

Innovative Solution

I am pleased to present the second annual report of the Group since our successful listing on 9th April 2003. On behalf of the Board of Directors of the Group, I would like to express my appreciation to our management team, staff members, business partners and customers for their continuous dedication and support through out the years.

The year under review was a very challenging and certainly difficult year for the Group as the construction market in Hong Kong continued to experience difficulties. The business of the Group for the first half of the financial year ended 31st March 2004 was severely affected by the atypical pneumonia (Severe Acute Respiratory Syndrome) as major new construction projects either slowed down or halted. The second half of the financial year was still not very pleasant for the construction market. Excessive construction production capacity had kept the plants' utilization rate low and the unemployment rate high within the market and the tender price of the

foundation works in public and private contracts extremely competitive. In addition, due to the Iraqi war and demands in Mainland China, the price of major construction materials, such as steel reinforcement, concrete, fuel and lubricant, has escalated substantially throughout the past year thereby reducing the profitability of any construction contract.





Nevertheless, the poor market conditions did not deter our continuous commitment and eagerness in providing quality work and services to our customers as we reviewed our performance regularly. Besides, the safety award we received for our works will show our efforts put into providing a safe environment for our workers and business partners. During the year, we have further carried out measures to control cost and overheads. Besides our experienced management team, our full range of machinery and equipment, facilities and experienced workers continue to be important assets and competitive advantages of the Group. All the above will keep us competitive in the market and sail smoothly through the current poor market conditions.

Management is of the view that losses will result if the Group were to join in any cutthroat price competition with its competitors in bidding for foundation contracts. Although piling construction will still remain as its main operation, the Group is gradually shifting more attention to its machinery and equipment trading business where more attractive profits can be earned for shareholders. In fact the second-hand construction machinery market has become more active during the year as material cost for manufacturing machinery, especially steel, has escalated and rendered second-hand machinery a much more economical and reasonable alternative to buying or producing new machinery.



Although the Hong Kong Special Administrative Region's Government (the "Government") spending has still been very depressing due to its budget deficit, the Group's management expects the construction market to slightly improve in the coming year. The Government has announced to issue HK\$20 billion bonds in 2004. The proceeds from the bonds will mainly be allocated to the Capital Works Reserve Fund used for long term investment on infrastructure projects and this is especially good news for the construction market. It is expected that the number of contracts will gradually increase. While the economy picks up and the construction market starts to recover, the Group will continue to cautiously and sensibly bid for contracts that can provide reasonable profit margins with compatible and manageable risks.

The Group is also seeking suitable opportunities to diversify its business into other areas in the industry such as civil engineering works through merger and acquisition in order to complement the Group's existing foundation business and allow the Group to venture into large civil engineering construction projects.

Looking ahead, besides our business operation in Hong Kong, we have been discussing with different parties in other Asian countries and regions, such as Malaysia, South Korea and the Guangdong province, PRC, for business opportunities in the bored piling construction mainly related to major infrastructure projects. We are also actively seeking suitable business partners in the Guangdong province, PRC, to expand our business.

The recent signing of the Pan-Pearl River Delta Regional Cooperation Frame Agreement (the "Agreement") among Hong Kong, Macau and nine southern provinces from Mainland China signifies closer co-operation between Hong Kong and other provinces in the Pan-Pearl River Delta Region (the "Region"). This Agreement will not only speed up the economic development and collaboration within the Region, attracting more local and foreign capital investments and infrastructure construction, but will also increase the long-term competitiveness of the Region. Infrastructure construction is one of the key areas that the Agreement is focusing on and, therefore, more construction works to improve the logistics infrastructure of the Region are expected.



Besides the HK-Zhuhai-Macau Bridge and the proposed express railway among Hong Kong, Shenzhen and Guangzhou, other superhighways, mega ports, land and sea transport networks and related infrastructure facilities are proposed and needed to support the development and integration of the economies within the Region.

With so many large-scale infrastructure projects in the coming decade, we expect that the use of high quality bored pile in Mainland China's construction market will increase gradually to replace other piling construction methods. Our specialization and expertise in bored piling will put us at a good position while China's economy continues to grow and develop. We are confident of the Group's prospects and will keep on providing quality services to our customers and strive to be their first choice of contractor.



Management Discussion and Analysis



Consistent Performance

Business and financial review

The Group's turnover for the financial years ended 31st March 2004 (the "Year") and 31st March 2003 (the "Previous Year") were HK\$137.1 million and HK\$203.0 million respectively. The drop in turnover indicated the tough market conditions for the Year. At the same time, the prices of steel reinforcement and concrete for piling construction and gasoline for running machinery and equipment all went up substantially during the Year. These factors together rendered adverse impact on the Group's operating results.

The drop in turnover and increase in direct costs and administrative expenses together led to a drop in the net profit attributable to shareholders from HK\$56.4 million for the Previous Year to HK\$1.1 million for the Year.

The decrease in the Group's interest expense was mainly attributable to the reduction of interest rates and gradual repayment of the debts of the Group.

The Group's total liabilities were HK\$216.8 million as at 31st March 2003 and HK\$237.4 million as at 31st March 2004. During the Year, taking the advantage of the low interest rates, the Group has been shifting some short term financing to longer term to better match with the useful economic lives of the plant and equipment of the Group. The Group's gearing ratio⁽¹⁾ dropped from 1.39 as at 31st March 2003 to 0.80 as at 31st March 2004. The drop in the ratio was mainly attributable to the settlement of debts during the Year and the receipt of the net proceeds from the initial public offering on 9th April 2003.

Note:–

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



Segment information

Revenue from foundation works represented 67.8 per cent. (2003: 94.9 per cent.) of the Group's total turnover. The remaining 32.2 per cent. (2003: 5.1 per cent.) of turnover represented rental and sale of machinery and equipment.

Number and remuneration of employees, remuneration policies and bonus

The Group had about 115 (excluding directors) staff members as at 31st March 2004. The staff costs (excluding directors' emoluments) were HK\$31.3 million (2003: HK\$48.4 million).

Contracts

During the Year, all the Group's contracts are related to public sector foundation works. These included projects from Kowloon-Canton Railway Corporation, Highways Department, Hospital Authority and Architectural Services Department.



The Group also adopted a provident fund scheme for its employees in Hong Kong as required under the Mandatory Provident Fund Scheme 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 2004, the total assets of the Group was HK\$390.7 million which included HK\$263.8 million of fixed assets. The Group purchased HK\$14.3 million and disposed HK\$17.6 million of machinery and equipment during the Year.

As at 31st March 2004, current assets and current liabilities were HK\$126.7 million and HK\$142.9 million, respectively. As at 31st March 2003, current assets and current liabilities were HK\$50.7 million and HK\$143.0 million, respectively. The current ratio of the Group improved from 0.35 as at 31st March 2003 to 0.89 as at 31st March 2004.

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

In July 2004, the Group obtained a standby banking facility of HK\$30 million, which is secured by deposits from a related company controlled by a director of the Company. Given the current poor market conditions and severe competition in the construction market, this additional facility will allow the Group to maintain its financial flexibility to undertake more profitable and diverse projects in the future.



Contingent liabilities

As at 31st March 2004, the Group had contingent liabilities of HK\$6.2 million in respect of a number of litigation proceedings arising in the normal course of its business. These include both claims and counterclaims made by defendants of actions initiated by the Group. The Directors 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.

Exposure to foreign exchange fluctuation

The Group's major operation was transacted in Hong Kong dollars. Some of the plant and machinery and parts 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 record any material gain or loss due to the fluctuation of the currency exchange rates.

Charges on the Group's assets

The net book values of machinery and equipment held under finance leases amounted to HK\$135.1 million and fixed assets pledged for certain long-term loans amounted to HK\$55.9 million. Certain banking facilities were secured against bank deposits of HK\$43.7 million.





Expanded Capabilities

The directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2004.

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 prospectus of the Company dated 31st March 2003.

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

Principal activities

The principal activity of the Company is investment holding. The Group is principally engaged in foundation works, leasing and trading of machinery and equipment for foundation works. The principal activities of the subsidiaries are set forth in note 26 to the accounts.

An analysis of the Group's performance by business segment is set forth in note 3 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 ended 31st March 2004 (the "Year") are set forth in the consolidated profit and loss account on page 21.

The directors do not recommend the payment of a final dividend for the Year.



Fixed assets

Details of the movements in fixed assets of the Group and the Company are set forth in note 12 to the accounts.

Share capital

Details of the movements in share capital of the Company are set forth in note 19 to the accounts.

Reserves

Movements in the reserves of the Group and the Company during the Year are set forth in note 20 to the accounts.

Donations

Charitable and other donations made by the Group during the Year amounted to HK\$31,943.

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 sole shareholder passed on 25th March 2003. 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. 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.

As at 31st March 2004, the share options granted under the Scheme were still outstanding. No options were exercised, cancelled or lapsed during the Year.



The following are the particulars of outstanding options:

Name of the participant	Date of grant	No. of options outstandings as at 31st Mar 2004	Vesting period	Exercise period	Exercise price
Mr. Lau Chun Ming	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Lau Chun Kwok	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Lau Chun Ka	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Ms. Leung Lai So	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Hsu Kam Yee, Simon	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Chan Sun Kwong	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Chiu Kam Kun, Eric	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Dr. Lee Peng Fei, Allen	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Professor Wong Sue Cheun, Roderick	28th May 2003	500,000	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
		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 the exercise price per share of HK\$0.69 was estimated at HK\$0.047 using the Black-Scholes option pricing model. Value is estimated based on the risk-free rate of 2.11% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one year (from 9th April 2003 to 31st March 2004) period historical volatility of 0.022, assuming no dividend and an expected option life of 4 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 Year and up to the date of this report, none of the directors (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.

Directors

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

Mr. Lau Chun Ming
Mr. Lau Chun Kwok
Mr. Lau Chun Ka
Ms. Leung Lai So
Mr. Hsu Kam Yee, Simon
Mr. Chan Sun Kwong
Mr. Chiu Kam Kun, Eric[#]

(appointed on 24th December 2003)

Dr. Lee Peng Fei, Allen ^{**}
Professor Wong Sue Cheun, Roderick ^{**}
Mr. Chan Wai Dune ^{**}

(appointed on 20th May 2004)

[#] Non-executive director

^{**} Independent non-executive directors

In accordance with bye-laws 86 and 87 of the Company's bye-laws. Mr. Lau Chun Kwok, Mr. Hsu Kam Yee, Simon and Mr. Chan Wai Dune will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Each of Messrs. Lau Chun Ming, Lau Chun Kwok, Lau Chun Ka, Leung Lai So, Hsu Kam Yee, Simon has entered into a service agreement with the Company for a term of three years commencing from the Listing Date.

The board of directors of the Company has approved the request of Mr. Chiu Kam Kun, Eric to change his directorship from executive director to non-executive director with effect from 24th December 2003. He has been appointed for a term of one year commencing from the same date.

Dr. Lee Peng Fei, Allen and Professor Wong Sue Cheun, Roderick have been appointed for a term of one year commencing from the Listing Date. Mr. Chan Wai Dune has been appointed as the Company's independent non-executive director for an initial term of one year since 20th May 2004. Each of the appointments of independent non-executive director will continue respectively at the end of their one year initial appointment term until terminated either by the Company or themselves giving not less than three months' prior notice.

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

(a) Chairman and Managing Director

Mr. LAU Chun Ming, aged 61, 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.

(b) Executive Directors

Mr. LAU Chun Kwok, aged 52, 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 50, 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 57, 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. HSU Kam Yee, Simon, aged 49, joined the Group in 2001 and is an Executive Director. He is responsible for the business development, tendering and overall management of construction projects of the Group. He has worked for publicly listed construction and engineering companies in Hong Kong for 22 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 37, joined the Group in 2002 and 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. He has 19 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.

(c) Non-executive Director

Mr. CHIU Kam Kun, Eric, aged 45, is appointed as a Non-executive Director on 24th December 2003. He joined the Group in 2000 and has worked for major construction and engineering companies in Hong Kong for over 22 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.

(d) Independent Non-executive Director

Dr. LEE Peng Fei, Allen, CBE, BS, FHKIE, JP, aged 64, 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 59, 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.

Mr. CHAN Wai Dune, aged 51, was appointed on 20th May 2004 as an Independent Non-executive Director. He has over 22 years of experience in the finance sector, especially in auditing and taxation areas. He has served a number of committees of the Hong Kong Society of Accountants. He is also a member of the Executive Council of the China Overseas Friendship Association. He was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. He is a certified public accountant and is a fellow member of the Hong Kong Society of Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong.

Biographical details of senior management

Mr. YU Tak Kwong, aged 47, joined the Group in October 2001 and is the construction manager of the Group. He is responsible for the supervision of all foundation projects of the Group. He has over 22 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.

Mr. CHEUNG Man Kit, aged 50, joined the Group in 2001 and is the design and estimating manager of the Group. He is responsible for the design, estimating and tendering of foundation works contracts of the Group. He has worked for major foundation contractors in Hong Kong for over 20 years, specializing in foundation works of various nature.

Mr. LUI Ping Sum, aged 40, joined the Group in 2001 and is the plant manager of the Group. He is responsible for the maintenance and repair of all construction machinery and equipment owned by the Group. He has extensive knowledge and experience in various kinds of construction machinery and equipment for 13 years.

Mr. LEE Baldwin, aged 32, joined the Group in September 2003 and is the Group's Accounting Manager. He has over 10 years experience in public accountancy practice and in financial management with listed companies. He is an associate member of the Hong Kong Society of Accountants and a member of the American Institute of Certified Public Accountants.

Ms. McGILL Juliana Linda, aged 27, is the in-house counsel of the Group. She is responsible for all legal affairs of the Group. Prior to joining the Group in April 2004, she has over three years' experience in the legal and commercial field. She was a legal counsel from April, 2002 to April, 2003 in another listed Company in Hong Kong. She was admitted as a solicitor of the High Court of Hong Kong Special Administrative Region in 2002.

Mr. LAU Ho Tung, aged 29, is the company secretarial manager of the Group. He is responsible for company secretarial matters of the Group's subsidiaries. He holds a bachelor degree in law from the University of Birmingham in the UK. He is an associate of the Chartered Institute of Arbitrators in the UK and an associate of the Hong Kong Institute of Arbitrators. He is a son of Mr. Lau Chun Ming and Ms Leung Lai So.



Directors' interests in contracts

Other than the transactions as disclosed in note 25 to the accounts, no contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its holding company had a material interest, whether directly or indirectly, subsisted at 31st March 2004 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 (Note 1)	0.16%	Beneficial owner
Mr. Lau Chun Kwok	Long position 23,000,000 shares (Notes 1 & 2)	7.66%	Beneficial owner and interest of a controlled company
Mr. Lau Chun Ka	Long position 23,000,000 shares (Notes 1 & 3)	7.66%	Beneficial owner and interest of a controlled company
Ms. Leung Lai So	Long position 180,500,000 shares (Notes 1 & 4)	60.16%	Beneficial owner and beneficiary of a discretionary trust
Mr. Hsu Kam Yee, Simon	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Mr. Chan Sun Kwong	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Mr. Chiu Kam Kun, Eric	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Dr. Lee Peng Fei, Allen	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Professor Wong Sue Cheun, Roderick	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner

(b) Directors' interest in the associated corporations:

Name of director	Name of company	Number of shares	Approximate percentage of shareholding	Capacity
Ms. Leung Lai So	Actease 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 Actease 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 78.1 per cent. and 40.5 per cent. of the Group's turnover is attributable to the five largest customers and the largest customer respectively.

During the Year, approximately 71.9 per cent. of the Group's purchases were attributable to the Group's five largest suppliers and 20.5 per cent. of purchases for the year were attributable to the Group's largest supplier.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5.0 per cent. of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

Connected transactions

The following connected transactions were entered into by the Group during the Year:

(a) Leasing of property

On 22nd August 2003, Sam Woo Bore Pile Foundation Limited as tenant and Cheer Crown Limited as landlord had entered into a tenancy agreement ("Tenancy Agreement") for leasing of a property situated at land RP of Lot Nos. 1313 and 1317 in DD106, Yuen Long, New Territories, Hong Kong for open storage purpose for a term of 24 calendar months commencing from 1st August 2003 to 31st July 2005 (both days inclusive) at a monthly rent of HK\$90,000. The annual rental and aggregate rentals payable under the Tenancy Agreement are HK\$1,080,000 and HK\$2,160,000 respectively. The management fees, rates and Government rent, if any, in respect of the property shall be paid by the landlord.

Sam Woo Bore Pile Foundation Limited is the Company's wholly owned subsidiary whereas Cheer Crown Limited is wholly owned by Mr Lau Chun Ming. The board of directors of Cheer Crown Limited comprises Mr Lau Chun Ming, Mr Lau Chun Kwok and Sam Woo Ship Building Limited, a company owned by Mr Lau Chun Ming, Mr Lau Chun Kwok, Mr Lau Chun Ka and Ms Leung Lai So equally. Mr Lau Chun Ming, Mr Lau Chun Kwok, Mr Lau Chun Ka and Ms Leung Lai So are the executive directors of the Company and accordingly, the Tenancy Agreement made between Sam Woo Bore Pile Foundation Limited and Cheer Crown Limited constitutes a connected transaction for the Company under the Listing Rules.

The directors of the Company, including the independent non-executive directors, considered that the monthly rental of HK\$90,000 is a favorable market rent and the transaction is on normal commercial terms and fair and reasonable so far as the Company and its shareholders are concerned.

(b) Consultancy service

Consultancy fees were paid to companies in which Mr. Chan Sun Kwong and Mr. Chiu Kam Kun, Eric, directors of the Company, have beneficial interests in respect of their services provided to the Group, and were charged at monthly fees agreed by the parties involved.

The directors of the Company, including the independent non-executive directors, considered that the transaction is on normal commercial terms and fair and reasonable so far as the Company and its shareholders are concerned.

Pre-emptive rights

There are no provision for pre-emptive rights under the law of Bermuda of 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 the Listing Date 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 three independent non-executive directors, Dr. Lee Peng Fei, Allen, Professor Wong Sue Cheun, Roderick and Mr. Chan Wai Dune (appointed as a member of the committee on 20th May 2004). The Committee had held two meetings to review the internal control systems, annual results and interim results and provided recommendations to the Board of Directors for the Year.

Compliance with the Code of Best Practice of the Listing Rules

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

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, 23rd July 2004

Report of the Auditors

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 21 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 solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2004 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, 23rd July 2004

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

Hong Kong, 23rd July 2004

Franklin Lau Shiu Wai, Director
Practising Certificate number: P1886

Consolidated Profit and Loss Account

For the year ended 31st March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Turnover	2	137,083	202,950
Cost of sales		(101,044)	(113,549)
Gross profit		36,039	89,401
Other revenues	2	366	175
Other income		1,819	911
Administrative expenses		(26,673)	(15,202)
Operating profit	4	11,551	75,285
Finance costs	5	(6,437)	(8,425)
Profit before taxation		5,114	66,860
Taxation	6	(4,033)	(10,424)
Profit attributable to shareholders	11	1,081	56,436
Dividends	7	–	–
Earnings per share			
Basic	8	HK0.36cents	HK24cents

Consolidated Balance Sheet

As at 31st March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Fixed assets	12	263,773	283,592
Deferred tax assets	21	202	–
		263,975	283,592
Current assets			
Trade receivables	14	34,190	20,081
Deposits, prepayments and other receivables		3,494	6,757
Inventories		4,321	4,049
Amounts due from customers for contract works	15	26,826	15,059
Tax recoverable		961	–
Cash and bank balances			
Unrestricted		13,213	1,041
Restricted	17	43,682	3,682
		126,687	50,669
Current liabilities			
Trade payables	16	14,040	9,423
Accruals and other payables		5,816	5,785
Amounts due to customers for contract works	15	–	14
Taxation payable		–	466
Secured short-term bank loans	17	29,078	14,380
Current portion of long-term liabilities	17, 18	50,630	56,668
Bank overdrafts	17	43,331	56,241
		142,895	142,977
Net current liabilities		(16,208)	(92,308)
Total assets less current liabilities		247,767	191,284
Financed by:			
Share capital	19	30,000	23,250
Reserves	20	123,218	94,224
Shareholders' funds		153,218	117,474
Long-term liabilities	17, 18	57,146	40,349
Deferred taxation	21	37,403	33,461
		247,767	191,284

LAU Chun Ming
Director

CHAN Sun Kwong
Director

Balance Sheet

As at 31st March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Fixed assets	12	17	22
Subsidiaries	13	115,118	113,195
Current assets			
Prepayments		187	4,275
Bank balances	17	37,919	2
		38,106	4,277
Current liabilities			
Accruals		1,246	20
Net current assets		36,860	4,257
Net assets		151,995	117,474
Financed by:			
Share capital	19	30,000	23,250
Reserves	20	121,995	94,224
Shareholders' funds		151,995	117,474

LAU Chun Ming
Director

CHAN Sun Kwong
Director

Consolidated Cash Flow Statement

For the year ended 31st March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	24(a)	27,010	21,908
Interest paid		(3,048)	(1,633)
Interest element of finance lease rental payments		(3,389)	(6,792)
Hong Kong profits tax paid		(1,720)	–
Net cash from operating activities		18,853	13,483
Cash flows from investing activities			
Purchase of fixed assets		(6,451)	(6,310)
Proceeds from disposals of fixed assets		1,745	10,605
Interest received		366	145
Net cash (used in)/from investing activities		(4,340)	4,440
Cash flows from financing activities			
	24(b)		
Issue of ordinary shares		45,225	–
Share issue expenses		(10,562)	–
Capital element of finance lease payments		(60,339)	(69,692)
Refinancing of equipment		6,357	–
Drawdown of long-term bank loans		65,140	2,500
Repayment of long-term bank loans		(9,950)	(2,815)
Net increase in short-term bank loans		14,698	14,380
Increase in restricted bank balances		(40,000)	(3,682)
Repayment from related companies and immediate holding company		–	39,445
Dividends paid		–	(72,612)
Net cash from/(used in) financing activities		10,569	(92,476)
Increase/(decrease) in cash and cash equivalents		25,082	(74,553)
Cash and cash equivalents at beginning of the year		(55,200)	19,353
Cash and cash equivalents at end of the year		(30,118)	(55,200)
Analysis of balances of cash and cash equipments:			
Cash and bank balances, unrestricted		13,213	1,041
Bank overdrafts		(43,331)	(56,241)
		(30,118)	(55,200)

Consolidated Statement of Changes in Equity

For the year ended 31st March 2004

	<i>Note</i>	2004 HK\$'000	2003 HK\$'000
Total equity at beginning of the year		117,474	61,038
Profit attributable to shareholders		1,081	56,436
Issue of shares upon initial public offering	19	6,750	–
Premium on issue of shares	20	38,475	–
Share issue expenses		(10,562)	–
Total equity at end of the year		153,218	117,474

1 Principal accounting policies

(a) 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 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.

In the current year, the Group adopted Statement of Standard Accounting Practice (“SSAP”) 12 (revised) “Income taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003. The adoption of SSAP 12 (revised) has had no significant effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been made.

(b) Consolidation

The consolidated accounts included the accounts of the Company and its subsidiaries made up to 31st March. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of members on the board of directors; or to cast majority of votes at meetings of the board of directors.

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.

1 Principal accounting policies *(continued)*

(c) 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.

(d) 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.

1 Principal accounting policies *(continued)*

(d) Assets under leases *(continued)*

(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.

(e) 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.

(f) 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.

(g) 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.

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.

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.

1 Principal accounting policies *(continued)*

(h) Provision

Provision is 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.

(i) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In prior year, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future.

(j) 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.

(k) Revenue recognition

Revenue from contracting work is recognised based on the stage of completion of the contracts as detailed in note 1(g) 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.

1 Principal accounting policies *(continued)*

(l) 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 rates of exchange ruling at that date. All exchange differences arising are dealt with in the profit and loss account.

(m) 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.

(n) 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 mainly exclude cash and bank balances and corporate assets. Segment liabilities comprise operating liabilities and mainly exclude items such as taxation, bank overdrafts and corporate liabilities. Capital expenditure comprised additions to fixed assets.

(o) 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.

Notes to the Accounts

2 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:

	2004 HK\$'000	2003 HK\$'000
Turnover		
Revenue from foundation works	85,871	188,566
Rental of machinery and equipment	7,095	4,028
Sale of machinery and equipment	44,117	10,356
	137,083	202,950
Other revenues		
Interest income	366	145
Maintenance service income	-	30
	366	175
	137,449	203,125

Notes to the Accounts

3 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 2004			
Turnover	92,966	44,117	137,083
Segments results	4,285	18,913	23,198
Interest income			366
Unallocated expenses			(12,013)
Operating profit			11,551
Finance costs			(6,437)
Taxation			(4,033)
Profit attributable to shareholders			1,081
As at 31st March 2004			
Segment assets	318,444	13,956	332,400
Unallocated assets			58,262
Total assets			390,662
Segment liabilities	147,687	7,777	155,464
Unallocated liabilities			81,980
Total liabilities			237,444
Year ended 31st March 2004			
Capital expenditure	16,002	–	16,002
Depreciation	24,627	7	24,634
Provision for doubtful debts	652	79	731

Notes to the Accounts

3 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 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

Notes to the Accounts

3 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.

4 Operating profit

	2004 HK\$'000	2003 HK\$'000
Operating profit is stated after crediting:		
Gain on disposal of fixed assets	10	164
and after charging:		
Cost of inventories sold	21,703	9,062
Staff costs, excluding directors' emoluments	31,344	48,430
Auditors' remuneration	750	680
Depreciation		
Owned fixed assets	13,750	7,300
Leased fixed assets	10,884	17,218
Operating lease rentals in respect of land and buildings	2,191	2,692
Provision for doubtful debts	731	–

5 Finance costs

	2004 HK\$'000	2003 HK\$'000
Interest		
Bank loans and overdrafts	3,048	1,633
Finance leases	3,389	6,792
	6,437	8,425

Notes to the Accounts

6 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current	293	466
Deferred (note 21)	463	9,958
Change in opening net deferred tax liabilities resulting from an increase in tax rate (note 21)	3,277	–
	4,033	10,424

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the statutory taxation rate due to the following:

	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	5,114	66,860
Calculated at statutory rate of 17.5% (2003: 16%)	895	10,698
Income not subject to taxation	(608)	(139)
Expenses not deductible for taxation purposes	324	14
Tax losses not recognised	98	240
Utilisation of previously unrecognised tax losses	(245)	–
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	3,277	–
Others	292	(389)
Taxation charge	4,033	10,424

7 Dividends

The directors do not recommend the payment of dividend in respect of the year ended 31st March 2004 (2003: Nil).

8 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$1,081,000 (2003: HK\$56,436,000) and the weighted average number of 298,705,479 (2003: 232,500,000) ordinary shares in issue during the year.

No diluted earnings per share is presented as the share options had no dilutive effect on the earnings per share for the year. The Company had no dilutive potential shares for the year ended 31st March 2003.

9 Emoluments for directors and highest paid individuals

(a) Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Fees	480	–
Salaries, allowances and benefits in kind	5,400	2,387
Retirement benefits scheme contributions	108	96
	5,988	2,483

No directors of the Company waived any emoluments during the year. Fees paid to independent non-executive directors during the year amounted to HK\$480,000 (2003: Nil).

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

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	5	8
HK\$1,000,001 to HK\$1,500,000	4	1
	9	9

9 Emoluments for directors and highest paid individuals *(continued)*

(b) Five highest paid individuals

The five highest paid individuals included five directors (2003: one), details of whose emoluments are included in the above. The emoluments of the remaining highest paid individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and allowances	-	2,061
Retirement benefits scheme contributions	-	48
	-	2,109

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

	Number of individuals	
	2004	2003
Nil to HK\$1,000,000	-	4

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.

10 Retirement benefit schemes

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 their gross earnings with a ceiling of HK\$1,000 per month to the MPF scheme. Retirement benefit costs during the year amounted to HK\$1,160,000 (2003: HK\$1,898,000).

11 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\$142,000 (2003: loss of HK\$93,000).

Notes to the Accounts

12 Fixed assets

Group	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 31st March 2003	370,675	1,798	3,395	375,868
Additions	14,328	266	1,408	16,002
Reclassification from inventories	1,650	–	–	1,650
Reclassification to inventories	(14,630)	–	–	(14,630)
Disposals	(3,004)	(523)	(50)	(3,577)
At 31st March 2004	369,019	1,541	4,753	375,313
Accumulated depreciation				
At 31st March 2003	89,117	943	2,216	92,276
Charge for the year	23,729	288	617	24,634
Reclassification to inventories	(3,528)	–	–	(3,528)
Disposals	(1,347)	(490)	(5)	(1,842)
At 31st March 2004	107,971	741	2,828	111,540
Net book value				
At 31st March 2004	261,048	800	1,925	263,773
At 31st March 2003	281,558	855	1,179	283,592

Note: The net book values of machinery and equipment held under finance leases and pledged for certain long-term bank loans amounted to HK\$135,115,000 (2003: HK\$215,143,000) and HK\$55,865,000 (2003: HK\$2,938,000), respectively.

Notes to the Accounts

12 Fixed assets (continued)

Company	Furniture and fixtures HK\$'000
Cost	
At 1st April 2003 and at 31st March 2004	27
Accumulated depreciation	
At 1st April 2003	5
Charge for the year	5
At 31st March 2004	10
Net book value	
At 31st March 2004	17
At 31st March 2003	22

13 Subsidiaries

	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	117,567	117,567
Amounts due from subsidiaries	3,403	200
Amounts due to subsidiaries	(5,852)	(4,572)
	115,118	113,195

Details of principal subsidiaries are set out in note 26 to the accounts.

The amounts receivables and payables are unsecured, interest free and have no fixed terms of repayment.

14 Trade receivables

Receivables in respect of contracting work in progress are under credit terms of around one month after the issuance of architects' certificates. Retention held by customers for contract works included in trade receivables amounted to HK\$16,169,000 (2003: HK\$12,796,000). The aging analysis of the remaining trade receivables is as follows:

	2004 HK\$'000	2003 HK\$'000
0 to 90 days	15,130	5,758
91 to 180 days	2,071	770
181 to 365 days	636	742
More than one year	184	15
	18,021	7,285

15 Contracting work in progress

	2004 HK\$'000	2003 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	526,402	492,511
Progress billings to date	(499,576)	(477,466)
	26,826	15,045
Represented by:		
Amounts due from customers for contract works	26,826	15,059
Amounts due to customers for contract works	-	(14)
	26,826	15,045

The Company has made certain claims to a main contractor in respect of work carried out in bore piling contract. Such claims are disputed by the main contractor, and an arbitration process has been commenced. As at the date of approval of these accounts, the outcome of the arbitration is still not known. The above contracting work in progress balance includes an amount of HK\$7,099,000 in relation to these claims, representing the minimum amount which, in the opinion of the directors, can be recovered, having taken into consideration the advice from the Group's legal counsel.

16 Trade payables

Retention payable included in trade payables amounted to HK\$187,000 (2003: HK\$295,000). The ageing analysis of the remaining trade payables is as follows:

	2004 HK\$'000	2003 HK\$'000
0 to 90 days	11,660	4,126
91 to 180 days	255	722
181 to 365 days	789	2,396
More than one year	1,149	1,884
	13,853	9,128

17 Banking facilities

As at 31st March 2004, the Group's banking facilities totaling approximately HK\$144,521,000 were secured by the following:

- (a) Bank deposits of the Group totaling HK\$43,682,000.
- (b) Certain machinery and equipment of the Group (note 12).
- (c) Corporate guarantee given by the Company and two subsidiaries for an amount of HK\$35,000,000 in aggregate.
- (d) Cross guarantee for HK\$17,000,000 among two of the subsidiaries.

Subsequent to the year end, the Group has obtained a standby facility of HK\$30,000,000 from a bank for one year from 5th July 2004 which was secured by bank deposits of a related company controlled by a director of the Company.

Notes to the Accounts

18 Long-term liabilities

	2004 HK\$'000	2003 HK\$'000
Bank loans, secured (<i>note (a)</i>)	58,397	3,207
Obligations under finance leases (<i>note (b)</i>)	49,379	93,810
Wholly repayable within five years	107,776	97,017
Less: amounts due within one year included under current liabilities	(50,630)	(56,668)
	57,146	40,349

Notes:

(a) The Group's bank loans are repayable as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	21,353	1,204
In the second year	24,321	1,233
In the third to fifth years	12,723	770
	58,397	3,207

Interest is charged on the balances at rates ranging from 1.75% above HIBOR to 2% above Hong Kong prime rate. Details of security and guarantee are given in note 17.

(b) Obligations under finance leases are payable within the following periods:

	Present value		Minimum payment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	29,277	55,464	30,742	60,574
In the second year	14,752	24,366	15,290	25,749
In the third to fifth years	5,350	13,980	5,421	14,448
	49,379	93,810	51,453	100,771
Finance charges			(2,074)	(6,961)
			49,379	93,810

Interest is charged on the outstanding balances of finance leases at rates ranging from 2.75% per annum to 1% above Hong Kong prime rate. The finance leases are secured by certain of the Group's machinery and equipment.

Notes to the Accounts

19 Share capital

	2004 HK\$'000	2003 HK\$'000
Authorised:		
1,000,000,000 shares of HK\$0.1 each	100,000	100,000
Ordinary shares of HK\$0.1 each		
	Number of shares	HK\$'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 a</i>)	2	–
Issue of shares upon a reorganisation (<i>note b</i>)	249,998	125
Capitalisation issue (<i>note c</i>)	231,250,000	23,125
At 31st March 2003	232,500,000	23,250
Issue of shares upon initial public offering (<i>note d</i>)	67,500,000	6,750
At 31st March 2004	300,000,000	30,000

- (a) The Company was incorporated on 26th June 2002 with an authorised share capital of HK\$100,000 dividend into 1,000,000 shares of HK\$0.10 each, all of which were allotted and issued nil-paid on 9th August 2002. Pursuant to the 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 additional 999,000,000 shares of HK\$0.10 each. On 28th March 2003, two additional shares were allotted and issued nil paid.
- (b) On 28th March 2003, the Company acquired the entire issued share capital of Sam Woo Group Limited, in consideration of and in exchange for which the Company (i) allotted and issued 249,998 new shares of HK\$0.10 each and (ii) credited as fully paid the originally nil-paid shares as mentioned in (a) above.
- (c) Also on 28th March 2003, 231,250,000 shares of HK\$0.1 each were issued at par as fully paid to the then shareholders by way of capitalisation of the sum of HK\$23,125,000 standing to the contributed surplus of the Company.
- (d) 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 excess of the proceeds over the par value of the shares issued was credited to the share premium account.

Pursuant to a resolution of the sole shareholder passed on 25th March 2003, the Share Option Scheme was approved and adopted. On 28th May 2003, options to subscribe for 4,500,000 ordinary shares of the Company were granted to the directors. The grantees are entitled to exercise their options at a price of HK\$0.69 per share during the period from 28th May 2004 to 27th May 2007. No options have been exercised by the grantees during the year.

20 Reserves

Group

	Share premium	Merger reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
Profit attributable to shareholders	–	–	1,081	1,081
Premium on issue of shares	38,475	–	–	38,475
Share issue expense	(10,562)	–	–	(10,562)
At 31st March 2004	27,913	(12,974)	108,279	123,218

Company

	Share premium	Contributed surplus	Accumulated loss	Total
	HK\$'000	<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
Loss for the year	–	–	(142)	(142)
Premium on issue of shares	38,475	–	–	38,475
Share issue expense	(10,562)	–	–	(10,562)
At 31st March 2004	27,913	94,317	(235)	121,995

Notes:

- (a) The surplus arising on issue of shares in exchange for shares in a subsidiary arose as a result of a reorganisation which took place in 2003 and represents the excess of the consolidated net asset value of the subsidiary 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. Accordingly, the total distributable reserves amounted to HK\$94,082,000.

21 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2003: 16%). The movement on the net deferred tax liabilities is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
At beginning of the year	33,461	23,503
Deferred taxation charged to profit and loss account (<i>note 6</i>)	3,740	9,958
At end of the year	37,201	33,461

The movements in deferred tax liabilities and assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Accelerated depreciation allowances	
	2004	2003
	HK\$'000	HK\$'000
Deferred tax liabilities		
At beginning of the year	35,336	32,135
Charged to profit and loss account	5,396	3,201
At end of the year	40,732	35,336

	Tax losses	
	2004	2003
	HK\$'000	HK\$'000
Deferred tax assets		
At beginning of the year	(1,875)	(8,632)
(Credited)/charged to profit and loss account	(1,656)	6,757
At end of the year	(3,531)	(1,875)

21 Deferred taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	(202)	–
Deferred tax liabilities	37,403	33,461
	37,201	33,461

Deferred tax assets are recognised for tax losses carried forward and deductible temporary differences to the extent that realisation of the related tax benefit through future taxable profits is probable. Details of unrecognised temporary differences as at the end are as follows:

	2004 HK\$'000	2003 HK\$'000
Accelerated depreciation allowances	–	24
Unutilised tax losses	(819)	(1,675)
	(819)	(1,651)

There is no expiry for the above temporary differences.

22 Operating lease commitments

The future aggregate minimum lease rental expenses in respect of land and buildings under non-cancellable operating leases are payable in the following periods:

	2004 HK\$'000	2003 HK\$'000
Within one year	1,468	750
In the second to fifth years inclusive	375	151
	1,843	901

23 Contingent liabilities

As at 31st March 2004, the Group had contingent liabilities of approximately HK\$6.2 million (2003: HK\$6.1 million) in respect of a number of litigation processings 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 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.

24 Notes to consolidated cash flow statement

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

	2004	2003
	HK\$'000	HK\$'000
Operating profit	11,551	75,285
Interest income	(366)	(145)
Depreciation	24,634	24,518
Gain on disposal of fixed assets	(10)	(164)
Provision for doubtful debts	731	–
Cash flow from operations before working capital changes	36,540	99,494
(Increase)/decrease in trade receivables	(14,840)	32,675
Decrease/(increase) in deposits, prepayments and other receivables	3,263	(3,317)
Decrease in inventories	9,180	6,717
Increase in contracting work in progress	(11,781)	(95,306)
Increase/(decrease) in trade payables	4,617	(13,194)
Increase/(decrease) in accruals and other payables	31	(5,161)
Net cash generated from operations	27,010	21,908

Notes to the Accounts

24 Notes to consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

	Amounts due (from)/to related						
	Share capital and share premium HK\$'000	companies and immediate holding company HK\$'000	Short-term bank loans HK\$'000	Secured long-term bank loans HK\$'000	Obligations under finance leases HK\$'000	Restricted bank balances HK\$'000	Dividend payable HK\$'000
At 31st March 2002	23,250	(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 ¹	-	-	-	-	5,296	-	-
Dividend paid	-	-	-	-	-	-	(72,612)
At 31st March 2003	23,250	-	14,380	3,207	93,810	(3,682)	-
Cash inflow/(outflow)							
from financing	34,663	-	14,698	55,190	(53,982)	(40,000)	-
Inception of new finance leases ¹	-	-	-	-	9,551	-	-
At 31st March 2004	57,913	-	29,078	58,397	49,379	(43,682)	-

¹ Non-cash transactions

25 Related party transactions

During the year, apart from those disclosed elsewhere in the accounts, the following significant transactions with related companies had taken place:

	2004	2003
	HK\$'000	HK\$'000
<i>Received and receivable from related parties:</i>		
Maintenance income from Sam Woo Ship Building Limited	-	30
Disposal of fixed assets to Sam Woo Ship Building Limited	-	1,217
<i>Paid and payable to related parties:</i>		
Rental expense to Cheer Crown Limited (<i>note (a)</i>)	1,041	1,197
Consultancy fee paid to various companies (<i>note (b)</i>)	1,714	2,057
Rental expense to Nice Rainbow Investment Limited	-	300
Inventories purchased from Mr. Lau	-	94

Notes:

- (a) Rental expenses are based on the tenancy agreement entered into between the parties involved with reference to market rates of similar properties.
- (b) Consultancy fees were paid to companies in which Mr. Chan Sun Kwong and Mr. Chiu Kam Kun, Eric, directors of the Company, have beneficial interests in respect of their services provided to the Group, and were charged at monthly fees agreed by the parties involved.

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.

26 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 and trading of machinery and equipment for foundation works
Sam Woo Civil Works Limited	2 shares of HK\$1 each	Inactive
Sam Woo Finance Limited	2 shares of HK\$1 each	Inactive
Sam Woo Foundation Limited	2 shares of HK\$1 each	Inactive
Sam Woo Group (Holdings) Limited	10,000 shares of HK\$1 each	Inactive

27 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.

28 Approval of accounts

The accounts were approved by the board of directors on 23rd July 2004.

Five year financial summary

	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Turnover	137,083	202,950	450,146	259,262	80,000
Profit before taxation	5,114	66,860	63,155	80,038	13,600
Taxation	(4,033)	(10,424)	(10,421)	(8,850)	(1,703)
Profit attributable to shareholders	1,081	56,436	52,734	71,188	11,897
Dividends	–	–	72,612	–	–
Assets and liabilities					
Total assets	390,662	334,261	440,305	344,292	172,634
Total liabilities	237,444	216,787	379,267	263,376	162,906
Net assets	153,218	117,474	61,038	80,916	9,728

The financial summary of the Group for the years ended 31st March 2000, 2001, 2002 and 2003 have been prepared on the basis that the structure and business activities of the Group immediately after a reorganisation which took place in March 2003 had been in existence throughout the years presented.

Corporate Information

Directors

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

Non-executive Directors

** *Independent non-executive Directors*

Company Secretary

Mr. CHAN Sun Kwong

Legal Advisers to the Company

Wilkinson & Grist

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

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Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong

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Hong Kong

Principal Share Registrar and Transfer Office

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