

Director's Report



Overcome challenges for
better results

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2006.

PRINCIPLE ACTIVITIES

The Company acts as an investment holding.

The Group is engaged in the technical support services in offshore oil and gas industry and shipbuilding industry and fabrication of oil gas processing skid equipment, as well as in civil engineering business.

The activities of its principal subsidiaries are set out in note 18 to the consolidated financial statements.

USE OF PROCEEDS

The Company issued 115,000,000 new shares through public issue and placement in September 2006 at a price of HK\$1.38 per share. The net proceeds amounted to about HK\$151 million (RMB154 million). These proceeds were applied during the year ended 31 December 2006 in accordance with the proposed applications set out in the Prospectus.

DISTRIBUTABLE RESERVES

As at 31 December 2006, the Company's share premium reserve of approximately RMB229,429,000 (subject to Section 34 of the Cayman Companies Law and the Article of Association of the Company), and retained earnings of approximately RMB21,078,000 were available for distribution to the Company's shareholders, of which HKD20,750,000 has been proposed as final dividend for the year.

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the merger reserve account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

RESULTS AND DIVIDENDS

Details of the Group's result for the year ended 31 December 2006 are set out in the consolidated income statement on page 34.

The directors recommend the payment of a final dividend of HK\$5 cents per ordinary share in respect of the year 2006 to shareholders. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.



SHARE CAPITAL

Details of the movements during the year in share capital of the Company are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period ended 31 December 2006 after the Listing Date, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION

The Company's share option ("Share Option Scheme") scheme was adopted on 28 August 2006 by the way of passing resolutions by all of the then shareholders of the Company with a valid period of 10 years commencing on the Listing date. The share option enables the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. Eligible participants include all full time employee, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group, Substantial Shareholders of each member of the Group, associates of the Directors and Substantial Shareholders of any member of the Group, trustee of any trust pre-approved by the Board; and any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group whom the Board considers, in its sole discretion, has contributed or contributes to the Group.

The total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme must not, in aggregate, exceed 40,000,000 shares, 10% of the issued share capital (400,000,000 shares) at the date of adoption of the Share Option Scheme. The total number of shares issued and to be issued upon exercise of the Options granted to each participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue from time to time.

Each participant should take up option at HK\$1.00 consideration to subscribe for shares. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the Option Period but may not be exercised after the expiry of ten years from the commencement date.

The subscription price for shares under the Share Option Scheme will be determined by the Board in its absolute discretion and notified to each Grantee and will be no less than the highest of:

- (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the Offer Date which must be a Business Day;



- (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Business Days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share at the time of exercise of an Option.

As at 31 December 2006, no option had been granted or agreed to be granted by the Company pursuant to the Share Option Scheme.

On 16 March 2007, the Board approved to grant 11,460,000 options to Directors of the Company and other employees of the Group. Details are set out in note 32 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACT

The Directors of the Company during the year and to the date of this report, were as follows:

	Date of appointment	Date of resignation
Executive Directors		
Mr. Wang Lishan	24 November 2005	—
Mr. Jiang Dong	26 August 2006	—
Mr. Chen Guocai	18 April 2007	—
Mr. Cao Yunsheng	24 November 2005	—
Mr. Deng Zhiyun	26 August 2006	18 April 2007
Independent Non-executive Directors		
Mr. Mai Boliang	26 August 2006	—
Mr. Su Yang	26 August 2006	—
Mr. Xiang Bing	26 August 2006	—
Mr. Wang Yu	26 August 2006	—

Pursuant to the articles of association of the Company, at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Directors shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election and shall continue as a Director throughout the meeting at which he retires.

The Board confirmed that the Company has received, from each of the independent non-executive Directors, an annual confirmation of this independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that they are independent under Rule 3.13 of the Listing Rules.

Each of the Directors has entered into a service contract with the Company. Each of the service contracts is for an initial term of 3 years commencing on 21 September 2006, the Listing Date of the Company other than Mr. Chen Guocai whom was appointed and entered into a service contract at 18 April 2007, unless terminated by not less than 3 months' notice in writing served by either the Director or the Company. In other circumstances, each agreement can also be terminated by the Company, including but not limited to serious breaches of the Directors' obligations under the agreement or serious misconduct.



Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of 3 years commencing from 21 September 2006, the Listing Date of the Company. Save for the Directors' fees of RMB10,000 per month for each independent non-executive Director, none of the independent non-executive Director is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Apart from the foregoing, none of the Directors of the Company have entered into any service agreements with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 31 to the consolidated financial statements and save for the Group have undergone reorganization for preparation for Shares to be listed on main board of Stock Exchange, no contract of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REMUNERATION OF THE FIVE HIGHEST PAID DIRECTORS/EMPLOEES

Details of Directors' remuneration and those of the five highest paid individuals in the Group are set out in note 12 to the consolidated financial statements, respectively.

INTERESTS AND SHORT POSITION OF DIRECTORS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 December 2006, the interests of the directors and their associates in the equity shares, underlying shares or debenture of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(i) Directors

Name of Directors	Capacity	Number of Shares	Approximate percentage of interest
Wang Lishan	Interest of a controlled corporation ^(Note 2)	270,000,000 (L) ^(Note 1)	65.06%
Jiang Dong	Beneficial owner	18,000,000 (L)	4.34%
Cao Yunsheng	Beneficial owner	12,000,000 (L)	2.89%



(ii) Associated Corporation

Name of Director	Name of associated corporation	Capacity	Percentage of shares holding
Wang Lishan	Cheung Hing Investments limited	Beneficial owner	100%

Notes:

1. The letters "L" denote a long position in the Shares.
2. The 270,000,000 Shares are held by Cheung Hing Investments Limited, which is wholly owned by Wang Lishan.

Save as disclosed above, none of the Directors or chief executive of the Company aware of any other Director or chief executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporation as at 31 December 2006.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

At no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the following equity have an interest or short position in the Shares or underlying shares which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Cheung Hing Investments Limited	Beneficial Owner ^(Note 2)	270,000,000 (L) ^(Note 1)	65.06%

Notes:

1. The letters "L" denote a long position in the Shares respectively.
2. The 270,000,000 Shares are held by Cheung Hing Investments Limited, which is wholly owned by Wang Lishan.

Save for the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as at 31 December 2006.



MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 48.99% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 16.63% of the Group's total sales. The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 21.48% of the Group's total material cost of sales and services and the purchases attributable to the Group's largest supplier were approximately 6.25% of the Group's total material cost.

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

CONNECTED TRANSACTIONS

Details of the connected transactions of the year are disclosed in note 31 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float since the listing of the shares on the Stock Exchange and as at the date of this report.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint RSM Nelson Wheeler as auditors of the Company. The Board confirms that there has been no change in auditors of the Company since 24 November 2005, date of incorporation.

On behalf of the Board

Wang Lishan

CHAIRMAN

Hong Kong

18 April 2007

