# SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 650

ANNUAL REPORT

2007

# CONTENTS

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

CAO Jing *(Executive Chairman)*
MO Tianquan

### Independent Non-Executive Directors

YU Hon To, David
YE Jianping
ZHANG Shaohua

## AUDIT COMMITTEE

YU Hon To, David *(Chairman)*
YE Jianping
ZHANG Shaohua

## REMUNERATION COMMITTEE

ZHANG Shaohua *(Chairman)*
YE Jianping
CAO Jing

## NOMINATION COMMITTEE

YE Jianping *(Chairman)*
YU Hon To, David
CAO Jing

## COMPANY SECRETARY

NGAN Mei Fan

## REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton
HM 12
Bermuda

## PRINCIPAL PLACE OF BUSINESS

Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

## PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

## AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

## PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

## HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## STOCK CODE

650

## WEBSITE

http://www.irasia.com/listco/hk/shuncheong

## EXECUTIVE DIRECTORS

**MO Tianquan**, aged 43, was appointed as a director of the Company on 2 May 2006. He has over 10 years of experience in the provision of on-line information and analysis on the trading, leasing, financing and valuation of real estate properties. He holds a Bachelor's Degree in Mechanical Engineering from South China University of Technology, a Master's Degree in Engineering from Tsinghua University, the People's Republic of China (the "PRC") and a Degree of Master of Arts from Indiana University, the United States of America ("USA"). He is a director and chief executive officer of SouFun Holdings Limited, a wholly-foreign-owned company conducting real estate internet business in the PRC. Mr. Mo is also a director of and has beneficial interests in all the issued share capital of Upsky Enterprises Limited, the ultimate holding company of the Company holding approximately 60.53% of the issued share capital of the Company as at the date of the annual report. He is the spouse of Ms. Cao Jing.

**CAO Jing**, aged 39, was appointed as a director of the Company on 2 May 2006. She has 10 years of experience in architecting large-scale enterprise software, project management and leading development in various companies in the USA. Ms. Cao holds a Bachelor's Degree in Automation Engineering from Tsinghua University, the PRC, and a Master's Degree in Electrical Engineering from Wright State University, the USA. She is also a director of Upsky Enterprises Limited and the spouse of Mr. Mo Tianquan.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**YU Hon To, David**, aged 59, was appointed as an independent non-executive director of the Company in 2004. Mr. Yu is a founder and director of Management Capital Limited, which specialises in direct investment and financial advisory activities. He also sits on the boards of several other listed and private companies in Hong Kong. He was a partner of an international accounting firm with extensive experience in corporate finance. Mr. Yu is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants.

**YE Jianping**, aged 46, was appointed as an independent non-executive director of the Company on 29 July 2006. He has been teaching in the Renmin University of China since 1985 and is the professor and department head of the Department of Land and Real Estate Management of the Renmin University of China. He is also a council member of the China Land Science Society and the vice chairman of the China Institute of Real Estate Appraisers and Agents. He holds a Bachelor's Degree in Engineering from the Wuhan University, a Master's Degree in Economics and Doctorate in Management from the Renmin University of China. He is also a fellow member of The Royal Institute of Chartered Surveyors, a China Real Estate Appraiser and a China Land Appraiser.

**ZHANG Shaohua**, aged 43, was appointed as an independent non-executive director of the Company on 16 September 2006. He is an entrepreneur with over 17 years of experience in starting up, developing and managing businesses in various industry sectors. He is the founder of and has been the managing director of Beijing Beyondal Electric Co. Ltd. since 2003, a company which has certain market share in setting up internet data centre in the PRC. He has worked as the General Manager (China) for GE Digital Energy and in other companies in the areas of power quality and precision environmental control industry for many years. He holds a Bachelor's Degree in Science from the South China University of Technology and a Master's Degree in Business Administration from the Capital University of Economics and Business.

## SENIOR MANAGERS

**CHAN Yuen Keung, Zuric**, aged 53, is an executive director of the Company's principal subsidiaries Ever Billion Engineering Limited and Tinhawk Company Limited. He is also a director of Hon Kwok Land Investment Company, Limited and Chinney Alliance Group Limited the shares of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Chan has over 32 years of experience in the construction industry and is a member of the Chartered Institute of Building.

**YU Sek Kee, Stephen**, aged 55, is the managing director of the Company's principal subsidiaries Ever Billion Engineering Limited and Tinhawk Company Limited. He is also a director of Chinney Alliance Group Limited the shares of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Yu had worked with three North American banks for over 17 years during which he held various posts including the chief executive of a Canadian bank in Hong Kong. He holds a Bachelor's Degree in Computer Science from the University of Western Ontario, Canada and a Master's Degree in Finance from the University of British Columbia, Canada.

**NGAN Mei Fan**, aged 41, is the company secretary and financial controller of the Company. She joined the Company in October 2006. She has 21 years of experience in the auditing and accounting field. She holds a Master's Degree in Business Administration from the University of Portsmouth and is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

## BUSINESS REVIEW

The Group recorded turnover of HK$210.5 million for the year ended 31 March 2007 (2006: HK$195.9 million) and loss for the year of HK$2.7 million (2006: HK$11.3 million comprising of HK$2.9 million from a continuing operation and HK$8.4 million from discontinued operations).

In March 2006, the Group disposed of Shun Cheong Investments Limited and its subsidiaries engaging in building related contracting services for both the public and private sectors (the "Contracting Group"). For the purposes of disclosure in the financial statements, the businesses of the Contracting Group were regarded as discontinued operations. After the disposal, the business operations of the Group were basically building related maintenance services (the "Maintenance Services").

The loss for the year was mainly attributable to the decrease in gross profit where higher subcontracting charges and material costs were incurred. On the other hand, the Group's staff costs reduced by HK$3 million as a result of the reduction of staff in the last quarter of 2005/06. The interest expenses were also reduced by HK$1 million followed by the decrease in interest-bearing borrowings. Such decreases in expenses were partly off-set by the increase in impairment loss of trade debts of HK$1.5 million.

## BUSINESS PROSPECTS

With the tighter labour market, the volatility of metal prices, the weakness of the US dollars and the appreciation of Renminbi, there will be pressure in further increase of costs of business. However, tender prices are not increased in pace with the increase in costs due to keen competition in the market and so the profit margin deriving from the current activities of the Group would be eroded. While the Group intends to carry on the existing building related maintenance services business, the Board is currently conducting a review of the financial position and operations of the Group with a view to determining the future strategy of the Group's business activities.

The rise of the China market has created many opportunities to investors. The performance of the Chinese economy was exceptional in 2006 and will remain strong in 2007 and 2008 as anticipated by general market analysts. Driven by the real estate and heavy industries, the Chinese economy will continue to grow at an annual average rate of seven to eight percent in the coming 10 years. In view of the current market circumstance and the general global trend, the Group's future expansion plan will therefore aim at exploring business opportunities in Mainland China. At present, the Group keeps a close eye on any possible potential projects but yet no suitable investment opportunities have been identified at the moment.

## ACKNOWLEDGEMENT

Finally, I would like to express my appreciation to my fellow directors and all members of staff for their dedication and contribution during this period.

**Cao Jing**
*Executive Chairman*

Hong Kong
13 July 2007

As from 1 January 2005, the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange became effective for accounting periods commencing on or after that date.

The Company has complied with the code provisions laid down in the CG Code throughout the year ended 31 March 2007, except for code provisions A.1.1, A.2.1, A.4.1, A.4.2 and B.1.3, details of which are discussed in this report.

## BOARD OF DIRECTORS

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive directors. The directors of the Company during the year and up to the date of this annual report are set out in the section "Directors" on page 15 of the annual report.

On 18 July 2006, Mr. Chan Yuen Keung, Zuric, Mr. Hong Yiu and Mr. Au Yu Fai, Patrick tendered their resignation as directors of the Company with effect from 19 July 2006. Mr. Chan Yuen Keung, Zuric and Mr. Hong Yiu ceased to be the Chairman and Deputy Chairman of the Company, respectively, upon their resignation as directors of the Company on 19 July 2006. Ms. Cao Jing was appointed by the Board as the Executive Chairman of the Company with effect from 19 July 2006.

The biographical details of the directors are set out in the section "Directors' and Senior Managers' Biographies" on pages 3 to 4 of the annual report.

Except for Mr. Mo Tianquan and Ms. Cao Jing who are spouses, no directors have any relationship (including financial, business, family or other material/relevant relationship) with any other directors of the Company.

The Company has only two independent non-executive directors after the resignation of Dr. Chan Chok Ki on 2 May 2006. On 29 July 2006, Professor Ye Jianping was appointed as an independent non-executive director. The replacement complied with Rule 3.10(1) and Rule 3.11 of the Listing Rules which require that every board of directors of a listed issuer must include at least three independent non-executive directors, and that the Board shall appoint a sufficient number of independent non-executive directors within three months from the effective date of the resignation of Dr. Chan Chok Ki of 2 May 2006 to meet the minimum number required.

## BOARD OF DIRECTORS *(Continued)*

The Board held six board meetings during the year. Due notice and board papers were given to all directors prior to the meeting in accordance with the Bye-laws of the Company. The attendance of each director is set out as follows:

| **Name of director** | **Number of meetings attended** |
|---|---|
| *Executive Directors* | |
| Ms. Cao Jing *(Executive Chairman)* (appointed on 2 May 2006) | 5/6 |
| Mr. Mo Tianquan (appointed on 2 May 2006) | 4/6 |
| Mr. Chan Yuen Keung, Zuric (resigned on 19 July 2006) | 2/2 |
| Mr. Hong Yiu (resigned on 19 July 2006) | 0/2 |
| Mr. Au Yu Fai, Patrick (resigned on 19 July 2006) | 2/2 |
| Mr. Yu Sek Kee, Stephen (resigned on 16 September 2006) | 5/5 |
| *Independent Non-Executive Directors* | |
| Mr. Yu Hon To, David | 6/6 |
| Professor Ye Jianping (appointed on 29 July 2006) | 2/2 |
| Mr. Zhang Shaohua (appointed on 16 September 2006) | 1/2 |
| Dr. Chan Chok Ki (resigned on 2 May 2006) | 1/1 |
| Mr. Ho Hin Kwan, Edmund (resigned on 1 August 2006) | 2/2 |
| Ye Mei (appointed on 29 July 2006 and resigned on 15 September 2006) | 0/2 |

CG Code provision A.1.1 stipulates that the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the year, six board meetings were held to review and discuss the annual and interim results together with all corporate transactions happened during the year. Although the board meetings held during the year were not convened on a quarterly basis, the directors considered that sufficient meetings had been held to cover all aspects of the Company's business.

Draft minutes of board meetings are circulated to directors for comments and the signed minutes are kept by the company secretary.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company was Mr. Chan Yuen Keung, Zuric and the Managing Director of the Company was Mr. Yu Sek Kee, Stephen. The roles of the Chairman and Managing Director were segregated and were not exercised by the same individual. On 18 July 2006, Mr. Chan Yuen Keung, Zuric tendered his resignation as a director of the Company with effect from 19 July 2006 and ceased to be the Chairman of the Company on that date. Ms. Cao Jing was appointed by the Board as the Executive Chairman of the Company with effect from 19 July 2006. On 16 August 2006, Mr. Yu Sek Kee, Stephen also tendered his resignation as the Managing Director of the Company with effect from 16 September 2006. Both Mr. Chan Yuen Keung, Zuric and Mr. Yu Sek Kee, Stephen remain in the senior management team after their resignations as directors of the Company.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER *(Continued)*

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has not appointed a chief executive officer and Ms. Cao Jing, Executive Chairman of the Company is responsible for the management of the Board. In view of the size of the Group, it is considered unnecessary to appoint a chief executive officer of the Company.

## RE-ELECTION OF DIRECTORS

CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election and that code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The existing independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting under the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

According to the provisions of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation provided that the Executive Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

The Board will ensure the retirement of each director, other than those hold office as Executive Chairman or Managing Director, by rotation at least once every three years in order to comply with the CG Code. The Board presently considered that the continuity of office of the Executive Chairman provides the Group a strong and consistent leadership and is of great importance to the smooth operations. As a result, the Board concurred that the Executive Chairman need not be subject to retirement by rotation.

## REMUNERATION COMMITTEE

The remuneration committee of the Company ("Remuneration Committee") comprises three directors, of which Mr. Zhang Shaohua (Chairman) (appointed on 16 September 2006) and Professor Ye Jianping (appointed on 29 July 2006) are independent non-executive directors and Ms. Cao Jing (appointed on 29 July 2006) is an executive director. The Remuneration Committee is responsible for reviewing the Company's policy and structure for the remuneration of the executive directors and senior management and giving advices on the establishment of a formal and transparent procedure for developing policy on such remuneration.

CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference for the Company's Remuneration Committee on 21 December 2005, which was subsequently amended. Pursuant to the terms of reference for the Remuneration Committee, it is stipulated that the Remuneration Committee has the duty to "review" as opposed to "determine" the specific remuneration packages of executive directors and senior management.

## REMUNERATION COMMITTEE *(Continued)*

The remuneration of the executive directors and senior management of the Company is reviewed by the Remuneration Committee and recommended to the Board and the Chairman of the Board respectively for determination, taking into account of market pay and individual performance. In the opinion of the directors, the current practice serves the same purpose as laid down by the CG Code.

Details of remuneration packages of the directors during the year are set out under heading "Directors' Remuneration" on pages 46 to 49 of the annual report. A committee meeting was held in April 2006 and the attendance of each member is shown as below.

| **Name of member** | **Number of meetings attended** |
|---|---|
| *Executive Directors* | |
| Ms. Cao Jing (appointed on 29 July 2006) | 0/0 |
| Mr. Yu Sek Kee, Stephen (resigned on 29 July 2006) | 1/1 |
| *Independent Non-Executive Directors* | |
| Mr. Zhang Shaohua *(Chairman)* (appointed on 16 September 2006) | 0/0 |
| Professor Ye Jianping (appointed on 29 July 2006) | 0/0 |
| Mr. Ho Hin Kwan, Edmund (resigned on 29 July 2006) | 1/1 |
| Dr. Chan Chok Ki (resigned on 2 May 2006) | 0/0 |
| Ye Mei (appointed on 29 July 2006 and resigned on 15 September 2006) | 0/0 |

## AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three directors, all of which are independent non-executive directors, namely Mr. Yu Hon To, David (Chairman), Professor Ye Jianping (appointed on 29 July 2006) and Mr. Zhang Shaohua (appointed on 16 September 2006).

The Audit Committee has only two members after the resignation of Dr. Chan Chok Ki on 2 May 2006. Pursuant to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only and the audit committee must comprise a minimum of three members. The Board is aware of the non-compliance of the Rule 3.21 of the Listing Rules. On 29 July 2006, Professor Ye Jianping was appointed as a member of the Audit Committee.

The terms of reference for the Audit Committee have been adopted in line with the CG Code. Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management and the external auditors financial reporting matters and the annual results for the year ended 31 March 2007.

## AUDIT COMMITTEE *(Continued)*

The Audit Committee met two times during the year and the attendance of each member is shown as below:

| Name of member | Number of meetings attended |
|---|---|
| *Independent Non-Executive Directors* | |
| Mr. Yu Hon To, David *(Chairman)* | 2/2 |
| Professor Ye Jianping (appointed on 29 July 2006) | 1/1 |
| Mr. Zhang Shaohua (appointed on 16 September 2006) | 1/1 |
| Dr. Chan Chok Ki (resigned on 2 May 2006) | 0/0 |
| Mr. Ho Hin Kwan, Edmund (resigned on 1 August 2006) | 1/1 |
| Ye Mei (appointed on 29 July 2006 and resigned on 15 September 2006) | 0/0 |

Draft minutes of the Audit Committee meetings are circulated to members of Audit Committee for comments and the signed minutes are kept by the company secretary.

## NOMINATION COMMITTEE

The nomination committee of the Company ("Nomination Committee") comprises three directors, of which Professor Ye Jianping (Chairman) (appointed on 29 July 2006) and Mr. Yu Hon To, David are independent non-executive directors and Ms. Cao Jing (appointed on 19 July 2006) is an executive director. The Nomination Committee shall meet when necessary to consider the appointment of directors.

Pursuant to the terms of reference, the Nomination Committee has the power from time to time and at any time to nominate any person as a director to fill a casual vacancy or as an addition to the Board. In assessing the nomination of new directors, the Nomination Committee has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

The Committee met three times during the year and the attendance of the Nomination Committee meeting is shown below:

| Name of member | Number of meetings attended |
|---|---|
| *Executive Directors* | |
| Ms. Cao Jing (appointed on 19 July 2006) | 2/2 |
| Mr. Chan Yuen Keung, Zuric (resigned on 19 July 2006) | 1/1 |
| *Independent Non-Executive Directors* | |
| Professor Ye Jianping *(Chairman)* (appointed on 29 July 2006) | 1/2 |
| Mr. Yu Hon To, David | 3/3 |
| Dr. Chan Chok Ki (resigned on 2 May 2006) | 1/1 |

## AUDITORS' REMUNERATION

For the year ended 31 March 2007, services provided to the Group by its auditors and the respective fees paid and payable were:

| Services rendered | Fees |
|---|---|
| | HK$'000 |
| Audit services | 561 |
| Non-audit services | 38 |
| | 599 |

## DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

## INTERNAL CONTROL

The Board has overall responsibilities for maintaining the Group's systems of internal control and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance to minimise risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

Considering the size of the Group, an internal audit department is not set up separately. With the assistance of a consulting firm, the Board has reviewed the Group's internal control systems and considered the internal control report with the Group's management. The review covered all material controls, including financial, operational and compliance controls and risk management of the Group and such systems have been considered reasonably effective and adequate.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the external auditors of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditors' Report on pages 20 and 21 of the annual report.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2007.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the principal activities of its subsidiaries consisted of the provision of building related maintenance services. Details of the principal subsidiaries and their activities are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 68.

The directors do not recommend the payment of any dividend in respect of the year (2006: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and operation review

A review of the Group's business operations and prospects is included in the Chairman's Statement.

### Liquidity and financial resources

The Group's cash and bank balances are mostly in Hong Kong dollars. As at 31 March 2007, the Group had unpledged cash and bank deposit balances of approximately HK$33.3 million (2006: HK$37.1 million). As at 31 March 2007, the Group had no outstanding bank borrowings (2006: Nil). The gearing ratio, which represented the total bank borrowings to the equity attributable to equity holders of the parent, was nil (2006: Nil). As the Group's transactions are mostly settled in Hong Kong dollars, the use of financial instruments for hedging purposes is not considered necessary.

### Treasury and funding policy

The assets and liabilities of the Group are mainly denominated in Hong Kong dollars. Accordingly, the Group has minimal exposure to foreign exchange fluctuation. However, the Group will closely monitor the overall currency and interest rate exposures. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

### Pledge of assets

The Group did not have any pledged assets as at 31 March 2007 (2006: Nil) to secure general banking facilities.

### Employees and remuneration policy

The Group employed approximately 132 employees as at 31 March 2007 (2006: 150). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefits scheme, medical insurance and educational subsidies to all eligible staff.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

### RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2007** | 2006 | 2005 | 2004 | 2003 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **CONTINUING OPERATION** | | | | | |
| REVENUE | **210,512** | 195,871 | 123,780 | 163,472 | 144,981 |
| Profit/(loss) for the year from a continuing operation | **(2,726)** | (2,912) | (14,381) | 4,566 | 2,058 |
| **DISCONTINUED OPERATIONS** | | | | | |
| Profit/(loss) for the year from discontinued operations | – | (8,411) | (20,186) | 6,666 | (4,962) |
| PROFIT/(LOSS) FOR THE YEAR | **(2,726)** | (11,323) | (34,567) | 11,232 | (2,904) |
| Profit/(loss) attributable to: | | | | | |
| Equity holders of the parent | **(2,508)** | (11,102) | (33,729) | 1,805 | (14,685) |
| Minority interests | **(218)** | (221) | (838) | 9,427 | 11,781 |
| | **(2,726)** | (11,323) | (34,567) | 11,232 | (2,904) |

### ASSETS, LIABILITIES AND MINORITY INTERESTS

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2007** | 2006 | 2005 | 2004 | 2003 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| TOTAL ASSETS | **121,153** | 124,912 | 351,109 | 321,713 | 369,642 |
| TOTAL LIABILITIES | **(67,341)** | (68,374) | (266,478) | (202,489) | (261,462) |
| MINORITY INTERESTS | **(1,008)** | (1,226) | (18,217) | (19,081) | (9,842) |
| | **52,804** | 55,312 | 66,414 | 100,143 | 98,338 |

The information set out above does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

## SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 24(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's reserves available for distribution to shareholders amounted to approximately HK$37,335,000 as at 31 March 2007.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 99% of the total sales for the year and sales to the largest customer included therein amounted to 58%. Chan Yuen Keung, Zuric (who resigned as chairman and executive director of the Company on 19 July 2006), has beneficial interest in one of the Group's five largest customers. Purchases from the Group's five largest suppliers accounted for 73% of the total purchases for the year and purchases from the largest supplier included therein amounted to 60%.

Save as disclosed above, none of the directors of the Company or any of their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

| | |
|---|---|
| *Executive directors:* | |
| Cao Jing | (appointed on 2 May 2006) |
| Mo Tianquan | (appointed on 2 May 2006) |
| Chan Yuen Keung, Zuric | (resigned on 19 July 2006) |
| Hong Yiu | (resigned on 19 July 2006) |
| Au Yu Fai, Patrick | (resigned on 19 July 2006) |
| Yu Sek Kee, Stephen | (resigned on 16 September 2006) |
| | |
| *Independent non-executive directors:* | |
| Yu Hon To, David | |
| Ye Jianping | (appointed on 29 July 2006) |
| Zhang Shaohua | (appointed on 16 September 2006) |
| Chan Chok Ki | (resigned on 2 May 2006) |
| Ho Hin Kwan, Edmund | (resigned on 1 August 2006) |
| Ye Mei | (appointed on 29 July 2006 and resigned on 15 September 2006) |

In accordance with the Company's Bye-laws, Messrs. Zhang Shaohua and Mo Tianquan, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of its independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and still considers them as independent.

## DIRECTORS' AND SENIOR MANAGERS' BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 3 to 4 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## REMUNERATION POLICY

The Company's remuneration policy is built upon the principle of providing an equitable, motivating and market-competitive remuneration package that can stimulate and drive staff at all levels to work towards achieving the Group's strategic objectives.

The remuneration of the directors of the Company is reviewed by the Remuneration Committee, having regard to directors' duties, responsibilities, the Group's operating results and comparable market statistics.

## REMUNERATION POLICY *(Continued)*

Details of the directors' remuneration and the five highest paid individuals in the Group are set out in notes 9 and 10 to the financial statements, respectively.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 26 to the financial statements and in the section headed "Connected transactions and continuing connected transactions" below, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected transactions and continuing connected transactions, particulars of which have been disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

### Connected transactions

(a) On 26 January 2006, the Company (as vendor), Chinney Alliance Trading (BVI) Limited ("CAT", as purchaser) and Chinney Alliance Group Limited ("CAG", as guarantor of the purchaser) entered into a sale and purchase agreement (the "Disposal Agreement") for the disposal of the entire equity interest in Shun Cheong Investments Limited ("SCI"), a then wholly-owned subsidiary of the Company, for a cash consideration of HK$35 million (the "Disposal"). Pursuant to the Disposal Agreement, SCI was restructured as a holding company of a group of subsidiaries engaging in building related contracting services for both the public and private sectors (i.e. the Contracting Group). Under certain banking facility letters entered into by the Company and certain subsidiaries within the Contracting Group in prior years, the Company agreed to provide corporate guarantees of HK$75 million in aggregate to banks for general banking facilities granted to certain subsidiaries of the Contracting Group. Following the Disposal on 31 March 2006, the Contracting Group was acquired by CAG and became a connected person of the Company under Chapter 14A of the Listing Rules.

    Pursuant to a deed of indemnity executed by CAG in favour of the Company on 31 March 2006, CAG guaranteed and indemnified unconditionally and irrevocably all liabilities and obligations of the Company under such corporate guarantees. During the year, the above corporate guarantees provided by the Company to the banks were released and cancelled.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(Continued)*

### Continuing connected transactions

(a) On 10 August 2004, Ever Billion Engineering Limited ("Ever Billion"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with Chinney Construction Company, Limited ("Chinney Construction") for the subcontracting of a three-year building and land maintenance contract dated 1 March 2004 awarded by the Architectural Services Department of the Government of the Hong Kong Special Administrative Region to Chinney Construction. Chinney Construction is a subsidiary of Chinney Investments, Limited, a major shareholder of CAG which ceased to be the Company's substantial shareholder in April 2006. Although Chan Yuen Keung, Zuric, who resigned as chairman and executive director of the Company on 19 July 2006, is a director of and has a 13.95% indirect beneficial interest in Chinney Construction, Chinney Construction is not regarded as an associate of Chan Yuen Keung, Zuric, on the basis that he does not exercise control of Chinney Construction under the Listing Rules. Accordingly, save as disclosed in note 26 to the financial statements, the Agreement no longer constitutes a continuing connected transaction of the Company under the Listing Rules.

(b) On 31 December 2005, subcontracting agreements were entered into among Shun Cheong Electrical Engineering Company Limited ("SCEE") and Westco Airconditioning Limited ("WAL"), both as main contractors, which were subsidiaries within the Contracting Group, and Tinhawk Company Limited ("Tinhawk", as a subcontractor), a subsidiary of the Company, for the subcontracting of certain maintenance work contracts. Pursuant to the subcontracting agreements, Tinhawk shall receive subcontracting fees from SCEE and/or WAL after deducting management fees calculated based on 3% of the contract amounts receivable from clients. Upon the completion of the Disposal on 31 March 2006, the above subcontracting arrangement constituted continuing connected transactions of the Company under the Listing Rules. During the year, SCEE and/or WAL were no longer considered as connected parties under the Listing Rules since CAG ceased to be the Company's substantial shareholder in April 2006. Accordingly, save as disclosed in note 26 to the financial statements, the subcontracting arrangement ceased to constitute continuing connected transactions.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2007, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

*Long positions in ordinary shares of the Company:*

| Name of director | Nature of interest | Number of ordinary shares directly beneficially owned | Percentage of the Company's issued share capital |
|---|---|---|---|
| Mo Tianquan | Corporate | 70,178,249 *(note)* | 60.53 |

*Note:* These shares are held by Upsky Enterprises Limited, a company in which Mr. Mo Tianquan is a director and a sole shareholder.

Save as disclosed above, as at 31 March 2007, none of the directors of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2007, the following interest of 5% or more of the issued share capital of the Company was recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

*Long position in ordinary shares of the Company:*

| Name | Capacity and nature of interest | Number of ordinary shares held | Percentage of the Company's share capital |
|---|---|---|---|
| Upsky Enterprises Limited | Directly beneficially owned | 70,178,249 | 60.53 |

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Save as disclosed above, as at 31 March 2007, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the directors or management shareholders of the Company has an interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 31 to the financial statements.

## AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Cao Jing**
*Executive Chairman*

Hong Kong
13 July 2007

ERNST & YOUNG
安永會計師事務所

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

**To the shareholders of Shun Cheong Holdings Limited**
*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements of Shun Cheong Holdings Limited set out on pages 22 to 68, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
13 July 2007

# CONSOLIDATED INCOME STATEMENT

*Year Ended 31st March 2007*

| | Notes | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| **CONTINUING OPERATION** | | | |
| REVENUE | 6 | **210,512** | 195,871 |
| Cost of maintenance | 7 | **(194,103)** | (174,355) |
| Gross profit | | **16,409** | 21,516 |
| Other income | 6 | **1,225** | 3 |
| Administrative expenses | | **(17,632)** | (19,879) |
| Other operating expenses, net | 7 | **(2,517)** | (404) |
| Finance costs | 8 | **(175)** | (1,216) |
| Loss on disposal of subsidiaries | 25 | **–** | (2,818) |
| LOSS BEFORE TAX | 7 | **(2,690)** | (2,798) |
| Tax | 11 | **(36)** | (114) |
| Loss for the year from a continuing operation | | **(2,726)** | (2,912) |
| **DISCONTINUED OPERATIONS** | | | |
| Loss for the year from discontinued operations | 13 | **–** | (8,411) |
| LOSS FOR THE YEAR | | **(2,726)** | (11,323) |
| Attributable to: | | | |
| Equity holders of the parent | 12 | **(2,508)** | (11,102) |
| Minority interests | | **(218)** | (221) |
| | | **(2,726)** | (11,323) |
| **LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | 14 | | |
| Basic | | | |
| – From continuing and discontinued operations | | **(2.16) cents** | (9.58) cents |
| – From a continuing operation | | **(2.16) cents** | (2.64) cents |
| Diluted | | **N/A** | N/A |

# CONSOLIDATED BALANCE SHEET

*31st March 2007*

| | Notes | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | *15* | **2,614** | 2,742 |
| CURRENT ASSETS | | | |
| Gross amount due from contract customers | *17* | **28,446** | 28,011 |
| Trade and other receivables | *18* | **55,357** | 55,453 |
| Retention money receivables | | **652** | 1,352 |
| Prepayments, deposits and other assets | | **466** | 266 |
| Due from a related company | *26(b)* | **299** | – |
| Cash and cash equivalents | *19* | **33,319** | 37,088 |
| Total current assets | | **118,539** | 122,170 |
| CURRENT LIABILITIES | | | |
| Gross amount due to contract customers | *17* | **13,213** | 12,833 |
| Trade payables | *20* | **17,341** | 21,279 |
| Retention money payables | | **1,552** | 1,552 |
| Other payables and accruals | *21* | **21,531** | 23,282 |
| Due to related companies | *26(b)* | **13,690** | 9,294 |
| Tax payable | | **14** | 134 |
| Total current liabilities | | **67,341** | 68,374 |
| NET CURRENT ASSETS | | **51,198** | 53,796 |
| Net assets | | **53,812** | 56,538 |
| EQUITY | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued capital | *23* | **1,159** | 1,159 |
| Reserves | *24(a)* | **51,645** | 54,153 |
| | | **52,804** | 55,312 |
| **Minority interests** | | **1,008** | 1,226 |
| Total equity | | **53,812** | 56,538 |

**Cao Jing**
*Director*

**Mo Tianquan**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Year Ended 31st March 2007*

| | Attributable to equity holders of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Issued capital** | **Contributed surplus** | **Capital redemption reserve** | **Retained profits** | **Total** | **Minority interests** | **Total equity** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 31 March 2005 and 1 April 2005 | 1,159 | 46,909 | 132 | 18,214 | 66,414 | 18,217 | 84,631 |
| Loss for the year | – | – | – | (11,102) | (11,102) | (221) | (11,323) |
| Dividend paid to a minority shareholder | – | – | – | – | – | (6,000) | (6,000) |
| Disposal of subsidiaries *(note 25)* | – | – | – | – | – | (10,770) | (10,770) |
| At 31 March 2006 and 1 April 2006 | 1,159 | 46,909 | 132 | 7,112 | 55,312 | 1,226 | 56,538 |
| Loss for the year | – | – | – | (2,508) | (2,508) | (218) | (2,726) |
| **At 31 March 2007** | **1,159** | **46,909*** | **132*** | **4,604*** | **52,804** | **1,008** | **53,812** |

* These reserve accounts comprise the consolidated reserves of HK$51,645,000 (2006: HK$54,153,000) in the consolidated balance sheet.

# CONSOLIDATED CASH FLOW STATEMENT

*Year ended 31st March 2007*

| | Notes | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax: | | | |
| From a continuing operation | | **(2,690)** | (2,798) |
| From discontinued operations | *13* | **–** | (8,358) |
| Adjustments for: | | | |
| Finance costs | *8* | **175** | 1,666 |
| Interest income | *6* | **(1,225)** | (960) |
| Depreciation | *7* | **236** | 1,048 |
| Impairment of trade receivables | *7* | **2,007** | 3,125 |
| Impairment of other receivables | *7* | **255** | – |
| Impairment of retention money receivables | *7* | **255** | – |
| Impairment of available-for-sale financial assets | *7* | **–** | 2,160 |
| Fair value gain on equity investments at fair value through profit or loss | *7* | **–** | (50) |
| Gain on disposal of items of property, plant and equipment | 7 | **–** | (693) |
| Loss on disposal of subsidiaries | *25* | **–** | 2,818 |
| | | **(987)** | (2,042) |
| Decrease/(increase) in the gross amount due from contract customers | | **(435)** | 20,230 |
| Decrease in inventories | | – | 395 |
| Decrease/(increase) in trade and other receivables | | **(2,166)** | 16,006 |
| Decrease in retention money receivables | | **445** | 1,710 |
| Decrease/(increase) in prepayments, deposits and other assets | | **(200)** | 116 |
| Increase in an amount due from a related company | | **(299)** | – |
| Increase/(decrease) in the gross amount due to contract customers | | **380** | (35,175) |
| Increase/(decrease) in trade payables | | **(3,938)** | 20,154 |
| Increase in bills payable | | **–** | 4,464 |
| Decrease in retention money payables | | **–** | (924) |
| Decrease in other payables and accruals | | **(1,751)** | (16,522) |
| Increase in amounts due to related companies | | **4,396** | 646 |
| Cash generated from/(used in) operations | | **(4,555)** | 9,058 |
| Interest paid | | **(175)** | (1,666) |
| Hong Kong profits tax refunded/(paid) | | **(156)** | 1,538 |
| Net cash inflow/(outflow) from operating activities – page 26 | | **(4,886)** | 8,930 |

# CONSOLIDATED CASH FLOW STATEMENT

*Year ended 31st March 2007*

| | Notes | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| Net cash inflow/(outflow) from operating activities – page 25 | | **(4,886)** | 8,930 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | **1,225** | 960 |
| Purchases of items of property, plant and equipment | *15* | **(108)** | (2,846) |
| Proceeds from disposal of items of property, plant and equipment | | **–** | 16,182 |
| Disposal of subsidiaries | *25* | **–** | 21,869 |
| Net cash inflow from investing activities | | **1,117** | 36,165 |
| CASH FLOWS FROM FINANCING ACTIVITY | | | |
| Decrease in trust receipt loans and cash outflow from financing activity | | **–** | (12,512) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | **(3,769)** | 32,583 |
| Cash and cash equivalents at beginning of year | | **37,088** | 4,505 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | **33,319** | 37,088 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | *19* | **2,131** | 2,088 |
| Non-pledged time deposits with original maturity of less than three months when acquired | *19* | **31,188** | 35,000 |
| | | **33,319** | 37,088 |

| | Notes | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | *15* | **91** | – |
| Interests in subsidiaries | *16* | **7,328** | 7,459 |
| Total non-current assets | | **7,419** | 7,459 |
| CURRENT ASSETS | | | |
| Prepayments, deposits and other assets | | **368** | 109 |
| Cash and cash equivalents | *19* | **31,856** | 35,011 |
| Total current assets | | **32,224** | 35,120 |
| CURRENT LIABILITIES | | | |
| Other payables and accruals | *21* | **466** | 2,101 |
| Due to related companies | *26(b)* | **551** | 757 |
| Total current liabilities | | **1,017** | 2,858 |
| NET CURRENT ASSETS | | **31,207** | 32,262 |
| Net assets | | **38,626** | 39,721 |
| EQUITY | | | |
| Issued capital | *23* | **1,159** | 1,159 |
| Reserves | *24(b)* | **37,467** | 38,562 |
| Total equity | | **38,626** | 39,721 |

**Cao Jing**
*Director*

**Mo Tianquan**
*Director*

## 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's principal activities were involved in the provision of building related maintenance services.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Upsky Enterprises Limited, which is incorporated in the British Virgin Islands.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

## 2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

| | |
|---|---|
| HKAS 21 Amendment | Net Investment in a Foreign Operation |
| HKAS 39 & HKFRS 4 Amendments | Financial Guarantee Contracts |
| HKAS 39 Amendment | Cash Flow Hedge Accounting of Forecast Intragroup Transactions |
| HKAS 39 Amendment | The Fair Value Option |
| HK(IFRIC)-Int 4 | Determining whether an Arrangement contains a Lease |
| HK(IFRIC)-Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |

## 2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The principal changes in accounting policies are as follows:

### (a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

### (b) HKAS 39 Financial Instruments: Recognition and Measurement

*(i) Amendment for financial guarantee contracts*

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on these financial statements.

*(ii) Amendment for the fair value option*

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The adoption of this amendment has had no material impact on these financial statements.

*(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions*

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intra-group forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

### (c) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| HKAS 1 Amendment | Capital Disclosures |
| HKAS 23 (Revised) | Borrowing Costs |
| HKFRS 7 | Financial Instruments: Disclosures |
| HKFRS 8 | Operating Segments |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |
| HK(IFRIC)-Int 11 | HKFRS2 – Group and Treasury Share Transactions |
| HK(IFRIC)-Int 12 | Service Concession Arrangements |

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group’s objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKAS 23 (Revised) is applicable for annual periods beginning on or after 1 January 2009 and supersedes HKAS 23 issued in 2004. The revisions to HKAS 23 are principally concerned with the elimination of one of the two treatments that exist for borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to HKAS 34 Interim Financial Reporting, requires an entity to report selected information about its operating segments in interim financial reports. It also sets out requirements for related disclosures about the products and services provided by the segments, geographical areas in which the Group operates and revenues from the Group's major customers. This standard will supersede HKAS 14 Segment Reporting.

HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries

A subsidiary is an entity 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 income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

### Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that 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 such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment 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 items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Land and buildings | 2% |
| Furniture and office equipment | 20% |
| Motor vehicles | 20% |
| Leasehold improvements | 3 years or over the lease terms, whichever is shorter |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Leases

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 property, plant and equipment, 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 income statement so as to provide a constant periodic rate of charge over the lease terms.

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

### Leases *(Continued)*

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 the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

### Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

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

### Investments and other financial assets *(Continued)*

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

*Fair value*

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis; and option pricing models.

### Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

*Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

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

### Impairment of financial assets *(Continued)*

*Assets carried at amortised cost (Continued)*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

*Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

*Available-for-sale financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

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

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and amounts due to related companies are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

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

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

### Construction contracts

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.

Revenue from fixed price installation and maintenance contracts is recognised by 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.

### 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.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

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

### Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from 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, 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 credits 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 credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from 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, 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 reassessed at each balance sheet date and 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and the associate which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

### 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.

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

### Employee benefits *(Continued)*

*Retirement benefits schemes*

The Group operates two 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).

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 income statement 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.

### 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 of 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 sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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

### Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Company or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

### 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 construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

### Judgements

The preparation of the Group's financial statements requires the use of estimates and assumptions about future events and conditions. In this connection, the directors consider the significant areas where management's judgement is necessary are those in relation to (i) the provision for foreseeable losses on the amounts due from contract customers; and (ii) the recognition of losses on the Group's trade and other receivables and retention money receivables.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable. It should be noted that actual results could differ from those estimates.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The Group tests annually whether property, plant and equipment has suffered any impairment, in accordance with the accounting policy for property, plant and equipment stated in note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates such as future revenue and discount rates.

## 5. 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.

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) Maintenance Services: the building services maintenance business, which involves the maintenance of the installations mentioned in (b) below and general building maintenance.

(b) Contracting Services (disposed of in March 2006): the building services contracting business and project management segment, which includes the provision of multi-disciplinary building services, comprising electrical engineering, water pumping and fire prevention and fighting systems, air-conditioning installation, plumbing and drainage, environmental engineering, extra low voltage systems engineering and project management; and

(c) Trading Business (disposed of in March 2006): 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.

## 5. SEGMENT INFORMATION *(Continued)*

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006:

### Group

| | Continuing operation | | Discontinued operations | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maintenance Services | | Contracting Services | | Trading Business | | Eliminations | | Subtotal | | Eliminations | | Consolidated | |
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Segment revenue:** | | | | | | | | | | | | | | |
| Sales | **210,512** | 195,871 | **–** | 372,529 | **–** | 44,764 | **–** | (5,564) | **–** | 411,729 | **–** | (98,687) | **210,512** | 508,913 |
| **Segment results** | **(3,740)** | 538 | **–** | (6,573) | **–** | (712) | **–** | – | **–** | (7,285) | **–** | – | **(3,740)** | (6,747) |
| Interest income and unallocated gains | **1,225** | 3 | | | | | | | **–** | 1,489 | **–** | – | **1,225** | 1,492 |
| Impairment of available-for-sale financial assets | **–** | – | **–** | (2,160) | **–** | – | **–** | – | **–** | (2,160) | **–** | – | **–** | (2,160) |
| Fair value gain on equity investments at fair value through profit or loss | **–** | – | **–** | 50 | **–** | – | **–** | – | **–** | 50 | **–** | – | **–** | 50 |
| Gain/(loss) on disposal of property, plant and equipment | **–** | 695 | **–** | 12 | **–** | (14) | **–** | – | **–** | (2) | **–** | – | **–** | 693 |
| Finance costs | **(175)** | (1,216) | | | | | | | **–** | (450) | **–** | – | **(175)** | (1,666) |
| Loss on disposal of subsidiaries | **–** | (2,818) | | | | | | | **–** | – | **–** | – | **–** | (2,818) |
| Loss before tax | **(2,690)** | (2,798) | | | | | | | **–** | (8,358) | **–** | – | **(2,690)** | (11,156) |
| Tax | **(36)** | (114) | | | | | | | **–** | (53) | **–** | – | **(36)** | (167) |
| Loss for the year | **(2,726)** | (2,912) | | | | | | | **–** | (8,411) | **–** | – | **(2,726)** | (11,323) |
| **Assets and liabilities** | | | | | | | | | | | | | | |
| Segment and total assets | **121,153** | 124,912 | | | | | | | **–** | – | **–** | – | **121,153** | 124,912 |
| Segment and total liabilities | **67,341** | 68,374 | | | | | | | **–** | – | **–** | – | **67,341** | 68,374 |
| **Other segment information:** | | | | | | | | | | | | | | |
| Depreciation | **236** | 496 | **–** | 550 | **–** | 2 | **–** | – | **–** | 552 | **–** | – | **236** | 1,048 |
| Capital expenditure | **108** | 124 | **–** | 2,708 | **–** | 14 | **–** | – | **–** | 2,722 | **–** | – | **108** | 2,846 |
| Impairment of trade receivables | **2,007** | 1,099 | **–** | 1,614 | **–** | 412 | **–** | – | **–** | 2,026 | **–** | – | **2,007** | 3,125 |
| Impairment of other receivables | **255** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **255** | – |
| Impairment of retention money receivables | **255** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **255** | – |

## 6. REVENUE AND OTHER INCOME

Revenue, which is also the Group's 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 installation and maintenance contracts during the year.

An analysis of the Group's revenue and other income is as follows:

| | Continuing operation | | Discontinued operations | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Revenue** | | | | | | | | |
| Building services contracting and maintenance businesses | **210,512** | 195,871 | **–** | 369,912 | **–** | (98,687) | **210,512** | 467,096 |
| Project management income | **–** | – | **–** | 2,649 | **–** | – | **–** | 2,649 |
| Trading and installation of electrical and mechanical engineering materials and equipment | **–** | – | **–** | 39,168 | **–** | – | **–** | 39,168 |
| | **210,512** | 195,871 | **–** | 411,729 | **–** | (98,687) | **210,512** | 508,913 |
| **Other income** | | | | | | | | |
| Bank interest income | **1,225** | 3 | **–** | 957 | **–** | – | **1,225** | 960 |
| Others | **–** | – | **–** | 532 | **–** | – | **–** | 532 |
| | **1,225** | 3 | **–** | 1,489 | **–** | – | **1,225** | 1,492 |

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

| | Continuing operation | | Discontinued operations | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cost of inventories sold | **–** | – | **–** | 395 | **–** | – | **–** | 395 |
| Cost of maintenance and installation | **194,103** | 174,355 | **–** | 387,935 | **–** | (98,687) | **194,103** | 463,603 |
| | **194,103** | 174,355 | **–** | 388,330 | **–** | (98,687) | **194,103** | 463,998 |
| Depreciation *(note 15)* | **236** | 496 | **–** | 552 | **–** | – | **236** | 1,048 |
| Minimum lease payments under operating leases in respect of land and buildings | **620** | 478 | **–** | 559 | **–** | – | **620** | 1,037 |
| Auditors' remuneration | **561** | 326 | **–** | 495 | **–** | – | **561** | 821 |
| Employee benefits expense (including directors' remuneration *(note 9)*): | | | | | | | | |
| Wages, salaries and bonuses | **27,646** | 30,918 | **–** | 20,268 | **–** | – | **27,646** | 51,186 |
| Pension scheme contributions | **1,350** | 1,398 | **–** | 970 | **–** | – | **1,350** | 2,368 |
| Less: Forfeited contributions | **–** | (63) | **–** | (330) | **–** | – | **–** | (393) |
| Net pension scheme contributions* | **1,350** | 1,335 | **–** | 640 | **–** | – | **1,350** | 1,975 |
| | **28,996** | 32,253 | **–** | 20,908 | **–** | – | **28,996** | 53,161 |
| Less: Amount capitalised in contract costs | **(16,275)** | (16,910) | **–** | – | **–** | – | **(16,275)** | (16,910) |
| Amounts charged to administrative expenses | **12,721** | 15,343 | **–** | 20,908 | **–** | – | **12,721** | 36,251 |
| Loss on disposal of subsidiaries *(note 25)* | **–** | 2,818 | **–** | – | **–** | – | **–** | 2,818 |
| **Other operating expenses, net** | | | | | | | | |
| Impairment of trade receivables | **2,007** | 1,099 | **–** | 2,026 | **–** | – | **2,007** | 3,125 |
| Impairment of other receivables | **255** | – | **–** | – | **–** | – | **255** | – |
| Impairment of retention money receivables | **255** | – | **–** | – | **–** | – | **255** | – |
| Impairment of available-for-sale financial assets | **–** | – | **–** | 2,160 | **–** | – | **–** | 2,160 |
| Fair value gain on equity investments at fair value through profit or loss | **–** | – | **–** | (50) | **–** | – | **–** | (50) |
| (Gain)/loss on disposal of items of property, plant and equipment | **–** | (695) | **–** | 2 | **–** | – | **–** | (693) |
| | **2,517** | 404 | **–** | 4,138 | **–** | – | **2,517** | 4,542 |

* As 31 March 2007, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2006: Nil).

## 8. FINANCE COSTS

| | Continuing operation | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Interest on bank loans, overdrafts and other loans wholly repayable within five years | **92** | 1,216 | **–** | 450 | **92** | 1,666 |
| Interest on an amount due to a related company | **83** | – | **–** | – | **83** | – |
| | **175** | 1,216 | **–** | 450 | **175** | 1,666 |

No interest was capitalised by the Group in the current or prior years.

## 9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Fees: | | |
| Executive directors | **–** | – |
| Independent non-executive directors | **231** | 360 |
| | **231** | 360 |
| Other emoluments to executive directors: | | |
| Salaries, allowances and benefits in kind | **314** | 3,189 |
| Performance related payments | **–** | – |
| Pension scheme contributions | **12** | 159 |
| Gratuity | **–** | 160 |
| | **326** | 3,508 |
| | **557** | 3,868 |

## 9. DIRECTORS' REMUNERATION *(Continued)*

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Yu Hon To, David | **120** | 120 |
| Ye Jianping (appointed on 29 July 2006) | **30** | – |
| Zhang Shaohua (appointed on 16 September 2006) | **30** | – |
| Ho Hin Kwan, Edmund (resigned on 1 August 2006) | **40** | 120 |
| Chan Chok Ki (resigned on 2 May 2006) | **11** | 120 |
| | **231** | 360 |

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

## 9. DIRECTORS' REMUNERATION *(Continued)*

### (b) Executive directors

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Performance related payments HK$'000 | Pension scheme contributions HK$'000 | Gratuity HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|---|---|
| **2007** | | | | | | |
| Executive directors: | | | | | | |
| Cao Jing (appointed on 2 May 2006) | – | – | – | – | – | – |
| Mo Tianquan (appointed on 2 May 2006) | – | – | – | – | – | – |
| Au Shiu Wai, Frank (resigned on 1 February 2006) | – | – | – | – | – | – |
| Au Yu Fai, Patrick (resigned on 19 July 2006) | – | 134 | – | 10 | – | 144 |
| Chan Yuen Keung, Zuric (resigned on 19 July 2006) | – | 180 | – | 2 | – | 182 |
| Hong Yiu (resigned on 19 July 2006) | – | – | – | – | – | – |
| Yu Sek Kee, Stephen (resigned on 16 September 2006) | – | – | – | – | – | – |
| | – | 314 | – | 12 | – | 326 |

## 9. DIRECTORS' REMUNERATION *(Continued)*

### (b) Executive directors *(Continued)*

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Performance related payments HK$'000 | Pension scheme contributions HK$'000 | Gratuity HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|---|---|
| 2006 | | | | | | |
| Executive directors: | | | | | | |
| Au Shiu Wai, Frank | – | 907 | – | 80 | 160 | 1,147 |
| Au Yu Fai, Patrick | – | 975 | – | 67 | – | 1,042 |
| Chan Yuen Keung, Zuric | – | 1,307 | – | 12 | – | 1,319 |
| Hong Yiu | – | – | – | – | – | – |
| Yu Sek Kee, Stephen | – | – | – | – | – | – |
| | – | 3,189 | – | 159 | 160 | 3,508 |

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

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included two (2006: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2006: two) non-director, highest paid employees for the year are as follows:

| | Group 2007 HK$'000 | Group 2006 HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **2,916** | 1,557 |
| Pension scheme contributions | **189** | 122 |
| | **3,105** | 1,679 |

The remuneration of the three (2006: two) non-director, highest paid employees fell within the band of HK$1 to HK$1,000,000.

## 11. TAX

The Company is exempt from tax in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

| | **Continuing operation** | | **Discontinued operations** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Group: | | | | | | |
| Current – Hong Kong | | | | | | |
| Charge for the year | **56** | 114 | **–** | 53 | **56** | 167 |
| Overprovision in prior years | **(20)** | – | **–** | – | **(20)** | – |
| Total tax charge for the year | **36** | 114 | **–** | 53 | **36** | 167 |

A reconciliation of the tax credit applicable to loss before tax using the statutory rate in Hong Kong to the tax expense for the year is as follows:

| | **Group** | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Loss before tax (including loss from discontinued operations) | **(2,690)** | (11,156) |
| Tax at the statutory tax rate of 17.5% (2006: 17.5%) | **(471)** | (1,952) |
| Adjustments in respect of current tax of previous years | **(20)** | – |
| Income not subject to tax | **(214)** | (122) |
| Expenses not deductible for tax | **407** | 1,510 |
| Tax losses utilised from previous years | **(76)** | (1,009) |
| Tax losses not recognised | **430** | 1,677 |
| Others | **(20)** | 63 |
| Tax expense for the year | **36** | 167 |
| Tax charge attributable to discontinued operations *(note 13)* | **–** | (53) |
| Tax charge attributable to a continuing operation reported in the consolidated income statement | **36** | 114 |

## 12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net loss attributable to equity holders of the parent for the year ended 31 March 2007 includes a loss of HK$1,095,000 (2006: HK$20,221,000) which has been dealt with in the financial statements of the Company (note 24(b)).

## 13. DISCONTINUED OPERATIONS

In March 2006, the Group disposed of its Contracting Services and Trading Business under a sale and purchase agreement (the "Disposal Agreement") entered into between the Company and Chinney Alliance Trading (BVI) Limited ("CAT"), a wholly-owned subsidiary of Chinney Alliance Group Limited ("CAG"), a then substantial shareholder of the Company, whereby the entire issued share capital of its wholly-owned subsidiary, Shun Cheong Investments Limited ("SCI"), was sold for a cash consideration of HK$35,000,000 (the "Disposal"). The Disposal was completed on 31 March 2006 after the following conditions had been satisfied:

(i) a corporate restructuring (the "Corporate Restructuring") was undertaken such that SCI became the holding company of a group of companies engaging in Contracting Services and Trading Business (the "Contracting Group");

(ii) an aggregate amount of approximately HK$18,053,000 due from the Contracting Group to the Remaining Group was waived (the "Waiver") and was taken into account in arriving at the net assets of the Contracting Group on disposal;

(iii) the Disposal was approved by the Company's independent shareholders at a special general meeting which was held on 27 March 2006;

(iv) the Disposal was approved by the shareholders of CAG at a special general meeting which was held on 27 March 2006; and

(v) the execution of a deed of indemnity by CAG in favour of the Company (the "Deed of Indemnity") pursuant to which CAG guarantees and indemnifies unconditionally and irrevocably all liabilities and all obligations of the Company under the corporate guarantees provided by the Company to banks for general banking facilities granted to certain subsidiaries of the Contracting Group, as well as the liabilities of CAT for warranties provided by CAT. The Deed of Indemnity was executed by CAG on 31 March 2006.

Details of the principal subsidiaries included in the Remaining Group are set out in note 16 to the financial statements.

## 13. DISCONTINUED OPERATIONS *(Continued)*

The results attributable to the discontinued operations for the year ended 31 March 2006 are presented below:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Revenue | – | 411,729 |
| Cost of installation and cost of sales# | – | (388,330) |
| Gross profit | – | 23,399 |
| Other revenue and gains | – | 1,489 |
| Administrative expenses | – | (28,658) |
| Other operating expenses, net | – | (4,138) |
| Finance costs | – | (450) |
| Loss before tax | – | (8,358) |
| Tax | – | (53) |
| Loss for the year from discontinued operations | – | (8,411) |
| Minority interests | – | 366 |
| Loss for the year attributable to the equity holders of the parent | – | (8,045) |

\# The Contracting Group's cost of installation and cost of sales included HK$98,687,000 for building related maintenance services rendered by certain subsidiaries within the Remaining Group during the year ended 31 March 2006. As set out in note 5 to the financial statements, such costs would be eliminated on consolidation.

The net cash flows attributable to the discontinued operations are as follows:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Net cash inflow from operating activities | – | 21,976 |
| Net cash outflow from investing activities | – | (591) |
| Net cash outflow from financing activities | – | (12,512) |
| Net cash inflow | – | 8,873 |
| Loss per share: | | |
| Basic | – | (6.94) cents |
| Diluted | **N/A** | N/A |

## 13. DISCONTINUED OPERATIONS *(Continued)*

The calculations of basic loss per share from the discontinued operations are based on:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Net loss attributable to equity holders of the parent from the discontinued operations | **N/A** | 8,045 |

| | **Number of shares** | |
|---|---|---|
| | **2007** | 2006 |
| Weighted average number of shares in issue during the year used in the basic loss per share calculation | **N/A** | 115,930,400 |

## 14. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of loss per share amounts is based on the net loss for the year attributable to equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculations of basic loss per share are based on:

| | **Group** | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| **Loss** | | |
| Loss attributable to equity holders of the parent: | | |
| From a continuing operation | **2,508** | 3,057 |
| From discontinued operations | **–** | 8,045 |
| | **2,508** | 11,102 |

| | **Number of shares** | |
|---|---|---|
| | **2007** | 2006 |
| **Shares** | | |
| Weighted average number of shares in issue during the year used in the basic loss per share calculation | **115,930,400** | 115,930,400 |

Diluted loss per share amounts for the years ended 31 March 2007 and 2006 have not been presented as no diluting events existed during either year.

## 15. PROPERTY, PLANT AND EQUIPMENT

**Group**

| | Land and buildings HK$'000 | Furniture and office equipment HK$'000 | Motor vehicles HK$'000 | Leasehold improvements HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **31 March 2007** | | | | | |
| At 31 March 2006 and at 1 April 2006: | | | | | |
| Cost | 3,086 | 798 | 271 | 266 | 4,421 |
| Accumulated depreciation | (730) | (557) | (193) | (199) | (1,679) |
| Net carrying amount | 2,356 | 241 | 78 | 67 | 2,742 |
| At 1 April 2006, net of accumulated depreciation | 2,356 | 241 | 78 | 67 | 2,742 |
| Additions | – | 51 | – | 57 | 108 |
| Depreciation provided during the year | (62) | (106) | (23) | (45) | (236) |
| **At 31 March 2007, net of accumulated depreciation** | **2,294** | **186** | **55** | **79** | **2,614** |
| At 31 March 2007: | | | | | |
| Cost | 3,086 | 849 | 271 | 323 | 4,529 |
| Accumulated depreciation | (792) | (663) | (216) | (244) | (1,915) |
| **Net carrying amount** | **2,294** | **186** | **55** | **79** | **2,614** |

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

**Group**

| | Land and buildings HK$'000 | Furniture and office equipment HK$'000 | Motor vehicles HK$'000 | Leasehold improvements HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| 31 March 2006 | | | | | |
| At 1 April 2005: | | | | | |
| Cost | 22,378 | 4,737 | 1,462 | 756 | 29,333 |
| Accumulated depreciation | (4,214) | (3,952) | (1,341) | (733) | (10,240) |
| Net carrying amount | 18,164 | 785 | 121 | 23 | 19,093 |
| At 1 April 2005, net of accumulated depreciation | 18,164 | 785 | 121 | 23 | 19,093 |
| Additions | – | 743 | – | 2,103 | 2,846 |
| Disposals | (15,460) | (29) | – | – | (15,489) |
| Depreciation provided during the year | (320) | (505) | (43) | (180) | (1,048) |
| Disposal of subsidiaries *(note 25)* | (28) | (753) | – | (1,879) | (2,660) |
| At 31 March 2006, net of accumulated depreciation | 2,356 | 241 | 78 | 67 | 2,742 |
| At 31 March 2006: | | | | | |
| Cost | 3,086 | 798 | 271 | 266 | 4,421 |
| Accumulated depreciation | (730) | (557) | (193) | (199) | (1,679) |
| Net carrying amount | 2,356 | 241 | 78 | 67 | 2,742 |

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

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

**Company**

| | **Furniture and office equipment** HK$'000 | **Leasehold improvements** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| **31 March 2007** | | | |
| At 1 April 2006: | | | |
| Cost | – | – | – |
| Accumulated depreciation | – | – | – |
| Net carrying amount | – | – | – |
| At 1 April 2006, net of accumulated depreciation | – | – | – |
| Additions | 46 | 57 | 103 |
| Depreciation provided during the year | (4) | (8) | (12) |
| **At 31 March 2007, net of accumulated depreciation** | **42** | **49** | **91** |
| At 31 March 2007: | | | |
| Cost | 46 | 57 | 103 |
| Accumulated depreciation | (4) | (8) | (12) |
| **Net carrying amount** | **42** | **49** | **91** |

## 16. INTERESTS IN SUBSIDIARIES

| | **Company** | |
|---|---|---|
| | **2007** **HK$'000** | 2006 HK$'000 |
| Unlisted shares, at cost | **1** | 1 |
| Due from a subsidiary | **7,486** | 7,486 |
| Due to subsidiaries | **(159)** | (28) |
| | **7,328** | 7,459 |

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

## 16. INTERESTS IN SUBSIDIARIES *(Continued)*

The carrying amounts of the balances with subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries at the balance sheet date 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 |
|---|---|---|---|---|
| Ever Billion Engineering Limited | Hong Kong | HK$100 | 100.00 | Provision of building and electrical maintenance services |
| Shun Cheong Real Estates Limited | Hong Kong | HK$10,000 | 100.00 | Property holding |
| Tinhawk Company Limited | Hong Kong | HK$2,000,000 | 90.00 | Installation and maintenance of water pumps and fire prevention and fighting 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.

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

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Gross amount due from contract customers | **28,446** | 28,011 |
| Gross amount due to contract customers | **(13,213)** | (12,833) |
| | **15,233** | 15,178 |
| Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date | **928,003** | 827,741 |
| Less: Progress billings | **(912,770)** | (812,563) |
| | **15,233** | 15,178 |

## 18. TRADE AND OTHER RECEIVABLES

| | Group 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Trade receivables | **32,986** | 28,590 |
| Other receivables | **22,371** | 26,863 |
| | **55,357** | 55,453 |

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. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of impairment of trade receivables, is as follows:

| | Group 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| 0 to 30 days | **10,385** | 11,450 |
| 31 to 60 days | **3,630** | 3,905 |
| 61 to 90 days | **2,659** | 3,841 |
| Over 90 days | **16,312** | 9,394 |
| | **32,986** | 28,590 |

Included in the Group's trade receivables balance as at 31 March 2007 as set out above are amounts due from a related company, Chinney Construction Company, Limited ("Chinney Construction"), of approximately HK$1,709,000 (2006: HK$506,000), which arose from the provision of various building and maintenance services. Details of related party transactions with Chinney Construction are set out in note 26(a) to the financial statements.

## 19. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash and bank balances | **2,131** | 2,088 | **668** | 11 |
| Time deposits | **31,188** | 35,000 | **31,188** | 35,000 |
| Cash and cash equivalents | **33,319** | 37,088 | **31,856** | 35,011 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and bank balances and the time deposits approximate to their fair values.

## 20. TRADE PAYABLES

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

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| 0 to 30 days | **5,742** | 6,474 |
| 31 to 60 days | **368** | 2,703 |
| Over 60 days | **11,231** | 12,102 |
| | **17,341** | 21,279 |

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

## 21. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Other payables and accruals | **21,531** | 23,282 | **466** | 2,101 |

Other payables are non-interest-bearing and have an average term of three months.

## 22. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| **Depreciation allowance in excess of related depreciation** | | |
| At 1 April | – | 26 |
| Disposal of subsidiaries *(note 25)* | – | (26) |
| Deferred tax liabilities at 31 March | – | – |

The Group has tax losses arising in Hong Kong of approximately HK$17,357,000 (2006: HK$15,345,000) 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 and it is not considered probable that future taxable profits will be available against which the tax losses can be utilitsed.

## 23. SHARE CAPITAL

| | Company | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Authorised: | | |
| 8,000,000,000 ordinary shares of HK$0.01 each (2006: 8,000,000,000 ordinary shares of HK$0.01 each) | **80,000** | 80,000 |
| Issued and fully paid: | | |
| 115,930,400 ordinary shares of HK$0.01 each (2006: 115,930,400 ordinary shares of HK$0.01 each) | **1,159** | 1,159 |

## 24. 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 24 of the financial statements.

## 24. RESERVES *(Continued)*

### (b) Company

| | Contributed surplus* HK$'000 | Capital redemption reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2005 | 60,918 | 132 | (2,267) | 58,783 |
| Loss for the year | – | – | (20,221) | (20,221) |
| At 31 March 2006 and 1 April 2006 | 60,918 | 132 | (22,488) | 38,562 |
| Loss for the year | – | – | (1,095) | (1,095) |
| **At 31 March 2007** | **60,918** | **132** | **(23,583)** | **37,467** |

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

## 25. DISPOSAL OF SUBSIDIARIES

| | Notes | 2007 HK'000 | 2006 HK'000 |
|---|---|---|---|
| Net assets disposed of: | | | |
| Property, plant and equipment | 15 | – | 2,660 |
| Available-for-sale equity investments | | – | 340 |
| Equity investments at fair value through profit or loss | | – | 564 |
| Gross amount due from contract customers | | – | 42,259 |
| Trade and other receivables | | – | 94,660 |
| Retention money receivables | | – | 19,443 |
| Due from the Remaining Group | | – | 9,353 |
| Prepayments, deposits and other assets | | – | 222 |
| Tax recoverable | | – | 2,765 |
| Pledged time deposits | | – | 26,800 |
| Cash and bank balances | | – | 7,841 |
| Gross amount due to contract customers | | – | (43,737) |
| Trade payables | | – | (32,451) |
| Bills payable | | – | (7,727) |
| Retention money payables | | – | (22,147) |
| Other payables and accruals | | – | (21,393) |
| Due to related companies | | – | (705) |
| Trust receipt loans | | – | (3,818) |
| Bank overdrafts | | – | (21,510) |
| Deferred tax liabilities | 22 | – | (26) |
| Loan from a minority shareholder of a subsidiary | | – | (6,900) |
| Minority interests | | – | (10,770) |
| | | – | 35,723# |
| Loss on disposal of subsidiaries | | – | (2,818) |
| | | – | 32,905 |
| Satisfied by: | | | |
| Cash | | – | 35,000 |
| Less: Relevant costs for the Disposal | | – | (2,095) |
| | | – | 32,905 |

\# The carrying amount of net assets disposed of as set out above was arrived at after taking into account of the Waiver amounting HK$18,053,000 as set out in note 13 to the financial statements.

## 25. DISPOSAL OF SUBSIDIARIES *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

| | **2007** | 2006 |
|---|---|---|
| | **HK'000** | HK'000 |
| Cash consideration | – | 35,000 |
| Cash and bank balances disposed of | – | (7,841) |
| Pledged time deposits disposed of | – | (26,800) |
| Bank overdrafts disposed of | – | 21,510 |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | – | 21,869 |

The subsidiaries disposed of in the year ended 31 March 2006 contributed HK$411,729,000 to the Group's consolidated turnover and a loss of HK$8,411,000 to the Group's consolidated loss for that year.

## 26. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

| | | **Group** | |
|---|---|---|---|
| | | **2007** | 2006 |
| | *Notes* | **HK$'000** | HK$'000 |
| Billing of building maintenance works and building services installation works to Chinney Construction | *(i)* | **121,999** | 108,358 |
| Billing of electrical and mechanical maintenance works and payment of management fees to Shun Cheong Electrical Engineering Limited ("SCEE") and Westco Airconditioning Limited ("WAL") | *(ii)* | **85,490** | – |
| Project management fees paid to SCEE and WAL | *(iii)* | **2,471** | – |
| Purchase of merchandise from Chinney Alliance Engineering Limited | *(iv)* | – | 491 |
| Sub-contracting charge paid to a 49.9% minority shareholder of a subsidiary for the completion of work orders of a building maintenance contract | | – | 2,249 |

## 26. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

*Notes:*

(i) Chinney Construction is a company of which Chan Yuen Keung, Zuric (who resigned as chairman and executive director of the Company on 19 July 2006), is also a director and has an indirect beneficial interest therein. The services were provided by Chinney Construction to Ever Billion Engineering Limited. Yu Sek Kee, Stephen (who resigned as executive director of the Company on 16 September 2006) is a common director of both companies.

The amount due from Chinney Construction is unsecured, interest-free and is repayable within normal credit terms of 60 days. Details of the balance are included in note 18 to the financial statements.

As at 31 March 2007, the Group also had amounts payable to Chinney Construction of HK$10,500,000 (2006: HK$14,350,000) included in other payables and accruals. The balance is unsecured, interest-free and has no fixed terms of repayment.

(ii) The amount was charged to SCEE and WAL by Tinhawk Company Limited. Chan Yuen Keung, Zuric (who resigned as chairman and executive director of the Company on 19 July 2006), Au Yu Fai, Patrick (who resigned as executive director of the Company on 19 July 2006) and Mr. Yu Sek Kee, Stephen (who resigned as executive director of the Company on 16 September 2006) are common directors of Tinhawk Company Limited, SCEE and WAL.

Upon the Disposal as mentioned in note 13 to these financial statements, SCEE and WAL became related companies to the Group.

(iii) The amount was charged by SCEE and WAL to Tinhawk Company Limited.

(iv) Chinney Alliance Engineering Limited ("CAE") is a wholly-owned subsidiary of CAG, a then substantial shareholder of the Company. Yu Sek Kee, Stephen is also a director of both CAE and CAG.

In the opinion of the directors, the above transactions were conducted at mutually agreed rates.

## 26. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties:

(i) Details of the Company's balances with subsidiaries are included in note 16 to the financial statements.

(ii) The Group had an outstanding balance due from a related company of HK$299,000 (2006: Nil) as at the balance sheet date. This balance is unsecured, interest-free and has no fixed terms of repayment.

(iii) The Group and the Company had outstanding balances due to related companies of HK$13,690,000 and HK$551,000 (2006: HK$9,294,000 and HK$757,000), respectively, as at the balance sheet date. Except for an amount due to a related company of HK$1,263,000 (2006: HK$969,000) which bears interest at the Hong Kong dollar prime rate per annum, amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment.

(c) Other transactions with related parties:

(i) In March 2006, the Company disposed of its entire equity interest in a wholly-owned subsidiary namely SCI, to CAT, a wholly-owned subsidiary of CAG, a then substantial shareholder of the Company for a cash consideration of HK$35,000,000. Accordingly, the transaction constituted a connected transaction for the Company under the Listing Rules. Details in respect of this transaction are set out in note 13 to the financial statements.

(ii) As at 31 March 2006, the Company provided corporate guarantees of HK$75,000,000 to banks for general banking facilities granted to certain subsidiaries of the Contracting Group which were released and cancelled during the year.

(d) Compensation of key management personnel of the Group:

The executive directors are the key management personnel of the Group. Details of their remuneration are disclosed in note 9 to these financial statements.

## 27. CONTINGENT LIABILITIES

(a) As at 31 March 2006, the Group had contingent liabilities of approximately HK$39,442,000 (2007: Nil) in respect of corporate guarantees provided by the Company to banks for general banking facilities granted to certain former subsidiaries of the Company to the extent of banking facilities utilised. Pursuant to the Deed of Indemnity, CAG guarantees and indemnifies unconditionally and irrevocably all liabilities and obligations of the Company under such corporate guarantees.

During the current year, the above corporate guarantees provided by the Company were released and replaced by corporate guarantees provided by CAG.

(b) The Company provided certain representation, warranties and undertakings to CAT under the Disposal Agreement in respect of the Disposal (the "Warranties"). CAT may claim the Company for breach of any of the Warranties up to a maximum amount of HK$10,000,000 until 31 March 2007, being 12 months from the completion of the Disposal Agreement. Up to the date of the approval of these financial statements, the Company did not receive any claims from CAT in respect of the Warranties.

Save as disclosed above, the Company and the Group had no significant contingent liabilities as at 31 March 2007 and 31 March 2006.

## 28. OPERATING LEASE ARRANGEMENTS

As lessee, the Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

At 31 March 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **890** | 588 |
| In the second to fifth years, inclusive | **730** | 343 |
| | **1,620** | 931 |

## 29. COMMITMENTS

Apart from those disclosed in note 28, at the balance sheet date, neither the Group nor the Company had any significant commitments.

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables, retention money receivables and payables which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk and liquidity risk. The management meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cash and bank balances, short term time deposits and an interest-bearing balance due to a related company are stated at cost and are not revalued on a periodic basis. Interest income and expenses at floating rates are charged to the consolidated income statement as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

### Credit risk

The Group maintains various credit policies for business operations as detailed in note 18. In addition, all receivable balances are closely monitored on an ongoing basis to minimise the Group's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Group, which mainly comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and trust receipt loans. The Group's policy is to maintain the Group at net current asset position.

The Group's overall risk management policy focuses on monitoring all potential financial risks to the Group. Whenever necessary, the Group will reduce the risk exposure.

## 31. POST BALANCE SHEET EVENTS

On 5 June 2007, the Company made an announcement of the proposal to raise approximately HK$23 million, before expenses, by issuing 57,965,200 offer shares by way of an open offer to the qualifying shareholders at the subscription price of HK$0.40 per offer share on the basis of one offer share for every two existing shares held on the record date. It was then announced on 27 June 2007 that the open offer would be postponed to a date after the publication of the announcement of the Company's annual results for the year ended 31 March 2007 on 13 July 2007. An announcement relating to the new timetable of the open offer will be issued by the Company once finalised. As at the date of approval of these financial statements, the new timetable has not been finalised yet.

## 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 13 July 2007.