



The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of (a) the construction business, as a main contractor, as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and Mainland China; and (b) property development and investment.

On 31 March 2004, the principal activities of the Group included the operation of fitness centers and the trading of fitness equipment upon the acquisition of subsidiaries as detailed in note 31 to the financial statements. There were no other significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 96.

No interim dividend was paid during the year and the directors do not recommend the payment of a final dividend in respect of the year (2003: Nil).



SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the published results and of the assets, liabilities and minority interests of the Group for the five financial years ended 31 March 2004.

	Year ended 31 March				
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> <i>(Restated)</i>	2002 <i>HK\$'000</i> <i>(Restated)</i>	2001 <i>HK\$'000</i> <i>(Restated)</i>	2000 <i>HK\$'000</i> <i>(Restated)</i>
Turnover	538,118	529,273	409,088	643,199	426,104
Profit before impairment of goodwill on acquisition of subsidiaries and an associate	37,751	10,239	3,851	7,582	15,625
Impairment of goodwill arising on acquisition of subsidiaries and an associate	–	–	–	(67,541)	–
Profit/(loss) before tax	37,751	10,239	3,851	(59,959)	15,625
Tax	(17,697)	(4,986)	(1,458)	5,532	(685)
Profit/(loss) before minority interests	20,054	5,253	2,393	(54,427)	14,940
Minority interests	3,340	3,307	4,770	719	182
Net profit/(loss) attributable to shareholders	23,394	8,560	7,163	(53,708)	15,122



SUMMARY OF FINANCIAL INFORMATION (continued)

Assets, liabilities and minority interests

	As at 31 March				
	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)
Fixed assets	54,237	47,162	64,023	67,709	71,290
Goodwill	21,401	–	–	–	–
Deferred development costs	–	–	3,706	2,953	–
Interest in a jointly-controlled entity	556	–	–	–	–
Interests in associates	7,366	17,903	18,768	24,947	12,672
Long term investments	8,153	8,153	6,153	6,153	–
Deferred tax assets	453	1,959	1,311	2,057	1,175
Pledged time deposits	–	–	5,100	–	–
Current assets	475,941	562,560	454,483	383,756	435,067
Total assets	568,107	637,737	553,544	487,575	520,204
Current liabilities	(261,855)	(358,067)	(200,480)	(198,059)	(227,390)
Long term portion of bank and other borrowings	(8,996)	(2,900)	(57,208)	–	(1,983)
Convertible notes	–	–	(8,065)	(10,251)	–
Deferred tax liabilities	(930)	(1,081)	(3,354)	(3,788)	(1,490)
Total liabilities	(271,781)	(362,048)	(269,107)	(212,098)	(230,863)
Minority interests	(17,561)	(10,889)	(15,227)	(15,063)	(25,227)
	278,765	264,800	269,210	260,414	264,114

FIXED ASSETS

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



CONVERTIBLE NOTES

Details of the Group's convertible notes are set out in note 26 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the share capital, share options and warrants of the Company during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 30 to the financial statements and in the consolidated summary statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 March 2004, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$156,550,000. In addition, the Company's share premium account and capital redemption reserve, in the aggregate amount of HK\$101,225,000, may be distributed in the form of fully paid bonus shares.

Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions from its contributed surplus in certain circumstances.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 32% of the total sales for the year and sales to the largest customer included therein amounted to approximately 11%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 11%.

None of the directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) or any other 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.



DIRECTORS

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

Executive directors

Mr. WANG Ke Duan *(Chairman)*
Mr. TJIA Boen Sien *(Managing Director and Deputy Chairman)*
Mr. WANG Jing Ning
Mr. KEUNG Kwok Cheung
Mr. KONG Kwok Fai

Independent non-executive directors

Dr. HO Chung Tai, Raymond*
Ms. WONG Sin Yee*
Mr. SIU Man Po*

* *audit committee members*

Ms. WONG Sin Yee and Mr. SIU Man Po will retire by rotation according to the Company's bye-laws and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors 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

No director of the Company had a material beneficial interest, either directly or indirectly, 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.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT****Executive directors**

WANG Ke Duan, aged 73, is one of the co-founders of the Group. He is the chairman of the Group. He has over 49 years' experience in the construction engineering industry in the Mainland China and Hong Kong. He was the deputy general manager of Fujian Province Construction Corporation for three years prior to the establishment of the Group. He is responsible for the daily operations of the Group.

TJIA Boen Sien, aged 60, is one of the co-founders of the Group. He is the Managing Director and Deputy Chairman of the Group. Mr. Tjia is responsible for the overall corporate strategy and the daily operations of the Group, including business development and overall management. He graduated from the Fujian Overseas Chinese University in the Mainland China. Mr. Tjia is well respected and has established connections in the Mainland China construction industry through his extensive experience. He has over 21 years' experience in the construction industry in the Mainland China and Hong Kong. Mr. Tjia is the Vice Chairman and a committee member of Zhan Tian You Civil Engineering Development for Science and Technology; a member of China Civil Engineering Society, the People's Republic of China; a corporate member of the Chartered Institute of Building and a professional member of The Royal Institution of Chartered Surveyors in the United Kingdom.

WANG Jing Ning, aged 48, joined the Group in 1988 and is an executive director of the Group. Mr. Wang has over 24 years' experience in hotel management and construction engineering in the Mainland China and Hong Kong. He is responsible for managing the Group's projects in the Mainland China.

KEUNG Kwok Cheung, aged 46, joined the Group in March 1989. He is an executive director of the Group and is in charge of the Group's engineering and contracts departments. He has over 22 years' experience in the fields of civil and structural engineering and building project management. He also holds an Associateship in Civil and Structural Engineering from the Hong Kong Polytechnic University and a Master degree in Business Administration from the University of East Asia in Macau. He is a member of Civil Engineering & Architectural Society of Guangdong Province, the People's Republic of China and is a member of the China Civil Engineering Society, the People's Republic of China.

KONG Kwok Fai, aged 42, joined the Group in March 1991. He is an executive director of the the Group and supervises the Group's engineering department. He is responsible for overall projects operation and all contractual matters relating to construction. He holds a Master degree in civil and structural engineering from the University of Sheffield in the United Kingdom, and is a member of the Association for Project Management in the United Kingdom, a member of the Civil Engineering & Architectural Society of Guangdong Province, the People's Republic of China, a member of the China Civil Engineering Society, the People's Republic of China and a member of the Hong Kong Institution of Engineers.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(continued)***Independent non-executive directors**

Dr. Raymond Ho Chung-Tai, MBE, S.B. St. J., JP, aged 65, is currently a member of the second Legislative Council (Engineering Functional Constituency) and Joint Chairman of the Capital China Group, which organises and manages industrial, energy, infrastructure, transportation and forestry projects and also Joint Chairman of Ho Wang Group of companies, which provides professional services on transport planning, environment engineering and infrastructure. Dr. Ho has 41 years' experience in the fields of civil, structural environmental and geotechnical engineering and project management including 31 years in Hong Kong and 10 years in the United Kingdom, with direct responsibility in major projects of tunnels, bridges, flyovers, roads, dockyards, jetties, hospitals, hotels, incinerators, high-rise commercial / residential buildings, geotechnical work, environmental studies and projects as well as project management. Dr. Ho holds a doctorate in civil engineering from the City University of London, U.K., Hon. Doctor of Business Administration from the City University of H.K., Honorary Doctor of Laws from University of Manchester, U.K., a postgraduate diploma in geotechnical engineering from Manchester University, U.K. and a bachelor degree in civil engineering from the University of Hong Kong. Dr. Ho was formerly a partner and senior director of Maunsell Consultants Asia Limited from January 1976 to August 1993. Dr. Ho was formerly President of the Hong Kong Institution of Engineers, Council Chairman of the City University of Hong Kong, Council Chairman of the former City Polytechnic of Hong Kong, Chairman of Hong Kong Technology Committee of the Industry & Technology Development Council (ITDC) and member of ITDC, member of the first Legislative Council (Engineering Functional Constituency), member of the Provisional Legislative Council, Chairman of the Transport Advisory Committee, Hong Kong Affairs Adviser and member of Consultative Committee on the New Airport and Related Projects. Dr. Ho is currently Deputy Chairman of Guangdong Daya Bay Nuclear Plant and LingAo Nuclear Plant Safety Consultative Committee and member of the Gas Safety Advisory Committee.

SIU Man Po, aged 66, obtained his Master of Science in Civil Engineering in 1963 from Auburn University in Auburn, Alabama, U.S.A. Mr. Siu has extensive experience in construction field including the construction of Tsing Yi Power Stations in 1966-1977, MTR stations in 1977-1987, and Hong Kong Baptist University campus development in 1989-1999. Mr. Siu is a Fellow Member of the Hong Kong Institution of Engineers, American Society of Civil Engineers, the Hong Kong Institute of Facility Management and the Hong Kong Institute of Directors. Mr. Siu is currently the Managing Director of Ho Wang Siu Mak Management Ltd.

WONG Sin Yee, aged 44, was graduated from the University of Hong Kong in 1982. She has extensive experience in property and construction matters in Hong Kong and Mainland China. Miss Wong was admitted as a solicitor of the Supreme Court of Hong Kong in 1992 and has worked as an in-house lawyer and consultant since then. Miss Wong is the principal of Messrs. S. Y. Wong & Co. specialising in commercial and corporate law.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Senior management

SONG Sio Chong, age 49, joined the Group in July 1999. He is a director of Deson Development Limited and supervises the Group's engineering department and contracts department. He has 25 years' professional experience in structural design, site supervision and contract management. He is a chartered structural engineer and registered professional engineer. Other than his academic qualifications in civil and structural engineering, he holds LLB, LLM and LLD degrees in PRC Law from Peking University.

CHAN Chi Kwong, aged 41, joined the Group in July 1992. He is a senior project manager of the Group and is responsible for the supervision of the Group's construction projects both in Hong Kong and in Mainland China. He has over 20 years' experience in the field of civil and structural engineering. He holds a Bachelor Degree of Science in Construction Management from the University of Wolverhampton.

KWOK Koon Keung, aged 36, joined the Group in February 1996. He is the contracts manager of the Group and in-charge of the contracts department. He has over 14 years' experience in the industry and holds a Bachelor of Science degree in Building from South Bank University in United Kingdom. He is a professional associate member of the Royal Institute of Chartered Surveyors.

HO Ka Yiu, aged 45, joined the Group in August 1993. He is a director of Deson Development Limited and in charge the safety & environmental department of the Group. His responsibilities include monitor and implementation of safety policies in the projects and quantity surveying. He has over 22 years' experience and holds a Higher Certificate in building studies from the Hong Kong Polytechnic University.

LEUNG Siu Lok, aged 46, joined the Group in April 1995. He is a project manager of the Group and is responsible for on-site supervision of the Hong Kong projects. He has over 23 years' experience in the field of civil and structural engineering. He holds an associateship in civil and structural engineering & master of science in project management from the Hong Kong Polytechnic University.

YEUNG Yam Chi, aged 42, joined the Group in April 1994. He is a project manager of the Group and is responsible for supervision of the Group's construction projects in Hong Kong and in Mainland China. He has over 18 years' experience in the field of civil and structural engineering. He holds a Master degree in civil and structural engineering from the University of Sheffield in the United Kingdom.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(continued)***Senior management** *(continued)*

LEE Kai Ming, aged 46, joined the Group in August 1997. He is an E&M engineer of the Group and is responsible for supervising all building service projects. He has more than 22 years' experience in building services engineering. He is a member of The Hong Kong Institution of Engineers, a chartered engineer of the Engineering Council, and a member of the Chartered Institution of Building Services Engineers.

ONG Chi King, aged 31, joined the Group in October 1999. He is the financial controller and company secretary of the Group. He is responsible for the overall supervision on the accounting, finance and company secretarial functions of the Group. He holds a Bachelor degree in Business Administration from the Hong Kong University of Science and Technology. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Society of Accountants. Before joining the Group, he had several years' experience with an international accounting firm.

LI Ngan Mei, aged 43, joined the Group in December 1988 and is the administration manager of the Group. She has more than 19 years' experience in personnel and administration management.

KONG Ping, aged 68, joined the Group in April 1990 as the accountant of the Group. She is responsible for overseeing all of the Group's accounting matters in the Mainland China. She obtained her accountancy qualification in Fujian Province in 1983 after having graduated from Fujian Finance School in the Mainland China. She has more than 38 years' cost accounting experience in major enterprises in the Mainland China.

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 31 March 2004, the interests and short positions of the directors in the share capital and warrants of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he would be deemed or taken to have under Section 344 and 345 of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Tjia Boen Sien*	276,230,000	2,068,750,000	2,344,980,000	50.2
Mr. Wang Jing Ning*	15,330,000	2,068,750,000	2,084,080,000	44.6
Mr. Wang Ke Duan	1,569,600	–	1,569,600	–
Mr. Keung Kwok Cheung	6,997,278	–	6,997,278	0.1
Mr. Siu Man Po	1,500,000	–	1,500,000	–

Long positions in warrants of the Company:

Name of director	Number of warrants held, capacity and nature of interest			Total
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Tjia Boen Sien*		24,894,000	293,750,000	318,644,000
Mr. Wang Jing Ning*		3,066,000	293,750,000	296,816,000
Mr. Wang Ke Duan		1,120,000	–	1,120,000
Mr. Siu Man Po		300,000	–	300,000

* Sparta Assets Limited, a company incorporated in the British Virgin Islands, is beneficially interested in 2,068,750,000 ordinary shares and 293,750,000 warrants of the Company. Mr. Tjia Boen Sien and Mr. Wang Jing Ning own 90% and 10% of the issued share capital of Sparta Assets Limited, respectively.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(continued)

The interests of the directors in the share options of the Company are separately disclosed in note 29 to the financial statements.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, 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 to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

**SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 31 March 2004, the following interests of 5% or more of the issued share capital, share options and warrants of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of warrants held
Sparta Assets Limited	Directly beneficially owned	2,068,750,000	44.3	293,750,000
Mr. Tjia Boen Sien*	Through a controlled corporation	2,068,750,000	44.3	293,750,000
	Directly beneficially owned	276,230,000	5.9	24,894,000
Mr. Wang Jing Ning*	Through a controlled corporation	2,068,750,000	44.3	293,750,000
	Directly beneficially owned	15,330,000	0.3	3,066,000
Okabe Co. Ltd.	Directly beneficially owned	281,250,000	6.0	56,250,000

* Sparta Assets Limited, a company incorporated in the British Virgin Islands, is beneficially interested in 2,068,750,000 shares and 293,750,000 warrants of the Company. Mr. Tjia Boen Sien and Mr. Wang Jing Ning own 90% and 10% of the issued share capital of Sparta Assets Limited, respectively.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, at 31 March 2004, had registered an interest or short position in the shares of the Company that was required to be recorded under pursuant to Section 336 of the SFO.



CONNECTED TRANSACTIONS

On 6 March 2003, the Company entered into a provisional sales and purchase agreement (the “Disposal Agreement”), with KEL Holdings Limited (“KEL”), a subsidiary of the Group, for the disposal of the entire issued share capital of Billion Treasure Holdings Limited and its shareholder’s loan of HK\$40,236,066 for a total consideration of HK\$46,000,000. The consideration was satisfied by way of issuing 657,142,857 shares of KEL to the Group.

The Company is a connected person of KEL by virtue of it being a controlling shareholder of KEL, owning approximately 55.62% indirect shareholding interest as at the date of disposal. Accordingly, the transaction constituted a disclosable and connected transaction for the Group under the Listing Rules.

The disposal was approved by the Company’s shareholders at a special general meeting on 12 May 2003 and was completed on 14 May 2003.

Subsequent to the balance sheet date, the Group had conducted several connected transactions. For details please refer to note 35(3), (4) and (5) to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them. Further details of these transactions are set out in note 28 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.



PARTICULARS OF PROPERTIES

The properties under development for sale of the Group are as follows:

Location	Group's interest	Stage of completion	Expected completion date	Expected use	Gross floor area
Southern Area, Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	Foundation stage	End of 2005	Residential, hotel and commercial complex	The total gross floor area is 1,200,000 sq. ft

The completed properties held for sale of the Group are as follows:

Location	Group's interest	Tenure	Current Use	Gross floor area
24th, 27th-28th floors and 19 car park spaces at Zhongda Square 989 Dongfang Road Lujiazui Pudong District Shanghai PRC	100%	The property is held for a term of 45 years, commencing on 8 September 1998 and expiring on 21 December 2043	Office/commercial	The total gross floor area is 3,098 sq. m.
Phases II & III, Asian Villas Jinpen Industrial Development Zone Xinhua District Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 13 May 1998 and expiring on 12 May 2068	Residential	The total gross floor area is 89,251 sq. m.
Apartments, villas, hotel and services apartments at Park View Nos. 206, 208, 218, 220, 222, 228 & 238 Baise Road Xuhui District Shanghai PRC	100%	The properties are held for a term of 70 years, commencing on 18 February 1993 and expiring on 17 February 2063	Residential	The total gross floor area is 56,174 sq. m.



POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

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

Tjia Boen Sien

Managing Director and Deputy Chairman

Hong Kong
15 July 2004