

## REPORT OF THE DIRECTORS

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The directors herein present their report and the audited financial statements of the Company and of 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 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; (b) property development and investment; and (c) the operation of fitness centres and trading of fitness equipment. There were no 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 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 118.

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 ended 31 March 2006. (2005: 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 last five financial years are restated/reclassified as appropriate. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy, as detailed in note 2.2 to the financial statements.

	<b>Year ended 31 March</b>				
	<b>2006</b>	2005	2004	2003	2002
<b>RESULTS</b>	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
<b>CONTINUING OPERATIONS</b>					
<b>REVENUE</b>					
Continuing operations	<b>617,414</b>	570,827	538,118	529,273	409,088
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES AFTER FINANCE COSTS</b>					
Share of profits of jointly-controlled entities	<b>55</b>	16	(25)	–	–
Share of profits less losses of associates	<b>101</b>	184	(6,201)	2,968	1,122
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>10,119</b>	(65,280)	37,775	10,488	17,138
Tax	<b>(1,656)</b>	(1,727)	(17,697)	(4,986)	(1,458)
<b>PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>8,463</b>	(67,007)	20,078	5,502	15,680
<b>DISCONTINUED OPERATION</b>					
Profit for the year from a discontinued operation	–	120,054	–	–	–
<b>PROFIT FOR THE YEAR</b>	<b>8,463</b>	53,047	20,078	5,502	15,680
Attributable to:					
Equity holders of the Company	<b>10,181</b>	40,242	23,418	8,809	20,450
Minority interests	<b>(1,718)</b>	12,805	(3,340)	(3,307)	(4,770)
	<b>8,463</b>	53,047	20,078	5,502	15,680

## REPORT OF THE DIRECTORS

### SUMMARY OF FINANCIAL INFORMATION *(Continued)*

#### ASSETS, LIABILITIES AND MINORITY INTERESTS

	2006 HK\$'000	As at 31 March			
		2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)
Total assets	<b>649,676</b>	643,474	568,577	636,367	542,586
Total liabilities	<b>(273,294)</b>	(307,669)	(278,909)	(361,641)	(266,886)
Minority interests	<b>(2,275)</b>	(2,006)	(11,182)	(10,889)	(15,227)
	<b><u>374,107</u></b>	<u>333,799</u>	<u>278,486</u>	<u>263,837</u>	<u>260,473</u>

#### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

#### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year, together with the reasons therefor, are set out in notes 31 and 32 to the financial statements, respectively.

#### RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33(b) 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 cash distribution and/or distribution in specie, computed in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$160,567,000. In addition, the Company's share premium account and capital redemption reserve, in the aggregate amount of HK\$106,033,000, 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 27% (2005: 31%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 7% (2005: 13%). Purchases from the Group's five largest suppliers accounted for approximately 18% (2005: 19%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 5% (2005: 7%).

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 any of the Group's five largest customers or suppliers during the year.

### 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<sup>#</sup> (*Managing Director and Deputy Chairman*)  
Mr. WANG Jing Ning<sup>#</sup>  
Mr. KEUNG Kwok Cheung  
Mr. ONG Chi King

#### Independent non-executive directors

Dr. HO Chung Tai, Raymond<sup>\*#</sup>  
Mr. SIU Man Po<sup>\*#</sup>  
Mr. WONG Shing Kay, Oliver<sup>\*#</sup>  
Ms. WONG Sin Yee (resigned on 11 April 2005)

\* audit committee members

# remuneration committee members

Mr. Tjia Boen Sien, Mr Wang Ke Duan 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 75, is one of the co-founders of the Group. He is the chairman of the Group. He has over 51 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 62, 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 23 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 50, joined the Group in 1989 and is an executive director of the Group. Mr. Wang has over 26 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.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(Continued)***Executive Directors** *(Continued)*

**KEUNG Kwok Cheung**, aged 48, 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 24 years' experience in the fields of civil, structural and building engineering and in the management of large-scale projects. He also holds an Associateship in Civil and Structural Engineering from the Hong Kong Polytechnic University and a Master degree in Business Administration. He is a fellow member of the Hong Kong Institute of Directors. He is also 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.

**ONG Chi King**, aged 33, joined the Group in October 1999. He is an executive director of the Group. He is responsible for the business development, listing compliance and company secretarial functions of the Group. He holds a Master degree of Corporate Finance from the Hong Kong Polytechnic University and 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 a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has over 10 years' experience in accounting, auditing and finance.

**Independent non-executive directors**

**Dr. Raymond HO Chung-Tai**, MBE, S.B. St. J., JP, aged 67, is currently a member of the third Legislative Council (Engineering Functional Constituency). Dr. Ho has 43 years' experience in the fields of civil, structural environmental and geotechnical engineering and project management including 33 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 degree 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 (1987/1988), 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 and second Legislative Council (Engineering Functional Constituency), member of the Provisional Legislative Council, Chairman of the Transport Advisory Committee, Hong Kong Affairs Adviser, member of Consultative Committee on the New Airport and Related Projects, and member of the Gas Safety Advisory Committee. Dr. Ho is currently Chairman of Guangdong Daya Bay Nuclear Plant and LingAo Nuclear Plant Safety Consultative Committee.

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

#### **Independent non-executive directors** *(Continued)*

**Ir SIU Man-po** was awarded the MEDAL OF HONOUR (MH) by the Chief Executive of the Government of the Hong Kong Special Administrative Region (HKSAR) in July 2004 for his dedication and meritorious services to the engineering profession and the community.

Mr. Siu, aged 68, 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 Shing Kay, Oliver**, aged 54, obtained his professional accounting qualifications in both Hong Kong and Canada. Mr. Wong is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Wong is also a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of Certified General Accountants of Canada. Mr. Wong had worked in various renowned auditing firms in Hong Kong with over 15 years of experience in handling auditing, financial accounting and taxation matters. Mr. Wong is currently appointed as an independent non-executive director and a member of Auditing Committee of several listed companies in Hong Kong. He also assumed the duty of Financial Controller for several listed companies in both Hong Kong and Canada for over ten years. Mr. Wong is presently practising as a Certified Public Accountant in Hong Kong. He is knowledgeable with expertise in financial accounting, taxation, import-export business and company management.

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

**KONG Kwok Fai**, aged 44, joined the Group in March 1991. He is a director of Deson Development Limited 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 Registered Professional Engineer, a member of the Hong Kong Institution of Engineers, a member of the Association for Project Management in the United Kingdom, a member of the China Civil Engineering Society, the People's Republic of China and a member of the Civil Engineering & Architectural Society of Guangdong Province, the People's Republic of China.

**SONG Sio Chong**, age 51, joined the Group in July 1999. He is a director of Deson Development Ltd. and supervises the Group's engineering department and contracts department. He has 27 years' professional experience in structural design, site supervision and contract management. He is a chartered structural engineer of the UK, registered professional engineer of the HKSAR and Grade I registered structural engineer of the PRC. 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 43, 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 the Mainland China. He has over 22 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 38, joined the Group in February 1996. He is the contracts manager of the Group and in-charge of the contracts department. He has over 16 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 47, 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 24 years' experience and holds a Higher Certificate in Building Studies from the Hong Kong Polytechnic University.

**YEUNG Yam Chi**, aged 44, joined the Group in April 1994. He is a senior project manager of the Group and is responsible for supervision of the Group's construction projects in Hong Kong and in the Mainland China. He has over 20 years' experience in the field of civil and structural engineering. He holds a Master's 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)*

**LO Wing Ling**, age 46, joined the Group in 2000. He is the director of Kenworth Engineering Limited and in charge of the engineering division of the Group. He is responsible for the planning and co-ordination of projects which cover the co-ordination of engineering resources, progress monitoring and work performance. Mr. Lo has over 23 years' experience in environmental engineering and building services work. He holds a Bachelor of Science degree in Mechanical Engineering, a Bachelor of Arts degree in Business Studies and a degree of Master of Science in Environmental Management. He is also a director of The Hong Kong Project Management Exchange Centre.

**WONG Ka Yan**, aged 33, joined the Group in April 2001. She is the Financial Controller of the Group. She is responsible for monitoring all of the Group's accounting and finance functions. She holds a Bachelor degree in Commerce from the University of Adelaide, Australia. She is a certified public accountant of CPA Australia. Before joining the Group, she had several years' experience with an international accounting firm.

**KONG Ping**, aged 70, 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 40 years' cost accounting experience in major enterprises in the Mainland China.

**LI Ngan Mei**, aged 45, joined the Group in December 1988 and is the administration manager of the Group. She has more than 21 years' experience in personnel and administration management.

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

At 31 March 2006, the interests and short positions of the directors in the share capital and share option 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*	35,584,400	226,250,000	261,834,400	52.71
Mr. Wang Jing Ning	11,839,600	–	11,839,600	2.38
Mr. Wang Ke Duan	268,960	–	268,960	0.05
Mr. Siu Man Po	180,000	–	180,000	0.04

\* Sparta Assets Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company.

The interests of the directors in the share options of the Company are separately disclosed in note 32 to the financial statements.

Save as disclosed above and note 32 to the financial statements, 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 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 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.

## REPORT OF THE DIRECTORS

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

At 31 March 2006, the following interests of 5% or more of the issued share capital and share options 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 share options held
Sparta Assets Limited	Directly beneficially owned	226,250,000	45.55	–
Mr. Tjia Boen Sien*	Through a controlled corporation	226,250,000	45.55	–
	Directly beneficially owned	35,584,400	7.16	400,000
Okabe Co. Ltd.	Directly beneficially owned	<u>28,125,000</u>	<u>5.66</u>	<u>–</u>

\* Sparta Assets Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company.

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 2006, had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### 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 31 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.

### CONNECTED TRANSACTION

On 17 February 2006, Gold Swing Enterprises Limited, an indirect subsidiary of the Company, entered into an unconditional agreement with Interpath Profits Limited ("Interpath"), a substantial shareholder of a subsidiary of the Company, Mega Fitness (Shanghai) Investments Limited ("Mega Fitness"), for the acquisition of 25% interest and related shareholder's loan in Mega Fitness at a total consideration of HK\$4 million. Upon completion of the agreement, Mega Fitness became a wholly-owned subsidiary of the Company. The transaction was completed on 20 February 2006.

As Interpath is a substantial shareholder of Mega Fitness, and Interpath is beneficially owned by Mr. Ho Shu Sum who acts as a director in several subsidiaries of the Company, accordingly, Interpath is a connected person of the Company, and the acquisition constitutes a connected transaction of the Company within the meaning of the Listing Rules on The Stock Exchange of Hong Kong Limited. Since such transaction falls below the de minimis threshold under Rule 14A.32 of the Listing Rules, it is exempted from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements of the Listing Rules.

### 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
中國河南省開封市 西大街1號	100%	Removal and demolish stage	End of 2008	Residential/ commercial complex	The total gross floor area is 134,274 sq. m.
Phase II, III and IV of Asian Villas City Square Southern Area Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	Construction stage	End of 2006	Residential/ commercial complex	The total gross floor area is 70,854 sq. m.

### PARTICULARS OF PROPERTIES *(Continued)*

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

Location	Group's interest	Tenure	Current use	Gross floor area
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, 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 40 to the financial statements.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the year ended 31 March 2006.

### AUDITORS

During the year, Deloitte Touche Tohmatsu resigned as auditors of the Company and Ernst & Young were appointed by directors to fill the casual vacancy so arising. A resolution for the reappointment of Ernst & Young 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

21 July 2006