

1 PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

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 Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“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 accounts for the year ended 31st March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(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.

(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

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Fixed assets and depreciation *(continued)*

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.

(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.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(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.

(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.

Notes to the Accounts

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 REVENUE

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

	2005	2004
	HK\$'000	HK\$'000
Turnover		
Revenue from foundation works	16,149	85,871
Additional revenue from completed contracts	38,512	–
Rental of machinery and equipment	1,163	7,095
Sale of machinery and equipment	6,674	44,117
	62,498	137,083
Other revenue		
Interest income	239	366
	62,737	137,449

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 2005			
Turnover	55,824	6,674	62,498
Segment results	(14,541)	5,177	(9,364)
Interest income			239
Unallocated expenses			(12,354)
Operating loss			(21,479)
Finance costs			(5,492)
Taxation credit			4,797
Loss attributable to shareholders			(22,174)
As at 31st March 2005			
Segment assets	263,782	9,896	273,678
Unallocated assets			52,273
Total assets			325,951
Segment liabilities	102,487	108	102,595
Unallocated liabilities			92,312
Total liabilities			194,907
Year ended 31st March 2005			
Capital expenditure	86	–	86
Depreciation	23,666	7	23,673
Provision for doubtful debts	27	–	27

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 2004			
Turnover	92,966	44,117	137,083
Segment results	4,285	18,913	23,198
Interest income			366
Unallocated expenses			(12,013)
Operating profit			11,551
Finance costs			(6,437)
Taxation charge			(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)*

(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 (LOSS)/PROFIT

	2005 HK\$'000	2004 HK\$'000
Operating (loss)/profit is stated after crediting:		
Gain on disposal of fixed assets	5,633	10
and after charging:		
Cost of inventories sold	1,574	21,703
Staff costs, excluding directors' emoluments	16,442	31,344
Auditors' remuneration	700	750
Depreciation		
Owned fixed assets	16,651	13,750
Leased fixed assets	7,022	10,884
Operating lease rentals in respect of land and buildings	1,732	2,191
Provision for doubtful debts	27	731

5 FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest		
Bank loans and overdrafts	3,947	3,048
Finance leases	1,545	3,389
	5,492	6,437

6 TAXATION CREDIT/(CHARGE)

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

The amount of taxation credited/(charged) to the consolidated profit and loss account represents:

	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
Current	(488)	(293)
Deferred (<i>Note 21</i>)	5,285	(463)
Change in opening net deferred tax liabilities resulting from an increase in tax rate	–	(3,277)
	4,797	(4,033)

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

	2005 HK\$'000	2004 HK\$'000
(Loss)/profit before taxation	(26,971)	5,114
Calculated at statutory rate of 17.5% (2004: 17.5%)	4,720	(895)
Income not subject to taxation	3	608
Expenses not deductible for taxation purposes	(175)	(324)
Tax losses not recognised	(21)	(98)
Utilisation of previously unrecognised tax losses	71	245
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	–	(3,277)
Others	199	(292)
Taxation credit/(charge)	4,797	(4,033)

7 DIVIDENDS

The directors do not recommend the payment of dividend in respect of the year ended 31st March 2005 (2004: Nil).

8 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$22,174,000 (2004: profit of HK\$1,081,000) and the weighted average number of 300,000,000 (2004: 298,705,479) ordinary shares in issue during the year.

Diluted (loss)/earnings per share is not presented as the exercise of share options would have no dilutive effect on the (loss)/earnings per share for the years ended 31st March 2004 and 2005.

9 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	2005 HK\$'000	2004 HK\$'000
Fees	590	480
Salaries, allowances and benefits in kind	5,406	5,400
Retirement benefits scheme contributions	108	108
	6,104	5,988

No directors of the Company waived any emoluments during the year. Fees paid to independent non-executive directors during the year amounted to HK\$590,000 (2004: HK\$480,000).

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

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	6	5
HK\$1,000,001 to HK\$1,500,000	4	4
	10	9

(b) Five highest paid individuals

The five highest paid individuals included five directors (2004: five), details of whose emoluments are included in the above.

During the year, no emoluments were paid to any of the directors 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\$636,000 (2004: HK\$1,160,000).

11 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(Loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$312,000 (2004: loss of HK\$142,000).

12 FIXED ASSETS

Group	Machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At 31st March 2004	369,019	1,541	4,753	375,313
Additions	–	9	77	86
Disposals	(27,442)	(35)	(1,344)	(28,821)
At 31st March 2005	341,577	1,515	3,486	346,578
Accumulated depreciation				
At 31st March 2004	107,971	741	2,828	111,540
Charge for the year	22,932	291	450	23,673
Disposals	(15,150)	(34)	(273)	(15,457)
At 31st March 2005	115,753	998	3,005	119,756
Net book value				
At 31st March 2005	225,824	517	481	226,822
At 31st March 2004	261,048	800	1,925	263,773

Note: The net book values of machinery and equipment held under finance leases and pledged for certain long-term bank loans amounted to HK\$79,748,000 (2004: HK\$135,115,000) and HK\$43,433,000 (2004: HK\$55,865,000), respectively.

Notes to the Accounts

12 FIXED ASSETS *(continued)*

Company	Furniture and fixtures
	HK\$'000
Cost	
At 31st March 2004 and 2005	27
Accumulated depreciation	
At 31st March 2004	10
Charge for the year	6
At 31st March 2005	16
Net book value	
At 31st March 2005	11
At 31st March 2004	17

13 SUBSIDIARIES

	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	117,567	117,567
Amounts due from subsidiaries	–	3,403
Amounts due to subsidiaries	(2,578)	(5,852)
	114,989	115,118

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

The amounts receivables and payables are unsecured, carry interests at Hong Kong prime rate 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\$7,679,000 (2004: HK\$16,169,000). The aging analysis of the remaining trade receivables is as follows:

	2005	2004
	HK\$'000	HK\$'000
0 to 90 days	7,977	15,130
91 to 180 days	106	2,071
181 to 365 days	939	636
More than one year	3,844	184
	12,866	18,021

15 CONTRACTING WORK IN PROGRESS

	2005	2004
	HK\$'000	HK\$'000
Contract costs incurred plus attributable profits		
less foreseeable losses to date	565,350	526,402
Progress billings to date	(549,235)	(499,576)
	16,115	26,826
Represented by:		
Amounts due from customers for contract works	16,115	26,826

Notes to the Accounts

16 TRADE PAYABLES

Retention payable included in trade payables amounted to HK\$131,000 (2004: HK\$187,000). The aging analysis of the remaining trade payables is as follows:

	2005	2004
	HK\$'000	HK\$'000
0 to 90 days	5,063	11,660
91 to 180 days	33	255
181 to 365 days	19	789
More than one year	1,765	1,149
	6,880	13,853

17 BANKING FACILITIES

As at 31st March 2005, the Group's banking facilities totaling approximately HK\$132,592,000 were secured by the following:

- (a) Bank deposits of the Group amounting to HK\$46,600,000.
- (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\$141,089,000 in aggregate.
- (d) Cross guarantee for HK\$17,000,000 among two of the subsidiaries.
- (e) Personal guarantee for HK\$7,000,000 by a director of the Company.
- (f) Bank deposits of Cheer Crown Limited, a company beneficially owned by Mr. Lau Chun Ming, amounting to HK\$30,000,000.

18 LONG-TERM LIABILITIES

	2005 HK\$'000	2004 HK\$'000
Bank loans, secured (<i>Note (a)</i>)	32,092	58,397
Obligations under finance leases (<i>Note (b)</i>)	24,807	49,379
Wholly repayable within five years	56,899	107,776
Less: amounts due within one year included under current liabilities	(37,149)	(50,630)
	19,750	57,146

Notes:

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

	2005 HK\$'000	2004 HK\$'000
Within one year	20,875	21,353
In the second year	11,217	24,321
In the third to fifth years	–	12,723
	32,092	58,397

Interest is charged on the balances at rates ranging from 1.75% above HIBOR to 1% 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	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Within one year	16,274	29,277	17,079	30,742
In the second year	7,216	14,752	7,424	15,290
In the third to fifth years	1,317	5,350	1,343	5,421
	24,807	49,379	25,846	51,453
Finance charges			(1,039)	(2,074)
			24,807	49,379

Interest is charged on the outstanding balances of finance leases at rates ranging from 1.5% above HIBOR 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

	2005 HK\$'000	2004 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:		
At 31st March 2003	232,500,000	23,250
Issue of shares upon initial public offering	67,500,000	6,750
At 31st March 2004 and 2005	300,000,000	30,000

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. During the year, no option has been granted or cancelled under the Scheme and no option has been exercised by the grantees.

20 RESERVES

Group

	Share premium	Merger reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
Loss attributable to shareholders	–	–	(22,174)	(22,174)
At 31st March 2005	27,913	(12,974)	86,105	101,044

Company

	Share premium	Contributed surplus	Accumulated loss	Total
	HK\$'000	(note) HK\$'000	HK\$'000	HK\$'000
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
Loss for the year	–	–	(312)	(312)
At 31st March 2005	27,913	94,317	(547)	121,683

Note: 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 of the Company amounted to HK\$93,770,000 (2004: HK\$94,082,000).

Notes to the Accounts

21 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2004: 17.5%). The movement on the net deferred tax liabilities is as follows:

Group

	2005 HK\$'000	2004 HK\$'000
At beginning of the year	(37,201)	(33,461)
Deferred taxation credited/(charged) to profit and loss account	5,285	(3,740)
At end of the year	(31,916)	(37,201)

Company

	2005 HK\$'000	2004 HK\$'000
At beginning of the year	–	–
Deferred taxation credited to profit and loss account	82	–
At end of the year	82	–

21 DEFERRED TAXATION *(continued)*

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

Group

Deferred tax liabilities	Accelerated depreciation allowances	
	2005	2004
	HK\$'000	HK\$'000
At beginning of the year	(40,732)	(35,336)
Credited/(charged) to profit and loss account	2,729	(5,396)
At end of the year	(38,003)	(40,732)

Deferred tax assets	Tax losses	
	2005	2004
	HK\$'000	HK\$'000
At beginning of the year	3,531	1,875
Credited to profit and loss account	2,556	1,656
At end of the year	6,087	3,531

Company

Deferred tax assets	Tax losses	
	2005	2004
	HK\$'000	HK\$'000
At beginning of the year	–	–
Credited to profit and loss account	82	–
At end of the year	82	–

Notes to the Accounts

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.

Group

	2005 HK\$'000	2004 HK\$'000
Deferred tax assets	911	202
Deferred tax liabilities	(32,827)	(37,403)
	(31,916)	(37,201)

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. As at year end, the Group has unrecognised temporary differences arising from unutilized tax losses of HK\$150,000 (2004: HK\$819,000). There is no expiry for the 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:

	2005	2004
	HK\$'000	HK\$'000
Within one year	781	1,468
In the second to fifth years inclusive	178	375
	959	1,843

23 CONTINGENT LIABILITIES

As at 31st March 2005, the Group had contingent liabilities of approximately HK\$12.7 million (2004: HK\$6.2 million) in respect of a number of litigation processing 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.

An employees' compensation case has been lodged against certain subsidiaries of the Company subsequent to end of the year in respect of a fatal accident that happened during the year. No specific claim amount has been specified in the application submitted to the court. The case is still at its early stage and there is no reliable basis to quantify the losses, if any, which may arise as a result of the claim.

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 (loss)/profit to net cash generated from operations**

	2005	2004
	HK\$'000	HK\$'000
Operating (loss)/profit	(21,479)	11,551
Interest income	(239)	(366)
Depreciation	23,673	24,634
Gain on disposal of fixed assets	(5,633)	(10)
Provision for doubtful debts	27	731
Cash (used in)/from operations before working capital changes	(3,651)	36,540
Decrease/(increase) in trade receivables	13,618	(14,840)
Decrease in deposits, prepayments and other receivables	1,896	3,263
(Increase)/decrease in inventories	(4,365)	9,180
Decrease/(increase) in contracting work in progress	11,647	(11,781)
(Decrease)/increase in trade payables	(7,029)	4,617
(Decrease)/increase in accruals and other payables	(632)	31
Net cash generated from operations	11,484	27,010

(b) Analysis of changes in financing during the year

	Share capital and share premium	Short-term bank loans	Secured long-term bank loans	Obligations under finance leases	Restricted bank balances
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)
Cash inflow/(outflow)					
from financing	-	4,837	(26,305)	(24,572)	(2,918)
At 31st March 2005	57,913	33,915	32,092	24,807	(46,600)

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:

	2005	2004
	HK\$'000	HK\$'000
<i>Paid and payable to related parties:</i>		
Rental expense to Cheer Crown Limited (<i>Note (a)</i>)	1,080	1,041
Hiring expense to Sam Woo Ship Building Limited (<i>Note (a)</i>)	905	–
Consultancy fee paid to various companies (<i>Note (b)</i>)	1,680	1,714

Notes:

- (a) Rental expense and hiring expense 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 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 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

Notes to the Accounts

26 SUBSIDIARIES *(continued)*

Company	Issued and fully paid ordinary share capital	Principal activities
<i>Incorporated in Hong Kong, indirectly held (continued)</i>		
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	Provision of financial service to Group companies
Sam Woo Foundation Limited	2 shares of HK\$1 each	Inactive
Sam Woo Group (Holdings) Limited	2 shares of HK\$1 each	Inactive
三和集團有限公司	1 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 22nd July 2005.