

# REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2005.

## Principal activities

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

## Results and dividends

The Group's results for the year ended 31 March 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 79.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2005.

## Summary financial information

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

## RESULTS

	Year ended 31 March				
	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)	(Restated)	(Restated)
Net profit/(loss) from ordinary activities attributable to shareholders	<b>13,078</b>	(2,862)	4,255	(28,264)	(71,627)



# REPORT OF THE DIRECTORS

## ASSETS, LIABILITIES AND MINORITY INTERESTS

		31 March			
	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)	(Restated)	(Restated)
TOTAL ASSETS	<b>295,061</b>	262,456	240,797	271,844	370,284
TOTAL LIABILITIES	<b>155,689</b>	145,396	120,703	158,300	223,094
MINORITY INTERESTS	<b>4,265</b>	3,018	2,602	1,537	6,547
	<b>135,107</b>	114,042	117,492	112,007	140,643

### Fixed assets

Details of movements in the fixed assets of the Company and of the Group during the year are set out in note 13 to the financial statements.

### Investment property

Details of movements in the investment property of the Group during the year are set out in note 13 to the financial statements. Further details of the Group's investment property are set out on page 80 of this annual report.

### Share capital and share options

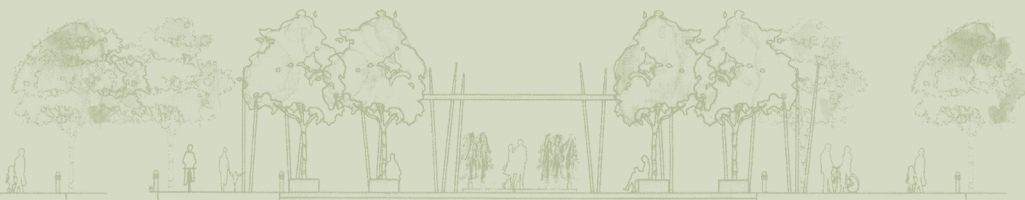
There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital and share options are set out in notes 26 and 27 to the financial statements, respectively.

### Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### Purchase, redemption or sale of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.



# REPORT OF THE DIRECTORS

## Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

## Distributable reserves

At 31 March 2005, the Company had no reserves available for cash distribution and/or distribution in specie to shareholders of the Company. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may only be distributed in certain circumstances which the Company is presently unable to meet. In addition, the Company's share premium account with a balance of HK\$166,405,000 as at 31 March 2005 may be distributed in the form of fully paid bonus shares.

## Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 48% of the Group's total sales for the year and sales to the largest customer (which is a jointly-controlled entity of the Group) included therein amounted to approximately 22%. Purchases from the Group's five largest suppliers accounted for less than approximately 24% of the Group's total purchases for the year. In arriving at the relevant percentage, purchases during the year not yet charged to the profit and loss account have been included.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.



# REPORT OF THE DIRECTORS

## DIRECTORS

The directors of the Company during the year were:

### Executive directors:

Mr. Ng Tat Leung, George (*Chairman and Managing Director*)  
Mr. Wong Teck Ming (*Deputy Chairman*)  
Mr. Chen Jinkui (*appointed on 31 March 2005*)  
Mr. Sun Haichao (*appointed on 31 March 2005*)  
Mr. Lui Siu Yee, Samuel  
Mr. Chan Wai Keung, Ivan  
Mr. Lo Chung Sun, Simon  
Mr. Zhang Xiaoshu (*resigned on 20 September 2004*)  
Mr. Miao Jianmin (*resigned on 31 March 2005*)  
Mr. Zheng Changyong (*resigned on 31 March 2005*)

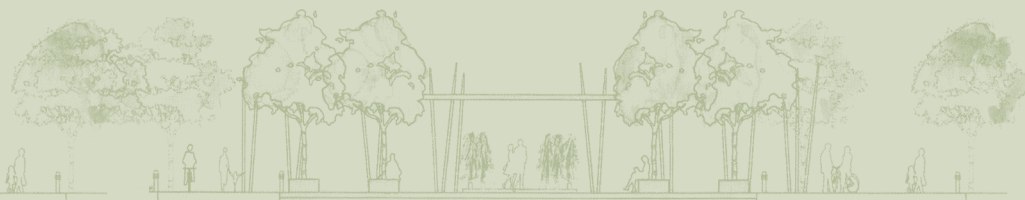
### Non-executive director:

Mr. Wang Xianzhang (*Honorary Chairman*)

### Independent non-executive directors:

Mr. Wong Lit Chor, Alexis  
Dr. Leung Wai Cheung  
Mr. Lo Ka Wai (*appointed on 20 September 2004*)

In accordance with Bye-laws 98 and 103(B) of the Company's Bye-laws, Mr. Chen Jinkui, Mr. Sun Haichao, Mr. Lui Siu Yee, Samuel, Mr. Lo Chung Sun, Simon, Dr. Leung Wai Cheung and Mr. Lo Ka Wai will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.



# REPORT OF THE DIRECTORS

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive directors

**Mr. Ng Tat Leung, George**, aged 46, is the chairman and managing director of the Company and has the responsibility for the marketing and business development of the Group, including overseeing the progress of all of the Group's projects and liaison with its suppliers, sub-contractors and clients. Mr. Ng holds a bachelor of science degree in civil engineering from the University of Hong Kong and a master of business administration degree from the Chinese University of Hong Kong. He has more than 23 years of experience in the construction industry. Mr. Ng joined the Group in 1984.

**Mr. Wong Teck Ming**, aged 47, is the Deputy Chairman of the Company. He holds a bachelor of science degree in civil engineering and a master's degree in civil and structural engineering from the University of Hong Kong. He is a corporate member of the Institution of Civil Engineers in the United Kingdom. Mr. Wong has more than 23 years of experience in the construction industry and specialises in design and site formation. He is in charge of the piling and foundation work, structural design and the quality control of the Group's projects. He joined the Group in 1992.

**Mr. Chen Jinkui**, aged 41, is responsible for advising the Group's business activities in Hong Kong and China. He is the General Manager of China Insurance Group Investment Holdings Company Limited, a wholly-owned subsidiary of China Insurance H.K. (Holdings) Company Limited. Mr. Chen acts as a director of Glado Development Limited, a wholly-owned subsidiary of China Insurance H.K. (Holdings) Company Limited which holds 15.65% shareholding of the Company as at 31 March 2005. Mr. Chen holds a bachelor of economics degree in The Central University of Finance and Economics and a master's degree in economics in the post-graduate finance research centre of the head office of the People's Bank of China. Mr. Chen has rich experience in banking and corporate finance management in China. Mr. Chen was appointed as an executive director of the Company on 31 March 2005.

**Mr. Sun Haichao**, aged 35, is responsible for advising the Group's business activities in Hong Kong and China. Mr. Sun holds a bachelor of economics degree in Peking University and is a Member of The Chinese Institute of Certified Public Accountants (not in practice). He has worked in various government departments and corporations in finance and management in China for many years. He is the Assistant General Manager of China Insurance Group Investment Holdings Company Limited, a wholly-owned subsidiary of China Insurance H.K. (Holdings) Company Limited. Mr. Sun was appointed as an executive director of the Company on 31 March 2005.

**Mr. Lui Siu Yee, Samuel**, aged 45, is the finance director of the Company. Mr. Lui has more than 23 years of finance and accounting experience. Prior to joining the Group in December 1994, he was the financial controller of Len Shing (Holdings) Company Limited, a Hong Kong property investment and development group.

**Mr. Chan Wai Keung, Ivan**, aged 34, is responsible for the development of office automation, information systems and mathematical operations research in the Group. He holds a bachelor of mathematics degree in computer science and combinatorics and optimisation from the University of Waterloo, Canada.



# REPORT OF THE DIRECTORS

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

### Executive directors *(continued)*

**Mr. Lo Chung Sun, Simon**, aged 51, is responsible for the undertaking of piling project works of the Group. Mr. Lo holds a master's degree in science from the University of Wales in the United Kingdom. He has more than 24 years of experience in the construction industry, and is a member of the Hong Kong Institution of Engineers and the Institution of Structural Engineers of the United Kingdom, as well as being a chartered engineer of the Engineering Council of the United Kingdom and a registered structural engineer with the Building Authority in Hong Kong. He joined the Group in May 1994 and was admitted to the Company's board of directors in December 2000.

### Non-executive director

**Mr. Wang Xianzhang**, aged 64, is the honorary chairman of the Company. He is the vice-chairman and vice-president of the People's Insurance Company of China, and vice-chairman and president of China Insurance H.K. (Holdings) Company Limited. Mr. Wang graduated with a bachelor's degree in economics from the Finance and Economics University of Northeast China and has over 40 years of experience in finance, administration and management with the People's Insurance Company of China. Mr. Wang joined the Group in 1996.

### Independent non-executive directors

**Mr. Wong Lit Chor, Alexis**, aged 47, graduated from University of Toronto, Canada in 1981 with a bachelor's degree in arts and obtained a master of business administration degree from The Chinese University of Hong Kong in 1987. Mr. Wong has over 21 years of experience in the financial services industry and has served as senior executives in a number of listed financial services companies in Hong Kong. Mr. Wong was appointed as an independent non-executive director of the Company on 30 October 2003.

**Dr. Leung Wai Cheung**, aged 40, is currently the chief financial officer of FlexSystem Holdings Limited and the independent non-executive director and audit committee member of Mobicon Group Limited and Sino Prosper Holdings Limited which are listed companies in Hong Kong. Dr. Leung is a qualified accountant and chartered secretary with over 18 years of experience in accounting, auditing and financial management. He graduated from Curtin University with a Bachelor of Commerce degree majoring in accounting and subsequently obtained a postgraduate diploma in corporate administration, Master of Professional Accounting from the Hong Kong Polytechnic University and Doctor of Philosophy degree in Management from the Empresavial University of Costa Rica. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Dr. Leung is also a visiting lecturer of the Open University of Hong Kong (LiPACE), Hong Kong University (SPACE), and Hong Kong Baptist University (SCE). Dr. Leung was appointed as an independent non-executive director of the Company on 10 June 2003.

**Mr. Lo Ka Wai**, aged 36, graduated from University of Wollongong, Australia in 1991 with a bachelor of commerce degree (with merit). Mr. Lo is a qualified accountant and is also a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. He has more than 14 years of experience in accounting and corporate finance. Mr. Lo was appointed as an independent non-executive director of the Company on 20 September 2004.

# REPORT OF THE DIRECTORS

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

### Senior management

**Mr. Tse Siu Cheung, Edward**, aged 45, is the projects director of W. Hing Construction Company Limited, a wholly-owned subsidiary of the Company. Mr. Tse holds a bachelor of arts degree in architectural studies and a bachelor's degree in architecture. He is a member of the Hong Kong Institute of Architects, an authorised person (List 1) and a registered architect with the Hong Kong government. He has over 18 years of local experience in both the design and project management of building development projects. He joined the Group in 1997.

**Mr. So Chi Kong, Sunny**, aged 46, is the director of Anpoint Engineering Limited, a wholly-owned subsidiary of the Company. Mr. So holds a bachelor of science degree in mechanical engineering and is a member of the Hong Kong Institution of Engineers. He has over 23 years of experience in electrical and mechanical works design and construction and is responsible for the marketing and business development of the Group.

**Mr. Kam Kwai Wa**, aged 44, is the senior project manager of CWF Piling & Civil Engineering Company Limited, a wholly-owned subsidiary of the Company, and is responsible for site planning and the supervision of foundation piling and superstructural works. Mr. Kam holds a higher certificate in civil engineering from the Hong Kong Polytechnic University and has more than 22 years of experience in the construction industry. He joined the Group in April 1994.

**Mr. Chan Yau Chung**, Louis, aged 33, is the qualified accountant of the Company and the financial controller of the Group. Mr. Chan holds a master degree in business administration from the University of Surrey in the United Kingdom, and is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. He has over 10 years of experience in audit, accounting and finance. Mr. Chan joined the Group in 2004.

### DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Ng Tat Leung, George, Wong Teck Ming and Lui Siu Yee, Samuel has entered into a service contract with the Company for an initial term of two years commencing from 1 September 1995. On their initial expiry, these service contracts provide that they will continue until terminated by not less than three months' written notice served by either party.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

No director had a material 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.



# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2005, the interests and short positions of the directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“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 and the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### (1) Long positions in ordinary shares of the Company

Name of directors	Number of ordinary shares held			Percentage of issued ordinary shares as at 31 March 2005
	Personal interests	Corporate interests	Total interests in shares	
Mr. Ng Tat Leung, George	200,000	71,818,000 <i>(Note (a))</i>	72,018,000	25.05%
Mr. Wong Teck Ming	200,000	–	200,000	0.07%
Mr. Lui Siu Yee, Samuel	204,000	–	204,000	0.07%

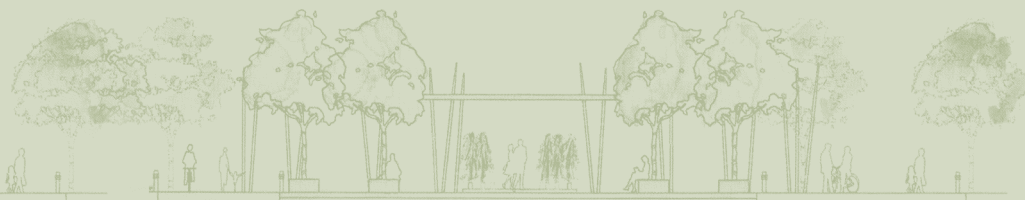
Note:

- (a) These 71,818,000 shares are beneficially owned by Total Success Worldwide Limited, the entire issued share capital of which is owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, 46.46% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming. Accordingly, Mr. Ng Tat Leung, George, is deemed to be interested in all the shares in which Total Success Worldwide Limited is interested pursuant to the SFO.

### (2) Long positions in underlying shares and debentures and short positions in shares, underlying shares and debentures.

There were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 352 of Part XV of the SFO.

Save as disclosed herein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2005 as defined in Section 352 of the SFO.





# REPORT OF THE DIRECTORS

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' interests in share capital" above and in the share option scheme disclosures in note 27 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 or any other body corporate 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

At 31 March 2005, the following companies were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

### (1) Long positions in ordinary shares of the Company

Name of shareholders	Number of ordinary shares held	Percentage of issued ordinary shares as at 31 March 2005
Total Success Worldwide Limited (Note 1)	71,818,000	24.98%
Glado Development Limited (Note 2)	45,000,000	15.65%
Grand Legend Limited (Note 3)	57,500,000	20.00%

#### Notes:

- (1) Total Success Worldwide Limited owns 71,818,000 shares of the Company. The entire issued share capital of Total Success Worldwide Limited is owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, 46.46% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming. Accordingly, Mr. Chan Mo Yan, deceased and Mr. Ng Tat Leung, George are deemed to be interested in all the shares in which Total Success Worldwide Limited is interested pursuant to the SFO.
- (2) Glado Development Limited is a company incorporated in Hong Kong. The entire issued share capital of Glado Development Limited is owned by China Insurance H.K. (Holdings) Company Limited.
- (3) Pursuant to a note subscription agreement dated 12 May 2004 and entered into between, among others, the Company and Grand Legend Limited, the Company issued and Grand Legend Limited subscribed for a convertible note due 2005 in the principal amount of HK\$11,500,000, entitling Grand Legend Limited to subscribe for 57,500,000 ordinary shares of the Company. The entire issued share capital of Grand Legend Limited is owned by Mr. Lo Chun Yang. Ms. Loh Siu Yin, Lulu is the spouse of Mr. Lo Chun Yang. Accordingly, Mr. Lo Chun Yang and Ms. Loh Siu Yin, Lulu are deemed to be interested in all the shares in which Grand Legend Limited is interested pursuant to the SFO.



# REPORT OF THE DIRECTORS

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL** *(continued)*

### *(2) Long positions in underlying shares and short positions in shares and underlying shares*

There were no long positions in the underlying shares or any short positions in the shares and underlying shares of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 336 of Part XV of the SFO.

Save as disclosed herein, as at 31 March 2005, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in share capital" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **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.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

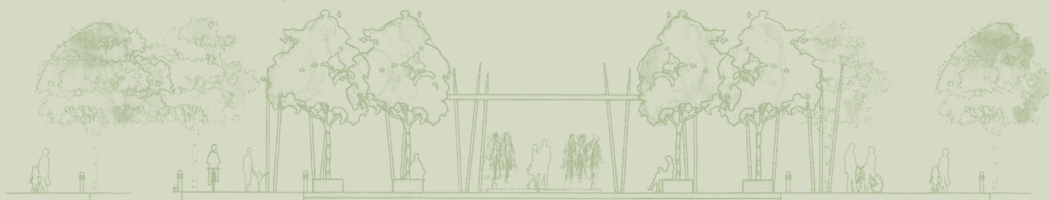
In the opinion of the board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (in force prior to 1 January 2005) throughout the year ended 31 March 2005, except that the non-executive director and the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

The Audit Committee was established with written terms of reference which deal clearly with its authorities and duties in pursuance of Appendix 14 of the Listing Rules. Amongst the Audit Committee's principal duties are the review and supervision of the Company's financial reporting process and internal controls, including the review of the Group's audited financial statements for the year ended 31 March 2005. The Audit Committee met on two occasions during the year.

On 1 January 2005, the Code of Best Practice was replaced by the Code on Corporate Governance Practices (the "new Code"). Listed issuers are expected to comply with the new Code's provisions starting from 1 January 2005.

## **BOARD OF DIRECTORS**

The existing board of directors of the Company consists of seven executive directors, one non-executive director and three independent non-executive directors. The seven executive directors are Mr. Ng Tat Leung, George, Mr. Wong Teck Ming, Mr. Chen Jinkui, Mr. Sun Haichao, Mr. Lui Siu Yee, Samuel, Mr. Chan Wai Keung, Ivan and Mr. Lo Chung Sun, Simon, and the non-executive director is Mr. Wang Xianzhang. The executive directors meet regularly to review and discuss management reports on the performance of the Group, current plans and long term opportunities, and any other issues of immediate concern. They are responsible for the day-to-day management of the Group's operations. They conduct regular meetings with the senior management of the Company, its subsidiaries and associated companies, at which operational issues and financial performance are evaluated.



# REPORT OF THE DIRECTORS

## **BOARD OF DIRECTORS** *(continued)*

The independent non-executive directors are Mr. Wong Lit Chor, Alexis, Mr. Leung Wai Cheung and Mr. Lo Ka Wai. They are independent to the Company and do not assume any management position in the Company. They are not appointed for specific terms but are subject to re-election following retirement by rotation at annual general meeting in accordance with the Company's Bye-laws. All of them satisfy the regulatory requirements for independence.

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiries of all directors, the Company confirmed that the directors have complied with the required standard set out in the Model Code and its code of conduct regarding the directors' securities transactions.

At present, an Audit Committee, a Remuneration Committee and a Nomination Committee have been set up under the board of directors.

## **AUDIT COMMITTEE**

The Company's Audit Committee consists of the three independent non-executive directors. It reports directly to the board and reviews matters relating to the Group's financial reporting system and internal controls procedures.

The Audit Committee meets at least twice a year and also meets with the Company's external auditors to discuss the audit process and accounting issues, and reviews the effectiveness of internal controls. The written terms of reference which specify the authorities and duties of the Audit Committee are regularly reviewed and updated by the board.

## **REMUNERATION COMMITTEE**

The Company's Remuneration Committee was established on 20 July 2005 with specific terms of reference that specify its authorities and duties. The current members of the Remuneration Committee are the Company's three independent non-executive directors and two executive directors. The Remuneration Committee is responsible for the review of the Company's policies for the remuneration of its directors and senior management and the making of any recommendations in relation to such policies to the board.

## **NOMINATION COMMITTEE**

The Company's Nomination Committee was established on 20 July 2005 with specific terms of reference that specify its authorities and duties. The current members of the Nomination Committee are the Company's three independent non-executive directors and two executive directors. The Nomination Committee's responsibilities include reviewing the structure, size and composition of the board on a regular basis and making recommendations to the board regarding any proposed changes.

## **INTERNAL CONTROLS**

The board places great importance on internal controls and risk management and is responsible for establishing and maintaining adequate internal controls over financial reporting for the Group and assessing the overall effectiveness of those internal controls.



# REPORT OF THE DIRECTORS

The results of the implementation of its internal controls mechanism are reviewed by the executive directors in order to ensure that internal monitoring and control mechanism operate soundly, stably and effectively.

## COMMUNICATION WITH SHAREHOLDERS

The objective of communications with the shareholders is to provide our shareholders with detailed information about the Company so they can exercise their shareholders' right in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of the Company's key business imperatives. These include the Company's annual general meetings, annual reports, interim reports, various notices, announcements and circulars.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

## AUDITORS

Messrs. HLB Hodgson Impey Cheng were appointed as auditors of the Company to fill the casual vacancy created by the resignation of Messrs. Ernst and Young with effect from 31 January 2005. Save as aforesaid, there had been no other changes of the Company's auditors in the past three financial years.

A resolution for the appointment of HLB Hodgson Impey Cheng as the auditors of the Company for the ensuing year is to be proposed as the forthcoming annual general meeting.

On behalf of the Board

**Ng Tat Leung, George**

*Chairman and Managing Director*

Hong Kong

20 July 2005

