

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006.

## 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 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 97.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2006.

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## 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				
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net profit/(loss) from ordinary activities attributable to shareholders	<b>(22,336)</b>	14,176	(2,862)	4,255	(28,264)

### ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 March				
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
TOTAL ASSETS	<b>271,510</b>	293,920	262,456	240,797	271,844
TOTAL LIABILITIES	<b>134,988</b>	155,413	145,396	120,703	158,300
MINORITY INTERESTS	<b>5,087</b>	4,265	3,018	2,602	1,537
	<b>131,435</b>	134,242	114,042	117,492	112,007

*Note:* The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs is provided in note 2 to the financial statements. Figures for the year 2005 have been adjusted. However, it is not practicable to restate earlier years for comparison purpose.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and of the Group during the year are set out in note 17 to the financial statements.

## INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's investment property are set out on page 98 of this annual report.

## SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in notes 31 and 32 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.

## RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$5,762,000, 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\$35,491,000 as at 31 March 2006 may be distributed in the form of fully paid bonus shares.

## CONTINGENT LIABILITIES

Details of the Group's contingent liabilities during the year are set out in note 36 to the financial statements.

## 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. Purchases from the Group's five largest suppliers accounted for less than approximately 14% of the Group's total purchases for the year. In arriving at the relevant percentage, purchases during the year not yet charged to the income statement 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.

## 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

Mr. Sun Haichao

Mr. Lui Siu Yee, Samuel

Mr. Chan Wai Keung, Ivan

Mr. Lo Chung Sun, Simon

### 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

In accordance with the Bye-law 98 of the Company's Bye-laws, Mr. Ng Tat Leung, George, Mr. Chan Wai Keung, Ivan and Mr. Wang Xianzhang shall retire from office, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. Ng Tat Leung, George**, aged 47, 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 24 years of experience in the construction industry. Mr. Ng joined the Group in 1984.

**Mr. Wong Teck Ming**, aged 48, 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 24 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 42, 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 2006. 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 36, 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 46, is the finance director of the Company. Mr. Lui has more than 24 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 35, 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.

**Mr. Lo Chung Sun, Simon**, aged 52, 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 25 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 65, 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 41 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 48, 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 22 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 41, 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 19 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 Risa. 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 37, 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 15 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.

## SENIOR MANAGEMENT

**Mr. Tse Siu Cheung, Edward**, aged 46, 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 19 years of local experience in both the design and project management of building development projects. He joined the Group in 1997. Mr. Tse has left the Group in May 2006.

**Mr. So Chi Kong, Sunny**, aged 47, 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 24 years of experience in electrical and mechanical works design and construction and is responsible for the marketing and business development of the Group. Mr. So has left the Group in January 2006.

**Mr. Kam Kwai Wa**, aged 45, 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 23 years of experience in the construction industry. He joined the Group in April 1994.

**Mr. Chan Yau Chung, Louis**, aged 34, 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 11 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.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2006, 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 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 2006
	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	19.89%
Mr. Wong Teck Ming	200,000	–	200,000	0.06%
Mr. Lui Siu Yee, Samuel	204,000	–	204,000	0.06%

*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 2006 as defined in Section 352 of the SFO.



## 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 32 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 2006, 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 AND UNDERLYING SHARES OF THE COMPANY

Name of shareholders	Number of ordinary shares held	Underlying shares of equity derivatives (i.e. warrant)	Total interest	Percentage of issued ordinary shares as at 31 March 2006
Total Success Worldwide Limited <i>(Note 1)</i>	71,818,000	–	71,818,000	19.84%
Glado Development Limited <i>(Note 2)</i>	45,000,000	–	45,000,000	12.43%
Grand Legend Limited <i>(Note 3)</i>	57,500,000	–	57,500,000	15.88%
Complete Success Limited <i>(Note 4)</i>	17,000,000	50,000,000	67,000,000	18.51%

*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) The issued share capital of Glado Development Limited is owned as to 99% by Tellon Development Limited, which is an indirect wholly owned subsidiary of China Insurance (Holdings) Company, Limited, a state-owned joint stock limited company established in the People's Republic of China.
- (3) 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.
- (4) The entire issued share capital of Complete Success Limited is owned by Ms. Li Dan Dan.

## (2) SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

There were no 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 2006, 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.

## SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in note 38 to the financial statements.

## CORPORATE GOVERNANCE

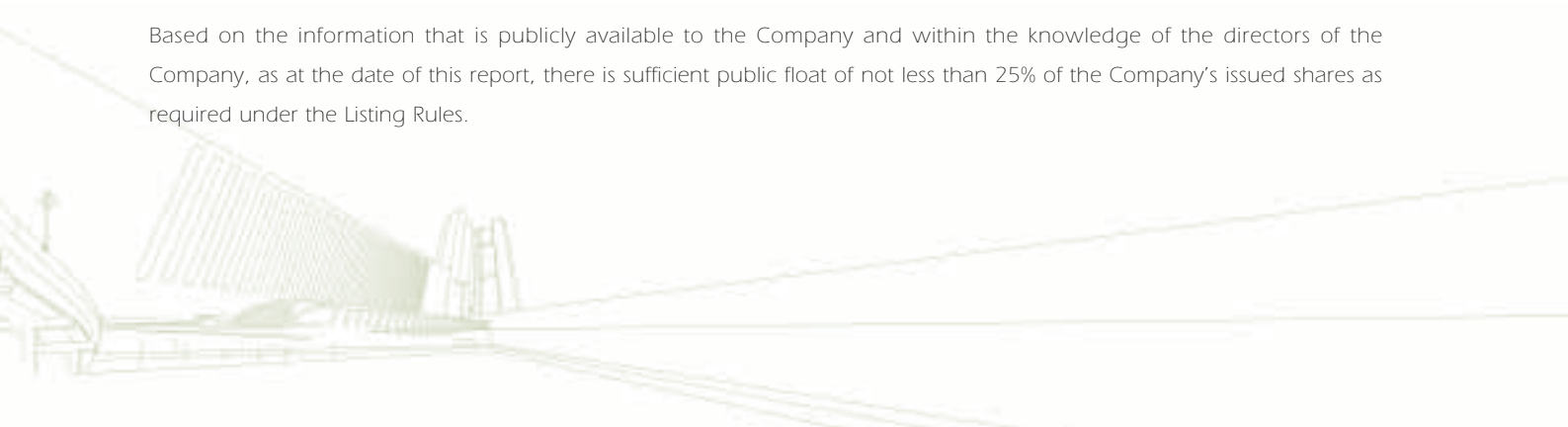
The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year ended 31 March 2006, except for the deviation from provision A.2.1 of the Code in respect of the roles of chairman and chief executive officer of the Company. Corporate Governance Report is set out in pages 18 to 24 of this annual report.

The Company has established an Audit Committee ("AC") with specific terms of reference explaining its role and authorities delegated by the Board. The AC consists of three Independent Non-executive Directors, Mr. Wong Lit Chor, Alexis, Dr. Leung Wai Cheung and Mr. Lo Ka Wai, who together have sufficient accounting and financial management expertise and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. Mr. Wong Lit Chor, Alexis is the Chairman of the AC.

The AC's principal duties include reviewing the Group's financial controls, internal control and risk management systems, reviewing and monitoring integrity of financial statements and reviewing annual and interim financial statements and reports before submission to the Board. During the year, the AC has reviewed the annual and interim results of the Company for the year ended 31 March 2006 and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

## 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 & 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 years.

A resolution for the reappointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Ng Tat Leung, George**

*Chairman and Managing Director*

Hong Kong

20 July 2006