

Chairman's Statement

The financial year 2004/05 was another difficult year for the Group as the construction market in Hong Kong continued to weaken. The gross value of construction works at both public and private sites in year 2004 recorded double-digit percentage decline from the previous year. Contrary to the excess capacity in the construction market locally, prices of essential construction materials, including steel, concrete, fuel and lubricant, escalated further in 2004 due to high global demand and speculation. Combination of the above factors significantly impaired the profitability of construction projects.

Management was conscious of the difficulties faced by the Group and started to reposition the Group's business into different areas with more favourable prospects, a process of diversification and transformation which began in the last and continued into the current financial year. Instead of competing for unprofitable construction projects, management now places focus on the business of construction machinery trading, specialized marine foundation projects and exploring potential marine engineering and ocean transport

Chairman's Statement (cont'd)



ventures. While the most essential task for the Group is to promptly establish a stable revenue stream through diversification and specialization, cost control measures are also being administered in order to maintain the financial strength of the Group during the period of transition. In fact, the performance of the Group in the second half of the financial year has already demonstrated significant improvement from first half of the year, attributable to the collection of variation works of certain completed contracts which was previously not recognised. More detailed discussion on the Group's performance is presented in the Management Discussion and Analysis section of this report.



The construction industry is expected to recover gradually following the pick-up of the local property market and the demand for infrastructure to support the rapid development of the Pan-Pearl River Delta. Moreover, the flourishing leisure-entertainment-gamble industry both locally and in Macau is already creating great demand in tourist facilities, such as accommodation and entertainment venues and transportation facilities. The Group is actively seeking and foresees many opportunities to undertake businesses brought on by the vigorous growth in the Pearl River region, not only in foundation construction, but also peripheral commercial opportunities with its expertise in a diversified scope of operations.

To conclude, the Group has successfully overcome the most difficult times and its transformation is expected to finalize in the current year and bring about bright prospects in the near future for its shareholders and business associates. I would like to thank fellow members of the Board, staff members and business partners for their hard work and continuous support at the hardest moments and throughout the years.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

The Group recorded a turnover of HK\$62.5 million and a gross profit of HK\$1.2 million for the financial year ended 31st March 2005 (the "Year") as compared to a turnover of HK\$137.1 million and gross profit of HK\$36.0 million for the year ended 31st March 2004 (the "Previous Year"). The drop in turnover was resulted from the continuous contraction of the construction market. The drop in gross profit for the Year was mainly attributable to the sharp increase in prices of construction materials, including petroleum products and steel which prices has risen by 50% in the past year and had watered down the gross margin, and the incurrence of fixed costs, such as depreciation and equipment maintenance.

Management Discussion and Analysis (cont'd)

To cope with the tough operating conditions, cost control measures had been strengthened to conserve resources, which yielded a saving of over 14% in administrative expenses for the Year.

The Group recorded an operating loss of HK\$21.5 million for the Year as compared to a profit of HK\$11.6 million for the Previous Year. The operating loss is mainly attributable to the Group's nearly static business activities in the first half of the Year, which created a loss before taxation of HK\$34.2 million for the interim period ended 30th September 2004. The Group's results in the second half of the Year experienced improvement, primarily as a result of the collection of variation works of certain completed contracts which was previously not recognised, and the Group was able to recover part of the loss incurred during the first half of the Year.

CONSTRUCTION CONTRACTS

The keen competition in conventional land piling foundation business and high material costs had rendered the returns on such projects unattractive. Nevertheless, the Group had the advantage to exploit on its expertise in marine engineering and construction and successfully contracted for the marine piling section of a multi-phase urban infrastructure project in the second half of the Year. Given its requirement for higher level of technical difficulties and corresponding capital resources, the marine contract is expected to provide the Group with a reasonable level of return. The Group is confident in attaining further appointments in subsequent phases of the extensive project with our many competitive advantages over other contenders.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

The Group's total assets and net assets as at 31st March 2005 amounted to HK\$326.0 million (2004: HK\$390.7 million) and HK\$131.0 million (2004: HK\$153.2 million) respectively.

Management Discussion and Analysis (cont'd)



As at 31st March 2005, the Group had cash and bank balances of HK\$50.6 million (2004: HK\$56.9 million) and total borrowings of HK\$148.9 million (2004: HK\$180.2 million). Current portion of long term borrowings, short term bank loans and bank overdrafts as at 31st March 2005 amounted to HK\$129.2 million (2004: HK\$123.0 million). The Group's gearing ratio, calculated by dividing the Group's net borrowings by total equity, was 0.75 at the end of the Year. Interest on the Group's borrowings was mainly on floating rate basis.

Management is closely monitoring the level of debts becoming due in the short term and has already taken measures to alleviate the pressure on the Group's cash flow. Considerable efforts was spent to recoup payments for variation works done, with which the Company has successfully obtained settlement for completed projects from several customers during the Year and up to this date. Management is confident that favourable progress will be achieved on the collection from other remaining completed projects in the foreseeable future.

Furthermore, management has been continuously pursuing businesses in the trading of equipment and machinery, which will serve to provide streams of cash inflow and lessen both the short and long term financial burden of the Group. A steady pattern in equipment sales has been achieved in the last few months and is expected to further develop in the coming year.

A substantial shareholder of the Company has also expressed intention to provide sufficient financial resources to the Group so as to enable it to meet its liabilities as they fall due and to carry on its business without significant curtailment of operations in the foreseeable future.

EXPOSURE TO FOREIGN EXCHANGE FLUCTUATION

The Group's borrowings are denominated and operations are conducted mainly in local currency and United State dollars and have minimal exposure to foreign exchange fluctuations.

CHARGES ON THE GROUP'S ASSETS

The net book value of machinery and equipment held under finance leases amounted to HK\$79.7 million and fixed assets pledged for certain long terms loans amounted to HK\$43.4 million. Certain banking facilities were secured by bank deposits of HK\$46.6 million.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES AND BONUS

The Group has about 59 (excluding directors) staff members as at 31st March 2005 and provides competitive remuneration packages to employees which commensurate with individual job nature and performance.

The Group adopted a share option scheme as incentives to eligible persons for their contribution to the Group. Details of the scheme are set out under separate heading in this report.

CONTINGENT LIABILITIES

Contingent liabilities of the Group are disclosed in note 23 to the accounts.



Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st March 2005.

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 2005 (the "Year") are set forth in the consolidated profit and loss account on page 21.

The directors do not recommend the payment of a 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\$34,730.

SHARE OPTIONS 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 9th April 2003 (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 2005, all the share options granted under the Scheme were still outstanding. No options were exercised, cancelled or lapsed during the Year.



Report of the Directors (cont'd)

The following are the particulars of outstanding options:

Name of the participant	Date of grant	No. of options outstanding as at 31st March 2005	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			

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, Eric¹

Dr. Lee Peng Fei, Allen²

Professor Wong Sue Cheun, Roderick²

Mr. Chan Wai Dune² (*appointed on 20th May 2004*)

¹ *Non-executive director*

² *Independent non-executive directors*

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. His appointment will continue at the end of the initial one year term until terminated by either party giving not less than three months' prior notice.

In accordance with bye-law 87 of the Company's bye-laws, Mr. Lau Chun Ka, Mr. Chiu Kam Kun, Eric, and Professor Wong Sue Cheun, Roderick will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

SERVICE CONTRACTS OF DIRECTORS

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 62, 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 53, 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 51, 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, he has been responsible for the maintenance of machinery and equipment of the Group. During the last 15 years, he has concentrated on the overall management of maintenance and repair of construction machinery and equipment. He is a brother of Mr. Lau Chun Ming and Mr. Lau Chun Kwok.

Ms. LEUNG Lai So, aged 58, 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 50, 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 23 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 38, 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 20 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 Institute of Certified Public Accountants.

(c) Non-executive Director

Mr. CHIU Kam Kun, Eric, aged 46, is a Non-executive Director. He joined the Group in 2000 and has been working for major construction and engineering companies in Hong Kong for over 24 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 65, 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 60, 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 Chevalier dans l'Ordre National de la Légion d'Honneur of France. Currently, he is the Dean of Research and Graduate Studies at the City University of Hong Kong.

Mr. CHAN Wai Dune, aged 52, was appointed on 20th May 2004 as an Independent Non-executive Director. He has over 24 years of experience in the finance sector, particularly in auditing and taxation areas. He is currently a member of CPPCC of Guangzhou Municipal Committee and a member of the Executive Council of 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 Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong.

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT

Mr. CHEUNG Man Kit, aged 51, 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 41, 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 14 years.

Mr. LEE Baldwin, aged 33, 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 Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

Ms. MCGILL Juliana Linda, aged 28, 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 30, 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' INTEREST 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 or its holding company had a material interest, whether directly or indirectly, subsisted at 31st March 2005 or at any time during the Year then ended.

DISCLOSURE OF INTEREST 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>Notes 1 & 5</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. 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
Mr. Chiu Kam Kun, Eric	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

Report of the Directors (cont'd)

(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	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
<i>Notes:</i>				
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.			
5.	Mr. Lau Chun Ming's interest does not include the 60.16% interest of his spouse, Ms. Leung Lai So, in the Company.			

DISCLOSURE OF INTEREST 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 business of the Company were entered into or existed during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, approximately 90.1 per cent. and 53.6 per cent. of the Group's turnover was attributable to the five largest customers and the largest customer respectively.

During the Year, approximately 93.1 per cent. and 29.5 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 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, certain details of which are disclosed in accordance with Chapter 14A of the Listing Rules.

(a) Leasing of storage property

On 22nd August 2003, Sam Woo Bore Pile Foundation Limited as tenant and Cheer Crown Limited as landlord entered into a tenancy agreement ("Tenancy Agreement") for leasing of certain property 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 in respect of the property, if any, shall be paid by the landlord.

Sam Woo Bore Pile Foundation Limited is a wholly owned subsidiary of the Company whereas Cheer Crown Limited is wholly owned and controlled by Mr. Lau Chun Ming, a director of the Company.

The directors of the Company, including the independent non-executive directors, considered that the transaction was in the ordinary and usual course of business of the Group, on normal commercial terms and fair and reasonable so far as the Company and its shareholders are concerned.

(b) Consultancy services

Consultancy fees were paid to companies in which Mr. Chan Sun Kwong and Mr. Chiu Kam Kun, Eric, directors of the Company, have interests for their services provided to the Group, which were charged at monthly fees agreed amongst the parties involved. The directors of the Company, including the independent non-executive directors, considered that the transaction was in the ordinary and usual course of business of the Group, on normal commercial terms and fair and reasonable so far as the Company and its shareholders are concerned.

Report of the Directors (cont'd)

(c) Hiring of vessels

On 25th January 2005, Sam Woo Bore Pile Foundation Limited as charterer and Sam Woo Ship Building Limited as owner entered into two vessel charter agreements ("Charter Agreements") for hiring of certain barges for construction project for a term of 12 calendar months commencing from January 2005 at a monthly total rent of HK\$350,000. The annual rental and aggregate rentals payable under the Charter Agreements are HK\$4,200,000.

Sam Woo Bore Pile Foundation Limited is a wholly owned subsidiary of the Company whereas Sam Woo Ship Building Limited is jointly owned and controlled by Mr. Lau Chun Ming, a director, and other directors and substantial shareholders, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So.

The directors of the Company, including the independent non-executive directors, considered that the transaction was in the ordinary and usual course of business of the Group, 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 or the Company's bye-laws in respect of the Company's share capital.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Year.

AUDIT COMMITTEE

The Company established an audit committee on 25th March 2003 in compliance with the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"). The audit committee comprises three independent non-executive directors, Dr. Lee Peng Fei, Allen, Professor Wong Sue Cheun, Roderick and Mr. Chan Wai Dune. Mr. Chan Wai Dune has been elected as chairman of the audit committee on and with effect from 11th July 2005. The primary duties of the audit committee are to review and supervise the financial reporting and internal control principles of the Group and to maintain an appropriate relationship with the Company's auditors.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 11th July 2005 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. Current members of the remuneration committee include the Company's three independent non-executive directors, Dr. Lee Peng Fei, Allen, Professor Wong Sue Cheun, Roderick and Mr. Chan Wai Dune. Dr. Lee Peng Fei, Allen has been elected as chairman of the remuneration committee on and with effect from 11th July 2005. The primary duties of the remuneration committee are to review and supervise the proper setting and execution of remuneration policies for the Company's directors and senior management.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company has been in compliance throughout the Year with the Code of Best Practice as set forth in Appendix 14 to the Listing Rules which was in force prior to 1st January 2005.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules based on information that is publicly available to the Company and within the knowledge of its directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules as its own code regarding securities transactions by directors of the Company and its subsidiaries and employees of the Group who are likely to be in possession of unpublished price-sensitive information of the Group.

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

Hong Kong, 22nd July 2005

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 Institute of Certified Public 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 2005 and of the loss 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, 22nd July 2005

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

Hong Kong, 22nd July 2005

Franklin Lau Shiu Wai, Director
Practising Certificate number: P1886

Consolidated Profit and Loss Account

For the year ended 31st March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	2	62,498	137,083
Cost of sales		(61,313)	(101,044)
Gross profit		1,185	36,039
Other revenue	2	239	366
Other income		871	1,819
Administrative expenses		(22,838)	(26,673)
Transfer to deferred income		(936)	–
Operating (loss)/profit	4	(21,479)	11,551
Finance costs	5	(5,492)	(6,437)
(Loss)/profit before taxation		(26,971)	5,114
Taxation credit/(charge)	6	4,797	(4,033)
(Loss)/profit attributable to shareholders		(22,174)	1,081
Dividends	7	–	–
(Loss)/earnings per share			
Basic	8	HK(7.39 cents)	HK0.36 cents

Consolidated Balance Sheet

As at 31st March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Fixed assets	12	226,822	263,773
Deferred tax assets	21	911	202
		227,733	263,975

Current assets			
Trade receivables	14	20,545	34,190
Deposits, prepayments and other receivables		1,598	3,494
Inventories		8,686	4,321
Amounts due from customers for contract works	15	16,115	26,826
Tax recoverable		710	961
Cash and bank balances			
Unrestricted		3,964	13,213
Restricted	17	46,600	43,682
		98,218	126,687

Current liabilities			
Trade payables	16	7,011	14,040
Accruals and other payables		5,184	5,816
Deferred income		936	–
Secured short-term bank loans	17	33,915	29,078
Current portion of long-term liabilities	17, 18	37,149	50,630
Bank overdrafts	17	58,135	43,331
		142,330	142,895

Net current liabilities		(44,112)	(16,208)

Total assets less current liabilities		183,621	247,767

Financed by:			
Share capital	19	30,000	30,000
Reserves	20	101,044	123,218
Shareholders' funds		131,044	153,218
Long-term liabilities	17, 18	19,750	57,146
Deferred taxation	21	32,827	37,403
		183,621	247,767

LAU Chun Ming
Director

CHAN Sun Kwong
Director

Balance Sheet

As at 31st March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Fixed assets	12	11	17
Deferred tax assets	21	82	–
		93	17
<hr style="border-top: 1px dashed black;"/>			
Subsidiaries	13	114,989	115,118
<hr style="border-top: 1px dashed black;"/>			
Current assets			
Prepayments		77	187
Bank balances	17	37,874	37,919
		37,951	38,106
Current liabilities			
Accruals		1,350	1,246
Net current assets		36,601	36,860
<hr style="border-top: 1px dashed black;"/>			
Net assets		151,683	151,995
<hr/>			
Financed by:			
Share capital	19	30,000	30,000
Reserves	20	121,683	121,995
Shareholders' funds		151,683	151,995
<hr/>			

LAU Chun Ming
Director

CHAN Sun Kwong
Director

Consolidated Cash Flow Statement

For the year ended 31st March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	24(a)	11,484	27,010
Interest paid		(3,947)	(3,048)
Interest element of finance lease rental payments		(1,545)	(3,389)
Hong Kong profits tax paid		(237)	(1,720)
Net cash from operating activities		5,755	18,853
Cash flows from investing activities			
Purchase of fixed assets		(86)	(6,451)
Proceeds from disposals of fixed assets		18,997	1,745
Interest received		239	366
Net cash from/(used in) investing activities		19,150	(4,340)
Cash flows from financing activities			
		24(b)	
Capital element of finance lease payments		(30,512)	(60,339)
Refinancing of equipment		5,940	6,357
Repayment of long-term bank loans		(26,305)	(9,950)
Drawdown of long-term bank loans		–	65,140
Net increase in short-term bank loans		4,837	14,698
Issue of ordinary shares		–	45,225
Share issue expenses		–	(10,562)
Increase in restricted bank balances		(2,918)	(40,000)
Net cash (used in)/from financing activities		(48,958)	10,569
(Decrease)/increase in cash and cash equivalents		(24,053)	25,082
Cash and cash equivalents at beginning of the year		(30,118)	(55,200)
Cash and cash equivalents at end of the year		(54,171)	(30,118)
Analysis of balances of cash and cash equivalents:			
Cash and bank balances, unrestricted		3,964	13,213
Bank overdrafts		(58,135)	(43,331)
		(54,171)	(30,118)

Consolidated Statement of Changes in Equity

For the year ended 31st March 2005

	2005 HK\$'000	2004 HK\$'000
Total equity at beginning of the year	153,218	117,474
(Loss)/profit attributable to shareholders	(22,174)	1,081
Issue of shares upon initial public offering	–	6,750
Premium on issue of shares	–	38,475
Share issue expenses	–	(10,562)
Total equity at end of the year	131,044	153,218

1 PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

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 Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(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.

(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

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Fixed assets and depreciation *(continued)*

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.

(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.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(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.

(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.

Notes to the Accounts

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.

2 TURNOVER AND REVENUE

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

	2005	2004
	HK\$'000	HK\$'000
Turnover		
Revenue from foundation works	16,149	85,871
Additional revenue from completed contracts	38,512	–
Rental of machinery and equipment	1,163	7,095
Sale of machinery and equipment	6,674	44,117
	62,498	137,083
Other revenue		
Interest income	239	366
	62,737	137,449

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 2005			
Turnover	55,824	6,674	62,498
Segment results	(14,541)	5,177	(9,364)
Interest income			239
Unallocated expenses			(12,354)
Operating loss			(21,479)
Finance costs			(5,492)
Taxation credit			4,797
Loss attributable to shareholders			(22,174)
As at 31st March 2005			
Segment assets	263,782	9,896	273,678
Unallocated assets			52,273
Total assets			325,951
Segment liabilities	102,487	108	102,595
Unallocated liabilities			92,312
Total liabilities			194,907
Year ended 31st March 2005			
Capital expenditure	86	–	86
Depreciation	23,666	7	23,673
Provision for doubtful debts	27	–	27

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 2004			
Turnover	92,966	44,117	137,083
Segment results	4,285	18,913	23,198
Interest income			366
Unallocated expenses			(12,013)
Operating profit			11,551
Finance costs			(6,437)
Taxation charge			(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)*

(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 (LOSS)/PROFIT

	2005 HK\$'000	2004 HK\$'000
Operating (loss)/profit is stated after crediting:		
Gain on disposal of fixed assets	5,633	10
and after charging:		
Cost of inventories sold	1,574	21,703
Staff costs, excluding directors' emoluments	16,442	31,344
Auditors' remuneration	700	750
Depreciation		
Owned fixed assets	16,651	13,750
Leased fixed assets	7,022	10,884
Operating lease rentals in respect of land and buildings	1,732	2,191
Provision for doubtful debts	27	731

5 FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest		
Bank loans and overdrafts	3,947	3,048
Finance leases	1,545	3,389
	5,492	6,437

6 TAXATION CREDIT/(CHARGE)

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

The amount of taxation credited/(charged) to the consolidated profit and loss account represents:

	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
Current	(488)	(293)
Deferred (<i>Note 21</i>)	5,285	(463)
Change in opening net deferred tax liabilities resulting from an increase in tax rate	–	(3,277)
	4,797	(4,033)

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

	2005 HK\$'000	2004 HK\$'000
(Loss)/profit before taxation	(26,971)	5,114
Calculated at statutory rate of 17.5% (2004: 17.5%)	4,720	(895)
Income not subject to taxation	3	608
Expenses not deductible for taxation purposes	(175)	(324)
Tax losses not recognised	(21)	(98)
Utilisation of previously unrecognised tax losses	71	245
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	–	(3,277)
Others	199	(292)
Taxation credit/(charge)	4,797	(4,033)

7 DIVIDENDS

The directors do not recommend the payment of dividend in respect of the year ended 31st March 2005 (2004: Nil).

8 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$22,174,000 (2004: profit of HK\$1,081,000) and the weighted average number of 300,000,000 (2004: 298,705,479) ordinary shares in issue during the year.

Diluted (loss)/earnings per share is not presented as the exercise of share options would have no dilutive effect on the (loss)/earnings per share for the years ended 31st March 2004 and 2005.

9 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	2005 HK\$'000	2004 HK\$'000
Fees	590	480
Salaries, allowances and benefits in kind	5,406	5,400
Retirement benefits scheme contributions	108	108
	6,104	5,988

No directors of the Company waived any emoluments during the year. Fees paid to independent non-executive directors during the year amounted to HK\$590,000 (2004: HK\$480,000).

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

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	6	5
HK\$1,000,001 to HK\$1,500,000	4	4
	10	9

(b) Five highest paid individuals

The five highest paid individuals included five directors (2004: five), details of whose emoluments are included in the above.

During the year, no emoluments were paid to any of the directors 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\$636,000 (2004: HK\$1,160,000).

11 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(Loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$312,000 (2004: loss of HK\$142,000).

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 2004	369,019	1,541	4,753	375,313
Additions	–	9	77	86
Disposals	(27,442)	(35)	(1,344)	(28,821)
At 31st March 2005	341,577	1,515	3,486	346,578
Accumulated depreciation				
At 31st March 2004	107,971	741	2,828	111,540
Charge for the year	22,932	291	450	23,673
Disposals	(15,150)	(34)	(273)	(15,457)
At 31st March 2005	115,753	998	3,005	119,756
Net book value				
At 31st March 2005	225,824	517	481	226,822
At 31st March 2004	261,048	800	1,925	263,773

Note: The net book values of machinery and equipment held under finance leases and pledged for certain long-term bank loans amounted to HK\$79,748,000 (2004: HK\$135,115,000) and HK\$43,433,000 (2004: HK\$55,865,000), respectively.

Notes to the Accounts

12 FIXED ASSETS *(continued)*

Company	Furniture and fixtures
	HK\$'000
Cost	
At 31st March 2004 and 2005	27
Accumulated depreciation	
At 31st March 2004	10
Charge for the year	6
At 31st March 2005	16
Net book value	
At 31st March 2005	11
At 31st March 2004	17

13 SUBSIDIARIES

	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	117,567	117,567
Amounts due from subsidiaries	–	3,403
Amounts due to subsidiaries	(2,578)	(5,852)
	114,989	115,118

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

The amounts receivables and payables are unsecured, carry interests at Hong Kong prime rate 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\$7,679,000 (2004: HK\$16,169,000). The aging analysis of the remaining trade receivables is as follows:

	2005	2004
	HK\$'000	HK\$'000
0 to 90 days	7,977	15,130
91 to 180 days	106	2,071
181 to 365 days	939	636
More than one year	3,844	184
	12,866	18,021

15 CONTRACTING WORK IN PROGRESS

	2005	2004
	HK\$'000	HK\$'000
Contract costs incurred plus attributable profits		
less foreseeable losses to date	565,350	526,402
Progress billings to date	(549,235)	(499,576)
	16,115	26,826
Represented by:		
Amounts due from customers for contract works	16,115	26,826

Notes to the Accounts

16 TRADE PAYABLES

Retention payable included in trade payables amounted to HK\$131,000 (2004: HK\$187,000). The aging analysis of the remaining trade payables is as follows:

	2005	2004
	HK\$'000	HK\$'000
0 to 90 days	5,063	11,660
91 to 180 days	33	255
181 to 365 days	19	789
More than one year	1,765	1,149
	6,880	13,853

17 BANKING FACILITIES

As at 31st March 2005, the Group's banking facilities totaling approximately HK\$132,592,000 were secured by the following:

- (a) Bank deposits of the Group amounting to HK\$46,600,000.
- (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\$141,089,000 in aggregate.
- (d) Cross guarantee for HK\$17,000,000 among two of the subsidiaries.
- (e) Personal guarantee for HK\$7,000,000 by a director of the Company.
- (f) Bank deposits of Cheer Crown Limited, a company beneficially owned by Mr. Lau Chun Ming, amounting to HK\$30,000,000.

18 LONG-TERM LIABILITIES

	2005 HK\$'000	2004 HK\$'000
Bank loans, secured (<i>Note (a)</i>)	32,092	58,397
Obligations under finance leases (<i>Note (b)</i>)	24,807	49,379
Wholly repayable within five years	56,899	107,776
Less: amounts due within one year included under current liabilities	(37,149)	(50,630)
	19,750	57,146

Notes:

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

	2005 HK\$'000	2004 HK\$'000
Within one year	20,875	21,353
In the second year	11,217	24,321
In the third to fifth years	–	12,723
	32,092	58,397

Interest is charged on the balances at rates ranging from 1.75% above HIBOR to 1% 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	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Within one year	16,274	29,277	17,079	30,742
In the second year	7,216	14,752	7,424	15,290
In the third to fifth years	1,317	5,350	1,343	5,421
	24,807	49,379	25,846	51,453
Finance charges			(1,039)	(2,074)
			24,807	49,379

Interest is charged on the outstanding balances of finance leases at rates ranging from 1.5% above HIBOR 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

	2005 HK\$'000	2004 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:		
At 31st March 2003	232,500,000	23,250
Issue of shares upon initial public offering	67,500,000	6,750
At 31st March 2004 and 2005	300,000,000	30,000

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. During the year, no option has been granted or cancelled under the Scheme and no option has been exercised by the grantees.

20 RESERVES

Group

	Share premium	Merger reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
Loss attributable to shareholders	–	–	(22,174)	(22,174)
At 31st March 2005	27,913	(12,974)	86,105	101,044

Company

	Share premium	Contributed surplus	Accumulated loss	Total
	HK\$'000	(note) HK\$'000	HK\$'000	HK\$'000
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
Loss for the year	–	–	(312)	(312)
At 31st March 2005	27,913	94,317	(547)	121,683

Note: 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 of the Company amounted to HK\$93,770,000 (2004: HK\$94,082,000).

Notes to the Accounts

21 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2004: 17.5%). The movement on the net deferred tax liabilities is as follows:

Group

	2005 HK\$'000	2004 HK\$'000
At beginning of the year	(37,201)	(33,461)
Deferred taxation credited/(charged) to profit and loss account	5,285	(3,740)
At end of the year	(31,916)	(37,201)

Company

	2005 HK\$'000	2004 HK\$'000
At beginning of the year	–	–
Deferred taxation credited to profit and loss account	82	–
At end of the year	82	–

21 DEFERRED TAXATION *(continued)*

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

Group

Deferred tax liabilities	Accelerated depreciation allowances	
	2005	2004
	HK\$'000	HK\$'000
At beginning of the year	(40,732)	(35,336)
Credited/(charged) to profit and loss account	2,729	(5,396)
At end of the year	(38,003)	(40,732)

Deferred tax assets	Tax losses	
	2005	2004
	HK\$'000	HK\$'000
At beginning of the year	3,531	1,875
Credited to profit and loss account	2,556	1,656
At end of the year	6,087	3,531

Company

Deferred tax assets	Tax losses	
	2005	2004
	HK\$'000	HK\$'000
At beginning of the year	–	–
Credited to profit and loss account	82	–
At end of the year	82	–

Notes to the Accounts

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.

Group

	2005 HK\$'000	2004 HK\$'000
Deferred tax assets	911	202
Deferred tax liabilities	(32,827)	(37,403)
	(31,916)	(37,201)

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. As at year end, the Group has unrecognised temporary differences arising from unutilized tax losses of HK\$150,000 (2004: HK\$819,000). There is no expiry for the 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:

	2005	2004
	HK\$'000	HK\$'000
Within one year	781	1,468
In the second to fifth years inclusive	178	375
	959	1,843

23 CONTINGENT LIABILITIES

As at 31st March 2005, the Group had contingent liabilities of approximately HK\$12.7 million (2004: HK\$6.2 million) in respect of a number of litigation processing 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.

An employees' compensation case has been lodged against certain subsidiaries of the Company subsequent to end of the year in respect of a fatal accident that happened during the year. No specific claim amount has been specified in the application submitted to the court. The case is still at its early stage and there is no reliable basis to quantify the losses, if any, which may arise as a result of the claim.

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 (loss)/profit to net cash generated from operations**

	2005	2004
	HK\$'000	HK\$'000
Operating (loss)/profit	(21,479)	11,551
Interest income	(239)	(366)
Depreciation	23,673	24,634
Gain on disposal of fixed assets	(5,633)	(10)
Provision for doubtful debts	27	731
Cash (used in)/from operations before working capital changes	(3,651)	36,540
Decrease/(increase) in trade receivables	13,618	(14,840)
Decrease in deposits, prepayments and other receivables	1,896	3,263
(Increase)/decrease in inventories	(4,365)	9,180
Decrease/(increase) in contracting work in progress	11,647	(11,781)
(Decrease)/increase in trade payables	(7,029)	4,617
(Decrease)/increase in accruals and other payables	(632)	31
Net cash generated from operations	11,484	27,010

(b) Analysis of changes in financing during the year

	Share capital and share premium	Short-term bank loans	Secured long-term bank loans	Obligations under finance leases	Restricted bank balances
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)
Cash inflow/(outflow)					
from financing	-	4,837	(26,305)	(24,572)	(2,918)
At 31st March 2005	57,913	33,915	32,092	24,807	(46,600)

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:

	2005 HK\$'000	2004 HK\$'000
<i>Paid and payable to related parties:</i>		
Rental expense to Cheer Crown Limited (<i>Note (a)</i>)	1,080	1,041
Hiring expense to Sam Woo Ship Building Limited (<i>Note (a)</i>)	905	–
Consultancy fee paid to various companies (<i>Note (b)</i>)	1,680	1,714

Notes:

- (a) Rental expense and hiring expense 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 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 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

Notes to the Accounts

26 SUBSIDIARIES (continued)

Company	Issued and fully paid ordinary share capital	Principal activities
<i>Incorporated in Hong Kong, indirectly held (continued)</i>		
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	Provision of financial service to Group companies
Sam Woo Foundation Limited	2 shares of HK\$1 each	Inactive
Sam Woo Group (Holdings) Limited	2 shares of HK\$1 each	Inactive
三和集團有限公司	1 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 22nd July 2005.

Five Year Financial Summary

	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Results					
Turnover	62,498	137,083	202,950	450,146	259,262
(Loss)/profit before taxation	(26,971)	5,114	66,860	63,155	80,038
Taxation	4,797	(4,033)	(10,424)	(10,421)	(8,850)
(Loss)/profit attributable to shareholders	(22,174)	1,081	56,436	52,734	71,188
Dividends	–	–	–	72,612	–
Assets and liabilities					
Total assets	325,951	390,662	334,261	440,305	344,292
Total liabilities	194,907	237,444	216,787	379,267	263,376
Net assets	131,044	153,218	117,474	61,038	80,916

The financial summary of the Group for the years ended 31st March 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

Liu Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation 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
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