

Dear Shareholders,

This year's annual results demonstrated the Group's stable growth and an expansion trend in markets outside Hong Kong.

Over the past year, Hong Kong's economy has been one of the best performers in Asia, thanks to its close ties to mainland China. We remain optimistic that Hong Kong will maintain stable economic growth but are conscious of the uncertainties brought by higher than expected US interest rates, high oil prices, and the potential for a hard economic landing in China.

For the year under review, construction in both residential and commercial buildings has recovered, boosted by a number of major Government projects and rising demand for professional quality engineering and construction services, as evidenced by the contracts won by the Group.

Review of Financial Performance and Positions

For the year ended 31 March 2006, the Group's consolidated turnover was approximately HK\$3,110 million, similar to that of the last corresponding year.

Gross profit of approximately HK\$230 million was achieved as compared with a corresponding gross profit of approximately HK\$192 million for last year. Net profit attributable to equity holders of the Company for this year was approximately HK\$101 million versus approximately HK\$80 million of last year. Basic and diluted earnings per share were 17.4 HK cents.

When compared with the Group's financial positions as at last year end, total assets remained at similar level of approximately HK\$1,937 million. Current assets were at approximately HK\$1,769 million, representing 1.3 times of current liabilities. The equity attributable to equity holders of the Company stood at approximately HK\$370 million.

各位股東：

本年度業績顯示本集團穩步增長，以及於香港以外市場之擴展勢頭。

歸功於與中國內地之緊密聯繫，香港經濟於去年屬亞洲表現最佳者之一。集團對香港經濟持續穩定增長仍然樂觀，惟亦意識到因美國利率高於預期、高油價，以及中國經濟「硬著陸」之壓力而帶來之不穩定因素。

於回顧年度，在多項重大政府項目及對專業優質工程及建造服務需求日漸提高所帶動下，住宅及商業樓宇建造行業已經復蘇，證諸本集團所贏得之合約。

回顧財務表現及狀況

於截至二零零六年三月三十一日止年度，本集團之綜合營業額約為 3,110,000,000 港元，與去年同期相若。

毛利約為 230,000,000 港元，相比之下，去年之毛利則約為 192,000,000 港元。本年度之本公司權益持有人應佔純利約為 101,000,000 港元，至於去年則約為 80,000,000 港元。每股基本及攤薄盈利為 17.4 港仙。

與本集團上年度結束時之財政狀況相比，本集團之總資產保持在約 1,937,000,000 港元，與上年度結束時相若。流動資產約為 1,769,000,000 港元，相當於流動負債之 1.3 倍。本公司權益持有人應佔權益則約為 370,000,000 港元。

Our results this year clearly validate our strategy to evolve into an integrated engineering and construction services provider, with a view to enhancing the quality and recurring nature of our earning streams through regional expansion with particular attention being given to the China market.

本年度的業績肯定了保華建業演進為以中國市場為首的地區性綜合工程及建造服務企業；集團並致力提高收入的質素及持續性。

Mr Mok Yat Fan, Edmond, Executive Director & Chief Executive Officer
莫一帆先生，執行董事兼行政總裁

Net cash flow used in operating activities was about HK\$71 million and inflow was approximately HK\$43 million in respect of investing and financing activities, resulting in a net decrease in cash of about HK\$28 million for the year.

用於經營業務之現金淨額約為 71,000,000 港元，而有關投資及融資活動之現金流入淨額約為 43,000,000 港元，故本年度之現金水平錄得約 28,000,000 港元之淨減少。

Operations

The Group comprises three divisions, and is positioned to prosper on selected opportunities in management contracting, project management and facilities management.

The Management Contracting division's turnover amounted to approximately HK\$3,076 million with an operating profit of approximately HK\$120 million. This reflects solid growth of building and civil engineering construction works in Hong Kong, Macau and China.

During the year under review, this division secured new construction contracts with an aggregate value of approximately HK\$4,195 million. At this year end, value of contracts on hand is approximately HK\$10,058 million and value of work remaining had increased by 33% to approximately HK\$6,003 million.

Subsequent to the year end, this division has secured further construction contracts of approximately HK\$53 million. The uptrend in the gross margin is forecast to continue.

The Project Management division and Facilities Management division have a combined turnover of approximately HK\$34 million with an aggregate operating profit of approximately HK\$18 million. A number of contracts in Mainland China and Hong Kong were secured during the period under review. Of particular note, in 2005, the Group signed a contract with Bank of Communications to provide facilities management services in its VIP banking centres across China.

At this year end, the Project Management division had an estimated total project size of HK\$6.3 billion in terms of construction cost.

業務

集團由三個部門組成，分別在承建管理、項目管理及設施管理三個方面與旺商機。

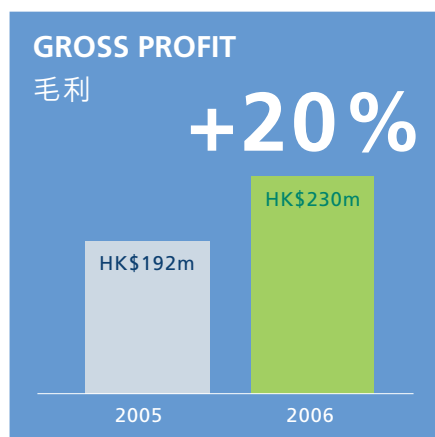
承建管理部門的營業額約為 3,076,000,000 港元，營運溢利約為 120,000,000 港元。業績反映樓宇及土木工程建造項目在香港、澳門及中國方面有實質的增長。

回顧年度，該部門獲得總額約 4,195,000,000 港元的新建造合約。於本年度結束時，擁有的合約總值約為 10,058,000,000 港元，而剩餘工程的價值已增長了 33%，約 6,003,000,000 港元。

於本年度結束以後，該部門取得額外工程合約額約 53,000,000 港元，預計毛利升勢會持續。

項目管理分部及設施管理分部之合併營業額約為 34,000,000 港元，經營溢利約 18,000,000 港元。回顧期內取得中國內地及香港多份合約。值得一提者為，本集團於二零零五年與交通銀行簽訂合約，為該公司於全中國之 VIP 個人理財中心提供設施管理服務。

於本年度結束時，項目管理分部所擁有的工程項目規模約 6,300,000,000 港元建造成本。



The growing awareness of and appreciation for high quality construction and engineering services represent a tremendous business opportunity for us. We are confident that the Group is well positioned to take full advantage of all opportunities in the years ahead.

承建和工程服務的質素日趨重要，這對集團而言非常有利。我們確信公司現時的定位正確，足以迎接未來的商機。

Ir Edgar Kwan, Executive Director & Chief Operating Officer
關治平工程師，執行董事兼營運總裁

Liquidity and Capital Resources

With regard to its overall business operations, the Group adopts a prudent funding and treasury policy. A variety of credit facilities is maintained to meet its working capital requirements. As at 31 March 2006, the Group's total borrowings amounted to approximately HK\$292 million, of which approximately HK\$142 million are repayable within one year. Cash, bank balances and deposits at 31 March 2006 amounted to approximately HK\$381 million.

As at the year end, all of the Group's borrowings bear interest at floating rates and are denominated in Hong Kong dollars and Renmenbi. The Group's gearing ratio was 0.8 which is calculated based on the Group's total borrowings of HK\$292 million and the equity attributable to equity holders of the Company of HK\$370 million.

Number of Employees, Remuneration Policies and Share Option Scheme

As at 31 March 2006, the Group employed a total of 1,190 full time employees. The Group remunerates its employees based on market practice and performance of the Group and the individuals. Remuneration packages comprise salary, performance based bonus and other benefits including provident funds and medical coverage. A share option scheme was adopted during the year for the purpose of providing incentive or reward to eligible employees.

Pledge of Assets

As at the year end, bank deposits of the Group with an aggregate amount of approximately HK\$76 million were pledged to banks to secure the general banking facilities granted to the Group.

流動資金及資本來源

本集團就其整體業務營運採納審慎之資金及財務政策，備有多項信貸安排以提供其所需之營運資金。於二零零六年三月三十一日，本集團借款共約 292,000,000 港元，其中約 142,000,000 港元須於一年內償還。於二零零六年三月三十一日之現金、銀行結餘及存款約為 381,000,000 港元。

於本年度結束時，本集團全部借款均按浮動息率計息，並以港元及人民幣為單位。本集團之資本負債比率為 0.8，該項比率乃根據本集團之總借款 292,000,000 港元及本公司權益持有人應佔權益 370,000,000 港元計算。

僱員數目、酬金政策及購股權計劃

於二零零六年三月三十一日，本集團共聘用 1,190 名全職僱員。本集團根據市場慣例及本集團與該僱員之表現，訂定僱員薪酬。酬金包括薪金、按表現發放之花紅，以及公積金及醫療福利等其他福利。本年度採納一項購股權計劃，為合資格僱員提供鼓勵及獎賞。

資產抵押

於本年度結束時，本集團合共約 76,000,000 港元之銀行存款已抵押予銀行，作為授予本集團之一般信貸融資之擔保。

Contingent Liabilities

As at the year end, the Group has contingent liabilities in respect of outstanding performance bonds on construction contracts and guarantee given to a bank for banking facilities granted to an associate of approximately HK\$361 million and HK\$9 million respectively.

In addition, a subsidiary of the Company is a defendant in a lawsuit brought during 2002 claiming approximately HK\$1.7 million relating to the outstanding sum of the contract works done by a sub-contractor, Swee Kheng & Aster Marble Company Limited ("Swee Kheng"). The subsidiary filed a defence and counterclaim claiming payment for Swee Kheng of a sum of approximately HK\$0.2 million. The subsidiary has contested the claim vigorously and no provision has been made in the consolidated financial statements.

Acquisition of 25% Interest in Paul Y. Centre

In November 2005, the Company announced that its wholly-owned subsidiary entered into a shareholder agreement for the acquisition of 50% of the entire issued share capital of a joint venture company on 23 November 2005. On the same date, the joint venture company entered into another shareholder agreement to acquire 50% of the entire issued share capital of another joint venture company ("Purchaser"). The Purchaser then entered into a sale and purchase agreement to acquire the entire issued share capital of Linkport Holdings Limited which, through its wholly-owned subsidiaries, owns Paul Y. Centre located at No. 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

This acquisition will provide the Company with recurring income and the opportunity for appreciation in the value of the property. The Company will also benefit from the hedging of office space currently occupied against potential increases in rental expenses. Further information of the aforementioned investment is contained in a circular of the Company dated 15 December 2005.

或然負債

本年度結束時，本集團有仍然有效之建築合約履約擔保書及就授予聯營公司之銀行信貸向銀行提供之抵押品之或然負債，分別涉及款額約 361,000,000 港元及 9,000,000 港元。

此外，本公司之一家附屬公司於二零零二年內提出之一宗訴訟中為被告人，牽涉承包商瑞慶寶盈雲石有限公司（「瑞慶」）申索承造合約工程之逾期款項約 1,700,000 港元。該附屬公司已提出抗辯，並向瑞慶提出反索償約 200,000 港元。該附屬公司對該宗索償提出強烈爭議，綜合財務報表內並無就此作出任何撥備。

收購保華企業中心 25% 權益

於二零零五年十一月，本公司宣佈，其全資附屬公司於二零零五年十一月二十三日訂立股東協議，以收購一家合營公司全部已發行股本之 50% 權益。於同日，該合營公司訂立另一項股東協議，以收購另一家合營公司（「買方」）全部已發行股本之 50% 權益。買方繼而訂立買賣協議，收購 Linkport Holdings Limited 之全部已發行股本，該公司透過其全資附屬公司擁有位於香港九龍觀塘鴻圖道 51 號之保華企業中心。

此項收購將為本公司提供經常性收入，以及物業升值之機會。本公司亦可藉此與現時佔用之辦公室空間可能增加之租金及開支作對沖，因而受惠。有關上述投資之進一步資料載於本公司於二零零五年十二月十五日刊發之通函內。

As we again record growth in net profit and margin improvement, we will continue to enhance our operational efficiency and maximize total shareholders' return.

在純利及經營溢利錄得增長的同時，我們將繼續提升集團的營運效率，務使股東的投資獲得最優厚回報。

Mr Lee Hon Chiu, Executive Director
李漢潮先生，執行董事

Securities in Issue

During the year, an aggregate of 5,259,385 shares were issued by way of scrip dividend and share options over a total of 12,500,000 shares were granted.

As at 31 March 2006, there were 581,958,779 shares in issue and outstanding share options over a total of 12,500,000 shares with subscription prices of HK\$0.70 (as to options over 1,500,000 shares), HK\$0.85 (as to options over 1,500,000 shares), HK\$0.90 (as to options over 8,000,000 shares) and HK\$1.00 (as to options over 1,500,000 shares) per share.

Final Dividend

The board of directors of the Company ("Board") has resolved to recommend the payment of a final dividend of 5 HK cents per share for the year ended 31 March 2006 (2005: 6 HK cents) to shareholders whose names appear on the Company's register of members as at the close of business on 20 September 2006. The final dividend is expected to be paid to shareholders by post on or around 16 October 2006.

The Board has also proposed that the final dividend should be satisfied by way of a scrip dividend of shares, with an option to elect cash in respect of part or all of such dividend. The market value of the shares to be issued under the scrip dividend proposal will be fixed by reference to the average of the closing prices of the Company's shares for the three consecutive trading days ending on 20 September 2006 less a discount of 5% of such average price or the par value of shares, whichever is higher. The proposed scrip dividend is conditional upon The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the new shares to be issued and the passing at the forthcoming annual general meeting of the Company of an ordinary resolution to approve the final dividend. A circular giving full details of the scrip dividend proposal and a form of election will be sent to all shareholders.

Close of Register of Members

The Company's register of members will be closed from 18 September 2006 to 20 September 2006, both dates inclusive, during which period no share transfers shall be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on 15 September 2006.

已發行證券

於本年度，共 5,259,385 股股份已按以股代息方式發行，並已授出可認購共 12,500,000 股股份之購股權。

於二零零六年三月三十一日，已發行股份共 581,958,779 股及可認購共 12,500,000 股股份之未行使購股權，行使價為 0.70 港元（就可認購 1,500,000 股股份之購股權而言）、0.85 港元（就可認購 1,500,000 股股份之購股權而言）、0.90 港元（就可認購 8,000,000 股股份之購股權而言）及 1.00 港元（就可認購 1,500,000 股股份之購股權而言）。

末期股息

本公司董事局（「董事局」）已議決向二零零六年九月二十日辦公時間結束時名列本公司股東名冊之股東派付截至二零零六年三月三十一日止年度末期股息每股 5 港仙（二零零五年：6 港仙）。預期末期股息會約於二零零六年十月十六日以郵寄方式派付予股東。

此外，董事局並建議透過以股代息方式派付末期股息，惟股東可選擇收取現金以代替部份或全部有關股息。根據以股代息建議將予發行之股份之市值，將參考本公司股份於截至二零零六年九月二十日止連續三個交易日之平均收市價減該平均價 5% 之折讓或股份面值（以較高者為準）計算。以股代息建議須待香港聯合交易所有限公司批准將予發行之新股份上市及買賣及在本公司應屆股東周年大會上通過有關批准末期股息之普通決議案後方可作實。載有以股代息建議全部詳情之通函，將連同選擇表格一併寄予股東。

暫停辦理股東登記手續

本公司將於二零零六年九月十八日至二零零六年九月二十日止（首尾兩日包括在內）之期間暫停辦理股東登記手續，於該段期間將不會登記任何股份之轉讓。如欲獲發擬派之末期股息，所有股份過戶文件連同有關股票，最遲須於二零零六年九月十五日下午四時正前交回本公司之香港股份過戶登記處標準證券登記有限公司以供登記，地址為香港灣仔皇后大道東 28 號金鐘匯中心 26 樓。

Outlook

The Group continues to move ahead with its strategy of maintaining its core strengths while identifying opportunities to move up the engineering services value chain.

The Project Management business leverages Paul Y. Engineering's 60-year track record in completing complex projects in Hong Kong, Macau, China, South East Asia and the Middle East, as well as our expertise in the processes and techniques that take a project from concept to completion.

Our Facilities Management business draws on Paul Y. Engineering's maintenance and operations expertise and brings together a team of highly-skilled professionals, with experience that includes managing educational, medical, transportation, and a range of industrial and commercial facilities.

Given generally upbeat prospects for Hong Kong's economy and engineering service sector, we are confident that the Group is well positioned to take full advantage of opportunities in the year ahead.

Mok Yat Fan, Edmond

*Executive Director &
Chief Executive Officer*

Kwan Chi Ping, Edgar

*Executive Director &
Chief Operating Officer*

Hong Kong, 7 July 2006

展望

集團貫徹維持核心優勢之策略，同時伺機向工程服務價值鏈之上游，邁步前進。

項目管理業務運用保華建業六十年來完成香港、澳門、中國、東南亞及中東各複雜項目之輝煌往績，以及在程序及技巧方面之專業知識，由概念到完工一手擔起整個項目。

至於設施管理業務則用到保華建業之維修及營運專業知識，並將一隊技術高超並擁有管理教育、醫療、交通及一系列工商業設施經驗之專業人士集合起來。

展望香港經濟及工程服務界整體之向上，集團相信本集團已準備就緒，將來年商機盡情發揮。

莫一帆

執行董事兼行政總裁

關治平

執行董事兼營運總裁

香港，二零零六年七月七日