

CHAIRMAN'S STATEMENT

REVIEW OF OPERATIONS

The Group's turnover for the six months ended 30 September 2006 was HK\$108.1 million (2005: HK\$87.6 million) and loss for the period was HK\$0.6 million (2005: HK\$7.9 million comprising of HK\$2.5 million from a continuing operation and HK\$5.4 million from discontinued operations).

In March 2006, the Group disposed of Shun Cheong Investments Limited and its subsidiaries engaging in building related contracting services for both the public and private sectors (the "Contracting Group"). For the purposes of disclosure in the financial statements, the businesses of the Contracting Group were regarded as discontinued operations. After the disposal, the business operations of the Group were basically building related maintenance services (the "Maintenance Services"). As a result of the adoption of new and revised accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the consolidated income statement for the previous period is restated accordingly to conform with current period's presentation.

Consolidated turnover of HK\$108.1 million for the six months ended 30 September 2006 was entirely attributable to the Maintenance Services, showing a 23.4% increase from HK\$87.6 million for the previous period. The increase in business volume was primarily attributable to the increase in work orders received from the Hong Kong Government and the Hong Kong Housing Authority under the 3-year term maintenance contracts previously awarded. However, additional subcontracting fees were incurred for these maintenance contracts as well as the increase in material costs which caused a decrease in gross profit ratio. With the overhead control policy started in December 2005, the Group was able to achieve a saving of 21% in staff costs and hence, the Group's loss from a continuing operation reduced from HK\$2.5 million for the previous period to HK\$0.6 million for the current period.

BUSINESS PROSPECT

The economy of Hong Kong continued to improve, with GDP in the third quarter of 2006 expanded briskly by 6.8% in real term, up from 5.5% in the second quarter. The increase in GDP was mainly attributable to external trade. However, the performance of the construction sector remains weak. After the disposal of the Contracting Group, the Group concentrates on building related maintenance business which is by nature less susceptible to property development cycles of Hong Kong and has lower capital outlay compared with the businesses carried out by the Contracting Group. As at 30 September 2006, the Group had uncompleted contracts on hand of approximately HK\$195 million (31 March 2006: HK\$211 million). Your directors remain cautiously optimistic on the performance of the maintenance business for the rest of the financial year.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 September 2006 (2005: Nil).

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances are mostly in Hong Kong dollar. As at 30 September 2006, the Group has unpledged cash and bank deposit balances of approximately HK\$34.6 million (31 March 2006: HK\$37.1 million). The balances mainly came from the cash consideration of HK\$35 million received upon the completion of the disposal of the Contracting Group on 31 March 2006. As at 30 September 2006, the Group had no outstanding bank borrowings (31 March 2006: Nil). The gearing ratio, which represented the total bank borrowings to the equity attributable to equity holders of the parent, was nil (31 March 2006: Nil). 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.

PLEDGE OF ASSETS

As at 30 September 2006, the Group had no time deposits pledged to the banks (31 March 2006: Nil) to secure general banking facilities.

INVESTMENTS

As at 30 September 2006, the Group had no investments in listed and unlisted equity securities. (31 March 2006: Nil).

EMPLOYEES AND REMUNERATION POLICIES

The Group employed approximately 150 staff in Hong Kong as at 30 September 2006. 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

- (a) 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, who resigned as chairman and executive director of the Company on 19 July 2006, 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 transaction 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 annual caps 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 of HK\$78 million for the year ending 31 March 2008. During the six months ended 30 September 2006, the amount for the subcontracting services provided under the Agreement was approximately HK\$63 million.

- (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 disposed of in March 2006, 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 Group's disposal of the Contracting Group 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 receivables 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. During the six months ended 30 September 2006, the amount for the subcontracting services provided pursuant to the subcontracting agreements was approximately HK\$44 million.

By Order of the Board
Cao Jing
Chairman

Hong Kong, 18 December 2006