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27th May, 2005

The Directors  
Linfair Holdings Limited  
Somerley Limited  
TIS Securities (HK) Limited

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) regarding Linfair Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31st March, 2004 and for the eight months ended 30th November, 2004 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 27th May, 2005 (the “Prospectus”).

The Company was incorporated in the Cayman Islands on 8th October, 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the “Group Reorganisation”), as more fully explained in the paragraph headed “Group reorganisation” in Appendix VI of the Prospectus, the Company has become the holding company of the companies comprising the Group since 18th May, 2005.

We have acted as auditors of the companies now comprising the Group, other than the Company, for each of the Relevant Periods or since their respective dates of incorporation where there is a shorter period except for the following:

<b>Name of subsidiary</b>	<b>Financial period</b>	<b>Auditors</b>
Linfair Engineering (Malaysia) Sdn. Bhd.	For the period from 19th September, 2001 (date of incorporation) to 30th November, 2004	K. F. Cheong & Co.
福茂展業科技(北京)有限公司 Linfair Engineering (Beijing) Co. Ltd.	For the period from 25th November, 2004 (date of incorporation) to 30th November, 2004	Not yet appointed

Name of subsidiary	Financial period	Auditors
福茂電子系統(深圳)有限公司 Linfair Engineering (Shenzhen) Co. Limited	For the period from 16th September, 2004 (date of incorporation) to 30th November, 2004	深圳捷信會計師事務所 Shenzhen Jiexin Certified Public Accountants
Linfair Engineering (Singapore) Pte. Limited	For the period from 12th January, 2004 (date of incorporation) to 30th November, 2004	Yong Cherng Nan & Co.

At the date of this report, the Company has the following indirect wholly-owned subsidiaries, other than Excellent Overseas Limited which is directly owned by the Company.

Name of subsidiary	Place and date of incorporation/operation	Issued and fully paid share capital	Principal activities
Excellent Overseas Limited ("Excellent Overseas")	British Virgin Islands 18th July, 2001	Ordinary share US\$1	Investment holding
福茂展業科技(北京)有限公司 Linfair Engineering (Beijing) Co. Ltd. ("Linfair (Beijing)")	The People's Republic of China 25th November, 2004	Registered capital HK\$1,000,000	Provision of installation and maintenance services
福茂電子系統(深圳)有限公司 Linfair Engineering (Shenzhen) Co. Limited ("Linfair (Shenzhen)")	The People's Republic of China 16th September, 2004	Registered capital HK\$1,000,000	Provision of installation and maintenance services
Linfair Engineering (Malaysia) Sdn. Bhd. ("Linfair (Malaysia)") (formerly known as Silver Starters Sdn. Bhd.)	Malaysia 19th September, 2001	Ordinary shares RM1,500,000	Provision of installation and maintenance services
Linfair Engineering Company Limited ("Linfair (Samoa)")	Samoa 9th November, 2001	Ordinary share US\$1	Provision of engineering systems contracting service

<b>Name of subsidiary</b>	<b>Place and date of incorporation/ operation</b>	<b>Issued and fully paid share capital</b>	<b>Principal activities</b>
Linfair Engineering Service Company Limited ("Linfair (BVI)")	British Virgin Islands 9th August, 2001	Ordinary share US\$1	Dormant
Linfair Engineering (H.K.) Co. Limited ("Linfair (HK)")	Hong Kong 9th November, 1991	Ordinary shares HK\$10,000,000	Provision of engineering systems contracting service and sales of related consumables and spare parts
Linfair Engineering (Singapore) Pte. Limited ("Linfair (Singapore)")	Singapore 12th January, 2004	Ordinary shares SG\$100,000	Dormant

The financial statements of Linfair (Malaysia) for the period from 19th September, 2001 (date of incorporation) to 31st March, 2002 and for the two years ended 31st March, 2004 and for the eight months ended 30th November, 2004 were prepared in accordance with the relevant Malaysia accounting principles and regulations. As a basis for forming an opinion on the financial information of the Group for the purpose of this report, we have carried out independent audit procedures in accordance with Statements of Auditing Standards ("SAS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the audited financial statements of Linfair (Malaysia) for the period from 19th September, 2001 (date of incorporation) to 31st March, 2002 and for the two years ended 31st March, 2004 and for the eight months ended 30th November, 2004.

No individual audited financial statements have been prepared for the Company, Linfair (Beijing), Linfair (Shenzhen) and Linfair (Singapore), since their respective dates of incorporation as they have not carried on any business, other than the transactions related to the Group Reorganisation. No audited financial statements have been prepared for Excellent Overseas and Linfair (BVI) since their dates of incorporation as there is no statutory audit requirement. For the purpose of this report, we have, however, reviewed all the relevant transactions of these companies since their respective dates of incorporation to the date of this report.

No individual audited financial statements have been prepared for Linfair (Samoa) and Linfair (HK) for the eight months ended 30th November, 2004. As a basis for forming an opinion on the financial information of the Group for the purpose of this report, we have carried out independent audit procedures in accordance with SAS issued by the HKICPA on the management financial statements of Linfair (Samoa) and Linfair (HK) for the eight months ended 30th November, 2004.

We have examined the audited financial statements or, where necessary, the management accounts (collectively referred to the “Underlying Financial Statements”) of the companies comprising the Group for the Relevant Periods, or since their relevant dates of incorporation to 30th November, 2004. Our examination was made in accordance with the Auditing Guideline “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements of the companies comprising the Group, on the basis of preparation set out in Section A below, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The preparation of the Underlying Financial Statements are the responsibility of the directors of those companies who approve their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the financial information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31st March, 2003 and 2004 and 30th November, 2004 and of the Group as at 31st March, 2002, 2003 and 2004 and 30th November, 2004 and of the combined results and cash flows of the Group for the Relevant Periods.

The comparative combined financial information of the Group for the eight months ended 30th November, 2003 has been extracted from the Group’s unaudited combined financial information for the same period (the “30th November, 2003 Financial Information”) which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30th November, 2003 Financial Information in accordance with SAS 700 “Engagements to review interim financial reports” issued by the HKICPA. Our review consisted principally of making enquiries of group management and applying analytical procedures to the combined financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30th November, 2003 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 30th November, 2003 Financial Information.

## A. FINANCIAL INFORMATION

## Combined income statements

	Notes	Year ended 31st March,			Eight months ended	
		2002	2003	2004	30th November,	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(unaudited)
Turnover	4	331,341	360,235	640,194	449,528	333,377
Cost of contract works		(268,602)	(269,925)	(465,213)	(332,807)	(238,883)
Cost of sales		<u>(36,402)</u>	<u>(43,809)</u>	<u>(97,436)</u>	<u>(57,954)</u>	<u>(52,396)</u>
Gross profit		26,337	46,501	77,545	58,767	42,098
Other operating income	5	645	1,754	2,503	4,971	2,746
Selling and distribution costs		(549)	(1,179)	(2,801)	(1,511)	(1,773)
Administrative expenses		<u>(14,200)</u>	<u>(21,809)</u>	<u>(37,880)</u>	<u>(26,830)</u>	<u>(19,149)</u>
Profit from operations	6	12,233	25,267	39,367	35,397	23,922
Finance costs	7	<u>(460)</u>	<u>(746)</u>	<u>(610)</u>	<u>(417)</u>	<u>(459)</u>
Profit before taxation		11,773	24,521	38,757	34,980	23,463
Taxation	8	<u>(1,693)</u>	<u>(3,800)</u>	<u>(4,600)</u>	<u>(2,000)</u>	<u>(2,454)</u>
Net profit for the year/ period		<u>10,080</u>	<u>20,721</u>	<u>34,157</u>	<u>32,980</u>	<u>21,009</u>
Dividend	9	<u>12,000</u>	<u>15,000</u>	<u>20,000</u>	<u>16,000</u>	<u>—</u>
Earnings per share						
— basic	10	<u>4.48 cents</u>	<u>9.21 cents</u>	<u>15.18 cents</u>	<u>14.66 cents</u>	<u>9.34 cents</u>

## Combined balance sheets

		THE GROUP				
		At 31st March,			At 30th	
		2002	2003	2004	November,	
Notes		HK\$'000	HK\$'000	HK\$'000	2004 HK\$'000	
NON-CURRENT ASSET						
	Property, plant and equipment	12	<u>6,506</u>	<u>5,827</u>	<u>4,986</u>	<u>4,664</u>
CURRENT ASSETS						
	Inventories	13	1,959	1,464	8,522	13,354
	Trade debtors and bills receivable	14	44,396	74,338	148,894	141,044
	Other debtors, deposits and prepayments	15	3,094	37,947	81,523	185,927
	Amounts due from customers for contract work	16	—	3,962	1,774	3,577
	Amounts due from related companies	17	5,733	—	—	—
	Amount due from a director	18	6,069	—	—	—
	Bank balances and cash	19	<u>14,070</u>	<u>30,782</u>	<u>28,762</u>	<u>30,567</u>
			<u>75,321</u>	<u>148,493</u>	<u>269,475</u>	<u>374,469</u>
CURRENT LIABILITIES						
	Trade creditors and bills payable	20	43,203	58,923	137,473	95,803
	Other creditors and accrued charges	21	2,785	41,983	70,466	175,894
	Amounts due to customers for contract work	16	6,421	479	479	—
	Amount due to a director		—	9,787	9,155	—
	Dividend payable		—	—	—	4,000
	Taxation		1,393	1,994	3,654	5,148
	Secured bank borrowings	22	<u>21,078</u>	<u>28,536</u>	<u>26,768</u>	<u>55,533</u>
			<u>74,880</u>	<u>141,702</u>	<u>247,995</u>	<u>336,378</u>
NET CURRENT ASSETS			<u>441</u>	<u>6,791</u>	<u>21,480</u>	<u>38,091</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,947</u>	<u>12,618</u>	<u>26,466</u>	<u>42,755</u>
CAPITAL AND RESERVES						
	Paid-in capital	23	1	1	1	1
	Reserves	24	<u>5,766</u>	<u>11,487</u>	<u>25,624</u>	<u>42,263</u>
			<u>5,767</u>	<u>11,488</u>	<u>25,625</u>	<u>42,264</u>
NON-CURRENT LIABILITIES						
	Secured bank borrowings	22	1,180	869	545	319
	Deferred taxation	25	<u>—</u>	<u>261</u>	<u>296</u>	<u>172</u>
			<u>1,180</u>	<u>1,130</u>	<u>841</u>	<u>491</u>
			<u>6,947</u>	<u>12,618</u>	<u>26,466</u>	<u>42,755</u>

## Balance sheets

	THE COMPANY		
	At 31st March,		At
	2003	2004	30th November,
	HK\$'000	HK\$'000	2004
			HK\$'000
NON-CURRENT ASSET			
Investment in a subsidiary	<u>1</u>	<u>1</u>	<u>1</u>
CURRENT ASSET			
Other debtors, deposits and prepayments	—	28	28
CURRENT LIABILITY			
Amount due to a subsidiary	<u>(4)</u>	<u>(94)</u>	<u>(94)</u>
NET CURRENT LIABILITY	<u>(4)</u>	<u>(66)</u>	<u>(66)</u>
TOTAL ASSETS LESS CURRENT LIABILITY			
	<u>(3)</u>	<u>(65)</u>	<u>(65)</u>
CAPITAL AND RESERVE			
Paid-in capital	1	1	1
Accumulated losses	<u>(4)</u>	<u>(66)</u>	<u>(66)</u>
	<u>(3)</u>	<u>{(65)</u>	<u>(65)</u>

## Combined statements of changes in equity

	Share capital <i>HK\$' 000</i>	Merger reserve <i>HK\$' 000</i> <i>(Note)</i>	Exchange reserve <i>HK\$' 000</i>	Retained profits <i>HK\$' 000</i>	Total <i>HK\$' 000</i>
At 1st April, 2001	1	9	—	7,677	7,687
Net profit for the year	—	—	—	10,080	10,080
Interim dividend paid	—	—	—	(12,000)	(12,000)
At 31st March, 2002	1	9	—	5,757	5,767
Net profit for the year	—	—	—	20,721	20,721
Interim dividend paid	—	—	—	(15,000)	(15,000)
At 31st March, 2003	1	9	—	11,478	11,488
Net profit for the year	—	—	—	34,157	34,157
Interim dividend paid	—	—	—	(20,000)	(20,000)
Exchange differences on translation of overseas operations not recognised in combined income statement	—	—	(20)	—	(20)
At 31st March, 2004	1	9	(20)	25,635	25,625
Net profit for the period	—	—	—	32,980	32,980
Interim dividend paid	—	—	—	(16,000)	(16,000)
Exchange differences on translation of overseas operations not recognised in combined income statement	—	—	(341)	—	(341)
At 30th November, 2004	<u>1</u>	<u>9</u>	<u>(361)</u>	<u>42,615</u>	<u>42,264</u>
At 1st April, 2003	1	9	—	11,478	11,488
Net profit for the period	—	—	—	21,009	21,009
Exchange differences on translation of overseas operations not recognised in combined income statement	—	—	(19)	—	(19)
At 30th November, 2003	<u>1</u>	<u>9</u>	<u>(19)</u>	<u>32,487</u>	<u>32,478</u>

*Note:* The merger reserve of the Group represented the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital of the subsidiaries acquired pursuant to the group reorganisation.



## Combined cash flow statements

	Year ended 31st March,			Eight months ended	
	2002	2003	2004	30th November,	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(unaudited)</i>
OPERATING ACTIVITIES					
Profit from operations	12,233	25,267	39,367	35,397	23,922
Adjustments for:					
Allowance for bad and doubtful debts	4,491	1,605	8,008	7,692	3,926
Allowance for inventories (write back)	189	98	(113)	56	(155)
Bank charges	(53)	(63)	(126)	(132)	(79)
Depreciation and amortisation	1,014	1,212	1,248	888	823
Interest income	(80)	(785)	(1,851)	(167)	(1,488)
Loss on disposal of property, plant and equipment	76	—	—	—	—
Operating cash flows before movements in working capital	17,870	27,334	46,533	43,734	26,949
Decrease (increase) in inventories	1,033	397	(6,945)	(4,888)	(2,968)
(Increase) decrease in trade debtors and bills receivable	(39,425)	(31,547)	(82,564)	158	(25,857)
Increase in other debtors, deposits and prepayments	(1,851)	(34,853)	(43,576)	(104,404)	(48,056)
(Increase) decrease in amounts due from customers for contract work	—	(3,962)	2,188	(1,803)	(13,786)
Decrease (increase) in amounts due from related companies	—	5,733	—	—	(33)
Increase (decrease) in trade creditors and bills payable	23,584	15,720	78,550	(41,670)	24,849
Increase in other creditors and accrued charges	1,825	39,954	30,205	105,521	42,400
Increase (decrease) in amounts due to customers for contract work	6,001	(5,942)	—	(479)	(479)
Cash generated from (used in) operations	9,037	12,834	24,391	(3,831)	3,019
Hong Kong Profits Tax paid	(2,050)	(2,938)	(2,905)	(630)	(431)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	6,987	9,896	21,486	(4,461)	2,588

	Year ended 31st March,			Eight months ended	
	2002	2003	2004	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(unaudited)</i>
INVESTING ACTIVITIES					
Interest received	80	29	129	74	103
Purchase of property, plant and equipment	(7,520)	(533)	(407)	(566)	(382)
Repayment from (advance to) a director	1,799	6,069	—	—	(370)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(5,641)	5,565	(278)	(492)	(649)
FINANCING ACTIVITIES					
Dividend paid	(12,000)	(15,000)	(20,000)	(12,000)	—
Interest paid	(407)	(683)	(484)	(285)	(380)
Advance from (repayment to) a director	—	9,787	(632)	(9,155)	(9,787)
New bank loan raised	20,000	—	15,000	—	—
Repayment of bank loan	—	—	(20,000)	—	—
New mortgage loan raised	1,600	—	—	—	—
Repayment of mortgage loan	(122)	(298)	(311)	(215)	(205)
Trust receipt loans raised	780	7,910	24,994	71,215	—
Repayment of trust receipt loans	(268)	(780)	(21,460)	(42,461)	(3,855)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	9,583	936	(22,893)	7,099	(14,227)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,929	16,397	(1,685)	2,146	(12,288)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	3,141	14,070	30,467	28,762	30,467
Effect of foreign exchange rate changes	—	—	(20)	(341)	(19)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	14,070	30,467	28,762	30,567	18,160
ANALYSIS OF THE CASH AND CASH EQUIVALENTS					
Bank balances and cash	14,070	30,782	28,762	30,567	18,160
Bank overdraft	—	(315)	—	—	—
	14,070	30,467	28,762	30,567	18,160

## Notes to the financial information

### 1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The combined income statements, combined balance sheets, combined statements of changes in equity and combined cash flow statements include the results and cash flows of the companies comprising the Group as if those companies, except which is incorporated after 30th November, 2004, had been subsidiaries of the Company throughout the Relevant Periods, or since their respective dates of incorporation, where this is a shorter period. The combined balance sheets of the Group at 31st March, 2002, 2003 and 2004 and 30th November, 2004 have been prepared to present the assets and liabilities of the Group as if the current group structure had been in existence as at those dates.

All significant intra-group transactions and balances have been eliminated on combination.

### 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial information for the eight months ended 30th November, 2004.

The Group has commenced considering the potential impact of these new HKFRSs and has preliminarily identified the following possible impact on the Group's accounting policies and the related financial impact:

*Share-based payments.* HKFRS 2 "Share-based Payment" requires a fair value based method for accounting for share-based compensation plans which takes into account vesting conditions related to market performance. Under this method, compensation cost is measured at date of grant based on the value of the award and is recognised over the service period, which is usually the vesting period. The Group is required to recognise compensation cost in respect of the share option granted after 7th November, 2002 and had not yet vested at the accounting period beginning on or after 1st January, 2005. This HKFRS2 will become effective and will be adopted by the Group during the financial year ending 31st March, 2006.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial information have been prepared under the historical cost convention and in accordance with accounting policies set out below which conform with accounting principles generally accepted in Hong Kong including applicable HKFRSs issued by the HKICPA. The principal accounting policies adopted are as follows:

#### Revenue recognition

##### *Provision of engineering systems contracting services*

Project revenue from theme park show systems contracting services is recognised when the outcome of the contract can be estimated reliably and the stage of completion at the balance sheet date can be measured reliably. Project revenue is recognised on the percentage of completion method, measured by reference to the percentage of cost incurred to date to the estimated total cost. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Project revenue from intelligent traffic management systems contracting services is recognised on the same basis as revenue recognised from the theme park show systems contracting services.

Revenue from provision of other engineering systems contracting services is recognised when the buyer accepts delivery, and installation and inspection are completed.

#### *Others*

Sale of goods are recognised when goods are delivered and title has passed.

Commission, handling and service income are recognised when services are provided.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less depreciation and amortisation and accumulated impairment losses.

Depreciation and amortisation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land	Over the term of lease
Buildings	4%
Machinery and equipment	20%
Office equipment	20%
Computer equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the combined income statements.

#### *Impairment*

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### *Inventories*

Inventories, including materials, parts and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

*Contracts*

When the outcome of a contract can be estimated reliably and the stage of completion at the balance sheet date can be measured reliably, contract costs are charged to the combined income statements by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as project revenue recognised.

When the outcome of a contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contracts costs will exceed project revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade and other receivables.

*Leases*

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees.

All other leases are classified as operating leases and the rental income is recognised on a straight-line basis over the relevant lease term.

*Retirement benefit costs*

Payments to state-managed retirement benefit scheme/the Mandatory Provident Fund Scheme ("MPF") are charged an expense as they fall due.

*Foreign currencies*

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On combination, the assets and liabilities of the Group's overseas operations are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

*Taxation*

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the combined income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the combined income statements, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### 4. SEGMENT INFORMATION

##### **Turnover**

Turnover represents revenue generated from provision of engineering systems contracting services and the amount received and receivable for consumables and spare parts sold, as after sales services incidental and ancillary to the engineering systems, during the Relevant Periods.

##### **Business segments**

For management purposes, the Group is currently organised into two operating divisions — provision of engineering systems contracting services and sale of consumables and spare parts. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

For the year ended 31st March, 2002

	Provision of engineering systems contracting services <i>HK\$'000</i>	Sale of consumables and spare parts <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Revenue</b>			
External sales	<u>281,940<sup>#</sup></u>	<u>49,401</u>	<u>331,341</u>
Segment results	<u>8,599</u>	<u>12,269</u>	20,868
Unallocated corporate revenue			645
Unallocated corporate expenses			<u>(9,280)</u>
Profit from operations			12,233
Finance costs			<u>(460)</u>
Profit before taxation			11,773
Taxation			<u>(1,693)</u>
Net profit for the year			<u>10,080</u>

# Included HK\$93.0 million project revenue recognised from theme park show systems contracting services.

At 31st March, 2002

	Provision of engineering systems contracting services <i>HK\$'000</i>	Sale of consumables and spare parts <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Balance sheet</b>			
<b>Assets</b>			
Segment assets	44,113	6,649	50,762
Unallocated corporate assets			<u>31,065</u>
Combined total assets			<u>81,827</u>
<b>Liabilities</b>			
Segment liabilities	44,785	6,484	51,269
Unallocated corporate liabilities			<u>24,791</u>
Combined total liabilities			<u>76,060</u>

	<b>Provision of engineering systems contracting services</b>	<b>Sale of consumables and spare parts</b>	<b>Others</b>	<b>Combined</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other information</b>				
Capital expenditure	4,136	—	3,384	7,520
Depreciation and amortisation	827	—	187	1,014
Allowance for bad and doubtful debts	3,912	579	—	4,491
Allowance for inventories	—	189	—	189
Loss on disposal of property, plant and equipment	—	—	76	76

**For the year ended 31st March, 2003**

	<b>Provision of engineering systems contracting services</b>	<b>Sale of consumables and spare parts</b>	<b>Combined</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>			
External sales	<u>299,654<sup>#</sup></u>	<u>60,581</u>	<u>360,235</u>
Segment results	<u>28,027</u>	<u>14,755</u>	42,782
Unallocated corporate revenue			1,754
Unallocated corporate expenses			<u>(19,269)</u>
Profit from operations			25,267
Finance costs			<u>(746)</u>
Profit before taxation			24,521
Taxation			<u>(3,800)</u>
Net profit for the year			<u>20,721</u>

# Included HK\$17.0 million and HK\$3.2 million project revenue recognised from theme park show systems and intelligent traffic management systems contracting services respectively.



At 31st March, 2003

	Provision of engineering systems contracting services <i>HK\$'000</i>	Sale of consumables and spare parts <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Balance sheet</b>			
Assets			
Segment assets	99,285	8,877	108,162
Unallocated corporate assets			<u>46,158</u>
Combined total assets			<u><u>154,320</u></u>
Liabilities			
Segment liabilities	80,213	9,861	90,074
Unallocated corporate liabilities			<u>52,758</u>
Combined total liabilities			<u><u>142,832</u></u>

	Provision of engineering systems contracting services <i>HK\$'000</i>	Sale of consumables and spare parts <i>HK\$'000</i>	Others <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Other information</b>				
Capital expenditure	—	1	532	533
Depreciation and amortisation	836	—	376	1,212
Allowance for bad and doubtful debts	866	739	—	1,605
Allowance for inventories	—	98	—	98

For the year ended 31st March, 2004

	Provision of engineering systems contracting services <i>HK\$'000</i>	Sale of consumables and spare parts <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Revenue</b>			
External sales	<u>511,149</u>	<u>129,045</u>	<u>640,194</u>
Segment results	<u>38,875</u>	<u>29,949</u>	68,824
Unallocated corporate revenue			2,390
Unallocated corporate expenses			<u>(31,847)</u>
Profit from operations			39,367
Finance costs			<u>(610)</u>
Profit before taxation			38,757
Taxation			<u>(4,600)</u>
Net profit for the year			<u><u>34,157</u></u>

At 31st March, 2004

	Provision of engineering systems contracting services <i>HK\$'000</i>	Sale of consumables and spare parts <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Balance sheet</b>			
Assets			
Segment assets	199,779	39,120	238,899
Unallocated corporate assets			<u>35,562</u>
Combined total assets			<u><u>274,461</u></u>
Liabilities			
Segment liabilities	172,707	31,532	204,239
Unallocated corporate liabilities			<u>44,597</u>
Combined total liabilities			<u><u>248,836</u></u>

	Provision of engineering systems contracting services <i>HK\$'000</i>	Sale of consumables and spare parts <i>HK\$'000</i>	Others <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Other information</b>				
Capital expenditure	—	—	407	407
Depreciation and amortisation	827	—	421	1,248
Allowance for bad and doubtful debts	6,235	1,773	—	8,008

For the eight months ended 30th November, 2004

	Provision of engineering systems contracting services <i>HK\$'000</i>	Sale of consumables and spare parts <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>Revenue</b>			
External sales	<u>371,143<sup>#</sup></u>	<u>78,385</u>	<u>449,528</u>
Segment results	<u>33,561</u>	<u>16,905</u>	50,466
Unallocated corporate revenue			4,971
Unallocated corporate expenses			<u>(20,040)</u>
Profit from operations			35,397
Finance costs			<u>(417)</u>
Profit before taxation			34,980
Taxation			<u>(2,000)</u>
Net profit for the period			<u><u>32,980</u></u>

# Included HK\$2.0 million project revenue recognised from intelligent traffic management systems contracting services.

At 30th November, 2004

	<b>Provision of engineering systems contracting services</b>	<b>Sale of consumables and spare parts</b>	<b>Combined</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Balance sheet</b>			
Assets			
Segment assets	308,526	23,021	331,547
Unallocated corporate assets			<u>47,586</u>
Combined total assets			<u><u>379,133</u></u>
Liabilities			
Segment liabilities	252,812	15,223	268,035
Unallocated corporate liabilities			<u>68,834</u>
Combined total liabilities			<u><u>336,869</u></u>

	<b>Provision of engineering systems contracting services</b>	<b>Sale of consumables and spare parts</b>	<b>Others</b>	<b>Combined</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other information</b>				
Capital expenditure	—	—	566	566
Depreciation and amortisation	553	—	335	888
Allowance for bad and doubtful debts	4,223	3,469	—	7,692
Allowance for inventories	—	56	—	56

For the eight months ended 30th November, 2003

	<b>Provision of engineering systems contracting services</b>	<b>Sale of consumables and spare parts</b>	<b>Combined</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Revenue</b>			
External sales	<u>262,446</u>	<u>70,931</u>	<u>333,377</u>
Segment results	<u>19,759</u>	<u>18,017</u>	37,776
Unallocated corporate revenue			2,746
Unallocated corporate expenses			<u>(16,600)</u>
Profit from operations			23,922
Finance costs			<u>(459)</u>
Profit before taxation			23,463
Taxation			<u>(2,454)</u>
Net profit for the period			<u>21,009</u>

	<b>Provision of engineering systems contracting services</b>	<b>Sale of consumables and spare parts</b>	<b>Others</b>	<b>Combined</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other information</b>				
Capital expenditure	—	—	382	382
Depreciation and amortisation	552	—	271	823
Allowance for bad and doubtful debts	3,254	672	—	3,926

### Geographical segments

The Group's operations are principally located in Hong Kong, the other regions of the People's Republic of China ("PRC"), Taiwan and the Southeast Asia.

The following tables provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market					Contribution to profit from operations				
	Year ended 31st March,			Eight months ended		Year ended 31st March,			Eight months ended	
	2002	2003	2004	2004	2003	2002	2003	2004	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
										(unaudited)
Hong Kong	26,587	56,769	140,580	36,547	88,610	(2,406)	(8,137)	(3,287)	(6,972)	3,116
PRC	70,834	123,551	285,236	256,347	116,979	6,304	2,664	25,100	25,941	10,998
Taiwan	105,024	35,460	53,794	27,790	23,152	1,068	(1,115)	2,351	(203)	(1,244)
Southeast Asia	127,099	143,317	157,748	126,415	103,468	7,024	31,552	14,199	15,993	10,838
Others	1,797	1,138	2,836	2,429	1,168	243	303	1,004	638	214
	<u>331,341</u>	<u>360,235</u>	<u>640,194</u>	<u>449,528</u>	<u>333,377</u>	<u>12,233</u>	<u>25,267</u>	<u>39,367</u>	<u>35,397</u>	<u>23,922</u>

The following is an analysis of the carrying amount of segment assets at the balance sheet date and additions to property, plant and equipment during the Relevant Periods analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets				Additions to property, plant and equipment				
	At 31st March,		At 30th November,		Year ended 31st March,			Eight months ended 30th November,	
	2002	2003	2004	2004	2002	2003	2004	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
									(unaudited)
Hong Kong	36,132	34,281	106,617	75,184	7,520	533	164	417	164
PRC	23,397	60,947	57,133	121,899	—	—	153	8	153
Taiwan	7,768	5,418	16,513	920	—	—	44	127	29
Southeast Asia	14,308	22,892	35,895	68,957	—	—	46	14	36
Others	222	30,782	58,303	112,173	—	—	—	—	—
	<u>81,827</u>	<u>154,320</u>	<u>274,461</u>	<u>379,133</u>	<u>7,520</u>	<u>533</u>	<u>407</u>	<u>566</u>	<u>382</u>

## 5. OTHER OPERATING INCOME

	Year ended 31st March,			Eight months ended 30th November,	
	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2004 HK\$'000	2003 HK\$'000 (unaudited)
Commission	25	—	337	504	328
Exchange gains, net	192	—	—	4,017	865
Handling income	282	209	3	1	3
Income from provision of guarantee to a customer ( <i>Note</i> )	—	756	1,722	93	1,385
Interest income	80	29	129	74	103
Service income	—	586	13	269	11
Sundry income	66	174	299	13	51
	<u>645</u>	<u>1,754</u>	<u>2,503</u>	<u>4,971</u>	<u>2,746</u>

*Note:* Income from provision of guarantee to a customer is recognised using yield method over the guarantee period.

## 6. PROFIT FROM OPERATIONS

	Year ended 31st March,			Eight months ended 30th November,	
	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2004 HK\$'000	2003 HK\$'000 (unaudited)
Profit from operations is arrived at after charging (crediting):					
Allowance for bad and doubtful debts	4,491	1,605	8,008	7,692	3,926
Allowance for inventories (write back)	189	98	(113)	56	(155)
Auditors' remuneration	244	152	359	441	106
Depreciation and amortisation	1,014	1,212	1,248	888	823
Exchange losses, net	—	259	1,949	—	—
Loss on disposal of property, plant and equipment	76	—	—	—	—
Operating lease rentals in respect of rented premises	241	198	231	332	141
Staff costs inclusive of directors' remuneration	<u>4,905</u>	<u>13,230</u>	<u>17,363</u>	<u>11,603</u>	<u>10,353</u>

Operating lease rentals amounting to HK\$148,000, HK\$148,000 and HK\$384,000 for the three years ended 31st March, 2004, HK\$227,000 and HK\$255,000 for the eight months ended 30th November, 2004 and 2003 respectively in respect of staff quarters are included under staff costs.

## 7. FINANCE COSTS

	Year ended 31st March,			Eight months ended 30th November,	
	2002	2003	2004	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Bank charges	53	63	126	132	79
Interests on bank borrowings wholly repayable within five years	<u>407</u>	<u>683</u>	<u>484</u>	<u>285</u>	<u>380</u>
	<u>460</u>	<u>746</u>	<u>610</u>	<u>417</u>	<u>459</u>

## 8. TAXATION

	Year ended 31st March,			Eight months ended 30th November,	
	2002	2003	2004	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
The charge comprises:					
Profit for the year/ period					
Hong Kong	1,111	2,420	5,431	2,124	3,285
Other jurisdictions	<u>230</u>	<u>506</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,341</u>	<u>2,926</u>	<u>5,431</u>	<u>2,124</u>	<u>3,285</u>
Prior years					
Hong Kong	222	613	—	—	—
Other jurisdictions	<u>130</u>	<u>—</u>	<u>(866)</u>	<u>—</u>	<u>(866)</u>
	<u>352</u>	<u>613</u>	<u>(866)</u>	<u>—</u>	<u>—</u>
Deferred taxation					
Current year/period	—	(69)	11	(124)	11
Prior years	—	330	—	—	—
Attributable to a change in tax rate	<u>—</u>	<u>—</u>	<u>24</u>	<u>—</u>	<u>24</u>
	<u>—</u>	<u>261</u>	<u>35</u>	<u>(124)</u>	<u>35</u>
	<u>1,693</u>	<u>3,800</u>	<u>4,600</u>	<u>2,000</u>	<u>2,454</u>

Taxation charge for the three years ended 31st March, 2004 and eight months ended 30th November, 2004 and 2003 can be reconciled to the profit before taxation as follows:

	Year ended 31st March,			Eight months ended 30th November,	
	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> <i>(unaudited)</i>
Profit before taxation	<u>11,773</u>	<u>24,521</u>	<u>38,757</u>	<u>34,980</u>	<u>23,463</u>
Tax at the domestic income tax rate	1,883	3,923	6,782	6,122	4,106
Tax effect of income not taxable for tax purpose	(94)	(1,715)	(1,588)	(4,208)	(783)
Tax effect of expenses not deductible for tax purpose	24	127	607	168	133
Underprovision in prior years	352	943	—	—	—
Increase in opening deferred tax liability resulting from change in tax rate	—	—	24	—	24
Tax applied to operations in other jurisdictions	230	506	(866)	—	(866)
Others	<u>(702)</u>	<u>16</u>	<u>(359)</u>	<u>(82)</u>	<u>(160)</u>
Taxation charge for the year/ period	<u>1,693</u>	<u>3,800</u>	<u>4,600</u>	<u>2,000</u>	<u>2,454</u>

Hong Kong Profits Tax is calculated at 17.5% (two years ended 31st March, 2003: 16%) of the estimated assessable profits for the Relevant Periods referred to in this report.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of the deferred taxation are set out in note 25.

## 9. DIVIDEND

No dividend has been paid or declared by the Company since its date of incorporation.

During the Relevant Periods, the following subsidiary had paid dividend to their then shareholders prior to the Group Reorganisation as follows (after elimination of inter-group dividends):

	Year ended 31st March,			Eight months ended 30th November,	
	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> <i>(unaudited)</i>
Excellent Overseas Limited	<u>12,000</u>	<u>15,000</u>	<u>20,000</u>	<u>16,000</u>	<u>—</u>



The rates of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report.

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the Relevant Periods and on the 225,000,000 shares comprising 150,000,000 shares in issue as at the date of the Prospectus and 75,000,000 shares to be issued pursuant to the capitalisation issue as described more fully in the paragraph headed "Written resolutions of the sole shareholder of the Company passed on 20th May, 2005" in Appendix VI to the Prospectus ("Capitalisation Issue") on the assumption that the issue of shares of the Company upon the Group Reorganisation and Capitalisation Issue has been completed on 1st April, 2001.

## 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

### Directors

Details of emoluments paid by the Group to the directors of the Company during the Relevant Periods are as follows:

	Year ended 31st March,			Eight months ended	
	2002	2003	2004	30th November, 2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees	—	—	—	—	—
Basic salaries and other benefits in kind	1,000	1,857	2,470	1,644	1,520
Bonus	—	—	45	—	—
Retirement benefits contributions	—	—	—	—	—
	<u>1,000</u>	<u>1,857</u>	<u>2,515</u>	<u>1,644</u>	<u>1,520</u>

The remunerations of the directors were within the following bands:

	Year ended 31st March,			Eight months ended	
	2002	2003	2004	30th November, 2004	2003
	Number of directors	Number of directors	Number of directors	Number of directors	Number of directors
Nil to HK\$1,000,000	5	4	3	6	5
HK\$1,000,001 to HK\$1,500,000	—	1	2	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>5</u>

During the Relevant Periods, no remuneration was paid or payable to independent non-executive directors of the Company.

### Employees

The five highest paid individuals of the Group included one director, two directors, two directors, two directors and two directors during the Relevant Periods, details are set out above.

The remunerations of the remaining four, three, three, three and three individuals paid by the Group during the Relevant Periods are as follows:

	Year ended 31st March,			Eight months ended	
	2002	2003	2004	30th November, 2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Basic salaries and other benefits in kind	2,313	3,890	5,924	2,203	2,104
Bonus	—	—	—	—	—
Retirement benefits contributions	12	—	12	8	8
	<u>2,325</u>	<u>3,890</u>	<u>5,936</u>	<u>2,211</u>	<u>2,112</u>

The remunerations of the employees were within the following bands:

	Year ended 31st March,			Eight months ended	
	2002	2003	2004	30th November, 2004	2003
	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees
Nil to HK\$1,000,000	4	3	2	2	2
HK\$1,000,001 to HK\$1,500,000	—	—	—	1	1
HK\$1,500,001 to HK\$2,000,000	—	—	—	—	—
HK\$2,000,001 to HK\$2,500,000	—	—	1	—	—
	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any remuneration during the Relevant Periods.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Land and buildings</b>	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>COST</b>							
At 1st April, 2001	—	—	318	103	385	—	806
Additions	2,450	4,136	140	178	616	—	7,520
Disposals	—	—	(318)	(103)	(385)	—	(806)
At 31st March, 2002	<u>2,450</u>	<u>4,136</u>	<u>140</u>	<u>178</u>	<u>616</u>	<u>—</u>	<u>7,520</u>
<b>DEPRECIATION AND AMORTISATION</b>							
At 1st April, 2001	—	—	286	59	385	—	730
Provided for the year	—	827	28	36	123	—	1,014
Elimination upon disposals	—	—	(286)	(59)	(385)	—	(730)
At 31st March, 2002	<u>—</u>	<u>827</u>	<u>28</u>	<u>36</u>	<u>123</u>	<u>—</u>	<u>1,014</u>
<b>NET BOOK VALUES</b>							
At 31st March, 2002	<u>2,450</u>	<u>3,309</u>	<u>112</u>	<u>142</u>	<u>493</u>	<u>—</u>	<u>6,506</u>
<b>COST</b>							
At 1st April, 2002	2,450	4,136	140	178	616	—	7,520
Additions	—	168	46	265	54	—	533
At 31st March, 2003	<u>2,450</u>	<u>4,304</u>	<u>186</u>	<u>443</u>	<u>670</u>	<u>—</u>	<u>8,053</u>
<b>DEPRECIATION AND AMORTISATION</b>							
At 1st April, 2002	—	827	28	36	123	—	1,014
Provided for the year	137	836	37	73	129	—	1,212
At 31st March, 2003	<u>137</u>	<u>1,663</u>	<u>65</u>	<u>109</u>	<u>252</u>	<u>—</u>	<u>2,226</u>
<b>NET BOOK VALUES</b>							
At 31st March, 2003	<u>2,313</u>	<u>2,641</u>	<u>121</u>	<u>334</u>	<u>418</u>	<u>—</u>	<u>5,827</u>

	<b>Land and buildings</b>	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>COST</b>							
At 1st April, 2003	2,450	4,304	186	443	670	—	8,053
Additions	<u>—</u>	<u>24</u>	<u>39</u>	<u>149</u>	<u>42</u>	<u>153</u>	<u>407</u>
At 31st March, 2004	<u>2,450</u>	<u>4,328</u>	<u>225</u>	<u>592</u>	<u>712</u>	<u>153</u>	<u>8,460</u>
<b>DEPRECIATION AND AMORTISATION</b>							
At 1st April, 2003	137	1,663	65	109	252	—	2,226
Provided for the year	<u>69</u>	<u>865</u>	<u>44</u>	<u>108</u>	<u>139</u>	<u>23</u>	<u>1,248</u>
At 31st March, 2004	<u>206</u>	<u>2,528</u>	<u>109</u>	<u>217</u>	<u>391</u>	<u>23</u>	<u>3,474</u>
<b>NET BOOK VALUES</b>							
At 31st March, 2004	<u>2,244</u>	<u>1,800</u>	<u>116</u>	<u>375</u>	<u>321</u>	<u>130</u>	<u>4,986</u>
<b>COST</b>							
At 1st April, 2004	2,450	4,328	225	592	712	153	8,460
Additions	<u>—</u>	<u>57</u>	<u>73</u>	<u>124</u>	<u>237</u>	<u>75</u>	<u>566</u>
At 30th November, 2004	<u>2,450</u>	<u>4,385</u>	<u>298</u>	<u>716</u>	<u>949</u>	<u>228</u>	<u>9,026</u>
<b>DEPRECIATION AND AMORTISATION</b>							
At 1st April, 2004	206	2,528	109	217	391	23	3,474
Provided for the period	<u>45</u>	<u>586</u>	<u>35</u>	<u>87</u>	<u>108</u>	<u>27</u>	<u>888</u>
At 30th November, 2004	<u>251</u>	<u>3,114</u>	<u>144</u>	<u>304</u>	<u>499</u>	<u>50</u>	<u>4,362</u>
<b>NET BOOK VALUES</b>							
At 30th November, 2004	<u>2,199</u>	<u>1,271</u>	<u>154</u>	<u>412</u>	<u>450</u>	<u>178</u>	<u>4,664</u>

The land and buildings are situated in Hong Kong and are held under medium-term leases.

The Group has pledged its land and buildings to secure its banking facilities.

**13. INVENTORIES**

	At 31st March,			At
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>30th November,</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2004</b>
Consumables and spare parts	<u>1,959</u>	<u>1,464</u>	<u>8,522</u>	<u>13,354</u>
Amount stated at net realisable value	<u>229</u>	<u>241</u>	<u>564</u>	<u>40</u>

**14. TRADE DEBTORS AND BILLS RECEIVABLE**

The Group has a policy of allowing credit period ranging from three to twelve months to its trade customers.

In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted, such as the balance of the contract sum being paid by way of instalments over a period up to 18 months.

An aged analysis of trade debtors is as follows:

	At 31st March,			At
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>30th November,</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2004</b>
Within 30 days	10,345	34,538	79,868	10,810
Between 31 to 60 days	12,005	7,729	28,204	16,425
Between 61 to 90 days	2,313	898	9,909	36,901
Between 3 to 6 months	19,499	15,049	18,163	34,119
Between 6 to 12 months	3,977	13,580	12,871	52,145
Over 1 year	748	8,424	12,784	10,470
Over 2 years	<u>—</u>	<u>216</u>	<u>1,199</u>	<u>1,970</u>
	48,887	80,434	162,998	162,840
Less: allowance for bad and doubtful debts	<u>(4,491)</u>	<u>(6,096)</u>	<u>(14,104)</u>	<u>(21,796)</u>
	<u>44,396</u>	<u>74,338</u>	<u>148,894</u>	<u>141,044</u>

**15. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS**

Included in other debtors, deposits and prepayments are amounts of HK\$1,351,000, HK\$34,041,000, HK\$77,667,000 and HK\$171,887,000 in respect of deposits paid for provision of engineering systems contracting services as at 31st March, 2002, 2003 and 2004 and 30th November, 2004 respectively.

## 16. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	At 31st March,			At
	2002	2003	2004	30th November,
	HK\$'000	HK\$'000	HK\$'000	2004
				HK\$'000
Contracts in progress at the balance sheet date:				
Contract costs incurred to date plus recognised profits less recognised losses	200,126	223,892	221,704	3,577
Less: Progress billings	<u>(206,547)</u>	<u>(220,409)</u>	<u>(220,409)</u>	<u>—</u>
	<u>(6,421)</u>	<u>3,483</u>	<u>1,295</u>	<u>3,577</u>
Represented by:				
Amounts due from customers for contract work including engineering systems contracting services	—	3,962	1,774	3,577
Amounts due to customers for contract work	<u>(6,421)</u>	<u>(479)</u>	<u>(479)</u>	<u>—</u>
	<u>(6,421)</u>	<u>3,483</u>	<u>1,295</u>	<u>3,577</u>

At 31st March, 2002, 2003 and 2004 and 30th November, 2004, there was no advance received from customers and no retention held by customers for contract work.

## 17. AMOUNTS DUE FROM RELATED COMPANIES

Particulars of the amounts due from related companies disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, Chapter 32 of the Laws of Hong Kong, are as follows:

Name of related entity			Maximum			Maximum			Maximum
	At 1st	At 31st	amount	At 31st	year ended	amount	At 31st	year ended	amount
	April,	March,	outstanding	March,	year ended	outstanding	March,	year ended	outstanding
	2001	2002	during the	2003	31st March,	during the	2004	31st March,	during the
	2001	2002	31st March,	2003	2003	2004	2004	2004	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Goldsense Technology Limited ("Goldsense") (Note 1)	5,733	5,733	6,311	—	5,847	—	—	—	—
Linfair Engineering and Trading Limited ("LET") (Note 2)	—	—	4,084	—	—	—	—	—	—
三水福茂崗石有限公司 ("三水") (Note 3)	—	—	154	—	—	—	—	—	—
Linfair Technology Limited ("LTL") (Note 4)	—	—	2	—	—	—	—	—	—
Phalanx Company Limited ("Phalanx") (Note 1)	—	—	1,187	—	—	—	—	—	—
Phalanx (Hong Kong) Company Limited ("Phalanx HK") (Note 1)	—	—	2,456	—	—	—	—	—	—
	<u>5,733</u>	<u>5,733</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes:

- (1) Mr. Chang Ei-Eu, Duncan is a beneficial shareholder of Goldsense, Phalanx and Phalanx HK.
- (2) Mr. Chang Ei-Eu, Duncan and Ms. Hsieh Ming Chiu are beneficial shareholders of LET.
- (3) Linfair International Holdings Limited ("LIH") is a shareholder of 三水 and Mr. Chang Ei-Eu, Duncan is a beneficial shareholder of LIH.
- (4) Ms. Hsieh Ming Chiu is a beneficial shareholder of LTL.

The amounts are unsecured, interest-free and with no fixed repayment terms.

**18. AMOUNT DUE FROM A DIRECTOR**

Particulars of the amount due from a director disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, Chapter 32 of the Laws of Hong Kong, are as follows:

Name	At 1st	At 31st	Maximum	At 31st	Maximum	At 31st	Maximum	At 30th	Maximum
	April,	March,	amount	March,	amount	March,	amount	November,	amount
	2001	2002	outstanding	2003	outstanding	2004	outstanding	2004	outstanding
	HK\$'000	HK\$'000	during the	HK\$'000	during the	HK\$'000	during the	HK\$'000	during the
			year ended		year ended		year ended		eight months
			31st March,		31st March,		31st March,	30th November,	ended
			2002		2003		2004	2004	2004
			HK\$'000		HK\$'000		HK\$'000	HK\$'000	HK\$'000
Chang Ei-Eu, Duncan	7,868	6,069	28,655	—	24,033	—	—	—	—

The amount is unsecured, interest-free and with no fixed repayment term.

**19. BANK BALANCES AND CASH**

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferable:

	At 31st March,			At
	2002	2003	2004	30th November,
	HK\$'000	HK\$'000	HK\$'000	2004
				HK\$'000
Amounts denominated in:				
Renminbi	—	—	103	1,021
Malaysian Ringgit	153	152	220	716
	153	152	323	1,737

**20. TRADE CREDITORS AND BILLS PAYABLE**

An aged analysis of the trade creditors is as follows:

	At 31st March,			At
	2002	2003	2004	30th November,
	HK\$'000	HK\$'000	HK\$'000	2004
				HK\$'000
Within 30 days	26,192	12,451	69,819	11,913
Between 31 to 60 days	4,267	2,521	19,628	2,988
Between 61 to 90 days	5,411	5,277	9,347	19,072
Between 3 to 6 months	3,504	22,711	17,417	25,461
Between 6 to 12 months	3,265	13,467	11,023	31,745
Over 1 year	31	1,936	8,109	587
Over 2 years	533	560	2,130	4,037
	43,203	58,923	137,473	95,803



**21. OTHER CREDITORS AND ACCRUED CHARGES**

Included in other creditors and accrued charges are amounts of HK\$2,095,000, HK\$38,893,000, HK\$65,246,000 and HK\$171,934,000 in respect of deposits received for provision of engineering systems contracting services as at 31st March, 2002, 2003 and 2004 and 30th November, 2004 respectively.

**22. SECURED BANK BORROWINGS**

	At 31st March,			At
	2002	2003	2004	30th November,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2004</i>
				<i>HK\$'000</i>
The bank borrowings are repayable as follows:				
Bank loan	20,000	20,000	15,000	15,000
Mortgage loan	1,478	1,180	869	654
Trust receipt loans	780	7,910	11,444	40,198
Bank overdraft	—	315	—	—
	<u>22,258</u>	<u>29,405</u>	<u>27,313</u>	<u>55,852</u>
Less: Amounts due within one year shown under current liabilities	<u>(21,078)</u>	<u>(28,536)</u>	<u>(26,768)</u>	<u>(55,533)</u>
	<u>1,180</u>	<u>869</u>	<u>545</u>	<u>319</u>

The maturity of the above borrowings is as follows:

Within one year	21,078	28,536	26,768	55,533
More than one year, but not exceeding two years	310	325	339	319
More than two years, but not exceeding five years	<u>870</u>	<u>544</u>	<u>206</u>	<u>—</u>
	<u>22,258</u>	<u>29,405</u>	<u>27,313</u>	<u>55,852</u>
Less: Amounts due within one year shown under current liabilities	<u>(21,078)</u>	<u>(28,536)</u>	<u>(26,768)</u>	<u>(55,533)</u>
	<u>1,180</u>	<u>869</u>	<u>545</u>	<u>319</u>

**23. PAID-IN CAPITAL**

The paid-in capital at 31st March, 2002 represented the nominal value of the share capital of Excellent Overseas.

The paid-in capital at 31st March, 2003 and 2004 and 30th November, 2004 represented the nominal value of the share capital of the Company.

## 24. RESERVES

## THE GROUP

	Merger reserve <i>HK\$'000</i> <i>(Note)</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2001	9	—	7,677	7,686
Net profit for the year	—	—	10,080	10,080
Interim dividend paid	—	—	(12,000)	(12,000)
At 31st March, 2002	9	—	5,757	5,766
Net profit for the year	—	—	20,721	20,721
Interim dividend paid	—	—	(15,000)	(15,000)
At 31st March, 2003	9	—	11,478	11,487
Net profit for the year	—	—	34,157	34,157
Interim dividend paid	—	—	(20,000)	(20,000)
Exchange differences on translation of overseas operations	—	(20)	—	(20)
At 31st March, 2004	9	(20)	25,635	25,624
Net profit for the period	—	—	32,980	32,980
Interim dividend paid	—	—	(16,000)	(16,000)
Exchange differences on translation of overseas operations	—	(341)	—	(341)
At 30th November, 2004	<u>9</u>	<u>(361)</u>	<u>42,615</u>	<u>42,263</u>

*Note:* The merger reserve of the Group represented the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital of the subsidiaries acquired pursuant to the group reorganisation.

## THE COMPANY

The Company has no distributable reserve at the balance sheet dates.

## 25. DEFERRED TAXATION

The deferred tax liability recognised by the Group, represents the excess of tax allowances over depreciation, and movements thereon during the Relevant Periods are as follows:

	At 31st March,		At	
	2002	2003	2004	30th November, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year/period	—	—	261	296
Movement for the year/period	—	261	35	(124)
At end of the year/period	<u>—</u>	<u>261</u>	<u>296</u>	<u>172</u>

**26. CONTINGENT LIABILITIES**

At the balance sheet date, the Group had the following contingent liabilities:

	At 31st March,			At
	2002	2003	2004	30th November,
	HK\$'000	HK\$'000	HK\$'000	2004
				HK\$'000
Guarantees given by the Group in respect of credit facilities granted to a customer	—	9,509	1,971	—
Letter of guarantee by banks in respect of projects undertaken by a subsidiary	—	776	—	156
	<u>—</u>	<u>776</u>	<u>—</u>	<u>156</u>

**27. OPERATING LEASE COMMITMENTS****The Group as lessee**

At the balance sheet date, the Group had committed for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31st March,			At
	2002	2003	2004	30th November,
	HK\$'000	HK\$'000	HK\$'000	2004
				HK\$'000
Within one year	150	364	309	218
In the second to fifth year inclusive	<u>54</u>	<u>—</u>	<u>479</u>	<u>188</u>
	<u>204</u>	<u>364</u>	<u>788</u>	<u>406</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for terms of one to three years at fixed rentals.

**28. EMPLOYEE RETIREMENT BENEFITS**

With effective from 1st December, 2000, the operating subsidiaries in Hong Kong joined a MPF Scheme for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The obligation of the Group with respect of MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contributions payable in future years.

The employees of the Company's subsidiary, Linfair (Malaysia) are members of a state-managed retirement benefit scheme operated by the Malaysia Government. The subsidiary is required to make contributions to the Employees Provident Fund ("EPF") at rates specified in the rules of EPF. The obligation of the Group with respect to EPF is to make the required contribution.

The Group's contributions to the retirement benefit schemes are charged to the combined income statements.

	Year ended 31st March,			Eight months ended	
	2002	2003	2004	30th November,	2003
	HK\$'000	HK\$'000	HK\$'000	2004	2003
				HK\$'000	HK\$'000
					(unaudited)
Retirement benefit contribution made during the year/period	<u>134</u>	<u>164</u>	<u>196</u>	<u>134</u>	<u>123</u>

## 29. RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Group had the following transactions, which were conducted in the ordinary course of the Group's business with its related companies:

Name	Notes	Nature of transactions	Year ended 31st March,			Eight months ended	
			2002	2003	2004	30th November,	2003
			HK\$'000	HK\$'000	HK\$'000	2004	2003
							(unaudited)
Goldsense Technology Limited	(1)	Sale of goods	629	116	—	—	—
Linfair Engineering and Trading Limited	(2)	Contract cost paid	61,396	2,043	—	—	—
Linfair Engineering and Trading Limited	(1)	Handling income	282	209	—	—	—
Macron International Holdings Limited	(3)	Consultancy fee	465	613	—	—	—
Linfair Engineering and Trading Limited	(1)	Purchase of goods	67	67	—	209	—

### Notes:

- (1) The above transactions were carried out at market prices or, where no market price was available, at cost plus a percentage profit mark up.
- (2) Transactions were conducted based on the agreement dated 1st September, 2000 entered into between the Group and Linfair Engineering and Trading Limited, (as supplemented by a supplemental contract dated 6th June, 2001) ("Linfair (Taiwan)").
- (3) Mr. Chow Kin Ming is a director and beneficial shareholder of Macron International Holdings Limited. The consultancy fee was paid for the provision of consultancy service to the Group before his appointment as director of the Company on 26th October, 2002. The consultancy contract will be replaced by a service agreement after the listing of the Group.

In additions:

- (i) Certain banking facilities granted to the Group were secured by:
  - unlimited personal guarantees from directors;
  - bank deposits from Mr. Chang Ei-Eu, Duncan; and
  - properties owned by Ms. Hsieh Ming Chiu

The guarantees and pledge given by the directors will be released prior to listing.

- (ii) The amounts due from/to related parties are disclosed in the combined balance sheets on page 151.

Mr. Chang Ei-Eu, Duncan is also a shareholder and director of Goldsense Technology Limited and Linfair Engineering and Trading Limited.

Ms. Hsieh Ming Chiu is also a shareholder of Linfair Engineering and Trading Limited.

## **B. NET TANGIBLE ASSETS OF THE COMPANY**

The Company became the holding company of the Group on the basis as set out in note 1 to the Financial Information. Had the Group reorganisation referred to herein been completed on 30th November, 2004, the combined net tangible assets of the Company at the date would have been approximately HK\$42,264,000, representing the Company's investments in its subsidiaries.

## **C. DIRECTORS' REMUNERATIONS**

Under the arrangement currently in force, the aggregate amount of remunerations of the directors of the Company payable for the year ended 31st March, 2005 is estimated to be HK\$2,709,000, taking into no account of any discretionary bonus which the directors may be entitled.

## **D. SUBSEQUENT EVENTS**

The following transactions took place subsequent to 30th November, 2004:

- (a) On 20th May, 2005, resolutions were passed to give effect to the transactions which are set out in the paragraph headed "Written resolutions of the sole shareholder of the Company passed on 20th May, 2005" in Appendix VI to the Prospectus; and
- (b) The Group underwent a group reorganisation to rationalise the Group's structure in preparation for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited, the details of which are set out in paragraph headed "Group reorganisation" in Appendix VI of the Prospectus.
- (c) The Group had made investment in a wholly-owned subsidiary in the People's Republic of China at total investment cost of HK\$1,000,000.

Save as aforesaid, no other significant events took place subsequent to 30th November, 2004.

#### **E. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of any of the companies in the Group have been prepared in respect of any period subsequent to 30th November, 2004.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong