

The directors present their report together with the audited financial statements of the Company and the Group for the year ended 31 March 2005.

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities of its subsidiaries consist of the provision of multi-disciplinary building services, comprising electrical engineering, water pumping and fire services, air-conditioning installation, plumbing and drainage, environmental engineering, extra low voltage systems engineering and project management, together with the trading of electrical and mechanical engineering materials and equipment. There were no significant changes in the nature of the Group's principal activities during the year.

### **RESULTS AND DIVIDENDS**

The Group's loss for the year ended 31 March 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 64.

The directors do not recommend the payment of any dividend in respect of the year (2004: Nil).

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **Business and operation review**

A review of the Group's business operations and prospects is included in the Chairman's Statement.

#### **Liquidity and financial resources**

The Group's cash and bank balances are mostly in Hong Kong dollars. The cash and bank deposit balances were approximately HK\$35.1 million as at 31 March 2005 (2004: HK\$36.9 million), which included pledged bank deposits of HK\$26.8 million (2004: HK\$26.8 million). The total bank borrowings were approximately HK\$46.9 million as at 31 March 2005 (2004: HK\$30.3 million), an increase of approximately HK\$16.6 million over last year. The increase in bank borrowings was mainly due to fund required for the Group's working capital. The total bank borrowings substantially comprised bank overdrafts and trust receipt loans at various interest rates. As at 31 March 2005, the gearing ratio, which represented the total bank borrowings to shareholders' fund, was approximately 71% (2004: 30%). As the Group's transactions are mostly settled in Hong Kong dollars, the use of financial instruments for hedging purposes is not considered necessary.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Treasury and funding policy**

The assets and liabilities of the Group are mainly denominated either in Hong Kong dollars or United States dollars. Accordingly, the Group has minimal exposure to foreign exchange fluctuation. However, the Group will closely monitor the overall currency and interest rate exposures. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

### **Pledge of assets**

As at 31 March 2005, certain of the Group's leasehold land and properties with a net book value of HK\$15.7 million (2004: HK\$16.1 million) and bank deposits of HK\$26.8 million (2004: HK\$26.8 million) were pledged to secure general banking facilities granted to the Group.

### **Employees and remuneration policy**

The Group employed approximately 260 employees as at 31 March 2005 (2004: 230). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefits scheme, medical insurance and educational subsidies to all eligible staff.

## SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

### RESULTS

	Year ended 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	<u>550,031</u>	<u>734,189</u>	<u>644,310</u>	<u>698,432</u>	<u>832,782</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(33,729)</u>	<u>1,805</u>	<u>(14,685)</u>	<u>(35,322)</u>	<u>(59,145)</u>

### ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
TOTAL ASSETS	<u>351,109</u>	<u>321,713</u>	<u>369,642</u>	<u>331,201</u>	<u>447,862</u>
TOTAL LIABILITIES	<u>(266,478)</u>	<u>(202,489)</u>	<u>(261,462)</u>	<u>(214,117)</u>	<u>(327,086)</u>
MINORITY INTERESTS	<u>(18,217)</u>	<u>(19,081)</u>	<u>(9,842)</u>	<u>(4,061)</u>	<u>(430)</u>
	<u>66,414</u>	<u>100,143</u>	<u>98,338</u>	<u>113,023</u>	<u>120,346</u>

### FIXED ASSETS

Details of the movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

### **SHARE CAPITAL**

Details of the movements in the Company's share capital during the year are set out in note 26 to the financial statements.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws in Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

### **RESERVES**

Details of the movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

### **DISTRIBUTABLE RESERVES**

At 31 March 2005, the Company's reserves available for distribution, calculated in accordance with the provision of the laws of Bermuda, amounted to approximately HK\$58,651,000.

### **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, sales to the Group's five largest customers accounted for 60% of the total sales for the year and sales to the largest customer included therein amounted to 22%. Chan Yuen Keung, Zuric has beneficial interest in one of the Group's five largest customers. Purchases from the Group's five largest suppliers accounted for 67% of the total purchases for the year and purchases from the largest supplier included therein amounted to 47%.

Save as disclosed above, none of the directors of the Company or any of their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers and suppliers.

## DIRECTORS

The directors of the Company during the year were:

*Executive directors:*

Chan Yuen Keung, Zuric

Hong Yiu

Yu Sek Kee, Stephen

Au Shiu Wai, Frank

Au Yu Fai, Patrick

Wong Sai Wing, James

(resigned on 17 September 2004)

*Independent non-executive directors:*

Chan Chok Ki

Ho Hin Kwan, Edmund

Yu Hon To, David

In accordance with the Company's bye-laws, Au Shiu Wai, Frank and Ho Hin Kwan, Edmund will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' AND SENIOR MANAGERS' BIOGRAPHIES

Biographical details of the directors of the Company and the senior managers of the Group are set out on pages 3 to 5 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

Chan Yuen Keung, Zuric has an employment contract with a subsidiary of the Company as senior executive. The employment contract is terminable by either party by giving one month's prior written notice to the other.

Au Shiu Wai, Frank entered into a service contract with the Company with effect from 1 February 1994. The service contract is terminable by either party by giving three months' prior written notice to the other.

Au Yu Fai, Patrick has an employment contract with a subsidiary of the Company as senior executive. The employment contract is terminable by either party by giving one month's prior written notice to the other.

### **DIRECTORS' SERVICE CONTRACTS** *(Continued)*

Apart from the foregoing, no directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 29 to the financial statements and in the section headed "Connected transactions" below, no directors had material interests, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries and fellow subsidiaries was a party during the year.

### **CONNECTED TRANSACTIONS**

The directors confirm that the continuing connected transactions of the Group as set out below are disclosed in compliance with the disclosure requirements of Chapter 14A (or Chapter 14 prior Chapter 14A coming into effect) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

On 10 August 2004, Ever Billion Engineering Limited ("Ever Billion"), a wholly-owned subsidiary of the Company, entered into an agreement with Chinney Construction Company, Limited ("Chinney Construction") (the "Agreement") for the subcontracting of a three-year building and land maintenance contract dated 1 March 2004 awarded by the Architectural Services Department of the Government of the Hong Kong Special Administrative Region to Chinney Construction. Chinney Construction is owned as to 86.05% indirectly by Chinney Investments, Limited, a company in which Wong Sai Wing, James, who resigned as the chairman and executive director of the Company on 17 September 2004, has control, and as to 13.95% indirectly owned by Chan Yuen Keung, Zuric, the chairman and executive director of the Company. As Chinney Construction is regarded as an associate of Wong Sai Wing, James and Chan Yuen Keung, Zuric, both of whom have indirect beneficial interests in and are also directors of Chinney Construction, the Agreement constitutes an continuing connected transaction of the Company under the Listing Rules. Details of the continuing connected transaction were disclosed in a circular dated 24 August 2004 to all shareholders of the Company.

### **CONNECTED TRANSACTIONS** *(Continued)*

The continuing connected transaction was approved by independent shareholders of the Company on the special general meeting held on 16 September 2004 with an annual cap for the contract amount of the Agreement of HK\$120 million for each of the year ended 31 March 2005 and the two years ending 31 March 2006 and 2007 and HK\$78 million for the year ending 31 March 2008. During the year ended 31 March 2005, the amount for the services provided under the Agreement was approximately HK\$41,643,000.

The independent non-executive directors of the Company have confirmed that the above-mentioned transactions were entered into:

1. in the ordinary and usual course of business of the Group;
2. either on normal commercial terms or on terms no less favourable than those terms available to or from independent third parties; and
3. in accordance with the terms of the Agreement governing the transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Furthermore, the auditors of the Company have confirmed to the board of directors of the Company (the "Board") that the above-mentioned transactions:

1. have been approved by the Board;
2. have been entered into in accordance with the terms of the relevant agreements governing the transactions;
3. have not exceeded the relevant caps disclosed in the circular dated 24 August 2004; and
4. are in accordance with the pricing policies of the Group where the transactions involved the provision of goods or services by the Group.

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

At 31 March 2005, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### Long positions in ordinary shares of the Company:

Name of director	Nature of interests	Number of ordinary shares directly beneficially owned	Percentage of the Company's issued share capital
Chan Yuen Keung, Zuric	Personal	2,500,000	2.16
Hong Yiu	Personal	6,805,000	5.87
Au Shiu Wai, Frank	Personal	150,000	0.13
Au Yu Fai, Patrick	Personal	88,500	0.08

Save as disclosed above, as at 31 March 2005, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 31 March 2005, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's share capital
Chinney Alliance Group Limited	Directly beneficially owned	34,697,500	29.93
Hong Yiu	Directly beneficially owned	6,805,000	5.87

Save as disclosed above, as at 31 March 2005, no persons had registered any interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the directors or management shareholders of the Company has an interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group.

### INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors have complied with the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

### **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, which was in force prior to 1 January 2005, throughout the accounting period covered by the annual report, except that the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

### **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises all the three independent non-executive directors of the Company.

### **AUDITORS**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Yu Sek Kee, Stephen**

*Managing Director*

Hong Kong  
14 July 2005