

REPORT OF THE DIRECTORS

The directors 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 activity of the Company is investment holding. During the year, the principal activities of its subsidiaries consisted of building related contracting services involving the design and installation of electrical equipment, water pump and fire services equipment, air-conditioning systems and plumbing and drainage systems in new buildings and project management ("Contracting Services"); the trading of electrical and mechanical engineering materials and equipment ("Trading Business") and building related maintenance services involving the maintenance of the above installations and general building maintenance ("Maintenance Services").

On 31 March 2006, the Group disposed of those subsidiaries undertaking the Contracting Services and the Trading Business (i.e. the Contracting Group) and concentrates on the Maintenance Services thereafter. Details on the disposal of the Contracting Group are set out in note 12 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss 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 22 to 72.

The directors do not recommend the payment of any dividend in respect of the year (2005: 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 dollar. As at 31 March 2006, the Group had unpledged cash and bank deposit balances of approximately HK\$37.1 million (2005: HK\$8.3 million). The increase in the unpledged cash and bank deposit balances was mainly due to the cash consideration of HK\$35 million received upon the completion of the disposal of the Contracting Group on 31 March 2006. Last year, the Group had pledged bank deposits of HK\$26.8 million. As at 31 March 2006, the Group had no outstanding bank borrowings (2005: HK\$46.9 million). The decrease in bank borrowings and pledged bank deposits was mainly due to the disposal of the Contracting Group. The gearing ratio, which represented the total bank borrowings to the equity attributable to equity holders of the parent, was nil (2005: 71%). As the Group's transactions are mostly settled in Hong Kong dollar, the use of financial instruments for hedging purposes is not considered necessary.

Funding and treasury policy

The assets and liabilities of the Group are mainly denominated in Hong Kong dollar. 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.

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MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)**Pledge of assets*

The Group did not have any pledged assets as at 31 March 2006. As at 31 March 2005, certain of the Group's land and buildings with an aggregate net book value of HK\$15.7 million and bank deposits of HK\$26.8 million were pledged to secure general banking facilities granted to the Group.

Employees and remuneration policy

The Group employed approximately 150 employees as at 31 March 2006 (2005: 260). 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 published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

RESULTS

	2006 HK\$'000	Year ended 31 March			
		2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
CONTINUING OPERATION					
TURNOVER	195,871	123,780	163,472	144,981	110,236
Profit/(loss) for the year from a continuing operation	(2,912)	(14,381)	4,566	2,058	(4,688)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	(8,411)	(20,186)	6,666	(4,962)	(27,003)
PROFIT/(LOSS) FOR THE YEAR	(11,323)	(34,567)	11,232	(2,904)	(31,691)
Profit/(loss) attributable to:					
Equity holders of the parent	(11,102)	(33,729)	1,805	(14,685)	(35,322)
Minority interests	(221)	(838)	9,427	11,781	3,631
	(11,323)	(34,567)	11,232	(2,904)	(31,691)

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SUMMARY FINANCIAL INFORMATION *(Continued)*

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2006 HK\$'000	As at 31 March			
		2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
TOTAL ASSETS	124,912	351,109	321,713	369,642	331,201
TOTAL LIABILITIES	(68,374)	(266,478)	(202,489)	(261,462)	(214,117)
MINORITY INTERESTS	(1,226)	(18,217)	(19,081)	(9,842)	(4,061)
	55,312	66,414	100,143	98,338	113,023

The information set out above does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

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

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, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's reserves available for distribution to shareholders amounted to approximately HK\$38,430,000 as at 31 March 2006.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 58% of the total sales for the year and sales to the largest customer included therein amounted to 21%. 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 51% of the total purchases for the year and purchases from the largest supplier included therein amounted to 24%.

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 interest in the Group's five largest customers and suppliers.

DIRECTORS

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

Executive directors:

Chan Yuen Keung, Zuric

Hong Yiu

Yu Sek Kee, Stephen

Au Yu Fai, Patrick

Mo Tian Quan (appointed on 2 May 2006)

Cao Jing (appointed on 2 May 2006)

Au Shiu Wai, Frank (retired on 1 February 2006)

Independent non-executive directors:

Yu Hon To, David

Ho Hin Kwan, Edmund

Chan Chok Ki (resigned on 2 May 2006)

On 18 July 2006, Messrs. Chan Yuen Keung, Zuric, Hong Yiu and Au Yu Fai, Patrick tendered their resignation as directors of the Company with effect from 19 July 2006. Messrs. Chan Yuen Keung, Zuric and Hong Yiu will cease to be the chairman and deputy chairman of the Company, respectively, upon their resignation as directors of the Company on 19 July 2006. On the same date, Cao Jing was nominated by the Board as the executive chairman of the Company with effect from 19 July 2006.

In accordance with the Company's bye-laws, Messrs. Mo Tian Quan and Yu Hon To, David, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of its independent non-executive director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and still considers them as independent.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGERS' BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 3 to 4 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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 Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY

The Company's remuneration policy is built upon the principles of providing an equitable, motivating and market-competitive remuneration package that can stimulate and drive staff at all levels to work towards achieving the Group's strategic objectives.

The remuneration of the directors of the Company are reviewed by the Remuneration Committee, having regard to directors' duties, responsibilities, the Group's operating results and comparable market statistics.

Details of the directors' remuneration and the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 29 to the financial statements and in the section headed "Connected transactions and continuing connected transactions" below, 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 or any of its subsidiaries was a party during the year.

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CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected transactions and continuing connected transactions, particulars of which have been disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Connected transactions

- (a) On 26 January 2006, the Company (as vendor), Chinney Alliance Trading (BVI) Limited ("CAT", as purchaser) and CAG (as guarantor of the purchaser) entered into a sale and purchase agreement (the "Disposal Agreement") for the disposal of the entire equity interest in Shun Cheong Investments Limited ("SCI"), a then wholly-owned subsidiary of the Company, for a cash consideration of HK\$35,000,000 (the "Disposal"). Pursuant to the Disposal Agreement, SCI was restructured as a holding company of a group of subsidiaries engaging in building related contracting services for both the public and private sectors (i.e. the Contracting Group). As the Company was owned as to approximately 29.93% by CAG (being a substantial shareholder) at the date of the transaction, CAG and its wholly-owned subsidiary, CAT, are connected persons of the Company under the Listing Rules, and the Disposal constituted a very substantial disposal and a connected transaction for the Company under the Listing Rules.

The Disposal was approved by the independent shareholders of the Company at the special general meeting held on 27 March 2006 and was completed on 31 March 2006. Details of the Disposal were set out in a circular to the shareholders of the Company dated 10 March 2006 and in notes 12 and 27 to the financial statements.

- (b) Under certain banking facilities letters entered into by the Company and certain subsidiaries within the Contracting Group in prior years, the Company agreed to provide corporate guarantees of HK\$75 million in aggregate to banks for general banking facilities granted to certain subsidiaries of the Contracting Group. Following the Disposal on 31 March 2006, the Contracting Group was acquired by CAG and by definition of Chapter 14A of the Listing Rules became a connected person of the Company. As at 31 March 2006, the banking facilities utilised by the Contracting Group amounted to approximately HK\$39,442,000.

Pursuant to a deed of indemnity executed by CAG in favour of the Company on 31 March 2006, CAG guaranteed and indemnified unconditionally and irrevocably all liabilities and obligations of the Company under such corporate guarantees. Subsequent to year end, the above corporate guarantees provided by the Company to the banks were released and cancelled.

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CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(Continued)

Continuing connected transactions

- (a) On 10 August 2004, Ever Billion Engineering Limited ("Ever Billion"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with Chinney Construction Company, Limited ("Chinney Construction") 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 a 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 the shareholders of the Company.

The continuing connected transaction was approved by independent shareholders of the Company on the special general meeting held on 16 September 2004 with annual caps for the contract amount of the Agreement of HK\$120 million for each of the years ended/ending 31 March 2005, 2006 and 2007 and of HK\$78 million for the year ending 31 March 2008. During the year ended 31 March 2006, the amount for the subcontracting services provided under the Agreement was approximately HK\$96,921,000.

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 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 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.

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CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

*(Continued)**Continuing connected transactions (Continued)*

- (b) On 31 December 2005, subcontracting agreements were entered into among Shun Cheong Electrical Engineering Company Limited ("SCEE") and Westco Airconditioning Limited ("Westco"), both as main contractors, which were subsidiaries within the Contracting Group, and Tinhawk Company Limited ("Tinhawk", as a subcontractor), a subsidiary of the Company, for the subcontracting of certain maintenance work contracts. Pursuant to the subcontracting agreements, Tinhawk shall receive subcontracting fees from SCEE and/or Westco after deducting management fees calculated based on 3% of the contract amounts receivable from clients. Upon the completion of the Disposal on 31 March 2006, the above subcontracting arrangement constituted continuing connected transactions of the Company under the Listing Rules. Details of the subcontracting arrangements were set out in a circular to the shareholders of the Company dated 10 March 2006.

The continuing connected transactions were approved by the independent shareholders of the Company at the special general meeting held on 27 March 2006 with annual caps for the total subcontracting fees receivable by the Group under the subcontracting agreements for the financial years ending 31 March 2007 and 2008 of HK\$114 million and HK\$82 million, respectively.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future 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 Yu Fai, Patrick	Personal	88,500	0.08
			8.11

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

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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 a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2006, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Long positions in ordinary shares of the Company:

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 2006, no person, other than the directors of the Company, whose interests are set out in the section "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.

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.

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 annual report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 34 to the financial statements.

REPORT OF THE DIRECTORS

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

Director

Hong Kong

18 July 2006