



SHUN CHEONG HOLDINGS LIMITED



Shun Cheong Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 650

Interim Report 2007

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CAO Jing (*Executive Chairman*)
MO Tianquan

Independent Non-executive Directors

YE Jianping
ZHANG Shaohua
YU Hon To, David (resigned on 24 October 2007)

AUDIT COMMITTEE

ZHANG Shaohua (*Chairman*)
YE Jianping
YU Hon To, David (resigned on 24 October 2007)

REMUNERATION COMMITTEE

ZHANG Shaohua (*Chairman*)
YE Jianping
CAO Jing

NOMINATION COMMITTEE

YE Jianping (*Chairman*)
CAO Jing
YU Hon To, David (resigned on 24 October 2007)

COMPANY SECRETARY

POON Yan Wai

QUALIFIED ACCOUNTANT

POON Yan Wai

PRINCIPAL BANKERS

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

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (*Bermuda*) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
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

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

STOCK CODE

SEHK 650

WEBSITE

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

CHAIRMAN'S STATEMENT

REVIEW OF OPERATIONS

The Group's revenue for the six months ended 30 September 2007 was HK\$74.3 million (2006: HK\$108.1 million) and loss for the period was HK\$5.3 million (2006: net loss of HK\$0.6 million).

Consolidated revenue of HK\$74.3 million for the six months ended 30 September 2007, showing a 31.2% decrease from HK\$108.1 million for the previous period. The decrease in business volume was primarily due to the decrease in work orders received from the Hong Kong Government and the Hong Kong Housing Authority.

The loss for the period was mainly attributable to the decrease in gross profit where higher subcontracting charges and material costs were incurred.

BUSINESS PROSPECT

With a 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. 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 will remain strong in 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 percentages in the coming 10 years. In view of the current market circumstance and the general global trend, the Group keeps a close eye on any possible potential projects but yet no suitable investment opportunities have been identified at the moment.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

FINANCIAL REVIEW

Liquidity and financial resources

The Group's total bank balances are mostly in Hong Kong dollar. As at 30 September 2007, the Group had unpledged cash and bank deposits balances of approximately HK\$49.9 million (31 March 2007: HK\$33.3 million). As at 30 September 2007, the Group had no outstanding bank borrowing (31 March 2007: Nil). The gearing ratio of the Group, as measured by the total bank borrowings to the equity attributable to equity holders of the parent, was nil (31 March 2007: 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.

Funding and treasury 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 30 September 2007 (31 March 2007: Nil) to secure general banking facilities.

Investments

As at 30 September 2007, the Group had no investments in listed and unlisted equity securities (31 March 2007: Nil).

Employees and remuneration policies

The Group employed approximately 90 staff in Hong Kong as at 30 September 2007. 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.

CONNECTED TRANSACTIONS

On 29 October 2007, the Company (as issuer), Tanisca Investments Limited ("Tanisca" – subscriber) entered into the Subscription Agreement pursuant to which the Company conditionally agreed to issue and Tanisca conditionally agreed to subscribe for the Bond in an aggregate principal amount of HK\$120 million. The Bond bears an interest of 1% per annum, being payable semi-annually, and will mature on the fifth anniversary of the date of its issue. The conversion price of the Bond was set at HK\$0.60 per Conversion Share. Tanisca is wholly-owned by Mr. Mo Tianquan ("Mr. Mo"), who is a Director and was also interested in approximately 50.51% of the total issued share capital of the Company through its 100% equity interest in Upsky Enterprises Limited, the ultimate holding company of the Company. Mr. Mo is thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bond constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction were disclosed in a circular dated 21 November 2007 to all shareholders of the Company. The ordinary resolution approving the Connected Transaction and Subscription Agreement was duly passed by the Independent Shareholders at the Special General Meeting by way of poll on 7 December 2007.

By Order of the Board

Cao Jing

Executive Chairman

Hong Kong, 20 December 2007

GENERAL INFORMATION

CORPORATE GOVERNANCE

Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules of the Stock Exchange of Hong Kong Limited. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2007.

Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited during the interim period, except that:

1. CG Code provision A.2.1 stipulates that 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.
2. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All the existing 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 annual general meeting in accordance with 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.
3. CG Code provision A.4.2 stipulates every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. 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 or Managing Director provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.
4. CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as minimum those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference of the 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.

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.

5. The Company had only two independent non-executive directors after the resignation of Mr. Yu Hon To on 24 October 2007. According to the 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 Mr. Yu Hon To of 24 October 2007 to meet the minimum number required.

Audit Committee

The Audit Committee of the Company comprises two independent non-executive directors, namely Ye Jianping and Zhang Shaohua. Regular meetings have been held by the Audit Committee of the Company since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2007 has not been audited, but has been reviewed by the Audit Committee.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2007, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, were as follows:

Long positions in ordinary shares of the Company

Name of director	Nature of interests	Number of ordinary shares directly beneficially owned	Percentage of the Company's issued share capital
Mo Tianquan	Corporate	70,178,249 (Note 1)	50.51
Cao Jing	Family	70,178,249 (Note 2)	50.51

Note 1: These shares are held by Upsky Enterprises Limited, a company in which Mr. Mo Tianquan is a director and a sole shareholder.

Note 2: Ms. Cao Jing is interested in the shares held by Upsky Enterprises Limited by virtue of her marital relationship with Mr. Mo Tianquan.

Save as disclosed above, as at 30 September 2007, none of the directors had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were 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 six months ended 30 September 2007 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 PERSONS' INTERESTS IN SHARES AND SHORT POSITIONS AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2007, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Long positions in ordinary shares of the Company

Name	Capacity and Nature of interests	Number of ordinary shares owned	Percentage of the Company's issued share capital
Upsky Enterprises Limited	Directly beneficially owned	70,178,249 (Note 2)	50.51
Mo Tianquan	Attributable interest of controlled corporation	70,178,249 (Note 2)	50.51
Digital Link Investments Limited	Directly beneficially owned	11,500,000	8.28
IDG Technology Venture Investment III, L.P.	Directly beneficially owned	11,500,000	8.28

Notes:

- All interests stated above represent long positions.
- The entire issued share capital of Upsky Enterprises Limited is legally and beneficially owned by Mr. Mo Tianquan who is therefore deemed to have an interest in the Shares in which Upsky Enterprises Limited is interested. Accordingly, the interest held by each of Upsky Enterprises Limited and Mr. Mo Tianquan refers to the same parcel of shares.

Save as disclosed above, as at 30 September 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2007, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
		2007	2006
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	2	74,302	108,068
Cost of maintenance		<u>(71,452)</u>	<u>(99,275)</u>
Gross profit		2,850	8,793
Other revenue and gains	3	926	624
Administrative expenses		(7,963)	(8,273)
Other operating expenses		(932)	(1,609)
Finance costs	4	<u>(129)</u>	<u>(76)</u>
LOSS BEFORE TAX	5	(5,248)	(541)
Tax	6	<u>(29)</u>	<u>(28)</u>
LOSS FOR THE PERIOD		<u>(5,277)</u>	<u>(569)</u>
ATTRIBUTABLE TO:			
Equity holders of the parent		(4,996)	(577)
Minority interests		<u>(281)</u>	<u>8</u>
		<u>(5,277)</u>	<u>(569)</u>
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic	7	<u>(4.24 cents)</u>	<u>(0.50 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		<u>2,500</u>	<u>2,614</u>
CURRENT ASSETS			
Gross amount due from contract customers	8	22,742	28,446
Trade and other receivables	9	42,106	55,357
Retention money receivables		651	652
Prepayments, deposits and other assets		665	466
Due from a related company	12	1,176	299
Cash and cash equivalents		<u>49,879</u>	<u>33,319</u>
Total current assets		<u>117,219</u>	<u>118,539</u>
CURRENT LIABILITIES			
Gross amount due to contract customers	8	16,769	13,213
Trade payables	10	13,627	17,341
Retention money payables		696	1,552
Other payables and accruals		5,345	21,531
Due to related companies	12	16,503	13,690
Tax payable		<u>28</u>	<u>14</u>
Total current liabilities		<u>52,968</u>	<u>67,341</u>
NET CURRENT ASSETS		<u>64,251</u>	<u>51,198</u>
NET ASSETS		<u>66,751</u>	<u>53,812</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	11	1,389	1,159
Reserves		<u>64,635</u>	<u>51,645</u>
Minority interests		<u>66,024</u>	52,804
		<u>727</u>	<u>1,008</u>
TOTAL EQUITY		<u>66,751</u>	<u>53,812</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							Total (Unaudited) HK\$'000
	Issued share capital (Unaudited) HK\$'000	Share Premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Retained (loss)/ profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	
At 1 April 2007	1,159	-	46,909	132	4,604	52,804	1,008	53,812
Issue of share (Note 11)	230	17,986	-	-	-	18,216	-	18,216
Loss for the period	-	-	-	-	(4,996)	(4,996)	(281)	(5,277)
At 30 September 2007	<u>1,389</u>	<u>17,986</u>	<u>46,909</u>	<u>132</u>	<u>(392)</u>	<u>66,024</u>	<u>727</u>	<u>66,751</u>
At 1 April 2006	1,159	-	46,909	132	7,112	55,312	1,226	56,538
(Loss)/profit for the period	-	-	-	-	(577)	(577)	8	(569)
At 30 September 2006	<u>1,159</u>	<u>-</u>	<u>46,909</u>	<u>132</u>	<u>6,535</u>	<u>54,735</u>	<u>1,234</u>	<u>55,969</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(2,323)	(3,158)
Net cash inflow from investing activities	667	624
Net cash inflow from financing activities	18,216	–
Net increase/(decrease) in cash and cash equivalents	16,560	(2,534)
Cash and cash equivalents at beginning of period	33,319	37,088
Cash and cash equivalents at end of period	49,879	34,554
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,912	34,554
Non-pledged time deposits with original maturity of less than three months when acquired	47,967	–
	49,879	34,554

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2007 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2007.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in preparation of the Group's annual financial statements for the year ended 31 March 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRS") (which also include HKASs and interpretations) issued by the HKICPA that affect the Group and are adopted the first time for the current period's financial statements:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
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	HKFRS 2 – Group and Treasury Share Transactions

The adoption of these new and revised accounting standards has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed consolidated interim financial statements.

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

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Agreement ²

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 January 2008.

2. SEGMENT INFORMATION

(a) Business segments

The Group's revenue is principally derived from the provision of building related maintenance services. The Group has only one business segment.

(b) Geographical segments

No 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.

3. OTHER REVENUE AND GAINS

	Six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest income	672	624
Others	254	–
	926	624

4. FINANCE COSTS

	Six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	129	76

No interest was capitalised by the Group in both periods.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging the following:

	Six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Cost of maintenance	71,452	99,275
Depreciation	105	112
Minimum lease payments under operating leases in respect of land and buildings	375	271
Staff costs (including directors' emoluments)	4,852	5,812
Impairment of trade and other receivables	932	1,609

6. TAX

	Six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Group:		
Current – Hong Kong	<u><u>29</u></u>	<u><u>28</u></u>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong during the period.

7. 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 period attributable to equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

The calculation of basic loss per share is based on:

	Six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<i>LOSS:</i>		
Loss attributable to equity holders of the parent used in the basic loss per share calculation	<u><u>(4,996)</u></u>	<u><u>(577)</u></u>
<i>SHARES:</i>		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<u><u>117,941,329</u></u>	<u><u>115,930,400</u></u>

Diluted loss per share amounts for the six months ended 30 September 2007 and 2006 have not been presented as no diluting events existed during either period.

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

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Gross amount due from contract customers	22,742	28,446
Gross amount due to contract customers	(16,769)	(13,213)
	<u>5,973</u>	<u>15,233</u>
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	993,045	928,003
Less: Progress billings	(987,072)	(912,770)
	<u>5,973</u>	<u>15,233</u>

9. TRADE AND OTHER RECEIVABLES

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Trade receivables	27,064	32,986
Other receivables	15,042	22,371
	<u>42,106</u>	<u>55,357</u>

An aged analysis of the trade receivables as at 30 September 2007, based on invoice date and net of impairment of trade receivables, is as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
0 – 30 days	9,020	10,385
31 – 60 days	3,565	3,630
61 – 90 days	2,268	2,659
Over 90 days	12,211	16,312
	<u>27,064</u>	<u>32,986</u>

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

10. TRADE PAYABLES

An aged analysis of trade payables as at 30 September 2007, based on invoice date, is as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
0 – 30 days	6,525	5,742
31 – 60 days	1,420	368
Over 60 days	5,682	11,231
	<u>13,627</u>	<u>17,341</u>

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

11. SHARE CAPITAL

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Authorised: 8,000,000,000 ordinary shares of HK\$0.01 each	<u>80,000</u>	<u>80,000</u>
Issued and fully paid: 138,930,400 (31 March 2007: 115,930,400) ordinary shares of HK\$0.01 each	<u>1,389</u>	<u>1,159</u>

During the period, the movement in share capital was as follows:

	Number of shares in issue	Issued share capital HK'000	Share premium account HK'000	Total HK'000
At 1 April 2007	115,930,400	1,159	–	1,159
Issue of shares (<i>Note</i>)	<u>23,000,000</u>	<u>230</u>	<u>17,986</u>	<u>18,216</u>
At 30 September 2007	<u>138,930,400</u>	<u>1,389</u>	<u>17,986</u>	<u>19,375</u>

Note:

On 15 September 2007, the Company allotted and issued 23,000,000 ordinary shares of HK\$0.01 each at the price of HK\$0.792 per share to Digital Link Investments Limited and IDG Technology Venture Investment III, L.P.

12. RELATED PARTY TRANSACTIONS

(a) Significant transactions between the Group and related parties during the period

	Notes	Six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Billing of building maintenance works and building services installation works to Chinney Construction Company, Limited ("Chinney Construction")	(i)	36,878	63,089
Billing of building maintenance works and building services installation works to Shun Wing Construction & Engineering Company Limited ("Shun Wing")	(ii)	534	428
Billing of electrical and mechanical maintenance works to Shun Cheong Electrical Engineering Limited ("SCEE") and Westco Airconditioning Limited ("WAL")	(iii)	34,431	43,601
Project management fee paid to SCEE and WAL	(iv)	1,009	1,245

Notes:

- (i) The services were provided by Ever Billion Engineering Limited ("Ever billion") to Chinney Construction. Chinney Construction is a company of which Mr. Chan Yuen Keung, Zuric, is a director and has 13.95% indirect beneficial interests therein. Mr. Yu Sek Kee, Stephen 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.

As at 30 September 2007, the Group also had amounts payable to Chinney Construction of HK\$ 2,950,000 (31 March 2007: HK\$10,500,000) included in other payables and accruals. The balance is unsecured, interest-free and has no fixed terms of repayment.

- (ii) The services were provided by Ever Billion to Shun Wing. The directors of Ever Billion including Mr. Chan Yuen Keung, Zuric, Mr. Au Yu Fai, Patrick and Mr. Yu Sek Kee, Stephen are also directors of Shun Wing.
- (iii) The amount was charged to SCEE and WAL by Tinhawk Company Limited. Mr. Chan Yuen Keung, Zuric, Mr. Au Yu Fai, Patrick and Mr. Yu Sek Kee, Stephen are common directors of Tinhawk Company Limited, SCEE and WAL.
- (iv) The amount was charged by SCEE and WAL to Tinhawk Company Limited.

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

(b) Outstanding balances with related companies

- (i) The Group had an outstanding balance due from a related company of HK\$1,176,000 (31 March 2007: HK\$299,000) as at the balance sheet date. The balance is unsecured, interest-free and has no fixed terms of repayment.
- (ii) The Group and the Company had outstanding balances due to related companies of HK\$16,503,000 (31 March 2007: HK\$13,690,000), respectively, as at the balance sheet date. The balances are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group

	Six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	1,391	1,246
Post-employment benefits	58	84

13. COMMITMENTS

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 three years. At 30 September 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within one year	596	890
In the second to fifth years, inclusive	456	730
	1,052	1,620

14. CONTINGENT LIABILITIES

The Group has no significant contingent liabilities as at 30 September 2007.

15. POST BALANCE SHEET EVENTS

On 29 October 2007, the Company (as issuer), Tanisca Investments Limited ("Tanisca" – subscriber) entered into the Subscription Agreement pursuant to which the Company conditionally agreed to issue and Tanisca conditionally agreed to subscribe for the Bond in an aggregate principal amount of HK\$120 million. The Bond bears an interest of 1% per annum, being payable semi-annually, and will mature on the fifth anniversary of the date of its issue. The conversion price of the Bond was set at HK\$0.60 per Conversion Share. Tanisca is wholly-owned by Mr. Mo Tianquan ("Mr. Mo"), who is a Director and was also interested in approximately 50.51% of the total issued share capital of the Company through its 100% equity interest in Upsky Enterprises Limited, the ultimate holding company of the Company. Mr. Mo is thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bond constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction were disclosed in a circular dated 21 November 2007 to all shareholders of the Company. The ordinary resolution approving the Connected Transaction and Subscription Agreement was duly passed by the Independent Shareholders at the Special General Meeting by way of poll on 7 December 2007.