

1 Principal accounting policies

(a) Basis of preparation

The Company was incorporated in Bermuda on 26th June 2002 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired the entire issued share capital of Sam Woo Group Limited, the then holding company of the other subsidiaries, through a share swap arrangement on 28th March 2003 and became the holding company of the Group. Details of the Reorganisation are set out in the Company’s prospectus dated 31st March 2003. The Company’s shares were listed on the Stock Exchange on 9th April 2003.

The Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice No. 27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants (“HKSA”). The consolidated accounts of the Group for the year ended 31st March 2003 are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

The accounts have been prepared under the historical cost convention, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKSA.

In the current year, the Group adopted Statement of Standard Accounting Practice (“SSAP”) 12 (revised) “Income taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003. The adoption of SSAP 12 (revised) has had no significant effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been made.

(b) Consolidation

The consolidated accounts included the accounts of the Company and its subsidiaries made up to 31st March. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of members on the board of directors; or to cast majority of votes at meetings of the board of directors.

In the Company’s balance sheet, the investments in subsidiaries are carried at cost, less any provision for long-term impairment in value. The results of the subsidiaries are accounted for by the Company to the extent of dividends received and receivable.

1 Principal accounting policies *(continued)*

(c) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of both owned and leased fixed assets is calculated to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. Estimated useful lives are summarised as follows:

Machinery and equipment	10-15 years
Furniture and fixtures	5 years
Motor vehicles	5 years

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the fixed assets are impaired. If any such indication exists, the recoverable amounts of the assets are estimated and where relevant, an impairment loss is recognised to the profit and loss account to reduce the assets to their recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amounts.

Profit or loss on disposal of a fixed asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is dealt with in the profit and loss account.

(d) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

1 Principal accounting policies *(continued)*

(d) Assets under leases *(continued)*

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received are charged to the profit and loss account on a straight-line basis over the lease periods.

(e) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(f) Inventories

Inventories comprise machinery and equipment for resale purpose and are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(g) Contracting work in progress

Contracting work in progress is valued at cost plus estimated attributable profits, less foreseeable losses and progress payments received and receivable. Cost comprises direct materials, labour and overhead expenses incurred.

Revenue from contracting work is recognised based on the stage of completion of the contracts. The stage of completion of a contract is established by reference to the gross billing value of contracting work to date as compared to the total contract sum receivable under the contract, or the total costs attributable to work performed to date as compared to the estimated total contract costs, whichever is the lower. When it is probable that total contract costs will exceed total contract revenue, the foreseeable loss is recognised as an expense immediately. Profits calculated in this manner are transferred from gross profit to deferred income on the balance sheet and is released to the profit and loss account in accordance with the stage of completion of the contracts when the outcome of the relevant contract can be measured reliably.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers for contract works under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers for contract works under current liabilities.

1 Principal accounting policies *(continued)*

(h) Provision

Provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(i) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

(j) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the accounts.

(k) Revenue recognition

Revenue from contracting work is recognised based on the stage of completion of the contracts as detailed in note 1(g) above.

Machinery rental income is recognised on a time proportion basis.

Sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

1 Principal accounting policies *(continued)*

(l) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at that date. All exchange differences arising are dealt with in the profit and loss account.

(m) Employee benefits

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and the assets of the scheme are held separately from those of the Group in an independently administered fund.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

(n) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. Unallocated expenses represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, contracting work in progress, receivables, and mainly exclude cash and bank balances and corporate assets. Segment liabilities comprise operating liabilities and mainly exclude items such as taxation, bank overdrafts and corporate liabilities. Capital expenditure comprised additions to fixed assets.

(o) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand and deposits held at call with banks, less bank overdrafts.

2 Turnover and revenues

The Group is principally engaged in foundation works, leasing of machinery and equipment for foundation works and trading of machinery and equipment. Turnover and revenues recognised during the year are as follows:

	2004	2003
	HK\$'000	HK\$'000
Turnover		
Revenue from foundation works	85,871	188,566
Rental of machinery and equipment	7,095	4,028
Sale of machinery and equipment	44,117	10,356
	137,083	202,950
Other revenues		
Interest income	366	145
Maintenance service income	-	30
	366	175
	137,449	203,125

Notes to the Accounts

3 Segment information

(a) Business segments – primary reporting format

	Foundation works HK\$'000	Trading of machinery and equipment HK\$'000	Total HK\$'000
Year ended 31st March 2004			
Turnover	92,966	44,117	137,083
Segments results	4,285	18,913	23,198
Interest income			366
Unallocated expenses			(12,013)
Operating profit			11,551
Finance costs			(6,437)
Taxation			(4,033)
Profit attributable to shareholders			1,081
As at 31st March 2004			
Segment assets	318,444	13,956	332,400
Unallocated assets			58,262
Total assets			390,662
Segment liabilities	147,687	7,777	155,464
Unallocated liabilities			81,980
Total liabilities			237,444
Year ended 31st March 2004			
Capital expenditure	16,002	–	16,002
Depreciation	24,627	7	24,634
Provision for doubtful debts	652	79	731

Notes to the Accounts

3 Segment information *(continued)*

(a) Business segments – primary reporting format *(continued)*

	Foundation works HK\$'000	Trading of machinery and equipment HK\$'000	Total HK\$'000
Year ended 31st March 2003			
Turnover	192,594	10,356	202,950
Segments results	74,343	913	75,256
Interest income			145
Unallocated expenses			(116)
Operating profit			75,285
Finance costs			(8,425)
Taxation			(10,424)
Profit attributable to shareholders			56,436
As at 31st March 2003			
Segment assets	319,359	6,106	325,465
Unallocated assets			8,796
Total assets			334,261
Segment liabilities	126,032	566	126,598
Unallocated liabilities			90,189
Total liabilities			216,787
Year ended 31st March 2003			
Capital expenditure	11,606	–	11,606
Depreciation	24,511	7	24,518

Notes to the Accounts

3 Segment information *(continued)*

(b) Geographical segments – secondary reporting format

No geographical segment analysis is presented as all assets and operations of the Group are located in Hong Kong.

4 Operating profit

	2004 HK\$'000	2003 HK\$'000
Operating profit is stated after crediting:		
Gain on disposal of fixed assets	10	164
and after charging:		
Cost of inventories sold	21,703	9,062
Staff costs, excluding directors' emoluments	31,344	48,430
Auditors' remuneration	750	680
Depreciation		
Owned fixed assets	13,750	7,300
Leased fixed assets	10,884	17,218
Operating lease rentals in respect of land and buildings	2,191	2,692
Provision for doubtful debts	731	–

5 Finance costs

	2004 HK\$'000	2003 HK\$'000
Interest		
Bank loans and overdrafts	3,048	1,633
Finance leases	3,389	6,792
	6,437	8,425

6 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current	293	466
Deferred (note 21)	463	9,958
Change in opening net deferred tax liabilities resulting from an increase in tax rate (note 21)	3,277	–
	4,033	10,424

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the statutory taxation rate due to the following:

	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	5,114	66,860
Calculated at statutory rate of 17.5% (2003: 16%)	895	10,698
Income not subject to taxation	(608)	(139)
Expenses not deductible for taxation purposes	324	14
Tax losses not recognised	98	240
Utilisation of previously unrecognised tax losses	(245)	–
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	3,277	–
Others	292	(389)
Taxation charge	4,033	10,424

7 Dividends

The directors do not recommend the payment of dividend in respect of the year ended 31st March 2004 (2003: Nil).

8 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$1,081,000 (2003: HK\$56,436,000) and the weighted average number of 298,705,479 (2003: 232,500,000) ordinary shares in issue during the year.

No diluted earnings per share is presented as the share options had no dilutive effect on the earnings per share for the year. The Company had no dilutive potential shares for the year ended 31st March 2003.

9 Emoluments for directors and highest paid individuals

(a) Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Fees	480	–
Salaries, allowances and benefits in kind	5,400	2,387
Retirement benefits scheme contributions	108	96
	5,988	2,483

No directors of the Company waived any emoluments during the year. Fees paid to independent non-executive directors during the year amounted to HK\$480,000 (2003: Nil).

The emoluments of the directors of the Company fell within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	5	8
HK\$1,000,001 to HK\$1,500,000	4	1
	9	9

9 Emoluments for directors and highest paid individuals *(continued)*

(b) Five highest paid individuals

The five highest paid individuals included five directors (2003: one), details of whose emoluments are included in the above. The emoluments of the remaining highest paid individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and allowances	-	2,061
Retirement benefits scheme contributions	-	48
	-	2,109

The emoluments of the above individuals fell within the following bands:

	Number of individuals	
	2004	2003
Nil to HK\$1,000,000	-	4

During the year, no emoluments were paid to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 Retirement benefit schemes

With effect from 1st December 2000, a Mandatory Provident Fund scheme (the "MPF scheme") has been set up for all employees in accordance with the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"). Under the rules of the MPF scheme, the employer and its employees are each required to contribute 5% of their gross earnings with a ceiling of HK\$1,000 per month to the MPF scheme. Retirement benefit costs during the year amounted to HK\$1,160,000 (2003: HK\$1,898,000).

11 Profit attributable to shareholders

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$142,000 (2003: loss of HK\$93,000).

Notes to the Accounts

12 Fixed assets

Group	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 31st March 2003	370,675	1,798	3,395	375,868
Additions	14,328	266	1,408	16,002
Reclassification from inventories	1,650	–	–	1,650
Reclassification to inventories	(14,630)	–	–	(14,630)
Disposals	(3,004)	(523)	(50)	(3,577)
At 31st March 2004	369,019	1,541	4,753	375,313
Accumulated depreciation				
At 31st March 2003	89,117	943	2,216	92,276
Charge for the year	23,729	288	617	24,634
Reclassification to inventories	(3,528)	–	–	(3,528)
Disposals	(1,347)	(490)	(5)	(1,842)
At 31st March 2004	107,971	741	2,828	111,540
Net book value				
At 31st March 2004	261,048	800	1,925	263,773
At 31st March 2003	281,558	855	1,179	283,592

Note: The net book values of machinery and equipment held under finance leases and pledged for certain long-term bank loans amounted to HK\$135,115,000 (2003: HK\$215,143,000) and HK\$55,865,000 (2003: HK\$2,938,000), respectively.

Notes to the Accounts

12 Fixed assets (continued)

Company	Furniture and fixtures HK\$'000
Cost	
At 1st April 2003 and at 31st March 2004	27
Accumulated depreciation	
At 1st April 2003	5
Charge for the year	5
At 31st March 2004	10
Net book value	
At 31st March 2004	17
At 31st March 2003	22

13 Subsidiaries

	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	117,567	117,567
Amounts due from subsidiaries	3,403	200
Amounts due to subsidiaries	(5,852)	(4,572)
	115,118	113,195

Details of principal subsidiaries are set out in note 26 to the accounts.

The amounts receivables and payables are unsecured, interest free and have no fixed terms of repayment.

14 Trade receivables

Receivables in respect of contracting work in progress are under credit terms of around one month after the issuance of architects' certificates. Retention held by customers for contract works included in trade receivables amounted to HK\$16,169,000 (2003: HK\$12,796,000). The aging analysis of the remaining trade receivables is as follows:

	2004 HK\$'000	2003 HK\$'000
0 to 90 days	15,130	5,758
91 to 180 days	2,071	770
181 to 365 days	636	742
More than one year	184	15
	18,021	7,285

15 Contracting work in progress

	2004 HK\$'000	2003 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	526,402	492,511
Progress billings to date	(499,576)	(477,466)
	26,826	15,045
Represented by:		
Amounts due from customers for contract works	26,826	15,059
Amounts due to customers for contract works	-	(14)
	26,826	15,045

The Company has made certain claims to a main contractor in respect of work carried out in bore piling contract. Such claims are disputed by the main contractor, and an arbitration process has been commenced. As at the date of approval of these accounts, the outcome of the arbitration is still not known. The above contracting work in progress balance includes an amount of HK\$7,099,000 in relation to these claims, representing the minimum amount which, in the opinion of the directors, can be recovered, having taken into consideration the advice from the Group's legal counsel.

16 Trade payables

Retention payable included in trade payables amounted to HK\$187,000 (2003: HK\$295,000). The ageing analysis of the remaining trade payables is as follows:

	2004 HK\$'000	2003 HK\$'000
0 to 90 days	11,660	4,126
91 to 180 days	255	722
181 to 365 days	789	2,396
More than one year	1,149	1,884
	13,853	9,128

17 Banking facilities

As at 31st March 2004, the Group's banking facilities totaling approximately HK\$144,521,000 were secured by the following:

- (a) Bank deposits of the Group totaling HK\$43,682,000.
- (b) Certain machinery and equipment of the Group (note 12).
- (c) Corporate guarantee given by the Company and two subsidiaries for an amount of HK\$35,000,000 in aggregate.
- (d) Cross guarantee for HK\$17,000,000 among two of the subsidiaries.

Subsequent to the year end, the Group has obtained a standby facility of HK\$30,000,000 from a bank for one year from 5th July 2004 which was secured by bank deposits of a related company controlled by a director of the Company.

Notes to the Accounts

18 Long-term liabilities

	2004 HK\$'000	2003 HK\$'000
Bank loans, secured (<i>note (a)</i>)	58,397	3,207
Obligations under finance leases (<i>note (b)</i>)	49,379	93,810
Wholly repayable within five years	107,776	97,017
Less: amounts due within one year included under current liabilities	(50,630)	(56,668)
	57,146	40,349

Notes:

(a) The Group's bank loans are repayable as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	21,353	1,204
In the second year	24,321	1,233
In the third to fifth years	12,723	770
	58,397	3,207

Interest is charged on the balances at rates ranging from 1.75% above HIBOR to 2% above Hong Kong prime rate. Details of security and guarantee are given in note 17.

(b) Obligations under finance leases are payable within the following periods:

	Present value		Minimum payment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	29,277	55,464	30,742	60,574
In the second year	14,752	24,366	15,290	25,749
In the third to fifth years	5,350	13,980	5,421	14,448
	49,379	93,810	51,453	100,771
Finance charges			(2,074)	(6,961)
			49,379	93,810

Interest is charged on the outstanding balances of finance leases at rates ranging from 2.75% per annum to 1% above Hong Kong prime rate. The finance leases are secured by certain of the Group's machinery and equipment.

Notes to the Accounts

19 Share capital

	2004 HK\$'000	2003 HK\$'000
Authorised:		
1,000,000,000 shares of HK\$0.1 each	100,000	100,000
Ordinary shares of HK\$0.1 each		
	Number of shares	HK\$'000
Issued:		
Allotted and issued nil paid upon incorporation (<i>note a</i>)	1,000,000	–
Allotted and issued nil paid on 28th March 2003 (<i>note a</i>)	2	–
Issue of shares upon a reorganisation (<i>note b</i>)	249,998	125
Capitalisation issue (<i>note c</i>)	231,250,000	23,125
At 31st March 2003	232,500,000	23,250
Issue of shares upon initial public offering (<i>note d</i>)	67,500,000	6,750
At 31st March 2004	300,000,000	30,000

- (a) The Company was incorporated on 26th June 2002 with an authorised share capital of HK\$100,000 dividend into 1,000,000 shares of HK\$0.10 each, all of which were allotted and issued nil-paid on 9th August 2002. Pursuant to the written resolutions dated 25th March 2003, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of additional 999,000,000 shares of HK\$0.10 each. On 28th March 2003, two additional shares were allotted and issued nil paid.
- (b) On 28th March 2003, the Company acquired the entire issued share capital of Sam Woo Group Limited, in consideration of and in exchange for which the Company (i) allotted and issued 249,998 new shares of HK\$0.10 each and (ii) credited as fully paid the originally nil-paid shares as mentioned in (a) above.
- (c) Also on 28th March 2003, 231,250,000 shares of HK\$0.1 each were issued at par as fully paid to the then shareholders by way of capitalisation of the sum of HK\$23,125,000 standing to the contributed surplus of the Company.
- (d) On 8th April 2003, 67,500,000 ordinary shares of HK\$0.10 each were allotted and issued to the public and institutional investors at HK\$0.67 per share for cash. The excess of the proceeds over the par value of the shares issued was credited to the share premium account.

Pursuant to a resolution of the sole shareholder passed on 25th March 2003, the Share Option Scheme was approved and adopted. On 28th May 2003, options to subscribe for 4,500,000 ordinary shares of the Company were granted to the directors. The grantees are entitled to exercise their options at a price of HK\$0.69 per share during the period from 28th May 2004 to 27th May 2007. No options have been exercised by the grantees during the year.

20 Reserves

Group

	Share premium	Merger reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March 2002	–	(12,974)	50,762	37,788
Profit attributable to shareholders	–	–	56,436	56,436
At 31st March 2003	–	(12,974)	107,198	94,224
Profit attributable to shareholders	–	–	1,081	1,081
Premium on issue of shares	38,475	–	–	38,475
Share issue expense	(10,562)	–	–	(10,562)
At 31st March 2004	27,913	(12,974)	108,279	123,218

Company

	Share premium	Contributed surplus	Accumulated loss	Total
	HK\$'000	<i>(note b)</i> HK\$'000	HK\$'000	HK\$'000
At 31st March 2002	–	–	–	–
Surplus arising on issue of shares in exchange for shares in a subsidiary <i>(note a)</i>	–	117,442	–	117,442
Capitalisation issue	–	(23,125)	–	(23,125)
Loss for the year	–	–	(93)	(93)
At 31st March 2003	–	94,317	(93)	94,224
Loss for the year	–	–	(142)	(142)
Premium on issue of shares	38,475	–	–	38,475
Share issue expense	(10,562)	–	–	(10,562)
At 31st March 2004	27,913	94,317	(235)	121,995

Notes:

- (a) The surplus arising on issue of shares in exchange for shares in a subsidiary arose as a result of a reorganisation which took place in 2003 and represents the excess of the consolidated net asset value of the subsidiary acquired over the nominal value of the share capital of the Company issued in exchange thereof.
- (b) Under the Companies Act of Bermuda (as amended) and the Bye-Laws of the Company, the contributed surplus is distributable to the shareholders. Accordingly, the total distributable reserves amounted to HK\$94,082,000.

21 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2003: 16%). The movement on the net deferred tax liabilities is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
At beginning of the year	33,461	23,503
Deferred taxation charged to profit and loss account (<i>note 6</i>)	3,740	9,958
At end of the year	37,201	33,461

The movements in deferred tax liabilities and assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Accelerated depreciation allowances	
	2004	2003
	HK\$'000	HK\$'000
Deferred tax liabilities		
At beginning of the year	35,336	32,135
Charged to profit and loss account	5,396	3,201
At end of the year	40,732	35,336

	Tax losses	
	2004	2003
	HK\$'000	HK\$'000
Deferred tax assets		
At beginning of the year	(1,875)	(8,632)
(Credited)/charged to profit and loss account	(1,656)	6,757
At end of the year	(3,531)	(1,875)

21 Deferred taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	(202)	–
Deferred tax liabilities	37,403	33,461
	37,201	33,461

Deferred tax assets are recognised for tax losses carried forward and deductible temporary differences to the extent that realisation of the related tax benefit through future taxable profits is probable. Details of unrecognised temporary differences as at the end are as follows:

	2004 HK\$'000	2003 HK\$'000
Accelerated depreciation allowances	–	24
Unutilised tax losses	(819)	(1,675)
	(819)	(1,651)

There is no expiry for the above temporary differences.

22 Operating lease commitments

The future aggregate minimum lease rental expenses in respect of land and buildings under non-cancellable operating leases are payable in the following periods:

	2004 HK\$'000	2003 HK\$'000
Within one year	1,468	750
In the second to fifth years inclusive	375	151
	1,843	901

23 Contingent liabilities

As at 31st March 2004, the Group had contingent liabilities of approximately HK\$6.2 million (2003: HK\$6.1 million) in respect of a number of litigation processings arising in the normal course of its business. These include both claims against the Group and counterclaims made by defendants of actions initiated by the Group. The directors of the Company are of the opinion that the ultimate liability under these proceedings, if any, would not have a material impact on the financial position of the Group.

24 Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to net cash generated from operations

	2004	2003
	HK\$'000	HK\$'000
Operating profit	11,551	75,285
Interest income	(366)	(145)
Depreciation	24,634	24,518
Gain on disposal of fixed assets	(10)	(164)
Provision for doubtful debts	731	–
Cash flow from operations before working capital changes	36,540	99,494
(Increase)/decrease in trade receivables	(14,840)	32,675
Decrease/(increase) in deposits, prepayments and other receivables	3,263	(3,317)
Decrease in inventories	9,180	6,717
Increase in contracting work in progress	(11,781)	(95,306)
Increase/(decrease) in trade payables	4,617	(13,194)
Increase/(decrease) in accruals and other payables	31	(5,161)
Net cash generated from operations	27,010	21,908

Notes to the Accounts

24 Notes to consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

	Amounts due (from)/to related						
	Share companies and capital immediate and share holding premium company HK\$'000	Short-term bank loans HK\$'000	Secured long-term bank loans HK\$'000	Obligations under finance leases HK\$'000	Restricted bank balances HK\$'000	Dividend payable HK\$'000	
At 31st March 2002	23,250	(39,445)	-	3,522	158,206	-	72,612
Cash inflow/(outflow)							
from financing	-	39,445	14,380	(315)	(69,692)	(3,682)	-
Inception of new finance leases ¹	-	-	-	-	5,296	-	-
Dividend paid	-	-	-	-	-	-	(72,612)
At 31st March 2003	23,250	-	14,380	3,207	93,810	(3,682)	-
Cash inflow/(outflow)							
from financing	34,663	-	14,698	55,190	(53,982)	(40,000)	-
Inception of new finance leases ¹	-	-	-	-	9,551	-	-
At 31st March 2004	57,913	-	29,078	58,397	49,379	(43,682)	-

¹ Non-cash transactions

25 Related party transactions

During the year, apart from those disclosed elsewhere in the accounts, the following significant transactions with related companies had taken place:

	2004 HK\$'000	2003 HK\$'000
<i>Received and receivable from related parties:</i>		
Maintenance income from Sam Woo Ship Building Limited	-	30
Disposal of fixed assets to Sam Woo Ship Building Limited	-	1,217
<i>Paid and payable to related parties:</i>		
Rental expense to Cheer Crown Limited (<i>note (a)</i>)	1,041	1,197
Consultancy fee paid to various companies (<i>note (b)</i>)	1,714	2,057
Rental expense to Nice Rainbow Investment Limited	-	300
Inventories purchased from Mr. Lau	-	94

Notes:

- (a) Rental expenses are based on the tenancy agreement entered into between the parties involved with reference to market rates of similar properties.
- (b) Consultancy fees were paid to companies in which Mr. Chan Sun Kwong and Mr. Chiu Kam Kun, Eric, directors of the Company, have beneficial interests in respect of their services provided to the Group, and were charged at monthly fees agreed by the parties involved.

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually agreed between the Group and the respective related parties.

26 Principal subsidiaries

Listed below are the Group's subsidiaries, all of which are wholly owned and operated in Hong Kong.

Company	Issued and fully paid ordinary share capital	Principal activities
<i>Incorporated in the British Virgin Islands, directly held</i>		
Sam Woo Group Limited	10,000 shares of US\$1 each	Investment holding
<i>Incorporated in Hong Kong, indirectly held</i>		
Sam Woo Bore Pile Foundation Limited	10,000,000 shares of HK\$1 each	Foundation works
Sam Woo Civil Contractors Limited	10,000 shares of HK\$1 each	Civil engineering works
Sam Woo Construction Limited	10,000 shares of HK\$1 each	Foundation works
Sam Woo Construction & Engineering Limited	100,000 shares of HK\$1 each	Trading of used foundation works related machinery and equipment
Sam Woo Engineering Equipment Limited	500,000 shares of HK\$1 each	Leasing and trading of machinery and equipment for foundation works
Sam Woo Civil Works Limited	2 shares of HK\$1 each	Inactive
Sam Woo Finance Limited	2 shares of HK\$1 each	Inactive
Sam Woo Foundation Limited	2 shares of HK\$1 each	Inactive
Sam Woo Group (Holdings) Limited	10,000 shares of HK\$1 each	Inactive

27 Ultimate holding company

The directors of the Company regarded Silver Bright Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

28 Approval of accounts

The accounts were approved by the board of directors on 23rd July 2004.