

31 March 2005

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability on 20 August 1992 and its shares are listed on The Stock Exchange of Hong Kong Limited.

During the year, the Group was involved in the following principal activities:

- provision of multi-disciplinary building services, comprising electrical engineering, water pumping and fire services, air-conditioning installation, plumbing and drainage, environmental engineering, extra low voltage systems engineering and project management; and
- trading of electrical and mechanical engineering materials and equipment.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain long term investments, as further explained below.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Impairment of assets**

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Fixed assets and depreciation** *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and properties held under	
medium term leases	2%
Furniture and office equipment	20%
Motor vehicles	20%
Leasehold improvements	3 years or over the lease terms, whichever is shorter

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values, on an individual basis.

The gains or losses arising from changes in the fair value of an investment are credited or charged to the profit and loss account in the period in which they arise.

Installation and maintenance contracts and contracts in progress

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed installation and maintenance overheads.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Installation and maintenance contracts and contracts in progress *(Continued)*

Revenue from fixed price installation and maintenance contracts is recognised on the percentage of completion method, measured by reference to the percentage of certified work performed to date to the estimated total contract sum of the relevant contracts. When the outcome of the contracts cannot be estimated reliably, revenue is recognised only to the extent of certified work performed that is probable to be recoverable.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Income tax** *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Foreign currency transactions

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Leased assets**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Employee benefits*Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Retirement benefits schemes

The Group operates defined contribution retirement benefits schemes, including an Occupational Retirement Schemes Ordinance retirement benefits scheme (the "ORSO Scheme") and a Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees (including executive directors).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Employee benefits** *(Continued)**Retirement benefits schemes (Continued)*

The ORSO Scheme is managed by an independent trustee. The Group makes monthly contributions to the scheme at 5% to 15% of the employees' basic salaries while the employees are not required to make any contributions. The employees are entitled to receive 100% of the contributions made by the Group together with the accrued earnings thereon upon retirement or leaving the Group after completing 10 years of service or at a reduced scale of 30% to 90% after completing three to nine years of service. Forfeited contributions and related earnings are used to reduce the contributions payable by the Group.

Under the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The assets of both schemes are held separately from those of the Group in independently administered funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from installation and maintenance contracts, on the percentage of completion basis, as further explained in the accounting policy for "Installation and maintenance contracts and contracts in progress" above;
- (c) project management income, when project management services are rendered; and
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

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4. SEGMENT INFORMATION *(Continued)*

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The summarised details of the business segments are as follows:

- (a) the building services contracting and project management business segment, which includes the provision of multi-disciplinary building services, comprising electrical engineering, water pumping and fire services, air conditioning installation, plumbing and drainage, environmental engineering, extra low voltage systems engineering and project management; and
- (b) the trading of electrical and mechanical engineering materials and equipment segment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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4. SEGMENT INFORMATION (Continued)

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Building services contracting business and project management		Trading of electrical and mechanical engineering materials and equipment		Eliminations		Consolidated	
	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:								
Sales to external customers	525,850	706,819	24,181	27,370	-	-	550,031	734,189
Intersegment sales	-	-	1,963	9,951	(1,963)	(9,951)	-	-
Total revenue	<u>525,850</u>	<u>706,819</u>	<u>26,144</u>	<u>37,321</u>	<u>(1,963)</u>	<u>(9,951)</u>	<u>550,031</u>	<u>734,189</u>
Segment results	<u>(28,658)</u>	<u>25,362</u>	<u>(5,035)</u>	<u>(2,707)</u>	<u>-</u>	<u>-</u>	<u>(33,693)</u>	<u>22,655</u>
Interest income and unallocated gains							2,045	1,809
Unrealised holding losses on long term investments							(654)	(8,863)
Provision for amounts due from former subsidiaries							-	(2,179)
Gain on dissolution of discontinued operations							-	4,105
Finance costs							(1,524)	(1,877)
Profits/(loss) before tax							(33,826)	15,650
Tax							(741)	(4,418)
Profit/(loss) before minority interests							(34,567)	11,232
Minority interests							838	(9,427)
Net profit/(loss) from ordinary activities attributable to shareholders							<u>(33,729)</u>	<u>1,805</u>

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4. SEGMENT INFORMATION (Continued)

Group

	Building services contracting business and project management		Trading of electrical and mechanical engineering materials and equipment		Eliminations		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment assets	296,535	259,504	11,805	19,085	-	-	308,340	278,589
Unallocated assets							42,769	43,124
Total assets							351,109	321,713
Segment liabilities	204,273	161,552	8,036	9,862	-	-	212,309	171,414
Unallocated liabilities							54,169	31,075
Total liabilities							266,478	202,489
Other segment information:								
Depreciation	1,708	2,485	41	54	-	-	1,749	2,539
Capital expenditure	656	92	-	13	-	-	656	105
Provision for doubtful debts	77	109	1,454	-	-	-	1,531	109

NOTES TO FINANCIAL STATEMENTS

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5. TURNOVER, REVENUE AND GAINS

Turnover represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, and an appropriate proportion of contract revenue from long term installation and maintenance contracts during the year.

An analysis of turnover, other revenue and gains is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Turnover		
Building services contracting business	523,628	704,579
Project management income	2,222	2,240
Trading of electrical and mechanical engineering materials and equipment	24,181	27,370
	<u>550,031</u>	<u>734,189</u>
Other revenue and gains		
Interest income	1,317	1,772
Gain on dissolution of subsidiaries	313	-
Gain on dissolution of an associate	199	-
Others	187	37
	<u>2,016</u>	<u>1,809</u>

NOTES TO FINANCIAL STATEMENTS

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6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Group	
	2005	2004
	HK\$'000	HK\$'000
Cost of inventories sold	17,332	24,583
Cost of installation	<u>509,118</u>	<u>609,008</u>
	<u>526,450</u>	<u>633,591</u>
Depreciation (<i>note 13</i>)	1,749	2,539
Minimum lease payments under operating leases in respect of land and buildings	1,095	1,425
Auditors' remuneration	800	800
Staff costs (including directors' remuneration (<i>note 8</i>)):		
Wages and salaries	50,958	64,299
Pension scheme contributions	3,021	2,811
Less: Forfeited contributions	<u>(309)</u>	<u>(1,038)</u>
Net pension contributions*	<u>2,712</u>	<u>1,773</u>
	53,670	66,072
Less: Amount capitalised in contract costs	<u>(10,537)</u>	<u>(118)</u>
Amounts charged to administrative expenses	<u>43,133</u>	<u>65,954</u>
Provision for doubtful debts	1,531	109
Recovery of previously provided doubtful debts	(134)	(392)
Loss/(gain) on disposal of fixed assets	<u>(29)</u>	<u>7</u>

* At 31 March 2005, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2004: Nil).

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7. FINANCE COSTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	1,041	1,110
Interest on finance leases	43	51
Bank charges	440	716
	<u>1,524</u>	<u>1,877</u>

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Fees:		
Executive directors	-	-
Independent non-executive directors	362	250
	<u>362</u>	<u>250</u>
Other emoluments for executive directors:		
Salaries and allowances	3,322	5,397
Performance related payments	330	334
Pension scheme contributions	175	220
	<u>3,827</u>	<u>5,951</u>
	<u>4,189</u>	<u>6,201</u>

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8. DIRECTORS' REMUNERATION (Continued)

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2005	2004
Nil	3	3
HK\$1 to HK\$1,000,000	3	5
HK\$1,000,001 to HK\$1,500,000	3	2
HK\$2,000,001 to HK\$2,500,000	-	1
	9	11
	9	11

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2004: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2004: one) non-director, highest paid employees for the year are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,557	910
Performance related payments	120	70
Pension scheme contributions	122	63
	1,799	1,043
	1,799	1,043

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9. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2005	2004
HK\$1 to HK\$1,000,000	1	-
HK\$1,000,001 to HK\$1,500,000	1	1
	<u>2</u>	<u>1</u>

10. TAX

The Company is exempt from tax in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2005 HK\$'000	2004 HK\$'000
Current - Hong Kong		
Charge for the year	812	4,590
Under/(over) provision in prior years	50	(66)
Deferred (note 25)	(121)	(106)
	<u>741</u>	<u>4,418</u>
Total tax charge for the year	<u>741</u>	<u>4,418</u>

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10. TAX (Continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rate for Hong Kong to the tax expense at the effective tax rate is as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before tax	<u>(33,826)</u>	<u>15,650</u>
Tax at the statutory tax rate of 17.5% (2004: 17.5%)	(5,919)	2,739
Adjustments in respect of current tax of previous periods	50	(66)
Income not subject to tax	(2)	(728)
Expenses not deductible for tax	448	2,320
Tax losses utilised from previous periods	(226)	(802)
Tax losses not recognised	6,402	1,002
Others	<u>(12)</u>	<u>(47)</u>
Tax charge at the Group's effective rate	<u>741</u>	<u>4,418</u>

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was approximately HK\$2,267,000 (2004: HK\$2,529,000) (*note 27(b)*).

NOTES TO FINANCIAL STATEMENTS

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12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Earnings/(loss)		
Net profit/(loss) attributable to shareholders, used in the basic earnings/(loss) per share calculation	<u>(33,729)</u>	<u>1,805</u>
Shares		
Number of ordinary shares in issue during the year used in basic earnings/(loss) per share calculation	<u>115,930,400</u>	(Restated)* <u>115,930,400</u>

* *The number of ordinary shares was adjusted as a result of the Capital Reorganisation on 16 September 2004 (note 26).*

Diluted earnings/(loss) per share amounts for the years ended 31 March 2005 and 2004 have not been presented as no diluting events existed during those years.

NOTES TO FINANCIAL STATEMENTS

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13. FIXED ASSETS

Group

	Leasehold land and properties <i>HK\$'000</i>	Furniture and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At beginning of year	22,378	9,802	4,505	1,750	38,435
Additions	-	352	271	33	656
Write-off and disposals	-	(5,417)	(3,314)	(1,027)	(9,758)
At 31 March 2005	22,378	4,737	1,462	756	29,333
Accumulated depreciation:					
At beginning of year	3,765	8,479	3,870	1,586	17,700
Provided during the year	449	860	275	165	1,749
Write-off and disposals	-	(5,387)	(2,804)	(1,018)	(9,209)
At 31 March 2005	4,214	3,952	1,341	733	10,240
Net book value:					
At 31 March 2005	18,164	785	121	23	19,093
At 31 March 2004	18,613	1,323	635	164	20,735

The Group's leasehold land and properties are located in Hong Kong and are held under medium-term leases.

At 31 March 2005, certain of the Group's leasehold land and properties with a net book value of approximately HK\$15,716,000 (2004: HK\$16,100,000) were pledged to secure general banking facilities granted to the Group.

At 31 March 2004, the net book value of the Group's fixed assets held under finance leases included in the total amount of motor vehicles amounted to approximately HK\$468,000.

NOTES TO FINANCIAL STATEMENTS

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14. INTERESTS IN SUBSIDIARIES

	Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted shares, at cost	33,116	33,116
Due from subsidiaries	<u>147,434</u>	<u>148,903</u>
	180,550	182,019
Provision for impairment	<u>(120,672)</u>	<u>(120,019)</u>
	<u><u>59,878</u></u>	<u><u>62,000</u></u>

The balances with subsidiaries are unsecured, interest-free, and have no fixed terms of repayment.

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14. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries of the Company are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company*	Principal activities
Ecotech Engineering Limited	Hong Kong	HK\$650,001	89.99	Design, installation and maintenance of waste-water treatment systems
Ever Billion Engineering Limited	Hong Kong	HK\$100	100.00	Provision of building and electrical maintenance services
Shun Cheong Automation Systems Limited	Hong Kong	HK\$2,000,000	85.00	Design and installation of computer control systems and building automation projects
Shun Cheong Electrical Engineering Company Limited	Hong Kong	HK\$4,100,000	100.00	Design, installation, repair and maintenance of electrical and mechanical systems

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14. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company*	Principal activities
Shun Cheong Electrical Supplies Company Limited	Hong Kong	HK\$100,000	100.00	General trading of materials and equipment for electrical installation
Shun Cheong M & E Limited (subsequently known as "Shun Cheong Trade and Development Company Limited")	Hong Kong	HK\$663,000	100.00	Trading of electrical generators and uPVC conduits and trunking systems
Shun Cheong Management Limited	Hong Kong	HK\$2	100.00	Provision of management services
Shun Cheong Real Estates Limited	Hong Kong	HK\$10,000	100.00	Property holding
Shun Wing Construction & Engineering Company Limited (“Shun Wing”)	Hong Kong	HK\$1,000	50.10	Provision of building and electrical maintenance services
Tinhawk Company Limited	Hong Kong	HK\$2,000,000	90.00	Installation and maintenance of water pumps and fire prevention and fighting systems

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14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company*	Principal activities
Westco Airconditioning Limited	Hong Kong	HK\$4,100,000	100.00	Design, installation and maintenance of heating ventilation and air-conditioning systems

* All the above subsidiaries are held indirectly by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. INTEREST IN AN ASSOCIATE

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net assets of an associate	-	-

Particulars of the associate as at 31 March 2004 are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activity
MIT Shun Cheong Company Limited	Corporate	Hong Kong	50.00	Inactive

The associate was deregistered during the year on 18 February 2005.

NOTES TO FINANCIAL STATEMENTS

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16. LONG TERM INVESTMENTS

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity investments in Hong Kong, at market value	514	411
Unlisted investments, at fair value	<u>2,500</u>	<u>3,257</u>
	<u><u>3,014</u></u>	<u><u>3,668</u></u>

17. GROSS AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amount due from contract customers	90,500	84,798
Gross amount due to contract customers	<u>(91,745)</u>	<u>(61,827)</u>
	<u><u>(1,245)</u></u>	<u><u>22,971</u></u>
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	3,284,629	3,138,146
Less: Progress billings	<u>(3,285,874)</u>	<u>(3,115,175)</u>
	<u><u>(1,245)</u></u>	<u><u>22,971</u></u>

NOTES TO FINANCIAL STATEMENTS

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18. INVENTORIES

Inventories comprise electrical cables, conduits, wiring accessories, light fittings and switch gears.

	Group	
	2005	2004
	HK\$'000	HK\$'000
Merchandise for sale	<u>395</u>	<u>3,248</u>

The carrying amount of inventories carried at net realisable value included in the above balance was HK\$292,000 (2004: Nil). At 31 March 2005, no inventories were pledged as security for any liability of the Group as at 31 March 2005 (2004: Nil).

19. TRADE AND OTHER RECEIVABLES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Trade receivables	122,992	108,948
Other receivables	<u>52,252</u>	<u>34,971</u>
	<u>175,244</u>	<u>143,919</u>

The Group grants to its trade customers credit periods normally ranging from cash on delivery to 60 days. A longer credit period is granted to a few customers with long business relationships with the Group and with strong financial positions.

NOTES TO FINANCIAL STATEMENTS

31 March 2005

19. TRADE AND OTHER RECEIVABLES (Continued)

An aged analysis for the trade receivables as at the balance sheet date, based on invoice date and net of provisions for bad and doubtful debts, is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
0 – 30 days	60,816	78,411
31 – 60 days	11,867	17,261
61 – 90 days	6,738	6,010
Over 90 days	43,571	7,266
	<u>122,992</u>	<u>108,948</u>

Included in the trade receivable balance as at 31 March 2005 as set out above are amounts due from Chinney Construction Company, Limited (“Chinney Construction”) of approximately HK\$41,442,000 (2004: HK\$46,729,000) which arose from the provision of various building and maintenance services. Please refer to note 29 for details of related party transactions with Chinney Construction.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Cash and bank balances	2,751	4,631	74	75
Time deposits	32,310	32,298	-	-
	<u>35,061</u>	<u>36,929</u>	<u>74</u>	<u>75</u>
Less: Pledged time deposits	(26,800)	(26,800)	-	-
Cash and cash equivalents	<u>8,261</u>	<u>10,129</u>	<u>74</u>	<u>75</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2005

21. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	17,321	13,725
31 – 60 days	7,414	8,805
Over 60 days	8,841	8,098
	<u>33,576</u>	<u>30,628</u>

22. INTEREST-BEARING BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts:		
Secured	25,490	17,143
Unsecured	5,066	–
	<u>30,556</u>	<u>17,143</u>
Bank loans:		
Secured	–	3,333
Unsecured	16,330	9,798
	<u>16,330</u>	<u>13,131</u>
	<u>46,886</u>	<u>30,274</u>
Bank overdrafts repayable within one year or on demand	30,556	17,143
Trust receipt loans repayable within three months from date of advance	16,330	9,798
Bank loans repayable within one year or on demand	–	3,333
Classified as current liabilities	<u>46,886</u>	<u>30,274</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2005

22. INTEREST-BEARING BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS (Continued)

The Group's banking facilities, including overdrafts, term loans, letters of credit and bank guarantees of approximately HK\$76,500,000 (2004: HK\$93,500,000), of which HK\$67,793,000 (2004: HK\$54,301,000) has been utilised as at the balance sheet date, are secured by bank deposits of the Group of approximately HK\$26,800,000 (2004: HK\$26,800,000) and certain of the Group's leasehold land and properties with a net book value of approximately HK\$15,716,000 (2004: HK\$16,100,000).

23. FINANCE LEASE PAYABLES

The Group leases motor vehicles for its building services contracting business and classified these leases as finance leases at 31 March 2004. These leases expired in the year ended 31 March 2005.

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Total minimum finance lease payments due within one year	-	214	-	180
Future finance charges	-	(34)		
Total net finance lease payables classified as current liabilities	-	180		

31 March 2005

24. LOAN FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The loan from a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

25. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities, which comprised the tax effect of the accelerated tax depreciation and the cumulative differences in profit relating to incomplete long term installation and maintenance contracts, during the year are as follows:

Group

	Accelerated tax depreciation		Cumulative differences in profit relating to incomplete long term installation and maintenance contracts		Total	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	147	-	-	253	147	253
Deferred tax charged /(credited) to the profit and loss account during the year (<i>note 10</i>)	(121)	147	-	(253)	(121)	(106)
At 31 March	<u>26</u>	<u>147</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>147</u>

The Group has tax losses arising in Hong Kong of HK\$72,244,000 (2004: HK\$37,675,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time or the future profit streams are unpredictable.

At 31 March 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

NOTES TO FINANCIAL STATEMENTS

31 March 2005

26. SHARE CAPITAL

	Company	
	2005	2004
	HK\$'000	HK\$'000
Authorised:		
8,000,000,000 ordinary shares of HK\$0.01 each (2004: 800,000,000 ordinary shares of HK\$0.10 each)	<u>80,000</u>	<u>80,000</u>
Issued and fully paid:		
115,930,400 ordinary shares of HK\$0.01 each (2004: 463,721,600 ordinary shares of HK\$0.10 each)	<u>1,159</u>	<u>46,372</u>

Pursuant to a special resolution passed on 16 September 2004, the following share consolidation, capital reduction, share sub-division and cancellation of share premium account (hereinafter known as the "Capital Reorganisation") were effected. The details are set out below:

- (a) the consolidation of every four ordinary shares of HK\$0.10 each (issued and unissued) into one ordinary share of nominal value of HK\$0.40 (the "Consolidated Share");
- (b) the reduction of the nominal value of each Consolidated Share in issue from HK\$0.40 to HK\$0.01 by the cancellation of HK\$0.39 from the paid-up capital of each Consolidated Share;
- (c) the sub-division of each authorised but unissued Consolidated Share of HK\$0.40 into 40 ordinary shares of HK\$0.01 each (the "New Shares");
- (d) the increase of the authorised share capital to HK\$80,000,000 by the creation of 4,521,285,600 New Shares of HK\$0.01 each ranking pari passu in all respects with each other;

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26. SHARE CAPITAL (Continued)

- (e) the application of the total credit of HK\$45,212,856 arising from the capital reduction as detailed in (b) above to set off the accumulated losses of the Company of HK\$108,935,656 as at 31 March 2004, and
- (f) the cancellation of the share premium account of HK\$110,631,927 and the application of the credit so arising as follows:
- (i) to eliminate the balance of the accumulated losses of the Company as at 31 March 2004; and
- (ii) to apply the remaining credit of HK\$46,909,127 arising therefrom to the Company's contributed surplus account.

Upon completion of the Capital Reorganisation, the authorised share capital of the Company became HK\$80,000,000 divided into 8,000,000,000 shares of HK\$0.01 each. The issued share capital of the Company was reduced from HK\$46,372,160 dividing into 463,721,600 shares of HK\$0.10 each to HK\$1,159,304 dividing into 115,930,400 shares of HK\$0.01 each.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2003, 31 March 2004 and 1 April 2004	463,721,600	46,372	110,632	157,004
Share consolidation (a)	(347,791,200)	-	-	-
Capital reduction (b)	-	(45,213)	-	(45,213)
Cancellation of share premium account (f)	-	-	(110,632)	(110,632)
	<u>115,930,400</u>	<u>1,159</u>	<u>-</u>	<u>1,159</u>
At 31 March 2005	<u>115,930,400</u>	<u>1,159</u>	<u>-</u>	<u>1,159</u>

NOTES TO FINANCIAL STATEMENTS

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27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 23 of the financial statements.

(b) Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	110,632	14,009	132	(106,407)	18,366
Loss for the year	-	-	-	(2,529)	(2,529)
At 31 March 2004 and 1 April 2004	110,632	14,009	132	(108,936)	15,837
Capital Reorganisation (note 26)	(110,632)	46,909	-	108,936	45,213
Loss for the year	-	-	-	(2,267)	(2,267)
At 31 March 2005	-	60,918	132	(2,267)	58,783

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

31 March 2005

28. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Dissolution of subsidiaries, net

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net assets disposed of:		
Cash and bank balances	133	651
Trade and other receivables	6	442
Prepayments, deposits and other assets	-	150
Trade payables	-	(4,984)
Other payables and accruals	(426)	(543)
Minority shareholders' loan	-	(5,600)
Minority interests	(26)	5,812
	(313)	(4,072)
Gain on dissolution of discontinued operations	-	4,105
Gain/(loss) on dissolution of a subsidiary	313	(33)
	-	-

An analysis of the net outflow of cash and cash equivalents in respect of the dissolution of subsidiaries is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash and bank balances disposed of	(133)	(651)
Net outflow of cash and cash equivalents in respect of the dissolution of subsidiaries	(133)	(651)

The results of the subsidiaries dissolved during the years ended 31 March 2005 and 2004 had no significant impact on the Group's consolidated turnover or the consolidated profit/(loss) before minority interests for those years.

NOTES TO FINANCIAL STATEMENTS

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29. RELATED PARTY TRANSACTIONS

Save as disclosed in note 24 to the financial statements, the Group had the following material transactions with related companies during the year:

		Group	
	Notes	2005 HK\$'000	2004 HK\$'000
Billing of building maintenance works and building services installation works to Chinney Construction	(i)	120,152	268,515
Purchase of merchandise from Chinney Alliance Engineering Limited	(ii)	817	1,155
Sub-contracting charge paid to a 49.90% minority shareholder of Shun Wing for the completion of work orders of a building maintenance contract		25,846	92,310
Management fee paid to a 49.90% minority shareholder of Shun Wing for the provision of management services of a building maintenance contract		-	6,510
		<u>-</u>	<u>6,510</u>

31 March 2005

29. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

- (i) Chinney Construction is a company of which Wong Sai Wing, James (who resigned as chairman and executive director of the Company during the year) and Chan Yuen Keung, Zuric, are also directors and have indirect beneficial interests therein.

The amount due from Chinney Construction are unsecured, interest-free and are repayable within normal credit terms of 60 days. The maximum amount due from Chinney Construction during the year was HK\$47,369,000 (2004: HK\$47,432,000).

As at 31 March 2005, the Group also had amount payable to Chinney Construction of HK\$22,930,000 (2004: Nil), which is unsecured, interest-free and have no fixed terms of repayment.

- (ii) Chinney Alliance Engineering Limited is a wholly-owned subsidiary of Chinney Alliance Group Limited, a company listed on The Stock Exchange of Hong Kong Limited, which is a substantial shareholder of the Company. Wong Sai Wing, James and Yu Sek Kee, Stephen, are also directors of Chinney Alliance Group Limited.

In the opinion of the directors, the above transactions were conducted at mutually agreed rates in the normal course of the Group's business.

30. CONTINGENT LIABILITIES

In addition to the bank deposits of HK\$26,800,000 (2004: HK\$26,800,000) and leasehold land and properties with a net book value of approximately HK\$15,716,000 (2004: HK\$16,100,000) to secure the banking facilities granted to the Group as set out in note 22 to the financial statements, the Company provides corporate guarantees to banks of HK\$51,000,000 (2004: HK\$68,000,000) in connection with the banking facilities granted to the Group. As at 31 March 2005, the banking facilities utilised by the Group amounted to approximately HK\$67,793,000 (2004: HK\$54,301,000), which included the issue of performance bonds by banks amounted to HK\$13,070,000 (2004: HK\$5,950,000).

Save as disclosed above, as at 31 March 2005, the Company and the Group had no significant contingent liabilities (2004: Nil).

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31. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	828	734
In the second to fifth years, inclusive	983	64
	<u>1,811</u>	<u>798</u>

32. COMMITMENTS

Apart from those disclosed in note 31, at the balance sheet date, neither the Group nor the Company had any significant commitments.

33. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 July 2005.