



Expanded Capabilities

The directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2004.

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 prospectus of the Company dated 31st March 2003.

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

Principal activities

The principal activity of the Company is investment holding. The Group is principally engaged in foundation works, leasing and trading of machinery and equipment for foundation works. The principal activities of the subsidiaries are set forth in note 26 to the accounts.

An analysis of the Group's performance by business segment is set forth in note 3 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 ended 31st March 2004 (the "Year") are set forth in the consolidated profit and loss account on page 21.

The directors do not recommend the payment of a final dividend for the Year.



Fixed assets

Details of the movements in fixed assets of the Group and the Company are set forth in note 12 to the accounts.

Share capital

Details of the movements in share capital of the Company are set forth in note 19 to the accounts.

Reserves

Movements in the reserves of the Group and the Company during the Year are set forth in note 20 to the accounts.

Donations

Charitable and other donations made by the Group during the Year amounted to HK\$31,943.

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 sole shareholder passed on 25th March 2003. 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. 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.

As at 31st March 2004, the share options granted under the Scheme were still outstanding. No options were exercised, cancelled or lapsed during the Year.



The following are the particulars of outstanding options:

Name of the participant	Date of grant	No. of options outstandings as at 31st Mar 2004	Vesting period	Exercise period	Exercise price
Mr. Lau Chun Ming	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Lau Chun Kwok	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Lau Chun Ka	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Ms. Leung Lai So	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Hsu Kam Yee, Simon	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Chan Sun Kwong	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Chiu Kam Kun, Eric	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Dr. Lee Peng Fei, Allen	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Professor Wong Sue Cheun, Roderick	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
		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 the exercise price per share of HK\$0.69 was estimated at HK\$0.047 using the Black-Scholes option pricing model. Value is estimated based on the risk-free rate of 2.11% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one year (from 9th April 2003 to 31st March 2004) period historical volatility of 0.022, assuming no dividend and an expected option life of 4 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 Year and up to the date of this report, none of the directors (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.

Directors

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

Mr. Lau Chun Ming
Mr. Lau Chun Kwok
Mr. Lau Chun Ka
Ms. Leung Lai So
Mr. Hsu Kam Yee, Simon
Mr. Chan Sun Kwong
Mr. Chiu Kam Kun, Eric[#]

(appointed on 24th December 2003)

Dr. Lee Peng Fei, Allen ^{**}
Professor Wong Sue Cheun, Roderick ^{**}
Mr. Chan Wai Dune ^{**}

(appointed on 20th May 2004)

[#] Non-executive director

^{**} Independent non-executive directors

In accordance with bye-laws 86 and 87 of the Company's bye-laws. Mr. Lau Chun Kwok, Mr. Hsu Kam Yee, Simon and Mr. Chan Wai Dune will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Each of Messrs. Lau Chun Ming, Lau Chun Kwok, Lau Chun Ka, Leung Lai So, Hsu Kam Yee, Simon has entered into a service agreement with the Company for a term of three years commencing from the Listing Date.

The board of directors of the Company has approved the request of Mr. Chiu Kam Kun, Eric to change his directorship from executive director to non-executive director with effect from 24th December 2003. He has been appointed for a term of one year commencing from the same date.

Dr. Lee Peng Fei, Allen and Professor Wong Sue Cheun, Roderick have been appointed for a term of one year commencing from the Listing Date. Mr. Chan Wai Dune has been appointed as the Company's independent non-executive director for an initial term of one year since 20th May 2004. Each of the appointments of independent non-executive director will continue respectively at the end of their one year initial appointment term until terminated either by the Company or themselves giving not less than three months' prior notice.

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

(a) Chairman and Managing Director

Mr. LAU Chun Ming, aged 61, 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.

(b) Executive Directors

Mr. LAU Chun Kwok, aged 52, 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 50, 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 57, 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. HSU Kam Yee, Simon, aged 49, joined the Group in 2001 and is an Executive Director. He is responsible for the business development, tendering and overall management of construction projects of the Group. He has worked for publicly listed construction and engineering companies in Hong Kong for 22 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 37, joined the Group in 2002 and 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. He has 19 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.

(c) Non-executive Director

Mr. CHIU Kam Kun, Eric, aged 45, is appointed as a Non-executive Director on 24th December 2003. He joined the Group in 2000 and has worked for major construction and engineering companies in Hong Kong for over 22 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.

(d) Independent Non-executive Director

Dr. LEE Peng Fei, Allen, CBE, BS, FHKIE, JP, aged 64, 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 59, 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.

Mr. CHAN Wai Dune, aged 51, was appointed on 20th May 2004 as an Independent Non-executive Director. He has over 22 years of experience in the finance sector, especially in auditing and taxation areas. He has served a number of committees of the Hong Kong Society of Accountants. He is also a member of the Executive Council of the China Overseas Friendship Association. He was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. He is a certified public accountant and is a fellow member of the Hong Kong Society of Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong.

Biographical details of senior management

Mr. YU Tak Kwong, aged 47, joined the Group in October 2001 and is the construction manager of the Group. He is responsible for the supervision of all foundation projects of the Group. He has over 22 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.

Mr. CHEUNG Man Kit, aged 50, joined the Group in 2001 and is the design and estimating manager of the Group. He is responsible for the design, estimating and tendering of foundation works contracts of the Group. He has worked for major foundation contractors in Hong Kong for over 20 years, specializing in foundation works of various nature.

Mr. LUI Ping Sum, aged 40, joined the Group in 2001 and is the plant manager of the Group. He is responsible for the maintenance and repair of all construction machinery and equipment owned by the Group. He has extensive knowledge and experience in various kinds of construction machinery and equipment for 13 years.

Mr. LEE Baldwin, aged 32, joined the Group in September 2003 and is the Group's Accounting Manager. He has over 10 years experience in public accountancy practice and in financial management with listed companies. He is an associate member of the Hong Kong Society of Accountants and a member of the American Institute of Certified Public Accountants.

Ms. McGILL Juliana Linda, aged 27, is the in-house counsel of the Group. She is responsible for all legal affairs of the Group. Prior to joining the Group in April 2004, she has over three years' experience in the legal and commercial field. She was a legal counsel from April, 2002 to April, 2003 in another listed Company in Hong Kong. She was admitted as a solicitor of the High Court of Hong Kong Special Administrative Region in 2002.

Mr. LAU Ho Tung, aged 29, is the company secretarial manager of the Group. He is responsible for company secretarial matters of the Group's subsidiaries. He holds a bachelor degree in law from the University of Birmingham in the UK. He is an associate of the Chartered Institute of Arbitrators in the UK and an associate of the Hong Kong Institute of Arbitrators. He is a son of Mr. Lau Chun Ming and Ms Leung Lai So.



Directors' interests in contracts

Other than the transactions as disclosed in note 25 to the accounts, no contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its holding company had a material interest, whether directly or indirectly, subsisted at 31st March 2004 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 (Note 1)	0.16%	Beneficial owner
Mr. Lau Chun Kwok	Long position 23,000,000 shares (Notes 1 & 2)	7.66%	Beneficial owner and interest of a controlled company
Mr. Lau Chun Ka	Long position 23,000,000 shares (Notes 1 & 3)	7.66%	Beneficial owner and interest of a controlled company
Ms. Leung Lai So	Long position 180,500,000 shares (Notes 1 & 4)	60.16%	Beneficial owner and beneficiary of a discretionary trust
Mr. Hsu Kam Yee, Simon	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Mr. Chan Sun Kwong	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Mr. Chiu Kam Kun, Eric	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Dr. Lee Peng Fei, Allen	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Professor Wong Sue Cheun, Roderick	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner

(b) Directors' interest in the associated corporations:

Name of director	Name of company	Number of shares	Approximate percentage of shareholding	Capacity
Ms. Leung Lai So	Actease 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 Actease 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:

Name of substantial shareholder	Number of shares	Approximate percentage of shareholding	Capacity
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.

Major customers and suppliers

During the Year, approximately 78.1 per cent. and 40.5 per cent. of the Group's turnover is attributable to the five largest customers and the largest customer respectively.

During the Year, approximately 71.9 per cent. of the Group's purchases were attributable to the Group's five largest suppliers and 20.5 per cent. of purchases for the year were attributable to the Group's largest supplier.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5.0 per cent. of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

Connected transactions

The following connected transactions were entered into by the Group during the Year:

(a) Leasing of property

On 22nd August 2003, Sam Woo Bore Pile Foundation Limited as tenant and Cheer Crown Limited as landlord had entered into a tenancy agreement ("Tenancy Agreement") for leasing of a property situated at land RP of Lot Nos. 1313 and 1317 in DD106, Yuen Long, New Territories, Hong Kong for open storage purpose for a term of 24 calendar months commencing from 1st August 2003 to 31st July 2005 (both days inclusive) at a monthly rent of HK\$90,000. The annual rental and aggregate rentals payable under the Tenancy Agreement are HK\$1,080,000 and HK\$2,160,000 respectively. The management fees, rates and Government rent, if any, in respect of the property shall be paid by the landlord.

Sam Woo Bore Pile Foundation Limited is the Company's wholly owned subsidiary whereas Cheer Crown Limited is wholly owned by Mr Lau Chun Ming. The board of directors of Cheer Crown Limited comprises Mr Lau Chun Ming, Mr Lau Chun Kwok and Sam Woo Ship Building Limited, a company owned by Mr Lau Chun Ming, Mr Lau Chun Kwok, Mr Lau Chun Ka and Ms Leung Lai So equally. Mr Lau Chun Ming, Mr Lau Chun Kwok, Mr Lau Chun Ka and Ms Leung Lai So are the executive directors of the Company and accordingly, the Tenancy Agreement made between Sam Woo Bore Pile Foundation Limited and Cheer Crown Limited constitutes a connected transaction for the Company under the Listing Rules.

The directors of the Company, including the independent non-executive directors, considered that the monthly rental of HK\$90,000 is a favorable market rent and the transaction is on normal commercial terms and fair and reasonable so far as the Company and its shareholders are concerned.

(b) Consultancy service

Consultancy fees were paid to companies in which Mr. Chan Sun Kwong and Mr. Chiu Kam Kun, Eric, directors of the Company, have beneficial interests in respect of their services provided to the Group, and were charged at monthly fees agreed by the parties involved.

The directors of the Company, including the independent non-executive directors, considered that the transaction is on normal commercial terms and fair and reasonable so far as the Company and its shareholders are concerned.

Pre-emptive rights

There are no provision for pre-emptive rights under the law of Bermuda of 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 the Listing Date 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 three independent non-executive directors, Dr. Lee Peng Fei, Allen, Professor Wong Sue Cheun, Roderick and Mr. Chan Wai Dune (appointed as a member of the committee on 20th May 2004). The Committee had held two meetings to review the internal control systems, annual results and interim results and provided recommendations to the Board of Directors for the Year.

Compliance with the Code of Best Practice of the Listing Rules

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

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, 23rd July 2004