

CHAIRMAN'S STATEMENT

REVIEW OF OPERATIONS

The Group's turnover for the six months ended 30 September 2005 was approximately HK\$245 million (2004: HK\$249 million). Loss attributable to equity holders of the Company was approximately HK\$7.6 million (2004: HK\$12.4 million). While the average gross profit ratio maintained at last year's level, the turnover of new E&M projects decreased by approximately HK\$27 million as compared to last year, which was mainly due to the delay in commencement of actual works for major government contracts. The Group was awarded some new projects in Macau but these projects would only have contribution to the Group's revenue in the second half of this financial year. In view of fewer projects available in the Hong Kong market, the Group decided to reduce the headcount in Hong Kong so as to control the overhead. While there were fewer new projects in both public and private sectors in Hong Kong, the Group put more effort on Maintenance business, with the Hong Kong Government and Hong Kong Housing Authority as the major clients. During the period under review, the Maintenance business reached approximately HK\$91 million in turnover, an increase of approximately HK\$14 million over that of last year. The Group's Trading business, primarily the supply of generator sets, also recorded an increase in turnover of approximately HK\$8.7 million to HK\$20.5 million. With the increase in contribution from Maintenance and Trading businesses, the Group managed to reduce its loss by approximately HK\$4.8 million.

As at 30 September 2005, the Group's uncompleted contracts on hand was approximately HK\$891 million (31 March 2005: HK\$718 million).

BUSINESS PROSPECT

The economy of Hong Kong continued to improve, with GDP in the third quarter of 2005 increased by 8.2% in real term year over year. The increase in GDP was mainly attributable to the export of goods and services. However, the performance of the construction sector remained weak. As the local economy continues to revive, it is expected that the difficult operating environment will improve with more private developments and increase in government spending in the public sector.

On the other hand, the rapid development in gambling and entertainment businesses in Macau brings great business opportunity to Hong Kong based construction companies, technical staff and skilled workers. During the period under review, the Group was awarded an aggregate contract sum of approximately HK\$140 million in Macau. The Group is actively exploring the Macau market and is optimistic in obtaining more contracts in Macau.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 September 2005 (2004: Nil).

FINANCIAL REVIEW

Liquidity and financial resources

The Group's total bank borrowings amounted to HK\$44.7 million as at 30 September 2005 (31 March 2005: HK\$46.9 million), which represented trust receipt loans and overdrafts and were wholly repayable within one year.

Total cash and bank balances as at 30 September 2005 was HK\$35.8 million (31 March 2005: HK\$35.1 million), which included pledged time deposit of HK\$26.8 million (31 March 2005: HK\$26.8 million). The Group had a total of approximately HK\$11 million committed but undrawn banking facilities at period-end.

Subsequent to the balance sheet date, an aggregate sum of HK\$16.5 million was received in respect of the disposal of the property located in Workshops Nos. 1, 3, 5, 7 and 9, 2nd Floor, Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong which enhanced the working capital of the Group. Details of the transaction are set out in Note 14 "Events after the Balance Sheet Date" to the interim financial statements.

The gearing ratio of the Group, as measured by the total bank borrowings of HK\$44.7 million to shareholders' fund of HK\$58.8 million, was 76% as at 30 September 2005 (31 March 2005: 71%).

Funding and treasury policy

The assets and liabilities of the Group are mainly denominated in Hong Kong 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 30 September 2005, the Group pledged bank time deposits of HK\$26.8 million (31 March 2005: HK\$26.8 million) to secure general banking facilities granted to the Group.

Investments

As at 30 September 2005, the Group had investments in listed and unlisted equity securities with an aggregate carrying value of approximately HK\$3.1 million (31 March 2005: HK\$3 million).

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Contingent liability

As at 30 September 2005, the Group provided corporate guarantees to a bank and certain insurance companies amounted to approximately HK\$11.6 million for the issue of performance bonds and demand bonds.

Employees and remuneration policies

The Group employed approximately 260 staff in Hong Kong as at 30 September 2005. 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.

CONTINUING CONNECTED TRANSACTIONS

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") 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 (the "Agreement"). Chan Yuen Keung, Zuric, the chairman and executive director of the Company, is also a director of and has 13.95% indirect beneficial interests in Chinney Construction. The Agreement constitutes a continuing connected transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details of the continuing connected transactions were disclosed in a circular dated 24 August 2004 to all shareholders of the Company.

The continuing connected transaction was approved by independent shareholders of the Company on a 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 three years ended/ending 31 March 2005, 2006 and 2007, and HK\$78 million for the year ending 31 March 2008. During the six months ended 30 September 2005, the amount for the services provided under the Agreement was approximately HK\$38,764,000.

By Order of the Board
Chan Yuen Keung, Zuric
Chairman

Hong Kong, 21 December 2005