

Chairman's statement

solid foundation

"I would like to express our gratitude towards all parties who have assisted us in building our business over the years and bringing our Company to the Main Board."

New Listing

I am pleased to announce that the shares of the Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on 9th April 2003. On behalf of the Group, I would like to express our gratitude towards all parties who have assisted us in building our business over the years and bringing our Company to the Main Board.

Business Review

The Group is principally engaged in foundation works related business, specialising in piling. The Group is also engaged in the trading and leasing of foundation works related machinery and equipment.

While the listing status will certainly be beneficial to the Group's future development, the financial

year ended 31st March 2003 was a challenging one to the Group. The overall construction industry was affected by the poor market sentiments and sluggish growth of the Hong Kong economy. Despite the negative aspects, the Group recorded a turnover for this year of HK\$203.0 million and maintained a solid net profit after tax of HK\$56.4 million. Our strong management team and dedicated staff have played a vital role in keeping the operating cost down, upholding our good relationship with suppliers and subcontractors and providing quality work and services to our customers.

The Group's total liabilities were HK\$379.3 million as at 31st March 2002 and HK\$216.8 million as at 31st March 2003. This led to a drop in the gearing ratio⁽¹⁾ from 2.33 as at 31st March 2002 to 1.39 as at 31st March 2003. The drop in the ratio was mainly attributable to the settlement of bank debts during the financial year. Gearing ratio would be further reduced to approximately 0.81 taking into account the net proceeds from the initial public offering in April 2003.



Note:–

(1) *The Group's total borrowings (after deducting cash and bank balances) over shareholders' funds*

Operating Environment and Prospect

The number of construction works contracts in the private sector has continued to shrink due to the difficult property market condition. It may continue to adjust for a couple more years with the economy slowly recovering. As the Group has mainly carried out infrastructure related public sector works in the past few years, the effects from the poor performance of the private sector were minimal to the Group.

The collaboration among the cities within the Pearl River Delta ("PRD") region has become imminent, making infrastructures, including highways, bridges, railroads, stations and cross-boundary links and facilities a necessity to accommodate the increase in all kinds of economic, political and social activities within the PRD region. A bridge, proposed to be built, linking Hong Kong to Macau and the western part of the PRD, will be one of the catalysts to the development of the region. The Group believes that the bridge will be built in the near future and will benefit the whole construction industry. Construction of several cross-boundary links and tunnels which have been scheduled to commence in the later half of year 2003, are examples of projects whose main purpose is made to accommodate the abovementioned activities between Hong Kong and other cities within the PRD region.

Within Hong Kong, more infrastructures are needed to sustain the economy and population growth. The Central Reclamation, Widening of Yuen Long Highway, Lai Chi Kok Viaduct and Eagle's Nest Tunnel are some of the major infrastructure projects that will be commenced in the year 2003. According to the Government's policy address, the Kowloon-Canton Railway Corporation and Mass Transit Railway Corporation will also invest billions of dollars in infrastructure projects over the next 10 years. All of the abovementioned construction projects require substantial piling works that mean great opportunities and prospect for the Group.

While the economy is on the road to recovery, the overall operating environment will still be very challenging and competitive in the coming years. We will continue to concentrate our expertise and experience in providing high standard foundation works and related services. Being one of the most dependable contractors in the foundation industry with full range of machinery and equipment, experienced management team and over a decade of good job references, we remain fully confident of the Group's future development.

Acknowledgment

I would like to take this opportunity to express my respect and appreciation to my fellow board members, management team, staff members, suppliers, subcontractors, other business partners and, most important of all, our customers for their support, commitment and patronage throughout the years. With your continuing support, we are hopeful that we will achieve new heights in the future.

LAU Chun Ming

Chairman & Managing Director

Hong Kong, 16th July 2003

reliable
performance

Net profit attributable to shareholders for the year increased 7.0 per cent. from HK\$52.7 million to HK\$56.4 million.

Business and financial review

Net profit attributable to shareholders for the year increased 7.0 per cent. from HK\$52.7 million to HK\$56.4 million. Due to poor performance of the overall Hong Kong economy in the past year, the construction industry was negatively affected. The turnover for the year dropped from HK\$450.1 million for the year ended 31st March 2002 to HK\$203.0 million for the year ended 31st March 2003.

Nonetheless, gross profit margin of the Group rose from 20.8 per cent. for the year ended 31st March 2002 to 44.1 per cent. for the year ended 31st March 2003. The increase was mainly due to the smooth completion of one of the major contracts which took place in the second half of the financial year. Accordingly, contract costs were lower than original budgeted and the additional profit arising was fully recognised upon the completion of that contract.



Tin Shui Wai Further Development
(Tin Ying Road and Tin Tsz Road External Links)

The Group's administrative expenses decreased by 29.7 per cent. to HK\$15.2 million comparing with the financial year ended 31st March 2002 as a result of an effective cost control programme to control the operation expenses of the Group.

The Group's interest expense for the year was HK\$8.4 million, representing a 34.1 per cent. decrease from the previous year. The decrease was mainly attributable to the reduction of interest rates and gradual repayment of the bank debts of the Group.

The interest expense cover ratio improved from 5.9 times for the year ended 31st March 2002 to 8.9 times for the year ended 31st March 2003.

The Group's total liabilities were HK\$379.3 million as at 31st March 2002 and HK\$216.8 million as at 31st March 2003. This led to a drop in the gearing ratio⁽¹⁾ from 2.33 as at 31st March 2002 to 1.39 as at 31st March 2003. The drop in the ratio was mainly attributable to the settlement of bank debts during the financial year. Gearing ratio would be further reduced to 0.81 taking into account the net proceeds from the initial public offering in April 2003.

Note:—

(1) *The Group's total borrowings (after deducting cash and bank balances) over shareholders' funds*

Contracts

In the past year, all the Group's contracts on hand are related to public sector foundation works. These included projects from Kowloon-Canton Railway Corporation, Territory Development Department, Hospital Authority and Architectural Services Department.

Segment information

Revenue from foundation works represented 94.9 per cent. (2002: 94.1 per cent.) of the Group's total turnover. The remaining 5.1 per cent. (2002: 5.9 per cent.) of turnover represented sale of machinery and equipment.

Number and remuneration of employees, remuneration policies and bonus

The Group around 120 staff members as at 31st March 2003. The staff costs (excluding directors' emoluments) were HK\$48.4 million (2002: HK\$91.7 million).

The Group has adopted a provident fund scheme for its employees in Hong Kong as required under the Mandatory Provident Fund Schemes Ordinance.

The Company conditionally adopted a share option scheme (the "Scheme") on 25th March 2003 for the purpose of providing incentives or rewards to eligible persons for their contribution to the Group. The subscription and exercise price of the share options, exercisable period and the maximum number of options to be granted are determined in accordance with the prescribed terms of the Scheme.

Liquidity, financial conditions and capital structure

As at 31st March 2003, the total assets of the Group were HK\$334.3 million which consisted of HK\$283.6 million of fixed assets. The Group purchased HK\$11.2 million and disposed of HK\$23.9 million of machinery and equipment during the year ended 31st March 2003.

Current assets amounted to HK\$50.7 million as at 31st March 2003, comprising trade receivables of HK\$20.1 million, deposits, prepayments and other receivables of HK\$6.8 million, amounts due from customers for contract works of HK\$15.1 million, inventories of HK\$4.0 million and cash and bank balances of HK\$4.7 million.

As at 31st March 2003, current liabilities amounted to HK\$143.0 million, comprising trade payables of HK\$9.4 million, accrual and other payables of HK\$5.8 million, short-term bank loans and overdrafts of HK\$70.6 million, tax payable of HK\$0.5 million and current portion of long-term liabilities of HK\$56.7 million.

Long-term liabilities amounted to HK\$73.8 million, comprising non-current portion of long-term bank loans and finance leases of HK\$40.3 million and deferred taxation of HK\$33.5 million as at 31st March 2003.

Sources of funds of the Group include funds generated internally, from banking facilities and hire purchase loans with an average of three to four years' maturity. The Group's borrowings were primarily on floating interest rates basis.

Exposure to foreign exchange fluctuation

All of the Group's revenues and most of its operating expenses are denominated in Hong Kong dollars.

Some of the plant and machinery purchased for the Group were transacted in US dollars or Euro. However, this represented a comparatively smaller amount of the Group's total purchase. The Group did not have any material gain or loss due to the fluctuation of the currency exchange rates.

Charges on the Group's assets

As at 31st March 2003, the net book values of machinery and equipment held under finance leases amounted to HK\$215.1 million and fixed assets pledged for certain long-term loans amounted to HK\$3.0 million. Certain banking facilities were secured by a bank deposit of a subsidiary of HK\$3.7 million.

Contingent liabilities

As at 31st March 2003, the Group had contingent liabilities of HK\$6.1 million in respect of a number of litigation proceedings arising in the normal course of its business. These include both claims on the Group and counterclaims made by defendants of actions initiated by the Group. The Directors, having taken into consideration the advice from the Group's legal counsels, are of the opinion that the ultimate liability under these proceedings, if any, would not have a material impact on the financial position of the Group.

Management strategies and prospect

Having suitable machinery and equipment for each foundation works contract and possessing the knowledge to manage and utilize them are critical factors for the successful completion of each project. With a full range of machinery and equipment and a professional management team having over 20 years of experience and expertise in the construction industry and in machinery and equipment management, the Group is able to manage different projects of different sizes and with different levels of technical complexities.



KCRC West Rail (Yuen Long Station)

Although the year ahead will be full of challenges, the Group remains confident about the construction industry in the future. The Group believes that the business environment of the construction sector in Hong Kong will improve in the coming years as the Hong Kong economy picks up speed. The Government of the Hong Kong Special Administrative Region has also carried out policies to stabilise the property market and planned to launch more public infrastructure works in the coming decade.

With the commitment to strive for excellence, the Group is confident that it will be able to bring sustainable returns to its shareholders and build a reliable foundation for tomorrow.

right
direction

The Group's experienced management team and full range of machinery and equipment have continued to be the strengths of the Group

Group reorganisation and listing of the Company's Shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 26th June 2002 and was registered as an overseas company in Hong Kong under Part XI of the Companies Ordinance on 13th March 2003. Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 28th March 2003. Details of the Reorganisation are set forth in the section headed "Corporate reorganisation" in appendix V to the prospectus of the Company dated 31st March 2003 (the "Prospectus").



(from left:)
Dr. LEE Peng Fei, Allen; Professor WONG Sue Cheun, Roderick; Mr. HSU Kam Yee, Simon; Mr. CHIU Kam Kun, Eric; Mr. LAU Chun Ming (Chairman & Managing Director); Ms. LEUNG Lai So; Mr. LAU Chun Ka; Mr. LAU Chun Kwok; Mr. CHAN Sun Kwong

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

The Reorganisation has been reflected in the accounts by regarding the Company as having been the holding company of the Group from the beginning of the earliest period presented. The basis of preparation of these accounts is set forth in note 1 to the accounts.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set forth in note 28 to the accounts.

An analysis of the Group's performance by business segment is set forth in note 4 to the accounts. No geographical segment analysis is presented as all assets and operations of the Group are located in Hong Kong.

Results and appropriations

The results of the Group for the year are set forth in the consolidated profit and loss account on page 20.

The directors do not recommend the payment of any dividend in respect of the year.

Fixed assets

Details of the movements in fixed assets of the Group are set forth in note 13 to the accounts.

Share capital

Details of the movements in share capital of the Company are set forth in note 21 to the accounts.



*Construction of Road T7 in Ma On Shan
(Bored Piling Works)*

Reserves

Movements in the reserves of the Group and the Company during the year are set forth in note 22 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$68,799.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set forth on page 51.

Share option scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution of the then sole shareholder passed on 25th March 2003 for the purpose of providing incentives or rewards to eligible participants⁽¹⁾ for their contribution to the Group.

The maximum number of shares in respect of which options may be granted shall not exceed 30,000,000 shares representing 10 per cent. in nominal amount of the issued share capital of the Company on the Listing Date and the maximum entitlement of each participant shall not exceed 1 per cent. of the shares in issue in any 12-month period up to the date of the latest grant of options. Approval of independent non-executive directors is required if options are granted to connected persons.

Where the grant of options to a substantial shareholder or an independent non-executive director would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person in the 12-month period up to and including the date of such grant representing over 0.1 per cent. of the shares in issue and having an aggregate value in excess of HK\$5 million, shareholders' approval for such further grant of options is required.

The offer of a grant of share options must be accepted within 28 days from the date of offer and the consideration being payable by the grantee is HK\$1.00. The exercise period of the share options granted is determined by the directors but cannot exceed 10 years from the date of grant.

The exercise price shall be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the options' offer date; (ii) the average closing price of the Company's shares for 5 business days immediately preceding the options' offer date; and (iii) the nominal value of the share.

No options were granted or agreed to be granted under the Scheme from the date of adoption to 31st March 2003.

Report of the directors

On 28th May 2003, the following share options were granted to the directors of the Company:

| Name of the participant | No. of shares in respect of option granted | Exercise price | Exercise period of share option | Minimum period for which an option must be held before exercise |
|------------------------------------|---|-----------------------|--|--|
| Mr. Lau Chun Ming | 500,000 | HK\$0.69 | from 28th May 2004 to 27th May 2007, both days inclusive | 1 year commencing from 28th May 2003 |
| Mr. Lau Chun Kwok | 500,000 | HK\$0.69 | from 28th May 2004 to 27th May 2007, both days inclusive | 1 year commencing from 28th May 2003 |
| Mr. Lau Chun Ka | 500,000 | HK\$0.69 | from 28th May 2004 to 27th May 2007, both days inclusive | 1 year commencing from 28th May 2003 |
| Ms. Leung Lai So | 500,000 | HK\$0.69 | from 28th May 2004 to 27th May 2007, both days inclusive | 1 year commencing from 28th May 2003 |
| Mr. Chiu Kam Kun, Eric | 500,000 | HK\$0.69 | from 28th May 2004 to 27th May 2007, both days inclusive | 1 year commencing from 28th May 2003 |
| Mr. Hsu Kam Yee, Simon | 500,000 | HK\$0.69 | from 28th May 2004 to 27th May 2007, both days inclusive | 1 year commencing from 28th May 2003 |
| Mr. Chan Sun Kwong | 500,000 | HK\$0.69 | from 28th May 2004 to 27th May 2007, both days inclusive | 1 year commencing from 28th May 2003 |
| Dr. Lee Peng Fei, Allen | 500,000 | HK\$0.69 | from 28th May 2004 to 27th May 2007, both days inclusive | 1 year commencing from 28th May 2003 |
| Professor Wong Sue Cheun, Roderick | 500,000 | HK\$0.69 | from 28th May 2004 to 27th May 2007, both days inclusive | 1 year commencing from 28th May 2003 |
| | 4,500,000 | | | |

The closing price of the Company's share immediately before the date on which the options were granted (i.e. 27th May 2003) was HK\$0.69. The fair value of the share options granted on 28th May 2003 with exercise price per share of HK\$0.69 is estimated at HK\$0.68 using the Black-Scholes option pricing model. Value is estimated based on the risk-free rate of 2.06% per annum with reference to the rate prevailing on the Exchange Fund Notes, an approximately three-month (from 9th April 2003 to 16th July 2003) period historical volatility of 0.008, assuming no dividend and an expected option life of 3 years.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the year are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Except for the foregoing, during the period from the Listing Date to the date of this report, none of the Directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or any other body corporate.

Note:-

- (1) *Eligible participants may be any directors (including executive directors, non-executive directors and independent non-executive directors), employees of the Group or any advisors, consultants, distributors, contractors, suppliers, agents, customers, business*

partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Directors

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

- Mr. Lau Chun Ming
(appointed on 9th August 2002)
- Mr. Lau Chun Kwok
(appointed on 25th March 2003)
- Mr. Lau Chun Ka
(appointed on 25th March 2003)
- Ms. Leung Lai So
(appointed on 9th August 2002)
- Mr. Chiu Kam Kun, Eric
(appointed on 25th March 2003)
- Mr. Hsu Kam Yee, Simon
(appointed on 25th March 2003)
- Mr. Chan Sun Kwong
(appointed on 25th March 2003)
- Dr. Lee Peng Fei, Allen **
(appointed on 25th March 2003)
- Professor Wong Sue Cheun, Roderick **
(appointed on 25th March 2003)

** *Independent non-executive directors*

In accordance with bye-law 87 of the Company's bye-laws, Ms. Leung Lai So and Mr. Chan Sun Kwong will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Service contracts of directors

Each of Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka, Mr. Hsu Kam Yee, Simon, Mr. Chiu Kam Kun, Eric, Mr. Chan Sun Kwong and Ms. Leung Lai So has entered into a service agreement with the Company for a term of three years commencing from the Listing Date.

Each of the independent non-executive directors was appointed on 25th March 2003 for a term of one year commencing from the Listing Date.

No director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Biographical details of directors

Mr. LAU Chun Ming, aged 60, is the Chairman, Managing Director and founder of the Group. Mr. Lau is responsible for the Group's overall strategic planning, business development and formulation of overall corporate policies. Mr. Lau has been involved in trading and maintenance of machinery and equipment since 1970. Besides, he has been involved in foundation works since 1990. He is the brother of Mr. Lau Chun Kwok and Mr. Lau Chun Ka and the spouse of Ms. Leung Lai So.

Mr. LAU Chun Kwok, aged 51, is an Executive Director. He joined the Group since 1970. He has profound experience in foundation related works for over 10 years. He has been responsible for overall deployment of foundation construction machinery and equipment, labour, resources and purchasing activities of the Group since 1990. During the past decade, he has involved intensively in the management of piling works of various nature. He is a brother of Mr. Lau Chun Ming and Mr. Lau Chun Ka.

Mr. LAU Chun Ka, aged 49, is an Executive Director. He joined the Group in the early 1970s. He has profound experience in mechanical engineering and construction/foundation equipment for over 20 years. Since he joined the Group in the early 1970s, he has been responsible for the maintenance of machinery and equipment of the Group. He has also been responsible for overall management of maintenance and repair of foundation construction machinery and equipment since 1990. During the last decade, he has concentrated on maintenance of construction machinery and equipment. He is a brother of Mr. Lau Chun Ming and Mr. Lau Chun Kwok.

Ms. LEUNG Lai So, aged 56, is an Executive Director. She joined the Group since 1970. She has extensive experience in management for over 20 years. She was responsible for administration and accounting of the Group from 1970 to 1990, and has been responsible for administration and human resources since 1990. She holds a diploma in management from the Chinese University of Hong Kong. She is the spouse of Mr. Lau Chun Ming.

Mr. CHIU Kam Kun, Eric, aged 44, is an Executive Director. He is responsible for corporate, engineering, quality, safety and environmental matters of the Group. Prior to joining the Group in 2000, he has worked for major construction and engineering companies in Hong Kong for almost 18 years, involving in civil engineering and building projects. He holds a higher diploma in civil engineering from the Hong Kong Polytechnic University and a master degree of science in construction project management from the University of Hong Kong. He is a member of the Institution of Civil Engineers in the UK, Hong Kong Institution of Engineers, the Institution of Engineers, Australia and the Chartered Institute of Arbitrators in the UK, an associate of the Hong Kong Institute of Arbitrators, and a member of the Contractor Registration Committee under the Buildings Ordinance.

Mr. HSU Kam Yee, Simon, aged 48, is an Executive Director. He is responsible for the business development, tendering and overall management of construction projects of the Group. Prior to joining the Group in 2001, he has worked for publicly listed construction and engineering companies in Hong Kong for 20 years, involving in civil engineering and building projects, specialising in foundation works of various nature. He holds a bachelor degree of science in mathematics and a bachelor degree of science in civil engineering from the University of Saskatchewan in Canada and a master degree in business administration from the University of East Asia in the Macau Special Administrative Region of the PRC. He is a member of the Institution of Civil Engineers in the UK and Hong Kong Institution of Engineers.

Mr. CHAN Sun Kwong, aged 36, is an Executive Director. He is also the finance director and company secretary of the Group. He is responsible for advising on financial, accounting, treasury and banking matters of the Group. Prior to joining the Group in 2002, he has 17 years of experience in public accounting, auditing, finance and banking industry in Hong Kong and overseas. He is a fellow member of both the Association of Chartered Certified Accountants in the UK and the Hong Kong Society of Accountants.

Dr. LEE Peng Fei, Allen, CBE, BS, FHKIE, JP, aged 63, is an Independent Non-executive Director. Dr. Lee holds an honorary doctoral degree in engineering from the Hong Kong Polytechnic University and an honorary doctoral degree in laws from the Chinese University of Hong Kong. He was formerly a member of the Hong Kong Legislative Council from 1978 to 1997 and a senior member of the Hong Kong Legislative Council from 1988 to 1991. Dr. Lee was also a member of the Hong Kong Executive Council from 1985 to 1992.

Professor WONG Sue Cheun, Roderick, aged 58, is an Independent Non-executive Director. Professor Wong holds a bachelor degree of arts from San Diego State College, the US and a doctoral degree of philosophy from the University of Alberta, Canada. He is a fellow of the Royal Society of Canada and is currently the Dean of the Faculty of Science and Engineering of the City University of Hong Kong.

Biographical details of senior management

Mr. WONG Kwong On, aged 44, is the commercial manager of the Group. He is responsible for all commercial and quantity surveying matters of the Group. Prior to joining the Group in June 2000, he has over 18 years of experience in construction, specialising in contract administration. He was a director from June 1995 to September 1997 in Consultant Associates (Hong Kong) Limited. He holds a bachelor degree in laws from the University of Wolverhampton in the UK and a master degree of arts in arbitration and dispute resolution from the City University of Hong Kong. He is a solicitor of the High Court of Hong Kong, a fellow member of the Chartered Institute of Arbitrators in the UK, a professional member of the Royal Institution of Chartered Surveyors in the UK and a professional member of the Chartered Institute of Building in the UK.

Mr. YU Tak Kwong, aged 46, is the construction manager of the Group. He is responsible for the supervision of all foundation projects of the Group. Prior to joining the Group in October 2001, he has over 20 years of experience in managing foundation projects. He holds a bachelor degree in civil engineering and a master degree in business administration both from Chu Hai College, Hong Kong. He is a member of the Chinese Institute of Civil and Hydraulic Engineering.

Directors' interests in contracts

Other than the transactions as disclosed in note 27 to the accounts, no contracts of significance in relation to the Company's business to which the Company, its subsidiaries or its holding company is a party, and in which any director had a material interest, whether directly or indirectly, subsisted at 31st March 2003 or at any time during the year then ended.

Disclosure of interests of directors

As at the date of this report, the interest and short positions of directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance, or as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

(a) Directors' interest in the Company:

| Name of director | Number of shares | Approximate percentage of shareholding | Capacity |
|------------------------------------|---|--|---|
| Mr. Lau Chun Ming | Long position 500,000 shares (<i>Note 1</i>) | 0.16% | Beneficial owner |
| Mr. Lau Chun Kwok | Long position 23,000,000 shares (<i>Notes 1 & 2</i>) | 7.66% | Beneficial owner and interest of a controlled company |
| Mr. Lau Chun Ka | Long position 23,000,000 shares (<i>Notes 1 & 3</i>) | 7.66% | Beneficial owner and interest of a controlled company |
| Ms. Leung Lai So | Long position 180,500,000 shares (<i>Notes 1 & 4</i>) | 60.16% | Beneficial owner and beneficiary of a discretionary trust |
| Mr. Chiu Kam Kun, Eric | Long position 500,000 shares (<i>Note 1</i>) | 0.16% | Beneficial owner |
| Mr. Hsu Kam Yee, Simon | Long position 500,000 shares (<i>Note 1</i>) | 0.16% | Beneficial owner |
| Mr. Chan Sun Kwong | Long position 500,000 shares (<i>Note 1</i>) | 0.16% | Beneficial owner |
| Dr. Lee Peng Fei, Allen | Long position 500,000 shares (<i>Note 1</i>) | 0.16% | Beneficial owner |
| Professor Wong Sue Cheun, Roderick | Long position 500,000 shares (<i>Note 1</i>) | 0.16% | Beneficial owner |

Directors' interest in the associated corporations:

| Name of director | Name of company | Number of shares | Approximate percentage of shareholding | Capacity |
|-------------------------|--------------------------------|-----------------------------|---|--------------------------------------|
| Ms. Leung Lai So | Actiease Assets Limited | Long position 61 shares | 100% | Beneficiary of a discretionary trust |
| Ms. Leung Lai So | Silver Bright Holdings Limited | Long position 10,000 shares | 100% | Beneficiary of a discretionary trust |

Notes:

1. *On 28th May 2003, the Company granted to each of the director an option to subscribe for 500,000 shares in the share capital of the Company.*
2. *22,500,000 shares were held by CKL Development Limited, a corporation which is controlled by Mr. Lau Chun Kwok.*
3. *22,500,000 shares were held by Nice Fair Group Limited, a corporation which is controlled by Mr. Lau Chun Ka.*
4. *180,000,000 shares were held by Actiease Assets Limited, a company wholly-owned by Silver Bright Holdings Limited which is indirectly owned by a discretionary trust of which Ms. Leung Lai So is a beneficiary.*

Disclosure of interests of substantial shareholders

So far as the Directors are aware, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance as at the date of this report are as follows:

| Name of substantial shareholder | Number of shares | Approximate percentage of shareholding | Capacity |
|--|----------------------------------|---|----------------------------------|
| Actiease Assets Limited | Long position 180,000,000 shares | 60% | Beneficial owner |
| Silver Bright Holdings Limited | Long position 180,000,000 shares | 60% | Interest of a controlled company |
| ManageCorp Limited | Long position 180,000,000 shares | 60% | Trustee |
| Dao Heng Trustee (Jersey) Limited as trustee of The LCM 2002 Trust | Long position 180,000,000 shares | 60% | Trustee |
| CKL Development Limited | Long position 22,500,000 shares | 7.5% | Beneficial owner |
| Nice Fair Group Limited | Long position 22,500,000 shares | 7.5% | Beneficial owner |
| Ms. Tang Lin Ngor | Long position 22,500,000 shares | 7.5% | Interest of her spouse |
| Ms. Ip Fung Sheung | Long position 22,500,000 shares | 7.5% | Interest of her spouse |

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major customers and suppliers

During the year, approximately 92.9 per cent. and 25.3 per cent. of the Group's turnover is attributable to the five largest customers and the largest customer respectively.

During the year, approximately 82.7 per cent. and 28.0 per cent. of the Group's purchases were attributable to the five largest suppliers and the largest supplier respectively.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

Pre-emptive rights

There are no provisions for pre-emptive rights under the laws of Bermuda or the Company's bye-laws in respect of the Company's share capital.

Repurchase or redemption of the Company's listed shares

Neither the Company, nor any of its subsidiaries purchased or redeemed any of the Company's listed shares during the period from the listing of the Company's shares on 9th April 2003 to the date of this report.

Audit committee

The Company established an audit committee on 25th March 2003 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"). The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group.

The audit committee comprises the two independent non-executive directors, Dr. Lee Peng Fei, Allen and Professor Wong Sue Cheun, Roderick. The Committee has held one meeting to review the internal control systems and annual results and provided recommendations to the Board of Directors since its establishment on 25th March 2003.

Compliance with the Code of Best Practice of the Listing Rules

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

Sponsor's Interest

Pursuant to the sponsor's agreement (the "Sponsor's Agreement") dated 8th March 2002 entered into between DBS Asia Capital Limited ("DBS Asia") and the Company, the Company has appointed DBS Asia, and DBS Asia has agreed, to act as sponsor to the Company for a period of one year commencing 9th April 2003. Save for the Sponsor's Agreement, none of the directors, employees nor associates of DBS Asia had any interest in any securities of the Company or any of its associated corporations as at 31st March 2003.

Auditors

The accounts have been audited by PricewaterhouseCoopers and Lau & Au Yeung C.P.A. Limited who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LAU Chun Ming

Chairman & Managing Director

Hong Kong, 16th July 2003

Report of the auditors

To the Shareholders of
SAM WOO HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 20 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16th July 2003

Lau & Au Yeung C.P.A. Limited
Certified Public Accountants

Hong Kong, 16th July 2003

Franklin Lau Shiu Wai, Director
Practising Certificate number: P1886

Consolidated profit and loss account

For the year ended 31st March 2003

| | <i>Note</i> | 2003 HK\$'000 | 2002 HK\$'000 |
|-------------------------------------|-------------|--------------------------------|------------------|
| Turnover | 3 | 202,950 | 450,146 |
| Cost of sales | | (113,549) | (356,376) |
| Gross profit | | 89,401 | 93,770 |
| Other revenues | 3 | 175 | 3,445 |
| Other income | | 911 | 325 |
| Administrative expenses | | (15,202) | (21,610) |
| Operating profit | 5 | 75,285 | 75,930 |
| Finance costs | 6 | (8,425) | (12,775) |
| Profit before taxation | | 66,860 | 63,155 |
| Taxation | 7 | (10,424) | (10,421) |
| Profit attributable to shareholders | 12 | 56,436 | 52,734 |
| Dividends | 8 | - | 72,612 |
| Earnings per share | 9 | HK\$0.24 | HK\$0.23 |

Consolidated balance sheet

As at 31st March 2003

| | Note | 2003 HK\$'000 | 2002 HK\$'000 |
|---|--------|------------------|------------------|
| Fixed assets | 13 | 283,592 | 315,790 |
| Current assets | | | |
| Trade receivables | 15 | 20,081 | 52,756 |
| Deposits, prepayments and other receivables | | 6,757 | 3,440 |
| Inventories | | 4,049 | 1,921 |
| Amounts due from customers for contract works | 16 | 15,059 | – |
| Amount due from a related company | 17 | – | 1,667 |
| Amount due from immediate holding company | 17 | – | 37,778 |
| Cash and bank balances | | | |
| Unrestricted | | 1,041 | 26,953 |
| Restricted | 19 | 3,682 | – |
| | | 50,669 | 124,515 |
| Current liabilities | | | |
| Trade payables | 18 | 9,423 | 22,617 |
| Accruals and other payables | | 5,785 | 10,946 |
| Amounts due to customers for contract works | 16 | 14 | 80,261 |
| Dividend payable | | – | 72,612 |
| Taxation payable | 7 | 466 | – |
| Secured short-term bank loans | 19 | 14,380 | – |
| Current portion of long-term liabilities | 19, 20 | 56,668 | 69,791 |
| Bank overdrafts | 19 | 56,241 | 7,600 |
| | | 142,977 | 263,827 |
| Net current liabilities | | (92,308) | (139,312) |
| Total assets less current liabilities | | 191,284 | 176,478 |
| Financed by: | | | |
| Share capital | 21 | 23,250 | 23,250 |
| Reserves | 22 | 94,224 | 37,788 |
| Shareholders' funds | | 117,474 | 61,038 |
| Long-term liabilities | 19, 20 | 40,349 | 91,937 |
| Deferred taxation | 23 | 33,461 | 23,503 |
| | | 191,284 | 176,478 |

LAU Chun Ming
Director

CHAN Sun Kwong
Director

Balance sheet

As at 31st March 2003

| | Note | 2003 HK\$'000 |
|----------------------------|------|------------------|
| Fixed assets | 13 | 22 |
| Subsidiaries | 14 | 113,195 |
| Current assets | | |
| Prepayments | | 4,275 |
| Bank balances | | 2 |
| | | 4,277 |
| Current liabilities | | |
| Accruals | | 20 |
| Net current assets | | 4,257 |
| Net assets | | 117,474 |
| Financed by: | | |
| Share capital | 21 | 23,250 |
| Reserves | 22 | 94,224 |
| Shareholders' funds | | 117,474 |

LAU Chun Ming
Director

CHAN Sun Kwong
Director

Consolidated cash flow statements

For the year ended 31st March 2003

| | Note | 2003 HK\$'000 | 2002 HK\$'000 |
|--|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Net cash generated from operations | 26(a) | 21,908 | 170,885 |
| Interest paid | | (1,633) | (1,210) |
| Interest element of finance lease rental payments | | (6,792) | (11,565) |
| Net cash from operating activities | | 13,483 | 158,110 |
| Cash flows from investing activities | | | |
| Purchase of fixed assets | | (6,310) | (18,135) |
| Proceeds from disposals of fixed assets | | 10,605 | 19 |
| Interest received | | 145 | 749 |
| Net cash from/(used in) investing activities | | 4,440 | (17,367) |
| Cash flows from financing activities | | | |
| Capital element of finance lease payments | 26(b) | (69,692) | (62,768) |
| Drawdown of long-term bank loans | | 2,500 | 1,667 |
| Repayment of long-term bank loans | | (2,815) | (1,650) |
| Net increase/(decrease) in short-term bank loans | | 14,380 | (5,424) |
| Repayment from/(advances to) related companies and immediate holding company | | 39,445 | (55,091) |
| Increase in restricted bank balance | | (3,682) | – |
| Dividends paid | | (72,612) | – |
| Net cash used in financing activities | | (92,476) | (123,266) |
| (Decrease)/increase in cash and cash equivalents | | (74,553) | 17,477 |
| Cash and cash equivalents at beginning of the year | | 19,353 | 1,876 |
| Cash and cash equivalents at end of the year | | (55,200) | 19,353 |
| Analysis of balances of cash and cash equivalents: | | | |
| Cash and bank balances, unrestricted | | 1,041 | 26,953 |
| Bank overdrafts | | (56,241) | (7,600) |
| | | (55,200) | 19,353 |

Consolidated statement of changes in equity

For the year ended 31st March 2003

| | <i>Note</i> | 2003 HK\$'000 | 2002 HK\$'000 |
|---------------------------------------|-------------|--------------------------------|------------------|
| Total equity at beginning of the year | | 61,038 | 80,916 |
| Profit attributable to shareholders | 22 | 56,436 | 52,734 |
| 2001 final dividends | 22 | - | (72,612) |
| Total equity at end of the year | | 117,474 | 61,038 |

Notes to the accounts

1 Group reorganisation and basis of preparation

The Company was incorporated in Bermuda on 26th June 2002 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued share capital of Sam Woo Group Limited, the then holding company of the other subsidiaries, through a share swap arrangement on 28th March 2003 and became the holding company of the Group. Details of the Reorganisation are set out in the Company's prospectus dated 31st March 2003. The Company's shares were listed on the Stock Exchange on 9th April 2003.

The Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice No. 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants ("HKSA"). The consolidated accounts of the Group for the year ended 31st March 2003, including comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

The accounts have been prepared under the historical cost convention, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKSA.

No balance sheet of the Company as at 31st March 2002 is presented in the accounts as the Company was not yet incorporated at that date.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Consolidation

The Reorganisation referred to in note 1 above has been accounted for using merger accounting by regarding the Company as being the holding company of the Group from the beginning of the earliest period presented.

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Apart from the Reorganisation referred to in note 1 above, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2 Principal accounting policies *(continued)*

(a) Consolidation *(continued)*

Subsidiaries are those entities in which the Group has the power to exercise control governing its financial and operating policies so that the Group obtains benefit from these activities.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill.

In the Company's balance sheet, the investments in subsidiaries are carried at cost, less any provision for long-term impairment in value. The results of the subsidiaries are accounted for by the Company to the extent of dividends received and receivable.

(b) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of both owned and leased fixed assets is calculated to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. Estimated useful lives are summarised as follows:

| | |
|-------------------------|-------------|
| Machinery and equipment | 10-15 years |
| Furniture and fixtures | 5 years |
| Motor vehicles | 5 years |

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the fixed assets are impaired. If any such indication exists, the recoverable amounts of the assets are estimated and where relevant, an impairment loss is recognised to the profit and loss account to reduce the assets to their recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amounts.

Profit or loss on disposal of a fixed asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is dealt with in the profit and loss account.

2 Principal accounting policies *(continued)*

(c) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received are charged to the profit and loss account on a straight-line basis over the lease periods.

(d) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(e) Inventories

Inventories comprise machinery and equipment for resale purpose and are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(f) Contracting work in progress

Contracting work in progress is valued at cost plus estimated attributable profits, less foreseeable losses and progress payments received and receivable. Cost comprises direct materials, labour and overhead expenses incurred in bringing the work in progress to its present condition.

2 Principal accounting policies *(continued)*

(f) Contracting work in progress *(continued)*

Revenue from contracting work is recognised based on the stage of completion of the contracts. The stage of completion of a contract is established by reference to the gross billing value of contracting work to date as compared to the total contract sum receivable under the contract, or the total costs attributable to work performed to date as compared to the estimated total contract costs, whichever is the lower. When it is probable that total contract costs will exceed total contract revenue, the foreseeable loss is recognised as an expense immediately. Profits calculated in this manner are transferred from gross profit to deferred income on the balance sheet and is released to the profit and loss account in accordance with the stage of completion of the contracts when the outcome of the relevant contract can be measured reliably which generally commences when the project is 50% completed.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers for contract works under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers for contract works under current liabilities.

(g) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(h) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(i) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the accounts.

2 Principal accounting policies *(continued)*

(j) Revenue recognition

Revenue from contracting work is recognised based on the stage of completion of the contracts as detailed in note 2(f) above.

Machinery rental income is recognised on a time proportion basis.

Sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Directorship fee income, management service income and maintenance service income are recognised when the underlying services are rendered.

Sub-leasing rental income of land and buildings are recognised on straight-line basis over the lease terms.

(k) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. All exchange differences arising are dealt with in the profit and loss account.

(l) Employee benefits

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and the assets of the scheme are held separately from those of the Group in an independently administered fund.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

2 Principal accounting policies *(continued)*

(m) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. Unallocated expenses represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, contracting work in progress, receivables, and exclude amounts due from related companies/immediate holding company and cash and bank balances. Segment liabilities comprised operating liabilities and excluded items such as taxation, amounts due to related companies/immediate holding company and bank overdrafts. Capital expenditure comprised additions to fixed assets.

(n) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand and deposits held at call with banks, less bank overdrafts.

3 Turnover and revenues

The Group is principally engaged in foundation works, leasing of machinery and equipment for foundation works and trading of machinery and equipment. Turnover and revenues recognised during the year are as follows:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Turnover | | |
| Revenue from foundation works | 188,566 | 423,783 |
| Rental of machinery and equipment | 4,028 | – |
| Sale of machinery and equipment | 10,356 | 26,363 |
| | 202,950 | 450,146 |
| Other revenues | | |
| Interest income | 145 | 749 |
| Maintenance service income | 30 | 480 |
| Directorship fee income | – | 1,784 |
| Management service income | – | 12 |
| Sub-leasing rental income | – | 420 |
| | 175 | 3,445 |
| Total revenues | 203,125 | 453,591 |

4 Segment information

(a) Business segments – primary reporting format

| | Foundation works HK\$'000 | Trading of machinery and equipment HK\$'000 | Total HK\$'000 |
|-------------------------------------|---------------------------------|--|-------------------|
| Year ended 31st March 2003 | | | |
| Turnover | 192,594 | 10,356 | 202,950 |
| Segments results | 74,343 | 913 | 75,256 |
| Interest income | | | 145 |
| Unallocated expenses | | | (116) |
| Operating profit | | | 75,285 |
| Finance costs | | | (8,425) |
| Taxation | | | (10,424) |
| Profit attributable to shareholders | | | 56,436 |
| As at 31st March 2003 | | | |
| Segment assets | 319,359 | 6,106 | 325,465 |
| Unallocated assets | | | 8,796 |
| Total assets | | | 334,261 |
| Segment liabilities | 126,032 | 566 | 126,598 |
| Unallocated liabilities | | | 90,189 |
| Total liabilities | | | 216,787 |
| Year ended 31st March 2003 | | | |
| Capital expenditure | 11,606 | – | 11,606 |
| Depreciation | 24,511 | 7 | 24,518 |

4 Segment information *(continued)***(a) Business segments – primary reporting format** *(continued)*

| | Foundation works HK\$'000 | Trading of machinery and equipment HK\$'000 | Total HK\$'000 |
|-------------------------------------|---------------------------------|--|-------------------|
| Year ended 31st March 2002 | | | |
| Turnover | 423,783 | 26,363 | 450,146 |
| Segments results | 73,568 | 1,778 | 75,346 |
| Interest income | | | 749 |
| Unallocated expenses | | | (165) |
| Operating profit | | | 75,930 |
| Finance costs | | | (12,775) |
| Taxation | | | (10,421) |
| Profit attributable to shareholders | | | 52,734 |
| As at 31st March 2002 | | | |
| Segment assets | 369,547 | 3,910 | 373,457 |
| Unallocated assets | | | 66,848 |
| Total assets | | | 440,305 |
| Segment liabilities | 274,958 | 205 | 275,163 |
| Unallocated liabilities | | | 104,104 |
| Total liabilities | | | 379,267 |
| Year ended 31st March 2002 | | | |
| Capital expenditure | 105,532 | – | 105,532 |
| Depreciation | 23,355 | 7 | 23,362 |
| Provision for doubtful debts | 2,739 | – | 2,739 |

4 Segment information *(continued)*

(b) Geographical segments – secondary reporting format

No geographical segment analysis is presented as all assets and operations of the Group are located in Hong Kong.

5 Operating profit

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Operating profit is stated after crediting: | | |
| Write back of provision for doubtful debts | – | 100 |
| Gain on disposal of fixed assets | 164 | – |
| and after charging: | | |
| Cost of inventories sold | 9,062 | 24,534 |
| Staff costs, excluding directors' emoluments | 48,430 | 91,686 |
| Auditors' remuneration | 680 | 946 |
| Depreciation | | |
| Owned fixed assets | 7,300 | 4,521 |
| Leased fixed assets | 17,218 | 18,841 |
| Loss on disposal of fixed assets | – | 91 |
| Operating lease rentals in respect of land and buildings | 2,692 | 2,601 |
| Provision for doubtful debts | – | 2,739 |

6 Finance costs

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---------------------------|------------------|------------------|
| Interest | | |
| Bank loans and overdrafts | 1,633 | 1,210 |
| Finance leases | 6,792 | 11,565 |
| | 8,425 | 12,775 |

7 Taxation

| | 2003 HK\$'000 | 2002 HK\$'000 |
|-----------------------------|------------------|------------------|
| Hong Kong profits tax | | |
| Current | 466 | – |
| Deferred (<i>note 23</i>) | 9,958 | 10,421 |
| | 10,424 | 10,421 |

Hong Kong profits tax for the year ended 31st March 2003 has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit for the year.

8 Dividends

The directors do not recommend the payment of dividend in respect of the year ended 31st March 2003. Dividends in 2002 represented dividends paid by a subsidiary of the Company to its then shareholders prior to the Reorganisation.

9 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$56,436,000 (2002: HK\$52,734,000) and assuming that 232,500,000 ordinary shares issued pursuant to the Reorganisation had been in issue throughout both years.

Diluted earnings per share is not presented as the Company has no dilutive potential shares.

10 Emoluments for directors and highest paid individuals

(a) Directors' emoluments

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Fees | – | – |
| Salaries, allowances and benefits in kind | 2,387 | 3,399 |
| Retirement benefit scheme contributions | 96 | 79 |
| | 2,483 | 3,478 |

No directors of the Company waived any emoluments during the year. No emoluments were paid to independent non-executive directors during the year.

The emoluments of the directors of the Company fell within the following bands:

| | Number of directors | |
|--------------------------------|---------------------|------|
| | 2003 | 2002 |
| Nil to HK\$1,000,000 | 8 | 8 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | 1 |
| | 9 | 9 |

(b) Five highest paid individuals

The five highest paid individuals included one director (2002: three), details of whose emoluments are included in the above disclosures. The emoluments of the four (2002: two) remaining highest paid individuals were as follows:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Salaries and allowances | 2,061 | 997 |
| Retirement benefits scheme contributions | 48 | 12 |
| | 2,109 | 1,009 |

10 Emoluments for directors and highest paid individuals *(continued)***(b) Five highest paid individuals** *(continued)*

The emoluments of the above individuals fell within the following bands:

| | Number of individuals | |
|----------------------|-----------------------|------|
| | 2003 | 2002 |
| Nil to HK\$1,000,000 | 4 | 2 |

During the year, no emoluments were paid to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11 Retirement benefit scheme

With effect from 1st December 2000, a Mandatory Provident Fund scheme (the “MPF scheme”) has been set up for all employees in accordance with the Mandatory Provident Fund Scheme Ordinance (the “MPF Ordinance”). Under the rules of the MPF scheme, the employer and its employees are each required to contribute 5% of the employees’ gross salaries with a ceiling of HK\$1,000 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contribution under the scheme. Retirement benefit costs during the year amounted to HK\$1,898,000 (2002: HK\$3,534,000).

12 Profit attributable to shareholders

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$93,000.

13 Fixed assets

| Group | Machinery and equipment | Furniture and fixtures | Motor vehicles | Total |
|---------------------------------|--|---------------------------------------|---------------------------|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Cost | | | | |
| At 31st March 2002 | 383,386 | 1,501 | 3,295 | 388,182 |
| Additions | 11,182 | 324 | 100 | 11,606 |
| Reclassification to inventories | (10,904) | – | – | (10,904) |
| Disposals | (12,989) | (27) | – | (13,016) |
| At 31st March 2003 | 370,675 | 1,798 | 3,395 | 375,868 |
| Accumulated depreciation | | | | |
| At 31st March 2002 | 69,927 | 713 | 1,752 | 72,392 |
| Charge for the year | 23,814 | 240 | 464 | 24,518 |
| Reclassification to inventories | (2,059) | – | – | (2,059) |
| Disposals | (2,565) | (10) | – | (2,575) |
| At 31st March 2003 | 89,117 | 943 | 2,216 | 92,276 |
| Net book value | | | | |
| At 31st March 2003 | 281,558 | 855 | 1,179 | 283,592 |
| At 31st March 2002 | 313,459 | 788 | 1,543 | 315,790 |

Notes:

- (a) The net book values of machinery and equipment held under finance leases amounted to HK\$215,143,000 (2002: HK\$260,492,000).
- (b) Fixed assets pledged for certain long-term loans amounted to HK\$2,938,000 (2002: HK\$5,850,000).

13 Fixed assets *(continued)*

| Company | Furniture and fixtures HK\$'000 |
|--|--|
| Cost | |
| Additions and at 31st March 2003 | 27 |
| Accumulated depreciation | |
| Charge for the year and at 31st March 2003 | 5 |
| Net book value | |
| At 31st March 2003 | 22 |

14 Subsidiaries

| | 2003 HK\$'000 |
|-------------------------------|--------------------------|
| Unlisted shares, at cost | 117,567 |
| Amounts due from subsidiaries | 200 |
| Amount due to a subsidiary | (4,572) |
| | 113,195 |

Details of principal subsidiaries are set out in note 28 to the accounts.

15 Trade receivables

Receivables in respect of contracting work in progress are under credit terms of around one month after the issuance of architects' certificates. Retentions held by customers for contract works included in trade receivables amounted to HK\$12,796,000 (2002: HK\$16,804,000). The ageing analysis of the remaining trade receivables is as follows:

| | 2003 | 2002 |
|--------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| 0 to 90 days | 5,758 | 35,800 |
| 91 to 180 days | 770 | – |
| 181 to 365 days | 742 | 105 |
| More than one year | 15 | 47 |
| | 7,285 | 35,952 |

16 Contracting work in progress

| | 2003 | 2002 |
|---|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Contract costs incurred plus attributable profits | | |
| less foreseeable losses to date | 492,511 | 752,657 |
| Progress billings to date | (477,466) | (832,918) |
| | 15,045 | (80,261) |
| Represented by: | | |
| Amounts due from customers | 15,059 | – |
| Amounts due to customers | (14) | (80,261) |
| | 15,045 | (80,261) |

17 Amounts due from a related company, immediate holding company and a director

| | At 31st March | | Maximum amount outstanding during the year | |
|---|------------------|------------------|--|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Amount due from a related company Sam Woo Marine Works Limited | - | 1,667 | 1,667 | 1,667 |
| Amount due from immediate holding company Actease Assets Limited | - | 37,778 | 37,778 | 37,778 |

Related companies are entities which have common shareholders and directors with the Company. The amounts receivable from the related company and immediate holding company were fully settled during the year.

Balance with Mr. Lau Chun Ming ("Mr. Lau"), a director of the Company, is nil as at 31st March 2003 and 2002. The maximum amount outstanding during the year is as follows:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Maximum amount due from a director during the year | 42,659 | 7,941 |

18 Trade payables

Retention payable included in trade payables amounted to HK\$295,000 (2002: HK\$422,000). The ageing analysis of the remaining trade payables is as follows:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--------------------|------------------|------------------|
| 0 to 90 days | 4,126 | 12,230 |
| 91 to 180 days | 722 | 7,585 |
| 181 to 365 days | 2,396 | 1,051 |
| More than one year | 1,884 | 1,329 |
| | 9,128 | 22,195 |

19 Banking facilities and finance lease facilities

As at 31st March 2003, the Group's banking facilities and finance lease facilities totaling approximately HK\$96,243,000 and HK\$93,810,000, respectively, were secured by the following:

- (a) Bank deposit of a subsidiary amounting to HK\$3,682,000;
- (b) Certain machinery and equipment of the Group (note 13);
- (c) Bank deposits held by Mr. Lau Chun Ming ("Mr Lau") amounting to US\$1,750,000 and HK\$23,000,000;
- (d) Bank deposits of Cheer Crown Limited, a company beneficially owned by Mr. Lau, amounting to HK\$20,000,000;
- (e) Personal guarantees provided by the directors of the Company, Mr. Lau, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So;
- (f) Corporate guarantees given by Cheer Crown Limited; and
- (g) Certain leasehold land and buildings in Hong Kong of Cheer Crown Limited and Sam Woo Marine Works Limited, a company beneficially owned by Mr. Lau.

19 Banking facilities and finance lease facilities *(continued)*

As stated in the Company's prospectus dated 31st March 2003, the banks and financial institutions have agreed that the guarantees and charges under (c) to (g) above be released and replaced by corporate guarantees issued by the Company upon the listing of the Company's shares on the Stock Exchange. As at the date of approval of these accounts, the release of certain of these guarantees and charges are still in progress.

20 Long-term liabilities

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|-------------------------|------------------|
| Bank loans, secured | 3,207 | 3,522 |
| Obligations under finance leases | 93,810 | 158,206 |
| Wholly repayable within five years | 97,017 | 161,728 |
| Less: amounts due within one year included under current liabilities | (56,668) | (69,791) |
| | 40,349 | 91,937 |

The Group's bank loans are repayable as follows:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|-----------------------------|-------------------------|------------------|
| Within one year | 1,204 | 2,202 |
| In the second year | 1,233 | 368 |
| In the third to fifth years | 770 | 952 |
| | 3,207 | 3,522 |

20 Long-term liabilities *(continued)*

Obligations under finance leases are payable as follows:

| | Present value | | Minimum payment | |
|-----------------------------|------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Within one year | 55,464 | 67,589 | 60,574 | 77,182 |
| In the second year | 24,366 | 55,574 | 25,749 | 59,913 |
| In the third to fifth years | 13,980 | 35,043 | 14,448 | 36,673 |
| | 93,810 | 158,206 | 100,771 | 173,768 |
| Finance charges | | | (6,961) | (15,562) |
| | | | 93,810 | 158,206 |

Interest is charged on the outstanding balances of finance leases at rates ranging from 1% below Hong Kong prime rate to 10.5% per annum.

21 Share capital

| Company | Ordinary shares of HK\$0.1 each | |
|---|---------------------------------|----------|
| | Number of shares | HK\$'000 |
| Authorised: | | |
| Upon incorporation (<i>note a</i>) | 1,000,000 | 100 |
| Increase in authorised share capital (<i>note b(ii)</i>) | 999,000,000 | 99,900 |
| At 31st March 2003 | 1,000,000,000 | 100,000 |
| Issued: | | |
| Allotted and issued nil paid upon incorporation (<i>note a</i>) | 1,000,000 | – |
| Allotted and issued nil paid on 28th March 2003 (<i>note b(ii)</i>) | 2 | – |
| Issue of shares upon Reorganisation (<i>note b(iii)</i>) | 249,998 | 125 |
| Capitalisation issue (<i>note b(iv)</i>) | 231,250,000 | 23,125 |
| At 31st March 2003 | 232,500,000 | 23,250 |

21 Share capital *(continued)*

The following changes in share capital took place during the period from 26th June 2002 (date of incorporation) to the date of this report:

- (a) The Company was incorporated in Bermuda on 26th June 2002 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all of which were allotted and issued nil-paid on 9th August 2002.
- (b) In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the following changes in the Company's authorised and issued share capital took place:
 - (i) Pursuant to written resolutions dated 25th March 2003, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of an additional 999,000,000 ordinary shares of HK\$0.10 each. Such shares rank pari passu in all respects with the existing shares in issue.
 - (ii) On 28th March 2003, two additional ordinary shares were allotted and issued nil-paid.
 - (iii) On 28th March 2003, the Company further allotted and issued a total of 249,998 new ordinary shares of HK\$0.10 each, and credited as fully paid the shares issued under (a) and (b)(ii), as consideration for the acquisition of the entire issued share capital of Sam Woo Group Limited, which is now a direct subsidiary of the Company.
 - (iv) Also on 28th March 2003, 231,250,000 shares of HK\$0.10 each were issued at par as fully paid to the existing shareholders by way of capitalisation of the sum of HK\$23,125,000 standing to the contributed surplus account of the Company.
 - (v) On 8th April 2003, 67,500,000 ordinary shares of HK\$0.10 each were allotted and issued to the public and institutional investors at HK\$0.67 per share for cash. The use of such proceeds, as well as other details relating to the new issue, is set out in the prospectus of the Company dated 31st March 2003.
 - (vi) The share capital presented in the consolidated balance sheet as at 31st March 2002 represented the share capital of the Company arising on incorporation and from the share swap transactions described in notes (a), (b)(ii), (b)(iii) and (b) (iv) above, which is deemed to have been in issue throughout the accounting periods presented in these accounts in accordance with the basis of preparation as referred to in note 1.

22 Reserves

| Group | Merger reserve | Retained profit | Total |
|-------------------------------------|---------------------------|----------------------------|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 |
| At 31st March 2001 | (12,974) | 70,640 | 57,666 |
| Profit attributable to shareholders | – | 52,734 | 52,734 |
| 2001 final dividends | – | (72,612) | (72,612) |
| At 31st March 2002 | (12,974) | 50,762 | 37,788 |
| Profit attributable to shareholders | – | 56,436 | 56,436 |
| At 31st March 2003 | (12,974) | 107,198 | 94,224 |

| Company | Contributed surplus | Accumulated loss | Total |
|--|--------------------------------|-----------------------------|--------------|
| | <i>(note b)</i> HK\$'000 | HK\$'000 | HK\$'000 |
| At 31st March 2002 | – | – | – |
| Surplus arising on issue of shares in exchange for shares in a subsidiary <i>(note a)</i> | 117,442 | – | 117,442 |
| Capitalisation issue | (23,125) | – | (23,125) |
| Loss for the year | – | (93) | (93) |
| At 31st March 2003 | 94,317 | (93) | 94,224 |

Notes:

- (a) The surplus arising on issue of shares in exchange for shares in a subsidiary arose as a result of the Reorganisation and represents the excess of the consolidated net asset value of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof.
- (b) Under the Companies Act of Bermuda (as amended) and the Bye-Laws of the Company, the contributed surplus is distributable to the shareholders.

23 Deferred taxation

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|--------------------------------|------------------|
| At beginning of the year | 23,503 | 13,082 |
| Transfer from profit and loss account (<i>note 7</i>) | 9,958 | 10,421 |
| At end of the year | 33,461 | 23,503 |
| Provided in respect of: | | |
| Accelerated depreciation allowances | 35,336 | 32,135 |
| Tax losses | (1,875) | (8,632) |
| | 33,461 | 23,503 |

24 Commitments**(i) Capital expenditure commitments**

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---------------------------------|--------------------------------|------------------|
| Contracted but not provided for | - | 3,720 |

(ii) Operating lease commitments

The future aggregate minimum lease rental expenses in respect of land and buildings under non-cancellable operating leases are as follows:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|--------------------------------|------------------|
| Within one year | 750 | 523 |
| In the second to fifth years inclusive | 151 | 9 |
| | 901 | 532 |

25 Contingent liabilities

As at 31st March 2003, the Group had contingent liabilities of approximately HK\$6.1 million in respect of a number of litigation proceedings arising in the normal course of its business. These include both claims against the Group and counterclaims made by defendants of actions initiated by the Group. The directors of the Company, having taken into consideration the advice from the Group's legal counsels, are of the opinion that the ultimate liability under these proceedings, if any, would not have a material impact on the financial position of the Group.

26 Notes to consolidated cash flow statements

(a) Reconciliation of operating profit to net cash generated from operations

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Profit before taxation | 66,860 | 63,155 |
| Interest expense | 8,425 | 12,775 |
| Interest income | (145) | (749) |
| Depreciation | 24,518 | 23,362 |
| (Gain)/loss on disposal of fixed assets | (164) | 91 |
| Cash flow from operations before working capital changes | 99,494 | 98,634 |
| Decrease in trade receivables | 32,675 | 1,306 |
| (Increase)/decrease in deposits, prepayments and other receivables | (3,317) | 4,953 |
| Decrease in inventories | 6,717 | 22,520 |
| (Increase)/decrease in contracting work in progress | (95,306) | 40,554 |
| Decrease in trade payables | (13,194) | (1,197) |
| (Decrease)/increase in accruals and other payables | (5,161) | 4,115 |
| Net cash generated from operations | 21,908 | 170,885 |

26 Notes to consolidated cash flow statements (continued)**(b) Analysis of changes in financing during the year**

| | Amounts due to/ (from) related companies and immediate holding company | Short-term bank loans | Secured long-term bank loans | Obligations under finance leases | Restricted bank balance | Dividend payable |
|---|--|--------------------------|------------------------------------|--|----------------------------|---------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 31st March 2001 | 15,646 | 5,424 | 3,505 | 133,577 | - | - |
| Cash (outflow)/inflow from financing | (55,091) | (5,424) | 17 | (62,768) | - | - |
| Inception of new finance leases* | - | - | - | 87,397 | - | - |
| Dividend declared for 2001 | - | - | - | - | - | 72,612 |
| At 31st March 2002 | (39,445) | - | 3,522 | 158,206 | - | 72,612 |
| Cash inflow/(outflow) from financing | 39,445 | 14,380 | (315) | (69,692) | (3,682) | - |
| Inception of new finance leases* | - | - | - | 5,296 | - | - |
| Dividend paid | - | - | - | - | - | (72,612) |
| At 31st March 2003 | - | 14,380 | 3,207 | 93,810 | (3,682) | - |

* Non-cash transactions

27 Related party transactions

During the year, apart from those disclosed in notes 17 and 19, the following significant transactions with related companies in the normal course of business of the Group had taken place:

| | Notes | 2003 HK\$'000 | 2002 HK\$'000 |
|---|-------|------------------|------------------|
| Received and receivable from related parties: | | | |
| Maintenance income from Sam Woo Ship Building Limited | (a) | 30 | 480 |
| Management service income from Sam Woo Engineering Works | (a) | – | 12 |
| Disposal of fixed assets to Sam Woo Ship Building Limited | (b) | 1,217 | – |
| Pier parking rental income from Sam Woo Ship Building Limited | (c) | – | 420 |
| Sale of inventories to Sam Woo Ship Building Limited | (d) | – | 18,002 |
| Directorship fee income from Cheer Crown Limited | (e) | – | 1,784 |
| Paid and payable to related parties: | | | |
| Rental expense to Cheer Crown Limited | (c) | 1,197 | 1,821 |
| Rental expense to Nice Rainbow Investment Limited | (c) | 300 | 324 |
| Inventories purchased from Mr. Lau | (f) | 94 | 306 |
| Consultancy fees to various companies | (g) | 2,057 | – |

Notes:

- (a) Maintenance and management fee income are charged for the provision of management and maintenance services and are based on the number of vessels and associated equipment that the Group is required to maintain.
- (b) Fixed assets are disposed at net book value to a related company.
- (c) Sub-leasing rental income and rental expenses are based on the tenancy agreement entered into between the parties involved with reference to market rates of similar properties.
- (d) Sales to a related company are based on the carrying value of the inventories.
- (e) Directorship fee income are determined by the board of directors of the related company based on the effort and responsibilities performed and approved in its annual general meeting. The directorship ceased with effect from 1st November 2001.
- (f) Purchase of inventories are conducted in the normal course of business at prices and terms no less favourable than those contracted with other third party suppliers.
- (g) Consultancy fees were paid to companies in which Mr. Chan Sun Kwong and Mr. Chiu Kam Kun, Eric have beneficial interests in respect of their services provided to the Group, and were charged at monthly fees agreed by the parties involved.

27 Related party transactions *(continued)*

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually agreed between the Group and the respective related parties.

28 Principal subsidiaries

Listed below are the Group's subsidiaries, all of which are wholly owned and operated in Hong Kong:

| Company | Issued and fully paid ordinary share capital | Principal activities |
|--|---|--|
| <i>Incorporated in the British Virgin Islands, directly held</i> | | |
| Sam Woo Group Limited | 10,000 shares of US\$1 each | Investment holding |
| <i>Incorporated in Hong Kong, indirectly held</i> | | |
| Sam Woo Bore Pile Foundation Limited | 10,000,000 shares of HK\$1 each | Foundation works |
| Sam Woo Civil Contractors Limited | 10,000 shares of HK\$1 each | Civil engineering works |
| Sam Woo Construction Limited | 10,000 shares of HK\$1 each | Foundation works |
| Sam Woo Construction & Engineering Limited | 100,000 shares of HK\$1 each | Trading of used foundation works related machinery and equipment |
| Sam Woo Engineering Equipment Limited | 500,000 shares of HK\$1 each | Leasing of machinery and equipment for foundation works |
| Sam Woo Group (Holdings) Limited | 10,000 shares of HK\$1 each | Inactive |

29 Ultimate holding company

The directors of the Company regarded Silver Bright Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

30 Subsequent event

The shares of the Company were listed on the Stock Exchange on 9th April 2003.

31 Approval of accounts

The accounts were approved by the board of directors on 16th July 2003.

Five year financial summary

| | 2003 | 2002 | 2001 | 2000 | (Unaudited) 1999 |
|-------------------------------------|----------|----------|----------|----------|---------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Results | | | | | |
| Turnover | 202,950 | 450,146 | 259,262 | 80,000 | 60,977 |
| Profit before taxation | 66,860 | 63,155 | 80,038 | 13,600 | 1,292 |
| Taxation | (10,424) | (10,421) | (8,850) | (1,703) | 97 |
| Profit attributable to shareholders | 56,436 | 52,734 | 71,188 | 11,897 | 1,389 |
| Dividends | - | 72,612 | - | - | - |
| Assets and liabilities | | | | | |
| Total assets | 334,261 | 440,305 | 344,292 | 172,634 | 66,441 |
| Total liabilities | 216,787 | 379,267 | 263,376 | 162,906 | 68,463 |
| Net assets/(liabilities) | 117,474 | 61,038 | 80,916 | 9,728 | (2,022) |

The Reorganisation referred to in note 1 to the accounts has been reflected in the five year financial summary by regarding the Company as having been the holding company of the Group from the earliest period presented.

Corporate information

Directors

Mr. LAU Chun Ming
Mr. LAU Chun Kwok
Mr. LAU Chun Ka
Ms. LEUNG Lai So
Mr. CHIU Kam Kun, Eric
Mr. HSU Kam Yee, Simon
Mr. CHAN Sun Kwong
Dr. LEE Peng Fei, Allen**
Professor WONG Sue Cheun, Roderick**

** *Independent non-executive Directors*

Company Secretary

Mr. CHAN Sun Kwong

Legal Advisers to the Company

Richards Butler
20th Floor, Alexandra House
16-20 Chater Road
Hong Kong

Auditors

PricewaterhouseCoopers
Lau & Au Yeung C.P.A. Limited

Principal Bankers

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Liu Chong Hing Bank Limited
Citibank, N.A.

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong

Units 1310-13, 113 Argyle Street
Mongkok, Kowloon
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road, Pembroke,
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong