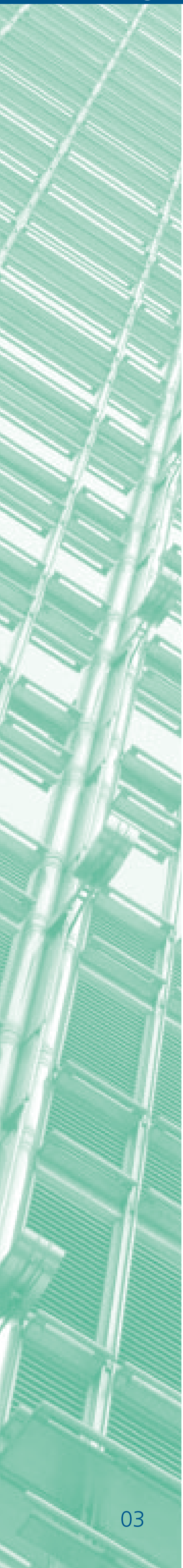
Managing Director's Report



I am pleased to present to you the strong growth we achieved during the six months ended 30th September, 2005. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2005 and the consolidated balance sheet of the Group as at 30th September, 2005, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 16 to 26 of this report. This interim report has been reviewed by the Company's audit committee and auditors.

FINANCIAL PERFORMANCE AND POSITIONS

During the period under review, overall business sentiment in Hong Kong remained positive on the back of satisfactory growth in major world economies, that of China in particular.

The Group's net profits have been substantially increased. This is backed up by the enhanced service quality, improved profit margin and a strong net cash position. The strategy of increasing its presence in the China market has paid off, evidenced by a steady rise in both the value and the number of contracts on hand in this important market.

For the six-month period under review, the Group's consolidated turnover was approximately HK$1,455 million, a 12% reduction from that of the last corresponding period.

Gross profit rose by 8% to approximately HK$98 million as compared with a gross profit of approximately HK$91 million for the last corresponding period. Gross profit margin improved from 5.5% to 6.7% as a result of cost savings in completed construction projects and increased revenues in project management and facilities management activities.

Net profit after taxation and minority interests for the six-month period was approximately HK$46 million versus net profit of approximately HK$37 million for the last corresponding period. Basic earnings per share was 7.9 HK cents, representing a 23% increase over the basic earnings per share of 6.4 HK cents of the last period which is normalized on the basis of the same share structure for both periods.

When compared with the Group's financial positions as at last year end, total assets increased by approximately HK$12 million. Current assets were at approximately HK$1,471 million, representing 1.1 times of current liabilities. Net cash was at approximately HK$257 million, representing a 69% increase and total equity stood at approximately HK$336 million.

Net cash inflow from operating activities was about HK$103 million and outflow of about HK$74 million in respect of investing and financing activities, resulting in a net cash increase of about HK$29 million for the period.

OPERATIONS

During the period, the Group secured new contracts with an aggregate value of approximately HK$1,734 million. At this period end, the value of work remaining increased by 9% to approximately HK$4,933 million when compared with that of the last financial year end. Profile of contracts on hand at the end of this period is as follows:

	Value of contracts on hand As at 30/9/2005 HK$' million	Value of work remaining As at 30/9/2005 HK$' million
Building construction	6,096	3,909
Civil engineering	2,266	1,024
	8,362	4,933

Subsequent to the period end, the Group has secured further contracts of approximately HK$165 million.

The uptrend in the Group's gross margin is forecast to continue. The Group is moving up the value chain to provide integrated project management, design and construction solutions as well as facilities management services to its clients. With the ongoing, vigorous cost saving measures in train, the performance of all business segments is expected to improve satisfactorily.

The Group comprises four divisions, and is well positioned to focus on selected opportunities in building construction, civil engineering, project management as well as facilities management.

The Building Construction division's turnover amounted to approximately HK$1,009 million with an operating profit of approximately HK$37 million, reflecting the solid performance of building construction works in Hong Kong and Macau.

The Civil Engineering division's turnover was approximately HK$488 million with an operating profit of approximately HK$14 million. Subsequent to the period end, this division has secured the construction of waste sorting facilities of approximately HK$132 million and minor maintenance works of approximately HK$33 million.

The Project Management division's turnover was approximately HK$6 million with an operating profit of approximately HK$4 million. A number of project management contracts in China and Hong Kong were secured during the period under review.

The Facilities Management division's turnover was approximately HK$2 million with an operating profit of approximately HK$2 million.

Our proven skills and experience in project management should enable us to secure more high-value contracts in the years to come.

LIQUIDITY AND CAPITAL RESOURCES

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities is maintained to meet its working capital requirements. As at 30th September, 2005, the Group's total borrowings amounted to approximately HK$126 million which are repayable within one year. Cash balances at 30th September, 2005 amounted to approximately HK$383 million.

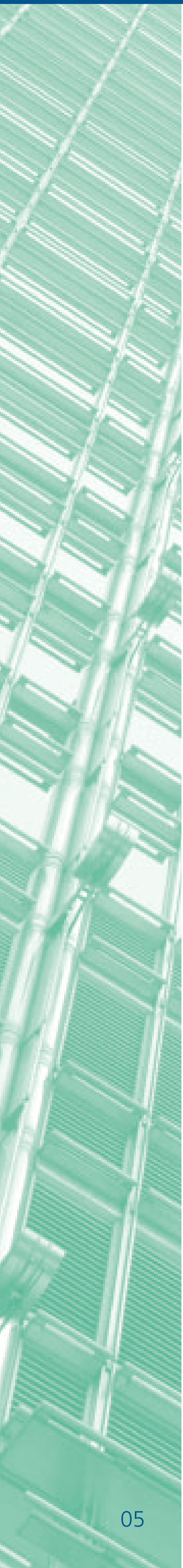
As at the period end, all of the Group's borrowings bear interest at floating rates and are denominated in Hong Kong dollars. The Group's gearing ratio was 0.4 which is calculated based on the Group's total borrowings of approximately HK$126 million and the Group's equity attributable to equity holders of the Company of approximately HK$329 million.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

Including the directors of the Group, as at 30th September, 2005, the Group employed a total of about 1,090 full time employees. Remuneration packages comprised salary and performance based bonus. No share options were granted or exercised during the period.

PLEDGE OF ASSETS

As at 30th September, 2005, the Group did not pledge any of its assets.



CONTINGENT LIABILITIES

As at 30th September, 2005, the Group has contingent liabilities in respect of outstanding performance bonds on construction contracts of approximately HK$131 million.

In addition, a subsidiary of the Company is a defendant in a lawsuit brought during 2002 claiming approximately HK$1.73 million relating to the outstanding sum of the contract works done by a sub-contractor, Swee Kheng & Aster Marble Company Limited ("Swee Kheng"). The subsidiary filed a defence and counterclaim claiming payment from Swee Kheng of a sum of approximately HK$0.16 million. The subsidiary has contested the claim vigorously and no provision has been made in the financial statements.

ACQUISITION OF 25% INTEREST IN PAUL Y. CENTRE

In November 2005, the Company announced that its wholly-owned subsidiary entered into a shareholder agreement for the acquisition of 50% of the entire issued share capital of a joint venture company on 23rd November, 2005. On the same date, the joint venture company entered into another shareholder agreement for it to acquire 50% of the entire issued share capital of another joint venture company ("Purchaser"). The Purchaser then entered into a sale and purchase agreement to acquire the entire issued share capital of Linkport Holdings Limited which, through its wholly-owned subsidiaries, owns Paul Y. Centre located at No. 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

This acquisition will provide the Company with a recurring income and the opportunity for appreciation in the value of the property. The Company will also benefit from the hedging of office space currently occupied against potential increases in rental expenses. Further information of the aforesaid investment is contained in a circular of the Company dated 15th December, 2005.

SECURITIES IN ISSUE

As at 30th September, 2005, there were 576,699,394 shares in issue. There was no movement in the issued share capital during the period.

INTERIM DIVIDEND

The board of directors of the Company ("Board") has resolved to pay an interim dividend of 3.0 HK cents per share for the six months ended 30th September, 2005 (2004: Nil) to shareholders whose names appear on the register of members of the Company as at the close of business on 11th January, 2006. The interim dividend is expected to be paid to shareholders by post on or around 13th February, 2006.

The Board has also proposed that the interim dividend should be satisfied by way of a scrip dividend of shares, with an option to elect cash in respect of part or all of such dividend. The market value of the shares to be issued under the scrip dividend proposal will be fixed by reference to the average of the closing prices of the Company's shares for the three consecutive trading days ending on 11th January, 2006 less a discount of five percent of such average price or the par value of shares, whichever is higher. The proposed scrip dividend is conditional upon The Stock Exchange of Hong Kong Limited ("Stock Exchange") granting listing of, and permission to deal in, the new shares to be issued. A circular giving full details of the scrip dividend proposal and a form of election will be sent to shareholders.

CLOSE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9th January, 2006 to 11th January, 2006, both dates inclusive, during which period no share transfer shall be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration by no later than 4:00 p.m. on 6th January, 2006 (with effect from 3rd January, 2006, the address of Standard Registrars Limited will be changed to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong).

OUTLOOK

The recovery in the local economy sustains and advances at a faster pace. GDP, consumer price index, external trade and employment rates all witness a more prosperous economy.

The Group will continue its business in management contracting to maintain a critical mass and at the same time move up the value chain with a view to develop a well balanced income profile. The Group will further develop both project management and facilities management business to balance the work portfolio and stabilise recurring income.

Having a balance sheet in a net cash position, in addition to its existing businesses and networks, the Group will actively exploit business opportunities in different geographical markets, with primary focus on the China market. Joint ventures have been formed to pursue both the Shenzhen and the Beijing metro lines related projects, which is expected to generate stable earnings growth. Leveraging the implementation of the Closer Economic Partnership Arrangement (CEPA), the Group is one of the few Hong Kong construction companies which have obtained a construction license in China.

Ir Wong Wing Hoo, Billy, *JP*

Managing Director

Hong Kong, 13th December, 2005