ANNUAL REPORT
2008

SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 650

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

CAO Jing *(Executive Chairman)*
ZHANG Shaohua *(Managing Director)*

NON-EXECUTIVE DIRECTOR

MO Tianquan

INDEPENDENT NON-EXECUTIVE DIRECTORS

YE Jianping
PALASCHUK Derek Myles (appointed on 25 February 2008)
YAO Xusheng (appointed on 6 March 2008)
YU Hon To, David (resigned on 24 October 2007)

AUDIT COMMITTEE

PALASCHUK Derek Myles *(Chairman)*
YE Jianping
YAO Xusheng

REMUNERATION COMMITTEE

YAO Xusheng *(Chairman)*
YE Jianping
CAO Jing

NOMINATION COMMITTEE

YE Jianping *(Chairman)*
PALASCHUK Derek Myles
CAO Jing

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

POON Yan Wai

PRINCIPAL BANKERS

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

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

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

STOCK CODE

SEHK 650

WEBSITE

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

EXECUTIVE DIRECTORS

MS. CAO JING – EXECUTIVE CHAIRMAN

Ms. Cao, aged 40, was appointed as a director of the Company on 2 May 2006. She has over 10 years of experience in architecting large-scale enterprise software, project management and leading development in various companies in the United States of America ("USA"). Ms. Cao holds a Bachelor's Degree in Automation Engineering from Tsinghua University, the People's Republic of China ("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.

MR. ZHANG SHAOHUA – MANAGING DIRECTOR

Mr. Zhang, aged 44, was appointed as an independent non-executive director of the Company on 16 September 2006. On 6 March 2008, Mr. Zhang was re-designation as the executive director and appointed as the managing director of the Company. He is an entrepreneur with over 18 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 a large 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, the PRC.

NON-EXECUTIVE DIRECTOR

MR. MO TIANQUAN

Mr. Mo, aged 44, 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 PRC and a Degree of Master of Arts from Indiana University, 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 59.02% of the issued share capital of the Company as at the date of this annual report. He is the spouse of Ms. Cao Jing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

PROF. YE JIANPING

Prof. YE, aged 47, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

MR. DEREK PALASCHUK

Mr. Palaschuk, aged 44, was appointed as an independent non-executive director of the Company on 25 February 2008. He has been chief financial officer of Longtop Financial Technologies since September 2006, a New York Stock Exchange listed company. He was previously the chief financial officer of eLong Inc, a China-based Nasdaq-listed company, from April 2004 until July 2006. Prior to this, he worked with Sohu.com, a China-based Nasdaq-listed company, from July 2000 to March 2004 in various financial positions including chief financial officer. He also worked as an audit manager with PricewaterhouseCoopers in Hong Kong and Beijing. He holds a Bachelor of Commerce degree in accounting from the University of Saskatchewan, and an LLB from the University of British Columbia in Canada. He is also a Canadian Chartered Accountant.

MR. YAO XUSHENG

Mr. Yao, aged 46, was appointed as an independent non-executive director of the Company on 6 March 2008. He has been chairman of Shanghai K Land Investments Company Limited since 2005, a company is registered in Shanghai. He was previously the chief executive officer of Asia Pulp and Paper ("APP") China, from 2001 to 2005 and was chief financial officer of APP from 1999 to 2001, APP is one of the world's leading pulp and paper companies. Prior to this, he is an assistant professor in Tsinghua University, China from 1986 to 1990. He holds a Master's Degree in Business Administration from the University of California Berkeley in USA, Master Degree in Economics from Clemson University in USA, Master Degree in economic and management and Bachelor Degree in Electrical Engineering both from Tsinghua University, the PRC.

SENIOR MANAGERS

CHAN Yuen Keung, Zuric, aged 54, 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 34 years of experience in the construction industry and is a member of the Chartered Institute of Building and The Hong Kong Society of Builders.,

YU Sek Kee, Stephen, aged 56, 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.

Poon Yan Wai, aged 38, is the company secretary and financial controller of the Company. He joined the Company in September 2007. He has over 17 years of experience in the auditing and accounting field. He holds a Master's Degree in Corporate Finance and Bachelor Degree in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.

BUSINESS REVIEW

The Group recorded revenue of HK$130.7 million for the year ended 31 March 2008 (2007: HK$210.5 million) and loss for the year of HK$8.7 million (2007: HK$2.7 million).

Consolidated revenue of HK$130.7 million for the year ended 31 March 2008, showing a 37.9% decrease from HK$210.5 million for the previous year. 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 during the year.

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

BUSINESS PROSPECTS

In view of (i) the tightening of the labour market in Hong Kong; (ii) the price volatility of metals and oil remains high; (iii) the weakening of the US and Hong Kong dollars combined with the sharp appreciation of Renminbi, the Board expects these factors will result in continued pressure on controlling the costs of business. Although the Company intends to carry on the existing building related maintenance services business, the Board is also looking to business opportunities in the PRC for development and expansion. In order to expand into the PRC, the Group has carried out the fund raising activities including private placement of introducing two shareholders and convertible bond issue to strengthen the Group's capital base.

Currently, the Group is in the process of obtaining approvals from the relevant PRC government authorities and negotiating on the terms of the acquisition of a hotel in Nanning (the "Hotel"). Further announcement(s) may be released by the Group in respect of any material development in respect of the acquisition of the Hotel to comply with the disclosure and/or approval requirements under the Listing Rules.

For the establishment of a new joint venture company in Guangxi Nanning, the Group is in the process of obtaining trading license from the relevant PRC government authorities.

ACKNOWLEDGEMENT

Finally, I would like to express my appreciation to our shareholders for their continuous support and fellow directors and all members of staff for their dedication and contribution during this year.

Cao Jing
Executive Chairman

Hong Kong
25 July 2008

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders. The monitoring and assessment of certain governance matters are allocated to three committees: Audit Committee, Remuneration Committee and Nomination Committee which operate under the defined terms of reference and are required to report to full Board on a regular basis.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2008, 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 24 October 2007, Mr. Yu Hon To tendered his resignation as directors. Mr. Yu ceased to be the Chairman of Audit Committee and Member of Nomination Committee upon his resignation as director of the Company with effect from 24 October 2007. Mr. Derek Palaschuk was appointed as director and Chairman of Audit Committee and Member of Nomination Committee with effect from 25 February 2008.

On 6 March 2008, Mr. Yao Xusheng was appointed as director, Chairman of Remuneration Committee and Member of Audit Committee. Mr. Mo Tianquan was re-designation as the non-executive director with effect from 6 March 2008. Mr. Zhang Shaohua was re-designation as the executive director and was appointed as managing director with effect from 6 March 2008.

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 had two independent non-executive directors after the resignation of Mr. Yu Hon To on 24 October 2007 until 25 February 2008, when Mr. Derek Palaschuk 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 to meet the minimum number required. However, the replacement appointment was not complied within three months from the effective date of the resignation of Mr. Yu Hon To.

BOARD OF DIRECTORS *(continued)*

The Board held thirteen 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)*	12/13
Mr. Zhang Shaohua *(Managing Director)* (re-designation on 6 March 2008)	13/13
Non-Executive Director	
Mr. Mo Tianquan (re-designation on 6 March 2008)	12/13
Independent Non-Executive Directors	
Mr. Yu Hon To, David (resigned on 24 October 2007)	5/5
Professor Ye Jianping	9/13
Mr. Derek Palaschuk	2/2
Mr. Yao Xusheng	0/1

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, thirteen 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.

Drafts 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 Ms. Cao Jing and the Managing Director of the Company was Mr. Zhang Shaohua from 6 March 2008 onwards. The roles of the Chairman and Managing Director were segregated and were not exercised by the same individual.

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. Prior to 6 March 2008, the Company had not appointed a chief executive officer. On 6 March 2008, Mr. Zhang Shaohua was appointed as the Managing Director to take over the role of the Chief Executive Officer. Therefore, after 6 March 2008 the Company has fulfilled the CG Code provision A.2.1.

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. 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.

CG 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 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.

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 and the Managing Director 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 and the Managing Director need not be subject to retirement by rotation.

REMUNERATION COMMITTEE

The remuneration committee of the Company ("Remuneration Committee") comprises three directors, of which Mr. Yao Xusheng (Chairman) (appointed on 6 March 2008) and Professor Ye Jianping are independent non-executive directors and Ms. Cao Jing 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.

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 headings "Directors' Remuneration" on pages 43 to 45 of this annual report. A committee meeting was held in September 2007 and the attendance of each member is shown as below.

REMUNERATION COMMITTEE *(continued)*

Name of member	Number of meetings attended
Executive Directors	
Ms. Cao Jing	1/1
Mr. Zhang Shaohua	1/1
Non-Executive Director	
Mr. Mo Tianquan	1/1
Independent Non-Executive Directors	
Professor Ye Jianping	1/1
Mr. Yu Hon To (resigned on 24 October 2007)	1/1
Mr. Derek Palaschuk (appointed on 25 February 2008)	0/0
Mr. Yao Xusheng (appointed on 6 March 2008)	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. Derek Palaschuk (Chairman) (appointed on 25 February 2008), Professor Ye Jianping and Mr. Yao Xusheng (appointed on 6 March 2008).

The Audit Committee has only two members after the resignation of Mr. Yu Hon To on 24 October 2007. 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 25 February 2008, Mr. Derek Palaschuk was appointed as the Chairman of the Audit Committee. On 6 March 2008, Mr. Yao Xusheng replaced Mr. Zhang Shaohua to be 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 with management the final results of the Group for the year ended 31 March 2008.

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. Derek Palaschuk *(Chairman)*	1/1
Mr. Yu Hon To, David (resigned on 24 October 2007)	0/0
Professor Ye Jianping	1/2
Mr. Zhang Shaohua (re-designated to be executive director on 6 March 2008)	1/1
Mr. Yao Xusheng (appointed on 6 March 2008)	1/1

AUDIT COMMITTEE *(continued)*

Drafts minutes of the Audit Committee meetings are circulated to members of the 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) and Mr. Derek Palaschuk (appointed on 25 February 2008), are independent non-executive directors and Ms. Cao Jing is an executive director. The Nomination Committee shall meet when necessary to consider the appointment of directors.

Mr. Yu Hon To resigned on 24 October 2007. 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	3/3
Mr. Zhang Shaohua	3/3
Non-Executive Director	
Mr. Mo Tianquan	3/3
Independent Non-Executive Directors	
Professor Ye Jianping *(Chairman)*	3/3
Mr. Yu Hon To, David (resigned on 24 October 2007)	1/1
Mr. Derek Palaschuk	1/1

AUDITORS' REMUNERATION

For the year ended 31 March 2008, services provided to the Group by its auditors and the respective fees paid and payable were:

Services rendered	**Fees**
	HK$'000
Audit services	680
Non-audit services	110
	790

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 2008.

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.

The audit committee has the final authority to review and approve the annual audit plan and all major changes to the plan. In addition, special reviews may also be performed on areas of concern identified by management or the audit committee from time to time.

In respect of the year ended 31 March 2008, the Board, through the audit committee, reviewed the effectiveness of the system on internal control of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management controls.

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 19 and 20 of this annual report.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2008.

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 15 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 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 68.

The directors do not recommend the payment of any dividend in respect of the year (2007: 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 2008, the Group had unpledged cash and bank deposit balances of approximately HK$165.4 million (2007: HK$33.3 million). As at 31 March 2008, the Group had no outstanding bank borrowings (2007: Nil). The gearing ratio of the Group, which represented the total bank borrowings to the equity attributable to equity holders of the parent, was nil (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.

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 2008 (2007: Nil) to secure general banking facilities.

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 65 employees as at 31 March 2008 (2007: 132). 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				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATION					
REVENUE	**130,682**	210,512	195,871	123,780	163,472
Profit/(loss) for the year from a continuing operation	**(8,704)**	(2,726)	(2,912)	(14,381)	4,566
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**–**	–	(8,411)	(20,186)	6,666
PROFIT/(LOSS) FOR THE YEAR	**(8,704)**	(2,726)	(11,323)	(34,567)	11,232
Profit/(loss) attributable to:					
Equity holders of the parent	**(8,361)**	(2,508)	(11,102)	(33,729)	1,805
Minority interests	**(343)**	(218)	(221)	(838)	9,427
	(8,704)	(2,726)	(11,323)	(34,567)	11,232

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**239,471**	121,153	124,912	351,109	321,713
TOTAL LIABILITIES	**(132,875)**	(67,341)	(68,374)	(266,478)	(202,489)
MINORITY INTERESTS	**(665)**	(1,008)	(1,226)	(18,217)	(19,081)
	105,931	52,804	55,312	66,414	100,143

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 14 to the financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the Company's share capital during the year are set out in note 23 to the financial statements. Details of the movements in the convertible bonds issued by the Company during the year are set out in note 22 to the financial statements.

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$33,797,000 as at 31 March 2008.

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 53%. Purchases from the Group's five largest suppliers accounted for 77% of the total purchases for the year and purchases from the largest supplier included therein amounted to 48%.

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
Mr. Zhang Shaohua

Non-executive director
Mo Tianquan

Independent non-executive directors:

Ye Jianping	
Derek Palaschuk	(appointed on 25 February 2008)
Yao Xusheng	(appointed on 6 March 2008)
Yu Hon To, David	(resigned on 24 October 2007)

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

On 25 February 2008, Mr. Derek Palaschuk has been appointed as an independent non-executive director. On 6 March 2008, Mr. Yao Xusheng has been appointed as an independent non-executive director. In accordance with the Company's Bye-laws, Messrs. Derek Palaschuk and Yao Xusheng will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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.

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 25 to the financial statements and in the section headed "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

On 29 October 2007, the Company (as issuer), Tanisca Investments Limited ("Tanisca"– subscriber) entered into subscription agreement pursuant to which the Company conditionally agreed to issue and Tanisca conditionally agreed to subscribe for the redeemable convertible bonds (the "Bonds") in an aggregate principal amount of HK$120 million. The Bonds bear 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 Bonds was set at HK$0.60 per conversion share (subject to adjustments in certain events). Tanisca is wholly owned by Mr. Mo Tianquan ("Mr. Mo"), who is a director and also interested in approximately 50.51% of the total issued share capital of the Company as at 31 March 2008. Mr. Mo is thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bonds 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. The issue of the Bonds was completed on 28 March 2008.

As a result of the Company's rights issue which was completed in June 2008, pursuant to the terms of the Bonds, the conversion price of the Bonds has been adjusted from HK$0.60 per share to HK$0.3695 per share and the number of shares falling to be issued upon full conversion of the Bonds has been adjusted from 200,000,000 shares to 324,763,193 shares.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2008, 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 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 31 March 2008, 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 2008, 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	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

Save as disclosed above, as at 31 March 2008, 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 30 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
Director

Hong Kong
25 July 2008

ERNST & YOUNG
安 永

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 21 to 68, which comprise the consolidated and company balance sheets as at 31 March 2008, 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.

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

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 2008 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

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
25 July 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	6	**130,682**	210,512
Cost of maintenance	7	**(124,541)**	(194,103)
Gross profit		**6,141**	16,409
Other income	6	**1,577**	1,225
Administrative expenses		**(14,467)**	(17,632)
Other operating expenses	7	**(1,666)**	(2,517)
Finance costs	8	**(229)**	(175)
LOSS BEFORE TAX	7	**(8,644)**	(2,690)
Tax	11	**(60)**	(36)
LOSS FOR THE YEAR		**(8,704)**	(2,726)
ATTRIBUTABLE TO:			
Equity holders of the parent	12	**(8,361)**	(2,508)
Minority interests		**(343)**	(218)
		(8,704)	(2,726)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13		
Basic		**(6.51) cents**	(2.16) cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,488**	2,614
CURRENT ASSETS			
Gross amount due from contract customers	16	**28,147**	28,446
Trade receivables	17	**26,428**	32,986
Retention money receivables	16	**171**	652
Prepayments, deposits and other receivables	18	**16,846**	23,136
Cash and cash equivalents	19	**165,391**	33,319
Total current assets		**236,983**	118,539
CURRENT LIABILITIES			
Gross amount due to contract customers	16	**15,014**	13,213
Trade payables	20	**20,929**	17,341
Retention money payables	16	**696**	1,552
Other payables and accruals	21	**19,877**	35,221
Tax payable		**–**	14
Total current liabilities		**56,516**	67,341
NET CURRENT ASSETS		**180,467**	51,198
TOTAL ASSETS LESS CURRENT LIABILITIES		**182,955**	53,812
NON-CURRENT LIABILITIES			
Convertible bonds	22	**76,359**	–
Net assets		**106,596**	53,812
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	23	**1,389**	1,159
Equity component of convertible bonds	22	**43,272**	–
Reserves	24(a)	**61,270**	51,645
		105,931	52,804
Minority interests		**665**	1,008
Total Equity		**106,596**	53,812

Cao Jing
Director

Zhang Shaohua
Director

	Attributable to equity holders of the parent								
	Issued capital	Share premium account	Contributed surplus	Equity component of convertible bonds	Capital redemption reserve	Retained profits/ (losses)	Total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 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 and 1 April 2007	1,159	–	46,909	–	132	4,604	52,804	1,008	53,812
Issue of shares *(notes 23)*	230	17,986	–	–	–	–	18,216	–	18,216
Issue of convertible bonds *(note 22)*	–	–	–	43,272	–	–	43,272	–	43,272
Loss for the year	–	–	–	–	–	(8,361)	(8,361)	(343)	(8,704)
At 31 March 2008	1,389	17,986*	46,909*	43,272	132*	(3,757)*	105,931	665	106,596

* These reserve accounts comprise the consolidated reserves of HK$61,270,000 (2007: HK$51,645,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(8,644)**	(2,690)
Adjustments for:			
Finance costs	*8*	**229**	175
Interest income	*6*	**(1,321)**	(1,225)
Depreciation	*7*	**209**	236
Impairment of trade receivables	*7*	**1,650**	2,007
Impairment of other receivables	*7*	**–**	255
Impairment of retention money receivables	*7*	**–**	255
Loss on disposal of items of property, plant and equipment	*7*	**16**	–
		(7,861)	(987)
Decrease/(increase) in the gross amount due from contract customers		**299**	(435)
Decrease/(increase) in trade receivables		**4,908**	(2,166)
Decrease in retention money receivables		**481**	445
Decrease/(increase) in prepayments, deposits and other receivables		**6,290**	(499)
Increase in the gross amount due to contract customers		**1,801**	380
Increase/(decrease) in trade payables		**3,588**	(3,938)
Decrease in retention money payables		**(856)**	–
Increase/(decrease) in other payables and accruals		**(15,344)**	2,645
Cash used in operations		**(6,694)**	(4,555)
Interest paid		**(229)**	(175)
Hong Kong profits tax paid		**(74)**	(156)
Net cash outflow from operating activities		**(6,997)**	(4,886)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,321**	1,225
Purchases of items of property, plant and equipment	*14*	**(118)**	(108)
Proceeds from disposal of items of property, plant and equipment		**19**	–
Net cash inflow from investing activities – page 25		**1,222**	1,117

	Notes	2008 HK$'000	2007 HK$'000
Net cash inflow from investing activities – page 24		**1,222**	1,117
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue shares	23	**18,216**	–
Proceeds from issue convertible bond	22	**119,631**	–
Net cash inflow from financing activities		**137,847**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**132,072**	(3,769)
Cash and cash equivalents at beginning of year		**33,319**	37,088
CASH AND CASH EQUIVALENTS AT END OF YEAR		**165,391**	33,319
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**13,909**	2,131
Non-pledged time deposits with original maturity of less than three months when acquired	19	**151,482**	31,188
		165,391	33,319

BALANCE SHEET

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**63**	91
Interests in subsidiaries	15	**19,162**	7,328
Total non-current assets		**19,225**	7,419
CURRENT ASSETS			
Prepayments, deposits and other receivables	18	**2,924**	368
Cash and cash equivalents	19	**152,606**	31,856
Total current assets		**155,530**	32,224
CURRENT LIABILITIES			
Other payables and accruals	21	**1,820**	1,017
NET CURRENT ASSETS		**153,710**	31,207
TOTAL ASSETS LESS CURRENT LIABILITIES		**172,935**	38,626
NON-CURRENT LIABILITIES			
Convertible bonds	22	**76,359**	–
Net assets		**96,576**	38,626
EQUITY			
Issued capital	23	**1,389**	1,159
Equity component of convertible bonds	22	**43,272**	–
Reserves	24(b)	**51,915**	37,467
Total equity		**96,576**	38,626

Cao Jing
Director

Zhang Shaohua
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 include all Hong Kong Financial Reporting Standards, 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. 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 (collectively referred to as the "Group") for the year ended 31 March 2008. 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 interpretations has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital 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*

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

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This 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. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 29 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Group did not issue any equity instruments for the goods or services received, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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

(f) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addressed the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently does not have such transactions, the interpretation has had no impact on the Group.

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 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [4]
HKAS 32 and HKAS 1 Amendments	*Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKFRS 2 Amendments	*Amendments to HKFRS 2 Share-based Payment-Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [4]
HKFRS 8	*Operating Segments* [1]
HK(IFRIC)-Int 12	*Service Concession Arrangements* [3]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [2]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* [3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2008
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2009

The revised HKAS 1 separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised HKAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests.

The amendments to HKAS 32 and HKAS 1 allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. As the Group currently has no such financial instruments, the amendments are unlikely to have any financial impact on the Group.

The amendments to HKFRS 2 restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

The revised HKFRS 3 introduces a number of changes in the accounting for business combinations that will have impact on the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The changes introduced by the revised HKFRS 3 must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 April 2009.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

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 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.

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

Impairment of non-financial assets other than goodwill *(continued)*

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, but 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.

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.

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

Property, plant and equipment and depreciation *(continued)*

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.

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 assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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

Investments and other financial assets *(continued)*

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.

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 less any allowance for impairment. 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.

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. Loans and receivables together with any associated allowances are written off when there is no realistic prospect of future recovery.

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 by adjusting the allowance account. 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 and significant changes in the technological, market economic or legal environment that have an adverse effect on 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.

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 and other payables 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. The related interest expense is recognised within "finance costs" in the income statement.

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)*

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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.

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.

Other employee benefits- 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).

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

Other employee benefits- Retirement benefits schemes *(continued)*

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

Under the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to the 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 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 have 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

(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.

6. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered of contract revenue from building services contracting and maintenance businesses during the year.

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

	Group	
	2008	2007
	HK$'000	HK$'000
Revenue		
Building services contracting and maintenance businesses	**130,682**	210,512
Other income		
Bank interest income	**1,321**	1,225
Others	**256**	–
	1,577	1,225

7. LOSS BEFORE TAX

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

	Group	
	2008	2007
	HK$'000	HK$'000
Employee benefits expense		
(including directors' remuneration *(note 9)*)		
Wages, salaries and bonuses	**18,525**	27,646
Pension scheme contributions	**1,148**	1,350
	19,673	28,996
Less: Amount capitalised in contract costs	**(10,248)**	(16,275)
Amounts charged to administrative expenses	**9,425**	12,721
Auditors' remuneration	**680**	561
Cost of maintenance	**124,541**	194,103
Depreciation *(note 14)*	**209**	236
Minimum lease payments under operating leases in respect of land and buildings	**556**	620
Other operating expenses		
Impairment of trade receivables *(note 17)*	**1,650**	2,007
Impairment of other receivables	**–**	255
Impairment of retention money receivables	**–**	255
Loss on disposal of items of property, plant and equipment	**16**	–
	1,666	2,517

* As at 31 March 2008, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2007: Nil).

8. FINANCE COSTS

	Group 2008 HK$'000	2007 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**129**	92
Other	**100**	83
	229	175

No interest was capitalised by the Group in the current and 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 2008 HK$'000	2007 HK$'000
Fees:		
Executive directors	**60**	–
Non-executive director	**350**	–
Independent non-executive directors	**168**	231
	578	231
Other emoluments to executive directors:		
Salaries, allowances and benefits in kind	**–**	314
Performance related payments	**–**	–
Pension scheme contributions	**–**	12
	–	326
	578	557

9. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

	2008 HK$'000	2007 HK$'000
Ye Jianping	**73**	30
Derek Palaschuk (appointed on 25 February 2008)	**17**	–
Yao Xusheng (appointed on 6 March 2008)	**8**	–
Zhang Shaohua (redesignation to executive director on 6 March 2008)	**–**	30
Yu Hon To, David (resigned on 24 October 2007)	**70**	120
Ho Hin Kwan, Edmund (resigned on 1 August 2006)	**–**	40
Chan Chok Ki (resigned on 2 May 2006)	**–**	11
	168	231

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related payments HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2008					
Executive directors:					
Cao Jing (appointed on 2 May 2006)	–	–	–	–	–
Zhang Shaohua (redesignation on 6 March 2008)	60	–	–	–	60
	60	–	–	–	60
Non-executive directors:					
Mo Tianquan (redesignation to non executive director on 6 March 2008)	350	–	–	–	350

9. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and a non-executive director *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related payments HK$'000	Pension scheme contributions HK$'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

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 did not include any directors (2007: included two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration of the five (2007: three) non-director, highest paid employees for the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,161**	2,916
Pension scheme contributions	**176**	189
	3,337	3,105

The remuneration of the five (2007: three) non-director, highest paid employees fell within the band of HK$1 to HK$1,500,000.

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% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2008	2007
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**60**	56
Overprovision in prior years	**–**	(20)
Total tax charge for the year	**60**	36

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

	Group	
	2008	2007
	HK$'000	HK$'000
Loss before tax	**(8,644)**	(2,690)
Tax at the statutory tax rate 17.5% (2007: 17.5%)	**(1,513)**	(471)
Adjustments in respect of current tax of previous years	**–**	(20)
Income not subject to tax	**(231)**	(214)
Expenses not deductible for tax	**860**	407
Tax losses utilised from previous years	**–**	(76)
Tax losses not recognised	**921**	430
Others	**23**	(20)
Tax charge for the year	**60**	36

11. TAX *(continued)*

The Group has tax losses arising in Hong Kong of approximately HK$20,987,000 (2007: HK$15,722,000) 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 utilised.

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The loss attributable to equity holders of the parent for the year ended 31 March 2008 includes a loss of HK$3,538,000 (2007: HK$1,095,000) which has been dealt with in the financial statements of the Company (note 24(b)).

13. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share is based on the 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 calculation of diluted loss per share amounts is based on the loss for the year attributable to equity holders of the parent, adjusted to reflect the interest on the convertible bonds of the Company and the dilution effect on loss assuming there is a full conversion of the convertible bonds of the Company, where applicable (see below). The number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year, as used in the basic loss per share calculation.

13. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT *(continued)*

The calculations of basic loss and diluted loss per share are based on:

	Group	
	2008	2007
	HK$'000	HK$'000
Loss		
Loss attributable to equity holders of the parent	**8,361***	2,508

	Number of shares	
	2008	2007
Shares		
Weighted average number of shares in issue during the year used in the basic loss per share calculation	**128,470,126**	115,930,400
Effect of dilution of the convertible bonds on the weighted average number of shares	**1,643,836**	–
	130,113,962*	115,930,400

* Because the diluted loss per share amount is decreased when taking convertible bonds of the Company into account, the convertible bonds of the Company had anti-dilutive effect on the basic loss per share for the year. Therefore, no diluted loss per share amount is disclosed.

No diluted loss per share for the year ended 31 March 2007 was computed as there was no diluting event during that year.

14. 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 2008					
At 31 March 2007 and at 1 April 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
At 1 April 2007, net of accumulated depreciation	2,294	186	55	79	2,614
Additions	–	7	–	111	118
Disposal	–	–	(35)	–	(35)
Depreciation provided during the year	(62)	(73)	(11)	(63)	(209)
At 31 March 2008, net of accumulated depreciation	2,232	120	9	127	2,488
At 31 March 2008:					
Cost	3,086	856	194	434	4,570
Accumulated depreciation	(854)	(736)	(185)	(307)	(2,082)
Net carrying amount	2,232	120	9	127	2,488

14. 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 2007					
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

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

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Furniture and office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
31 March 2008			
At 1 April 2007:			
Cost	46	57	103
Accumulated depreciation	(4)	(8)	(12)
Net carrying amount	42	49	91
At 1 April 2007, net of accumulated depreciation	42	49	91
Additions	1	–	1
Depreciation provided during the year	(9)	(20)	(29)
At 31 March 2008, net of accumulated depreciation	34	29	63
At 31 March 2008:			
Cost	47	57	104
Accumulated depreciation	(13)	(28)	(41)
Net carrying amount	34	29	63

14. 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

15. INTERESTS IN SUBSIDIARIES

	Company	
	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**2**	1
Due from subsidiaries	**19,319**	7,486
Due to subsidiaries	**(159)**	(159)
	19,162	7,328

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free, and are not repayable within one year. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries. The amount due to subsidiaries are unsecured, interest-free and are not repayable within one year.

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

15. INTERESTS IN SUBSIDIARIES *(continued)*

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
Aykens Holdings Limited	British Virgin Islands	US$100	100.00	Investment holding
Hopland Enterprises Limited	British Virgin Islands	US$100	100.00	Investment holding

* These 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.

16. GROSS AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2008	2007
	HK$'000	HK$'000
Gross amount due from contract customers	**28,147**	28,446
Gross amount due to contract customers	**(15,014)**	(13,213)
	13,133	15,233
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	**1,056,585**	928,003
Less: Progress billings	**(1,043,452)**	(912,770)
	13,133	15,233

At 31 March 2008, the retentions held by customers for contract works included in retention money receivables included in the current assets of the Group amounted to approximately HK$171,000 (2007: HK$652,000).

At 31 March 2008, the retentions held by the Group for contract works included in retention money payables included in current liabilities of the Group amounted to approximately HK$696,000 (2007: HK$1,552,000).

17. TRADE RECEIVABLES

	Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**30,520**	36,522
Impairment	**(4,092)**	(3,536)
	26,428	32,986

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.

17. TRADE RECEIVABLES *(continued)*

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	
	2008	2007
	HK$'000	HK$'000
0 to 30 days	**7,942**	10,385
31 to 60 days	**4,269**	3,630
61 to 90 days	**2,733**	2,659
Over 90 days	**11,484**	16,312
	26,428	32,986

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**3,536**	1,529
Impairment losses recognised *(note 7)*	**1,650**	2,007
Amounts written off as uncollectible	**(1,094)**	–
	4,092	3,536

The above provision for impairment of trade receivables represented provision for individually impaired trade receivables which related to customers that were in default or delinquency in payments. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**1,411**	1,061
Less than 30 days past due	**6,531**	9,324
31 to 90 days past due	**6,921**	6,353
Past due over 90 days	**11,565**	16,248
	26,428	32,986

17. TRADE RECEIVABLES *(continued)*

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayment	**236**	123	**142**	123
Deposits and other receivables	**16,610**	23,013	**2,782**	245
	16,846	23,136	**2,924**	368

None of the above assets are either past due or impaired. The financial assets included in the above balances relate to receivables for which where was no recent history of default.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**13,909**	2,131	**1,124**	668
Time deposits	**151,482**	31,188	**151,482**	31,188
Cash and cash equivalents	**165,391**	33,319	**152,606**	31,856

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 bank balances are deposited with creditworthy banks with no recent history of default. 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	
	2008	2007
	HK$'000	HK$'000
Current to 30 days	**10,852**	5,742
31 to 60 days	**610**	368
Over 60 days	**9,467**	11,231
	20,929	17,341

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

21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**12,444**	24,590	**581**	562
Accruals	**7,433**	10,631	**1,239**	455
	19,877	35,221	**1,820**	1,017

Except for an outstanding other payable balance of the Group of HK$1,074,000 (2007: HK$1,263,000) which bears interest at the Hong Kong dollar prime rate per annum, other payables are non-interest-bearing and are payable on demand or to be settled within three months.

22. CONVERTIBLE BONDS

On 28 March 2008, the Company issued convertible bonds with a nominal value of HK$120,000,000 (the "Bonds"). There was no movement in the number of the Bonds during the year. The Bonds have a five-year term and were issued at par, resulting in total proceeds of HK$120,000,000. Interest is payable half yearly in arrears at a nominal annual interest rate of 1%. Each bond is convertible at any time from the first anniversary of the issue date to the maturity date, at the holder's option, into 200,000,000 ordinary shares of the Company at an initial conversion price of HK$0.6 per share, subject to adjustments in certain events. The Bonds may be redeemed at the option of the Company in whole or in part, upon the written confirmation has been obtained from the bondholder in accordance with the terms of the Bonds.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The Bonds issued during the year have been split as to the liability and equity components, as follow:

	2008 **HK$'000**
Nominal value of the Bonds issued during the year	**120,000**
Equity component*	**(43,405)**
Direct transaction costs attributable to the liability component	**(236)**
Liability component at the issuance date and at 31 March 2008	**76,359**

The effective interest rate of the Bonds was 10.5% per annum. The fair value of the liability component of the Bonds was estimated using an equivalent market interest rate for a similar convertible bond. The carrying amounts of the Bonds approximate to their fair values.

* The direct transaction costs attributable to the equity component of the Bonds amounted to HK$133,000.

23. SHARE CAPITAL

	Company	
	2008 **HK$'000**	2007 HK$'000
Authorised:		
8,000,000,000 ordinary shares of HK$0.01 each (2007: 8,000,000,000 ordinary shares of HK$0.01 each)	**80,000**	80,000
Issued and fully paid:		
138,930,400 ordinary shares of HK$0.01 each (2007: 115,930,400 ordinary shares of HK$0.01 each)	**1,389**	1,159

23. SHARE CAPITAL *(continued)*

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 two new investors, resulting in total proceeds of HK$18,216,000. The purpose of the issue was to provide additional working capital.

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

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2006, 31 March 2007 and 1 April 2007	115,930,400	1,159	–	1,159
Issue of shares	23,000,000	230	17,986	18,216
As at 31 March 2008	138,930,400	1,389	17,986	19,375

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 23 of the financial statements.

(b) Company

	Share premium account HK$'000	Contributed surplus* HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2006	–	60,918	132	(22,488)	38,562
Loss for the year	–	–	–	(1,095)	(1,095)
At 31 March 2007 and 1 April 2007	–	60,918	132	(23,583)	37,467
Issue of shares	17,986	–	–	–	17,986
Loss for the year	–	–	–	(3,538)	(3,538)
At 31 March 2008	**17,986**	**60,918**	**132**	**(27,121)**	**51,915**

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

25. 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 ended 31 March 2007:

		Group
		2007
	Notes	HK$'000
Billing of building maintenance works and building services installation works to Chinney Construction Company Limited ("Chinney Construction")	*(i)*	121,999
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

Notes:

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

As at 31 March 2007, included in the Group's trade receivables balance were amounts due from Chinney Construction, of approximately HK$1,709,000. The balance was unsecured, interest-free and repayable within normal credit terms of 60 days.

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

(ii) The amount was charged to SCEE and WAL by Tinhawk Company Limited. Mr. Chan Yuen Keung, Zuric, and Mr. Yu Sek Kee, Stephen are common directors of Tinhawk Company Limited, SCEE and WAL.

(iii) 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.

Chinney Construction, SCEE and WAL are no longer the related parties to the Group upon the resignation of both Chan Yuen Keung, Zuric and Yu Sek Kee, Stephen as directors of the Company on 19 July 2006. During the year ended 31 March 2008, the Group continued to have the above transactions with these former related parties.

25. RELATED PARTY TRANSACTIONS *(continued)*

(b) Other transaction with a related party:

On 29 October 2007, the Company (as issuer), Tanisca Investments Limited ("Tanisca"– subscriber) entered into a subscription agreement pursuant to which the Company conditionally agreed to issue and Tanisca conditionally agreed to subscribe for the redeemable convertible bonds (the "Bonds") in an aggregate principal amount of HK$120 million. The Bonds bear 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 Bonds was set at HK$0.60 per conversion share (subject to adjustments in certain events). Tanisca is wholly owned by Mr. Mo Tianquan ("Mr. Mo"), who is a director and also interested in approximately 50.51% of the total issued share capital of the Company as at 31 March 2008. Mr. Mo is thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bonds 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. The issue of the Bonds was completed on 28 March 2008.

(c) Outstanding balances with related parties:

(i) Details of the Company's balances with subsidiaries are included in note 15 to the financial statements.

(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.

26. 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 two years (2007: one to four years).

At 31 March 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**547**	890
In the second to fifth years, inclusive	**203**	730
	750	1,620

27. COMMITMENT

In addition to the operating lease commitments detailed in note 26 above, the Group had the following capital commitment at the balance sheet date:

	2008	2007
	HK$'000	HK$'000
Contracted, but not provided for, capital contribution payable to a jointly-controlled entity	**14,040**	–

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group

Financial assets

	Loan and receivables	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**26,428**	32,986
Retention money receivables	**171**	652
Financial assets included in prepayments, deposits and other assets *(note 18)*	**16,610**	23,013
Cash and cash equivalents	**165,391**	33,319
	208,600	89,970

Financial liabilities

	Financial liabilities at amortised cost	
	2008	2007
	HK$'000	HK$'000
Trade payables	**20,929**	17,341
Retention money payables	**696**	1,552
Financial liabilities included in other payables and accruals *(note 21)*	**12,444**	24,590
Convertible bonds	**76,359**	–
	110,428	43,483

28. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

Financial assets

	Loans and receivables	
	2008	2007
	HK$'000	HK$'000
Financial assets included in prepayments, deposits and other receivables *(note 18)*	**2,782**	245
Cash and cash equivalents	**152,606**	31,856
	155,388	32,101

Financial liabilities

	Financial liabilities at amortised cost	
	2008	2007
	HK$'000	HK$'000
Financial liabilities included in other payables and accruals *(note 21)*	**581**	562
Convertible bonds	**76,359**	–
	76,940	562

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are cash and bank balances, and short-term deposits. 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 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:

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

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 included in other payables 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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase/ (decrease) in basis points	**(Increase)/ decrease in loss before tax**	**Increase/ (decrease) in equity**	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in equity**
		HK$'000	HK$'000		HK$'000
2008					
Hong Kong dollar	**50**	**497**	**410**	**50**	**380**
Hong Kong dollar	**(50)**	**(497)**	**(410)**	**(50)**	**(380)**
2007					
Hong Kong dollar	50	176	145	50	138
Hong Kong dollar	(50)	(176)	(145)	(50)	(138)

Credit risk

The Group maintains various credit policies for business operations as detailed in note 17. 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, trade receivables, retention money receivables and deposits and other receivables, the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a continuity of funding for the Group operations. 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.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, is as follows:

Group

2008

	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	20,929	–	20,929
Retention money payables	–	696	–	696
Other payables	11,989	455	–	12,444
Convertible bonds	–	–	120,000	120,000
	11,989	22,080	120,000	154,069

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Group

2007

	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	17,341	–	17,341
Retention money payables	–	1,552	–	1,552
Other payables	13,690	10,900	–	24,590
	13,690	29,793	–	43,483

Company

2008

	On demand HK$'000	**Less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Other payables	**551**	**30**	**–**	**581**
Convertible bonds	**–**	**–**	**120,000**	**120,000**
	551	**30**	**120,000**	**120,581**

2007

	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Other payables	551	11	–	562

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 31 March 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, retention money payables, other payables and accruals, less cash and cash equivalents. Capital includes convertible bonds and equity attributable to equity holders of the parent. As at 31 March 2008, the Group's cash and cash equivalents are in excess of the Group's debts. As such, the gearing ratio as at 31 March 2008 has not been shown. The gearing ratio as at 31 March 2007 was as follows:

Group

	2007 HK$'000
Trade payables	17,341
Retention money payables	1,552
Other payables and accruals	35,221
Less: Cash and cash equivalents	(33,319)
Net debt	20,795
Convertible bonds, the liability component	–
Equity attributable to equity holders	52,804
Total adjusted capital	52,804
Capital and net debt	73,599
Gearing ratio	28%

30. POST BALANCE SHEET EVENTS

On 29 April 2008, the Company made an announcement of the proposal to raise approximately HK$101 million, by way of rights issue of 208,395,600 rights shares at HK$0.5 each on the basis of three rights shares for every two existing shares held on the record date.

On 19 May 2008, the Company made an announcement that the ordinary resolution in relation to the rights issue, the underwriting agreement and the transactions contemplated thereunder was duly approved by the independent shareholders by way of poll at the Special General Meeting on 19 May 2008.

The rights issue had been completed on 12 June 2008, there were 254 valid applications for 178,837,813 rights shares received, representing approximately 85.82% of the total number of 208,395,600 rights shares offered under the rights issue. Based on the above, the rights issue was under-subscribed and therefore the Group's holding company, as the underwriter, has performed its obligation under the underwriting agreement and taken up the remaining balance of 29,557,787 rights shares.

Pursuant to the terms of the Company's Bonds which were issued on 28 March 2008 (note 22 to the financial statements), the conversion price of the Bonds has been adjusted from HK$0.60 per share to HK$0.3695 per share and the number of shares falling to be issued upon full conversion of the Bonds has been adjusted from 200,000,000 to 324,763,193 shares as a result of the above rights issue.

31. COMPARATIVE AMOUNTS

Certain comparative amounts in the consolidated balance sheet, consolidated cash flow statement and notes to the financial statements have been reclassified to confirm with the current year's presentation.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 July 2008.