

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 2005.

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 16 to the financial statements. During the year, the Group's principal activities have extended beyond construction and engineering works to property investment and development.

RESULTS AND DIVIDENDS

The Group's profit 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 31 to 84.

An interim dividend of HK0.5 cent per ordinary share was paid on 10 January 2005. The directors do not recommend the payment of a final dividend.

SUMMARY FINANCIAL INFORMATION

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

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 14 to the financial statements. Further details of the Group's investment properties are set out on pages 10 and 11.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year are set out in notes 28 and 29 to the financial statements.

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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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30(b) 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 Companies Act 1981 of Bermuda (as amended), amounted to approximately HK\$65,243,000. In addition, the Company's share premium account, in the amount of approximately HK\$75,391,000 at 31 March 2005, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions of approximately HK\$46,000 (2004: HK\$20,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, contract revenue earned from the Group's five largest customers accounted for approximately 91% (2004: 92%) of the total contract revenue for the year and contract revenue earned from the largest customer included therein accounted for approximately 60% (2004: 79%).

Subcontracting charges paid to the Group's five largest suppliers accounted for approximately 35% (2004: 34%) of the total subcontracting charges and material costs incurred for the year. Subcontracting charges paid to the largest supplier included therein accounted for approximately 16% (2004: 17%).

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.

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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, further appointed as the Chief Executive Officer on 19 July 2004*)

Mr. Shek Yu Ming Joseph

Mr. Li Chi Pong (appointed on 17 May 2004)

Independent non-executive directors:

Professor Ko Jan Ming

Mr. Ip Kwok Him, GBS, JP

Mr. Fung Pui Cheung Eugene (appointed on 30 September 2004)

In accordance with the Company's bye-laws, Mr. Yau Kwok Fai and Mr. Shek Yu Ming Joseph will retire by rotation at the forthcoming annual general meeting and Mr. Fung Pui Cheung Eugene holds office only until the forthcoming annual general meeting. Mr. Yau Kwok Fai, Mr. Shek Yu Ming and Mr. Fung Pui Cheung Eugene, 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's appointment, as extended based on the respective agreement between them and the Company, was for a term of two years ending on 31 August 2006. Mr. Fung Pui Cheung Eugene was appointed for a term commencing from 30 September 2004 and expiring on 31 August 2006.

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 who was appointed 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 from 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 from 17 May 2004 and continue 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.

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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 and the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group entered into a deed with Mr. Yau Kwok Fai ("Mr. Yau"), whereby the Group acquired from Mr. Yau, the entire share capital of Good Trader Limited ("Good Trader") and the loans owed by Good Trader to Mr. Yau. Mr. Yau was the sole director and shareholder of Good Trader before its acquisition by the Group. Further details of the transaction are set out in note 35(b) to the financial statements.

During the year, the Group entered into a tenancy agreement with a company of which Mr. Ngai Chun Hung ("Mr. Ngai") is also a director, whereby the Company leased an office unit at a monthly rental of HK\$5,500 from that company.

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.

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 2005, 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, were as follows:

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DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

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%
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.

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, none of the directors had registered an interest or short position in the shares, 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 for Securities Transactions by Directors of Listed Issuers.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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; nor 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 (the "2002 Share Option Scheme") and the termination of the share option scheme adopted by the Company on 17 August 2000 (the "2000 Share Option Scheme").

Particulars of the share option schemes of the Company are disclosed in note 29 to the financial statements.

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

At 31 March 2005, the following interests and short positions of more than 5% 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	<i>Notes</i>	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%

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SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Notes:

- (a) The above interest in the name of Winhale was also disclosed as interest of Mr. Ngai under the heading "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, no person, other than the directors of the Company, whose interests are set out in the section headed "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.

CONNECTED TRANSACTIONS

Particulars of connected transactions entered into by the Group during the year ended 31 March 2005, which are exempt from all the reporting, announcement and independent shareholders' approval requirements according to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are disclosed in note 35 to the financial statements.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (in force prior to the accounting periods commencing on or after 1 January 2005), throughout the accounting period covered by this annual report.

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MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding the Directors' securities transactions. Following specific enquiry made by the Company, the Directors have confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2005.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises 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

Ngai Chun Hung

Chairman

Hong Kong

18 July 2005