grant of options is required.

The offer of a grant of share options must be accepted within 28 days from the date of offer and the consideration being payable by the grantee is HK\$1.00. The exercise period of the share options granted is determined by the directors but cannot exceed 10 years from the date of grant.

The exercise price shall be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the options' offer date; (ii) the average closing price of the Company's shares for 5 business days immediately preceding the options' offer date; and (iii) the nominal value of the share.

No options were granted or agreed to be granted under the Scheme from the date of adoption to 31st March 2003.

## Report of the directors

On 28th May 2003, the following share options were granted to the directors of the Company:

<b>Name of the participant</b>	<b>No. of shares in respect of option granted</b>	<b>Exercise price</b>	<b>Exercise period of share option</b>	<b>Minimum period for which an option must be held before exercise</b>
Mr. Lau Chun Ming	500,000	HK\$0.69	from 28th May 2004 to 27th May 2007, both days inclusive	1 year commencing from 28th May 2003
Mr. Lau Chun Kwok	500,000	HK\$0.69	from 28th May 2004 to 27th May 2007, both days inclusive	1 year commencing from 28th May 2003
Mr. Lau Chun Ka	500,000	HK\$0.69	from 28th May 2004 to 27th May 2007, both days inclusive	1 year commencing from 28th May 2003
Ms. Leung Lai So	500,000	HK\$0.69	from 28th May 2004 to 27th May 2007, both days inclusive	1 year commencing from 28th May 2003
Mr. Chiu Kam Kun, Eric	500,000	HK\$0.69	from 28th May 2004 to 27th May 2007, both days inclusive	1 year commencing from 28th May 2003
Mr. Hsu Kam Yee, Simon	500,000	HK\$0.69	from 28th May 2004 to 27th May 2007, both days inclusive	1 year commencing from 28th May 2003
Mr. Chan Sun Kwong	500,000	HK\$0.69	from 28th May 2004 to 27th May 2007, both days inclusive	1 year commencing from 28th May 2003
Dr. Lee Peng Fei, Allen	500,000	HK\$0.69	from 28th May 2004 to 27th May 2007, both days inclusive	1 year commencing from 28th May 2003
Professor Wong Sue Cheun, Roderick	500,000	HK\$0.69	from 28th May 2004 to 27th May 2007, both days inclusive	1 year commencing from 28th May 2003
	4,500,000			

The closing price of the Company's share immediately before the date on which the options were granted (i.e. 27th May 2003) was HK\$0.69. The fair value of the share options granted on 28th May 2003 with exercise price per share of HK\$0.69 is estimated at HK\$0.68 using the Black-Scholes option pricing model. Value is estimated based on the risk-free rate of 2.06% per annum with reference to the rate prevailing on the Exchange Fund Notes, an approximately three-month (from 9th April 2003 to 16th July 2003) period historical volatility of 0.008, assuming no dividend and an expected option life of 3 years.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the year are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Except for the foregoing, during the period from the Listing Date to the date of this report, none of the Directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or any other body corporate.

Note:-

(1) *Eligible participants may be any directors (including executive directors, non-executive directors and independent non-executive directors), employees of the Group or any advisors, consultants, distributors, contractors, suppliers, agents, customers, business*

*partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.*

## Directors

The directors during the year and up to the date of this report were:-

Mr. Lau Chun Ming  
*(appointed on 9th August 2002)*

Mr. Lau Chun Kwok  
*(appointed on 25th March 2003)*

Mr. Lau Chun Ka  
*(appointed on 25th March 2003)*

Ms. Leung Lai So  
*(appointed on 9th August 2002)*

Mr. Chiu Kam Kun, Eric  
*(appointed on 25th March 2003)*

Mr. Hsu Kam Yee, Simon  
*(appointed on 25th March 2003)*

Mr. Chan Sun Kwong  
*(appointed on 25th March 2003)*

Dr. Lee Peng Fei, Allen \*\*  
*(appointed on 25th March 2003)*

Professor Wong Sue Cheun, Roderick \*\*  
*(appointed on 25th March 2003)*

\*\* *Independent non-executive directors*

In accordance with bye-law 87 of the Company's bye-laws, Ms. Leung Lai So and Mr. Chan Sun Kwong will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

### Service contracts of directors

Each of Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka, Mr. Hsu Kam Yee, Simon, Mr. Chiu Kam Kun, Eric, Mr. Chan Sun Kwong and Ms. Leung Lai So has entered into a service agreement with the Company for a term of three years commencing from the Listing Date.

Each of the independent non-executive directors was appointed on 25th March 2003 for a term of one year commencing from the Listing Date.

No director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

### Biographical details of directors

**Mr. LAU Chun Ming**, aged 60, is the Chairman, Managing Director and founder of the Group. Mr. Lau is responsible for the Group's overall strategic planning, business development and formulation of overall corporate policies. Mr. Lau has been involved in trading and maintenance of machinery and equipment since 1970. Besides, he has been involved in foundation works since 1990. He is the brother of Mr. Lau Chun Kwok and Mr. Lau Chun Ka and the spouse of Ms. Leung Lai So.

**Mr. LAU Chun Kwok**, aged 51, is an Executive Director. He joined the Group since 1970. He has profound experience in foundation related works for over 10 years. He has been responsible for overall deployment of foundation construction machinery and equipment, labour, resources and purchasing activities of the Group since 1990. During the past decade, he has involved intensively in the management of piling works of various nature. He is a brother of Mr. Lau Chun Ming and Mr. Lau Chun Ka.

**Mr. LAU Chun Ka**, aged 49, is an Executive Director. He joined the Group in the early 1970s. He has profound experience in mechanical engineering and construction/foundation equipment for over 20 years. Since he joined the Group in the early 1970s, he has been responsible for the maintenance of machinery and equipment of the Group. He has also been responsible for overall management of maintenance and repair of foundation construction machinery and equipment since 1990. During the last decade, he has concentrated on maintenance of construction machinery and equipment. He is a brother of Mr. Lau Chun Ming and Mr. Lau Chun Kwok.

**Ms. LEUNG Lai So**, aged 56, is an Executive Director. She joined the Group since 1970. She has extensive experience in management for over 20 years. She was responsible for administration and accounting of the Group from 1970 to 1990, and has been responsible for administration and human resources since 1990. She holds a diploma in management from the Chinese University of Hong Kong. She is the spouse of Mr. Lau Chun Ming.

**Mr. CHIU Kam Kun, Eric**, aged 44, is an Executive Director. He is responsible for corporate, engineering, quality, safety and environmental matters of the Group. Prior to joining the Group in 2000, he has worked for major construction and engineering companies in Hong Kong for almost 18 years, involving in civil engineering and building projects. He holds a higher diploma in civil engineering from the Hong Kong Polytechnic University and a master degree of science in construction project management from the University of Hong Kong. He is a member of the Institution of Civil Engineers in the UK, Hong Kong Institution of Engineers, the Institution of Engineers, Australia and the Chartered Institute of Arbitrators in the UK, an associate of the Hong Kong Institute of Arbitrators, and a member of the Contractor Registration Committee under the Buildings Ordinance.

**Mr. HSU Kam Yee, Simon**, aged 48, is an Executive Director. He is responsible for the business development, tendering and overall management of construction projects of the Group. Prior to joining the Group in 2001, he has worked for publicly listed construction and engineering companies in Hong Kong for 20 years, involving in civil engineering and building projects, specialising in foundation works of various nature. He holds a bachelor degree of science in mathematics and a bachelor degree of science in civil engineering from the University of Saskatchewan in Canada and a master degree in business administration from the University of East Asia in the Macau Special Administrative Region of the PRC. He is a member of the Institution of Civil Engineers in the UK and Hong Kong Institution of Engineers.

**Mr. CHAN Sun Kwong**, aged 36, is an Executive Director. He is also the finance director and company secretary of the Group. He is responsible for advising on financial, accounting, treasury and banking matters of the Group. Prior to joining the Group in 2002, he has 17 years of experience in public accounting, auditing, finance and banking industry in Hong Kong and overseas. He is a fellow member of both the Association of Chartered Certified Accountants in the UK and the Hong Kong Society of Accountants.

**Dr. LEE Peng Fei, Allen**, CBE, BS, FHKIE, JP, aged 63, is an Independent Non-executive Director. Dr. Lee holds an honorary doctoral degree in engineering from the Hong Kong Polytechnic University and an honorary doctoral degree in laws from the Chinese University of Hong Kong. He was formerly a member of the Hong Kong Legislative Council from 1978 to 1997 and a senior member of the Hong Kong Legislative Council from 1988 to 1991. Dr. Lee was also a member of the Hong Kong Executive Council from 1985 to 1992.

**Professor WONG Sue Cheun, Roderick**, aged 58, is an Independent Non-executive Director. Professor Wong holds a bachelor degree of arts from San Diego State College, the US and a doctoral degree of philosophy from the University of Alberta, Canada. He is a fellow of the Royal Society of Canada and is currently the Dean of the Faculty of Science and Engineering of the City University of Hong Kong.

### Biographical details of senior management

**Mr. WONG Kwong On**, aged 44, is the commercial manager of the Group. He is responsible for all commercial and quantity surveying matters of the Group. Prior to joining the Group in June 2000, he has over 18 years of experience in construction, specialising in contract administration. He was a director from June 1995 to September 1997 in Consultant Associates (Hong Kong) Limited. He holds a bachelor degree in laws from the University of Wolverhampton in the UK and a master degree of arts in arbitration and dispute resolution from the City University of Hong Kong. He is a solicitor of the High Court of Hong Kong, a fellow member of the Chartered Institute of Arbitrators in the UK, a professional member of the Royal Institution of Chartered Surveyors in the UK and a professional member of the Chartered Institute of Building in the UK.

**Mr. YU Tak Kwong**, aged 46, is the construction manager of the Group. He is responsible for the supervision of all foundation projects of the Group. Prior to joining the Group in October 2001, he has over 20 years of experience in managing foundation projects. He holds a bachelor degree in civil engineering and a master degree in business administration both from Chu Hai College, Hong Kong. He is a member of the Chinese Institute of Civil and Hydraulic Engineering.

### Directors' interests in contracts

Other than the transactions as disclosed in note 27 to the accounts, no contracts of significance in relation to the Company's business to which the Company, its subsidiaries or its holding company is a party, and in which any director had a material interest, whether directly or indirectly, subsisted at 31st March 2003 or at any time during the year then ended.

### Disclosure of interests of directors

As at the date of this report, the interest and short positions of directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance, or as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

#### (a) Directors' interest in the Company:

Name of director	Number of shares	Approximate percentage of shareholding	Capacity
Mr. Lau Chun Ming	Long position 500,000 shares ( <i>Note 1</i> )	0.16%	Beneficial owner
Mr. Lau Chun Kwok	Long position 23,000,000 shares ( <i>Notes 1 &amp; 2</i> )	7.66%	Beneficial owner and interest of a controlled company
Mr. Lau Chun Ka	Long position 23,000,000 shares ( <i>Notes 1 &amp; 3</i> )	7.66%	Beneficial owner and interest of a controlled company
Ms. Leung Lai So	Long position 180,500,000 shares ( <i>Notes 1 &amp; 4</i> )	60.16%	Beneficial owner and beneficiary of a discretionary trust
Mr. Chiu Kam Kun, Eric	Long position 500,000 shares ( <i>Note 1</i> )	0.16%	Beneficial owner
Mr. Hsu Kam Yee, Simon	Long position 500,000 shares ( <i>Note 1</i> )	0.16%	Beneficial owner
Mr. Chan Sun Kwong	Long position 500,000 shares ( <i>Note 1</i> )	0.16%	Beneficial owner
Dr. Lee Peng Fei, Allen	Long position 500,000 shares ( <i>Note 1</i> )	0.16%	Beneficial owner
Professor Wong Sue Cheun, Roderick	Long position 500,000 shares ( <i>Note 1</i> )	0.16%	Beneficial owner



**Directors' interest in the associated corporations:**

<b>Name of director</b>	<b>Name of company</b>	<b>Number of shares</b>	<b>Approximate percentage of shareholding</b>	<b>Capacity</b>
Ms. Leung Lai So	Actiease Assets Limited	Long position 61 shares	100%	Beneficiary of a discretionary trust
Ms. Leung Lai So	Silver Bright Holdings Limited	Long position 10,000 shares	100%	Beneficiary of a discretionary trust

*Notes:*

1. *On 28th May 2003, the Company granted to each of the director an option to subscribe for 500,000 shares in the share capital of the Company.*
2. *22,500,000 shares were held by CKL Development Limited, a corporation which is controlled by Mr. Lau Chun Kwok.*
3. *22,500,000 shares were held by Nice Fair Group Limited, a corporation which is controlled by Mr. Lau Chun Ka.*
4. *180,000,000 shares were held by Actiease Assets Limited, a company wholly-owned by Silver Bright Holdings Limited which is indirectly owned by a discretionary trust of which Ms. Leung Lai So is a beneficiary.*

### Disclosure of interests of substantial shareholders

So far as the Directors are aware, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance as at the date of this report are as follows:

<b>Name of substantial shareholder</b>	<b>Number of shares</b>	<b>Approximate percentage of shareholding</b>	<b>Capacity</b>
Actiease Assets Limited	Long position 180,000,000 shares	60%	Beneficial owner
Silver Bright Holdings Limited	Long position 180,000,000 shares	60%	Interest of a controlled company
ManageCorp Limited	Long position 180,000,000 shares	60%	Trustee
Dao Heng Trustee (Jersey) Limited as trustee of The LCM 2002 Trust	Long position 180,000,000 shares	60%	Trustee
CKL Development Limited	Long position 22,500,000 shares	7.5%	Beneficial owner
Nice Fair Group Limited	Long position 22,500,000 shares	7.5%	Beneficial owner
Ms. Tang Lin Ngor	Long position 22,500,000 shares	7.5%	Interest of her spouse
Ms. Ip Fung Sheung	Long position 22,500,000 shares	7.5%	Interest of her spouse

### Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

During the year, approximately 82.7 per cent. and 28.0 per cent. of the Group's purchases were attributable to the five largest suppliers and the largest supplier respectively.

### Major customers and suppliers

During the year, approximately 92.9 per cent. and 25.3 per cent. of the Group's turnover is attributable to the five largest customers and the largest customer respectively.

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) had an interest in the major suppliers or customers noted above.

### Pre-emptive rights

There are no provisions for pre-emptive rights under the laws of Bermuda or the Company's bye-laws in respect of the Company's share capital.

### Repurchase or redemption of the Company's listed shares

Neither the Company, nor any of its subsidiaries purchased or redeemed any of the Company's listed shares during the period from the listing of the Company's shares on 9th April 2003 to the date of this report.

### Audit committee

The Company established an audit committee on 25th March 2003 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"). The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group.

The audit committee comprises the two independent non-executive directors, Dr. Lee Peng Fei, Allen and Professor Wong Sue Cheun, Roderick. The Committee has held one meeting to review the internal control systems and annual results and provided recommendations to the Board of Directors since its establishment on 25th March 2003.

### Compliance with the Code of Best Practice of the Listing Rules

The Company has been in compliance with the Code of Best Practice as set forth in Appendix 14 to the Listing Rules since the Listing Date.

### Sponsor's Interest

Pursuant to the sponsor's agreement (the "Sponsor's Agreement") dated 8th March 2002 entered into between DBS Asia Capital Limited ("DBS Asia") and the Company, the Company has appointed DBS Asia, and DBS Asia has agreed, to act as sponsor to the Company for a period of one year commencing 9th April 2003. Save for the Sponsor's Agreement, none of the directors, employees nor associates of DBS Asia had any interest in any securities of the Company or any of its associated corporations as at 31st March 2003.

### Auditors

The accounts have been audited by PricewaterhouseCoopers and Lau & Au Yeung C.P.A. Limited who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**LAU Chun Ming**

*Chairman & Managing Director*

Hong Kong, 16th July 2003