

Report of the Directors

The directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of corporate management services. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 106.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and balance sheets of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 4 and 5 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 16 to the financial statements. Further details of the Group's properties are set out on pages 10 and 11.

INTEREST-BEARING BANK AND OTHER BORROWINGS

Particulars of interest-bearing bank and other borrowings of the Group as at 31 March 2006 are set out in note 27 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company's authorised or issued share capital and share options during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of 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

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

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RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK\$66,200,000. In addition, the Company's share premium account, in the amount of approximately HK\$75,391,000 at 31 March 2006, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions of approximately HK\$350,000 (2005: HK\$46,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, contract revenue earned from the Group's five largest customers accounted for approximately 93% (2005: 91%) of the total contract revenue for the year and contract revenue earned from the largest customer included therein accounted for approximately 67% (2005: 60%).

Subcontracting charges paid to the Group's five largest suppliers accounted for approximately 39% (2005: 35%) of the total subcontracting charges and material costs incurred for the year. Subcontracting charges paid to the largest supplier included therein accounted for approximately 15% (2005: 16%).

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

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

Executive directors:

Mr. Ngai Chun Hung (*Chairman*)

Mr. Yau Kwok Fai (*Deputy Chairman and Chief Executive Officer*)

Mr. Shek Yu Ming Joseph

Mr. Li Chi Pong

Independent non-executive directors:

Professor Ko Jan Ming

Mr. Ip Kwok Him, *GBS, JP*

Mr. Fung Pui Cheung Eugene

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DIRECTORS (continued)

In accordance with the Company's bye-laws, Professor Ko Jan Ming and Mr. Li Chi Pong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of Professor Ko Jan Ming and Mr. Ip Kwok Him, GBS, JP, was appointed for a term of two years ending on 31 August 2006, which has been extended to 31 August 2008 as agreed between the Company and each of them in writing. Mr. Fung Pui Cheung Eugene was appointed for an initial term from 30 September 2004 to 31 August 2006, which has been extended to 31 August 2008 as agreed between the Company and Mr. Fung in writing.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of Professor Ko Jan Ming, Mr. Ip Kwok Him, GBS, JP, and Mr. Fung Pui Cheung Eugene an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and the Company considers all of the independent non-executive directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 18 to 21 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors except Mr. Li Chi Pong ("Mr. Li"), who was appointed as an executive director of the Company on 17 May 2004, has entered into a service contract with the Company for an initial period of three years commencing on 1 September 2000 and such contracts continue thereafter until terminated by either party by giving a six-month written notice.

Mr. Li entered into a service contract with the Group that commenced on 17 May 2004 and continues without a fixed period until terminated by either party by giving a six-month written notice.

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

DIRECTORS' EMOLUMENTS

The directors' emoluments are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group entered into a tenancy agreement with Frason Holdings Limited ("Frason"), a company wholly-owned by Mr. Ngai Chun Hung ("Mr. Ngai"), Chairman of the Company, whereby the Group leased office premises at a monthly rental of HK\$300,000 from Frason for a three-year term from 1 March 2006 to 28 February 2009. Further information is provided under "Continuing connected transactions" below and in note 38 to the financial statements.

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DIRECTORS' INTERESTS IN CONTRACTS (continued)

Save as disclosed above, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Mr. Ngai is a director of Winflower Investment Limited, Win Source Investment Limited, Key Fame Limited, Key Fund Limited and Frason Holdings Limited, which are companies incorporated in Hong Kong and engaged in property investment during the year. The directors believe that the Group is capable of carrying on its business independently of, and at arm's length from, such competing businesses.

Save as disclosed above, none of the directors and their respective associates has any interest in a business, which competes or may compete with the businesses of the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the interests and short positions of the directors in the share capital 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 of Hong Kong Limited (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 | Notes | Capacity and nature of interest | Number of ordinary shares held | Percentage of the Company's issued share capital |
|------------------------------------|-------|-----------------------------------------------------|--------------------------------|--------------------------------------------------|
| Mr. Ngai Chun Hung ("Mr. Ngai") | (a) | As founder and beneficiary of a discretionary trust | 490,934,400 | 52.18% |
| | | Personal | 5,406,000 | 0.57% |
| | | | 496,340,400 | 52.75% |
| Mr. Yau Kwok Fai ("Mr. Yau") | (b) | Through a controlled corporation | 30,888,000 | 3.28% |
| Mr. Li Chi Pong | | Personal | 13,721,040 | 1.46% |

Notes:

- (a) These shares are legally and beneficially owned by Winhale Ltd. ("Winhale"), which is a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by Xyston Trust. Xyston Trust is a discretionary family trust set up by Mr. Ngai for the benefits of Mr. Ngai and his family members.
- (b) These shares are legally and beneficially owned by Business Success Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Yau.

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DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(continued)

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the previous minimum company membership requirements of the Hong Kong Companies Ordinance. Certain directors also have beneficial interests in non-voting deferred shares in a subsidiary which practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution on the winding-up of the subsidiary.

Save as disclosed above, as at 31 March 2006, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was 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

Save as disclosed under "Share option schemes" below, at no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were there any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

At the annual general meeting of the Company held on 5 August 2002, the shareholders of the Company approved the adoption of a new share option scheme and the termination of the share option scheme adopted by the Company on 17 August 2000.

Particulars of the share option schemes of the Company are disclosed in note 31 to the financial statements.

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SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the following interests and short positions of 5% or more of the issued share capital and share options 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 | Notes | Capacity and nature of interest | Number of ordinary shares held | Percentage of the Company's issued share capital |
|------------------------------------|-------|----------------------------------|--------------------------------|--------------------------------------------------|
| Winhale Ltd. ("Winhale") | (a) | Directly beneficially owned | 490,934,400 | 52.18% |
| Braveway Limited | (b) | As a trustee | 490,934,400 | 52.18% |
| HSBC International Trustee Limited | (c) | As a trustee | 490,934,400 | 52.18% |
| Guideshare Investments Limited | (d) | Directly beneficially owned | 47,546,628 | 5.05% |
| Ms. Shek Yuen Ling | (d) | Through a controlled corporation | 47,546,628 | 5.05% |

Notes:

- (a) The above interest in the name of Winhale was also disclosed as interest of Mr. Ngai under "Directors' interests and short positions in shares and underlying shares" above. In addition, these shares are ultimately beneficially owned by Xyston Trust.
- (b) Winhale is wholly-owned by the Braveway Unit Trust. Braveway Limited, being the trustee of the Braveway Unit Trust, is deemed to be interested in the 490,934,400 shares in the Company held by Winhale.
- (c) HSBC International Trustee Limited, being the trustee of Xyston Trust, is deemed to be interested in the 490,934,400 shares in the Company held by Xyston Trust.
- (d) Ms. Shek Yuen Ling, who controls Guideshare Investments Limited, is deemed to be interested in the shares held by Guideshare Investments Limited.

Save as disclosed above, as at 31 March 2006, no person, other than the directors of the Company, whose interests are set out under "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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CONTINUING CONNECTED TRANSACTIONS

On 28 February 2006, Able Engineering Company Limited, a subsidiary of the Company, entered into a tenancy agreement with Frason Holdings Limited ("Frason"), which is wholly-owned by Mr. Ngai, Chairman of the Company, to lease No.155, Waterloo Road, Kowloon Tong, Hong Kong for a three-year term from 1 March 2006 to 28 February 2009 at a monthly rental of HK\$300,000 ("Tenancy Agreement"). The Tenancy Agreement constituted a continuing connected transaction of the Company under the Listing Rules, and an announcement was published on 28 February 2006 in accordance with the requirements of Chapter 14A of the Listing Rules. According to the Tenancy Agreement, the Company has placed a rental deposit of HK\$900,000 with Frason. During the year ended 31 March 2006, the Company did not pay any rental to Frason as, according to the Tenancy Agreement, the Company was granted a rent-free period from 1 March 2006 to 30 April 2006.

Details about other related party transactions undertaken in the normal course of business but not constituting a disclosable connected transaction as defined under the Listing Rules are set out in note 38 to the financial statements.

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.

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

Ngai Chun Hung

Chairman

Hong Kong
20 July 2006