
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shun Cheong Holdings Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

MAJOR TRANSACTION

PROPOSED DISPOSAL OF PROPERTY

Financial Adviser

Watterson Asia Limited

A notice convening a special general meeting of Shun Cheong Holdings Limited to be held at Lotus Room, 6th Floor, The Marco Polo Hong Kong Hotel, Harbour City, Kowloon, Hong Kong on 9 November 2005 at 11:00 a.m. is set out on pages 50 and 51 of this circular. A form of proxy for use in the special general meeting is enclosed. Whether or not you propose to attend the special general meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no later than 48 hours before the time appointed for holding the special general meeting or any adjourned meeting thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the special general meeting or any adjourned meeting thereof should you so wish.

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DEFINITIONS

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Shun Cheong Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Disposal”	the disposal of the Property pursuant to the terms of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	20 October 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Property”	Workshops Nos. 1, 3, 5, 7 and 9, 2nd Floor, Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong
“Purchaser”	Honey Lady International Limited, a company incorporated in Hong Kong with limited liability
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between Shun Cheong Real Estates and the Purchaser on 10 October 2005
“SGM”	the special general meeting of the Company to be held at Lotus Room, 6th Floor, The Marco Polo Hong Kong Hotel, Harbour City, Kowloon, Hong Kong on 9 November 2005 at 11:00 a.m. to approve the Disposal
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Shun Cheong Real Estates”	Shun Cheong Real Estates Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong



SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

Executive Directors:

Chan Yuen Keung, Zuric (*Chairman*)

Hong Yiu

Yu Sek Kee, Stephen

Au Shiu Wai, Frank

Au Yu Fai, Patrick

Registered Office:

Canon's Court

22 Victoria Street

Hamilton

HM 12

Bermuda

Independent Non-Executive Directors:

Chan Chok Ki

Ho Hin Kwan, Edmund

Yu Hon To, David

*Principal place of business
in Hong Kong:*

Flat 201, 2nd Floor

Premier Centre

20 Cheung Shun Street

Lai Chi Kok

Kowloon

Hong Kong

24 October 2005

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION

PROPOSED DISPOSAL OF PROPERTY

INTRODUCTION

On 10 October 2005, Shun Cheong Real Estates, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement pursuant to which Shun Cheong Real Estates conditionally agreed to sell to the Purchaser the Property for a cash consideration of HK\$16.5 million. The Disposal constitutes a major transaction of the Company under the Listing Rules.

The purpose of this circular is to, among other things, provide you with information of the Disposal and to convene the SGM to consider and, if thought fit, approve the Disposal.

LETTER FROM THE BOARD

THE SALE AND PURCHASE AGREEMENT

- Date of agreement : 10 October 2005
- Vendor : Shun Cheong Real Estates, an indirect wholly-owned subsidiary of the Company
- Purchaser : Honey Lady International Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are not connected with the Company, the director, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them.

Asset subject to the Disposal

Workshops Nos. 1, 3, 5, 7 and 9, 2nd Floor, Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong which will be delivered to the Purchaser for vacant possession on completion of the Disposal.

Consideration

The consideration of the Disposal is HK\$16.5 million, which was determined after arm's length negotiations between the parties and was agreed on normal commercial terms between the parties with reference to market prices as quoted by property agents. In arriving at the consideration, the Directors have taken into account the prevailing market conditions and prices of similar properties located in the nearby area. Knight Frank Hong Kong Limited, an independent property valuer, has valued the Property as at 10 October 2005 for HK\$13.5 million. The consideration of HK\$16.5 million under the Sale and Purchase Agreement represents a 22.2% premium to the latest independent valuation of the Property.

Pursuant to the Sale and Purchase Agreement, the consideration for the Disposal shall be paid in the following manner:

- (i) a sum of HK\$1.65 million shall be paid upon signing of the Sale and Purchase Agreement as deposit; and
- (ii) the balance of HK\$14.85 million shall be paid upon completion of the Disposal.

The sum of HK\$1.65 million as described in (i) above has already been paid by the Purchaser on 10 October 2005.

LETTER FROM THE BOARD

Condition Precedent

Completion of the Disposal is conditional upon the approval of the Disposal by Shareholders at the SGM, which is expected to be held as soon as practicable pursuant to the Listing Rules.

In the event that the conditions set out above are not fulfilled on or before 31 December 2005 or such other date as the parties may mutually agree, the Sale and Purchase Agreement will cease to be of any further effect, and none of the parties of the Sale and Purchase Agreement shall have any claims against the other and Shun Cheong Real Estates shall refund all deposits paid by the Purchaser.

Completion

Completion shall take place within 30 days upon the above conditions are fulfilled or become unconditional, which is expected on or before 30 January 2006 or such other date as mutually agreed.

INFORMATION ON PROPERTY AND FINANCIAL EFFECTS OF THE DISPOSAL

Details of the Property are summarised below:

Address : Workshops Nos. 1, 3, 5, 7 and 9, 2nd Floor, Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong

Floor area : The Property occupies a total gross floor area of approximately 7,364 square feet.

As at the Latest Practicable Date, the Property is occupied by the Group as head offices. Upon completion of the Sale and Purchase Agreement, the Group plans to rent other premises as head offices.

The audited net book value of the Property as at 31 March 2005 was HK\$15.7 million.

Based on the consideration from the sale of the Property, the Directors estimate that the Group will record a gain of approximately HK\$0.6 million after taking into account the relevant expenses in relation to the Disposal. Such gain, which is subject to review by the Company's auditors, will be recognized in the consolidated profit and loss account of the Group for the year ending 31 March 2006. Completion of the Disposal will give rise to the following effects on the financial position of the Group:

- (i) the consolidated fixed assets of the Group will be reduced by the net book value of the Property as at the date of completion of the Disposal (which amount was HK\$15.7 million as at 31 March 2005); and
- (ii) the consolidated cash balance of the Group will be increased by the net proceeds from the Disposal of approximately HK\$16 million as at the date of completion of the Disposal.

The effects of the Disposal are expected to be reflected in the consolidated financial statements of the Group for the year ending 31 March 2006, in which completion of the Disposal is expected to take place.

LETTER FROM THE BOARD

REASON FOR THE DISPOSAL

The Property is used by the Group as head offices. The Directors believe that it is to the benefit of the Group to take advantage of the current property market to dispose of the Property to create additional liquidity to the Group for future business needs.

Having regard to the consideration for the Disposal of HK\$16.5 million and the expected gain of approximately HK\$0.6 million arising from the Disposal, the Directors consider that the terms of the Disposal are fair and reasonable and that the Disposal is in the interests of the Company and Shareholders as a whole.

USE OF PROCEEDS

Net proceeds from the Disposal will be used as the Group's working capital.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of multi-disciplinary building services, comprising electrical engineering, water pumping and fire services, air-conditioning installation, plumbing and drainage, environmental engineering, extra low voltage systems engineering and project management, as well as trading of electrical and mechanical engineering materials and equipment.

THE SGM

The Disposal constitutes a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules and is therefore subject to approval by the Shareholders in the SGM. So far as is known to the Directors, no Shareholder has a material interest in the Disposal and accordingly no Shareholder is required to abstain from voting at the SGM to approve the Disposal.

Set out on pages 50 and 51 of this circular is a notice convening the SGM to be held at Lotus Room, 6th Floor, The Marco Polo Hong Kong Hotel, Harbour City, Kowloon, Hong Kong on 9 November 2005 at 11:00 a.m. at which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Disposal.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

VOTING ON POLL

Pursuant to bye-law 70 of the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll (before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) is demanded by:

- (1) the chairman of such meeting; or
- (2) at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (3) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to attend and vote at the meeting; or
- (4) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

By virtue of the existing bye-laws of the Company, unless a poll is so required or demanded and, in the latter case, the demand is not withdrawn, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.

RECOMMENDATION

Having regard to the consideration for the Disposal of HK\$16.5 million, the expected gain arising from the Disposal of approximately HK\$0.6 million (which is subject to the review by the Company's auditors), the prevailing market conditions and prices of similar properties located in the nearby area, the Directors consider that the terms of the Disposal are fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution as set out in the notice of the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Shun Cheong Holdings Limited
Chan Yuen Keung, Zuric
Chairman

1. SUMMARY OF AUDITED FINANCIAL INFORMATION

The following is a summary of the results and financial position of the Group for the three years ended 31 March 2005, as extracted from the annual reports of the Company for the years ended 31 March 2004 and 2005.

Results

	Year ended 31 March		
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
TURNOVER	<u>550,031</u>	<u>734,189</u>	<u>644,310</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	(33,826)	15,650	1,970
Share of loss of an associate	<u>—</u>	<u>—</u>	<u>(2)</u>
PROFIT/(LOSS) BEFORE TAX	(33,826)	15,650	1,968
Tax	<u>(741)</u>	<u>(4,418)</u>	<u>(4,872)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(34,567)	11,232	(2,904)
Minority interests	<u>838</u>	<u>(9,427)</u>	<u>(11,781)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(33,729)</u>	<u>1,805</u>	<u>(14,685)</u>

Assets, liabilities and minority interests

	As at 31 March		
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
TOTAL ASSETS	351,109	321,713	369,642
TOTAL LIABILITIES	(266,478)	(202,489)	(261,462)
MINORITY INTERESTS	<u>(18,217)</u>	<u>(19,081)</u>	<u>(9,842)</u>
	<u>66,414</u>	<u>100,143</u>	<u>98,338</u>

2. EXTRACT OF THE FINANCIAL STATEMENTS

Set out below are the audited consolidated profit and loss account of the Group for each of the two years ended 31 March 2004 and 2005, the audited consolidated balance sheet of the Group as at 31 March 2004 and 31 March 2005, the audited consolidated statement of changes in equity of the Group for each of the two years ended 31 March 2004 and 2005, the audited consolidated cash flow statement of the Group for each of the two years ended 31 March 2004 and 2005 and the audited balance sheet of the Company as at 31 March 2004 and 31 March 2005 together with the relevant notes to the financial statements, as extracted from the annual report of the Company for the year ended 31 March 2005.

CONSOLIDATED PROFIT AND LOSS ACCOUNT*Year ended 31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
TURNOVER	5	550,031	734,189
Cost of installation and cost of sales		<u>(526,450)</u>	<u>(633,591)</u>
Gross profit		23,581	100,598
Other revenue and gains	5	2,016	1,809
Administrative expenses		(57,245)	(77,943)
Unrealised holding losses on long term investments		(654)	(8,863)
Provision for amounts due from former subsidiaries		–	(2,179)
Gain on dissolution of discontinued operations		<u>–</u>	<u>4,105</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6	(32,302)	17,527
Finance costs	7	<u>(1,524)</u>	<u>(1,877)</u>
PROFIT/(LOSS) BEFORE TAX		(33,826)	15,650
Tax	10	<u>(741)</u>	<u>(4,418)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(34,567)	11,232
Minority interests		<u>838</u>	<u>(9,427)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	<u><u>(33,729)</u></u>	<u><u>1,805</u></u>
EARNINGS/(LOSS) PER SHARE	12		(Restated)
Basic		<u><u>(29.09) cents</u></u>	<u><u>1.56 cents</u></u>

CONSOLIDATED BALANCE SHEET*31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	<i>13</i>	19,093	20,735
Interest in an associate	<i>15</i>	–	–
Long term investments	<i>16</i>	3,014	3,668
		<hr/>	<hr/>
		22,107	24,403
CURRENT ASSETS			
Gross amount due from contract customers	<i>17</i>	90,500	84,798
Inventories	<i>18</i>	395	3,248
Trade and other receivables	<i>19</i>	175,244	143,919
Retention money receivable		22,505	25,344
Prepayments, deposits and other assets		604	545
Prepaid tax		4,693	2,527
Pledged time deposits	<i>20, 22</i>	26,800	26,800
Cash and cash equivalents	<i>20</i>	8,261	10,129
		<hr/>	<hr/>
		329,002	297,310
CURRENT LIABILITIES			
Gross amount due to contract customers	<i>17</i>	91,745	61,827
Trade payables	<i>21</i>	33,576	30,628
Bills payable		3,263	6,443
Retention money payable		24,623	20,742
Other payables and accruals		59,102	44,874
Tax payable		357	474
Interest-bearing bank loans, overdrafts and other borrowings	<i>22</i>	46,886	30,274
Finance lease payables	<i>23</i>	–	180
		<hr/>	<hr/>
		259,552	195,442
NET CURRENT ASSETS			
		<hr/>	<hr/>
		69,450	101,868
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		91,557	126,271
NON-CURRENT LIABILITIES			
Loan from a minority shareholder of a subsidiary	<i>24</i>	6,900	6,900
Deferred tax liabilities	<i>25</i>	26	147
		<hr/>	<hr/>
		6,926	7,047
MINORITY INTERESTS			
		<hr/>	<hr/>
		18,217	19,081
		<hr/>	<hr/>
		66,414	100,143
CAPITAL AND RESERVES			
Issued capital	<i>26</i>	1,159	46,372
Reserves	<i>27(a)</i>	65,255	53,771
		<hr/>	<hr/>
		66,414	100,143
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2005

	Issued share capital <i>HK\$'000</i>	Share premium account* <i>HK\$'000</i>	Contributed surplus* <i>HK\$'000</i>	Capital redemption reserve* <i>HK\$'000</i>	Retained profits/ (accumulated losses)* <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	46,372	110,632	-	132	(58,798)	98,338
Profit for the year	-	-	-	-	1,805	1,805
At 31 March 2004 and 1 April 2004	46,372	110,632	-	132	(56,993)	100,143
Capital Reorganisation (note 26)	(45,213)	(110,632)	46,909	-	108,936	-
Loss for the year	-	-	-	-	(33,729)	(33,729)
At 31 March 2005	<u>1,159</u>	<u>-</u>	<u>46,909</u>	<u>132</u>	<u>18,214</u>	<u>66,414</u>
Reserves retained by: Company and subsidiaries at 31 March 2005	<u>1,159</u>	<u>-</u>	<u>46,909</u>	<u>132</u>	<u>18,214</u>	<u>66,414</u>
Company and subsidiaries	46,372	110,632	-	132	(56,762)	100,374
Associate	-	-	-	-	(231)	(231)
At 31 March 2004	<u>46,372</u>	<u>110,632</u>	<u>-</u>	<u>132</u>	<u>(56,993)</u>	<u>100,143</u>

* *These reserve accounts comprise the consolidated reserves in aggregate of HK\$65,255,000 (2004: HK\$53,771,000) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT*Year ended 31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(33,826)	15,650
Adjustments for:			
Interest paid	7	1,084	1,161
Interest income		(1,317)	(1,772)
Depreciation	6	1,749	2,539
Loss/(gain) on disposal of fixed assets	6	(29)	7
Gain on dissolution of discontinued operations	28	–	(4,105)
Loss/(gain) on dissolution of subsidiaries	28	(313)	33
Gain on dissolution of an associate		(199)	–
Provision for amounts due from former subsidiaries		–	2,179
Provision for doubtful debts	6	1,531	109
Unrealised holding losses on long term investments		654	8,863
Operating profit/(loss) before working capital changes		(30,666)	24,664
Decrease/(increase) in gross amount due from contract customers		(5,702)	1,655
Decrease in inventories		2,853	251
Decrease/(increase) in trade and other receivables		(32,894)	14,255
Decrease in retention money receivable		2,839	561
Decrease/(increase) in prepayments, deposits and other assets		(59)	57
Increase/(decrease) in gross amount due to contract customers		29,918	(21,687)
Increase/(decrease) in trade payables		2,948	(9,178)
Decrease in bills payable		(3,180)	(16,589)
Increase in retention money payable		3,881	3,462
Increase in other payables and accruals		14,885	4,655
Cash generated from/(used in) operations		(15,177)	2,106
Interest paid	7	(1,084)	(1,161)
Hong Kong profits tax paid		(3,145)	(6,226)
Hong Kong profits tax refunded		–	91
Net cash outflow from operating activities – page 12		(19,406)	(5,190)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)**Year ended 31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net cash outflow from operating activities – page 11		(19,406)	(5,190)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,317	1,772
Purchases of fixed assets	<i>13</i>	(656)	(105)
Proceeds from disposal of fixed assets		578	–
Dissolution of subsidiaries	<i>28</i>	(133)	(651)
Net cash inflow from investing activities		1,106	1,016
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to a minority shareholder		–	(6,000)
Capital element on finance lease rental payments		(180)	(270)
Increase/(decrease) in trust receipt loans		6,532	(3,857)
Repayment of bank loans		(3,333)	(4,000)
Net cash inflow/(outflow) from financing activities		3,019	(14,127)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(15,281)	(18,301)
Cash and cash equivalents at beginning of year		19,786	38,087
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,505	19,786
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	<i>20</i>	2,751	4,631
Non-pledged time deposits with original maturity of less than three months when acquired	<i>20</i>	5,510	5,498
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	<i>20</i>	26,800	26,800
Bank overdrafts	<i>22</i>	(30,556)	(17,143)
		4,505	19,786

BALANCE SHEET*31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Interests in subsidiaries	<i>14</i>	59,878	62,000
CURRENT ASSETS			
Prepayment, deposits and other assets		209	341
Cash and cash equivalents	<i>20</i>	74	75
		283	416
CURRENT LIABILITIES			
Other payables and accruals		219	207
NET CURRENT ASSETS			
		64	209
		<u>59,942</u>	<u>62,209</u>
CAPITAL AND RESERVES			
Issued capital	<i>26</i>	1,159	46,372
Reserves	<i>27(b)</i>	58,783	15,837
		<u>59,942</u>	<u>62,209</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2005

1. CORPORATE INFORMATION

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

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

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

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

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

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

Basis of consolidation

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

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

Subsidiaries

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

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

Associates

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

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

Impairment of assets

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

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

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

Fixed assets and depreciation

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

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

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

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

Long term investments

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

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

Installation and maintenance contracts and contracts in progress

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

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

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

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

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

Inventories

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

Income tax

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Provisions

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

Foreign currency transactions

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

Related parties

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

Cash and cash equivalents

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

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

Leased assets

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

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

Employee benefits*Paid leave carried forward*

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

Retirement benefits schemes

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

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

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

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

Revenue recognition

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

Group

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

Group

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

5. TURNOVER, REVENUE AND GAINS

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

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

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

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2005	Group
	<i>HK\$'000</i>	<i>2004</i>
		<i>HK\$'000</i>
Cost of inventories sold	17,332	24,583
Cost of installation	509,118	609,008
	<u>526,450</u>	<u>633,591</u>
Depreciation (<i>note 13</i>)	1,749	2,539
Minimum lease payments under operating leases in respect of land and buildings	1,095	1,425
Auditors' remuneration	800	800
Staff costs (including directors' remuneration (<i>note 8</i>)): <ul style="list-style-type: none"> Wages and salaries Pension scheme contributions Less: Forfeited contributions 	50,958 3,021 <u>(309)</u>	64,299 2,811 <u>(1,038)</u>
Net pension contributions*	<u>2,712</u>	<u>1,773</u>
	53,670	66,072
Less: Amount capitalised in contract costs	<u>(10,537)</u>	<u>(118)</u>
Amounts charged to administrative expenses	<u>43,133</u>	<u>65,954</u>
Provision for doubtful debts	1,531	109
Recovery of previously provided doubtful debts	(134)	(392)
Loss/(gain) on disposal of fixed assets	<u>(29)</u>	<u>7</u>

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

7. FINANCE COSTS

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

8. DIRECTORS' REMUNERATION

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

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

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

	Number of directors	
	2005	2004
Nil	3	3
HK\$1 to HK\$1,000,000	3	5
HK\$1,000,001 to HK\$1,500,000	3	2
HK\$2,000,001 to HK\$2,500,000	–	1
	<u>9</u>	<u>11</u>

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

9. FIVE HIGHEST PAID EMPLOYEES

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

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

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

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

10. TAX

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

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

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

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

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

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

12. EARNINGS/(LOSS) PER SHARE

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

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

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

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

13. FIXED ASSETS

Group

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

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

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

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

14. INTERESTS IN SUBSIDIARIES

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

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

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

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company*	Principal activities
Ecotech Engineering Limited	Hong Kong	HK\$650,001	89.99	Design, installation and maintenance of waste-water treatment systems
Ever Billion Engineering Limited	Hong Kong	HK\$100	100.00	Provision of building and electrical maintenance services
Shun Cheong Automation Systems Limited	Hong Kong	HK\$2,000,000	85.00	Design and installation of computer control systems and building automation projects
Shun Cheong Electrical Engineering Company Limited	Hong Kong	HK\$4,100,000	100.00	Design, installation, repair and maintenance of electrical and mechanical systems
Shun Cheong Electrical Supplies Company Limited	Hong Kong	HK\$100,000	100.00	General trading of materials and equipment for electrical installation
Shun Cheong M & E Limited (subsequently known as "Shun Cheong Trade and Development Company Limited")	Hong Kong	HK\$663,000	100.00	Trading of electrical generators and uPVC conduits and trunking systems
Shun Cheong Management Limited	Hong Kong	HK\$2	100.00	Provision of management services

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company*	Principal activities
Shun Cheong Real Estates Limited	Hong Kong	HK\$10,000	100.00	Property holding
Shun Wing Construction & Engineering Company Limited ("Shun Wing")	Hong Kong	HK\$1,000	50.10	Provision of building and electrical maintenance services
Tinhawk Company Limited	Hong Kong	HK\$2,000,000	90.00	Installation and maintenance of water pumps and fire prevention and fighting systems
Westco Airconditioning Limited	Hong Kong	HK\$4,100,000	100.00	Design, installation and maintenance of heating ventilation and air-conditioning systems

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

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

15. INTEREST IN AN ASSOCIATE

	2005	Group
	<i>HK\$'000</i>	2004
		<i>HK\$'000</i>
Share of net assets of an associate	—	—

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

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

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

16. LONG TERM INVESTMENTS

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

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

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

18. INVENTORIES

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

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

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

19. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

21. TRADE PAYABLES

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

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

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

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

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

23. FINANCE LEASE PAYABLES

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

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

Group

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

24. LOAN FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

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

25. DEFERRED TAX LIABILITIES

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

Group

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

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

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

26. SHARE CAPITAL

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

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

- (a) the consolidation of every four ordinary shares of HK\$0.10 each (issued and unissued) into one ordinary share of nominal value of HK\$0.40 (the “Consolidated Share”);
- (b) the reduction of the nominal value of each Consolidated Share in issue from HK\$0.40 to HK\$0.01 by the cancellation of HK\$0.39 from the paid-up capital of each Consolidated Share;
- (c) the sub-division of each authorised but unissued Consolidated Share of HK\$0.40 into 40 ordinary shares of HK\$0.01 each (the “New Shares”);
- (d) the increase of the authorised share capital to HK\$80,000,000 by the creation of 4,521,285,600 New Shares of HK\$0.01 each ranking pari passu in all respects with each other;
- (e) the application of the total credit of HK\$45,212,856 arising from the capital reduction as detailed in (b) above to set off the accumulated losses of the Company of HK\$108,935,656 as at 31 March 2004, and
- (f) the cancellation of the share premium account of HK\$110,631,927 and the application of the credit so arising as follows:
 - (i) to eliminate the balance of the accumulated losses of the Company as at 31 March 2004; and
 - (ii) to apply the remaining credit of HK\$46,909,127 arising therefrom to the Company’s contributed surplus account.

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

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

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

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 10 of this circular.

(b) Company

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

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

28. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Dissolution of subsidiaries, net

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

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

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

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

29. RELATED PARTY TRANSACTIONS

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

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

Notes:

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

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

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

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

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

30. CONTINGENT LIABILITIES

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

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

31. OPERATING LEASE ARRANGEMENTS

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

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

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

32. COMMITMENTS

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

33. COMPARATIVE AMOUNTS

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

34. APPROVAL OF THE FINANCIAL STATEMENTS

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

3. STATEMENT OF INDEBTEDNESS

As at 31 August 2005, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this statement of indebtedness, the Group had outstanding secured and unsecured bank borrowings, which represented bank overdraft and trust receipt loans, of approximately HK\$16,018,000 and HK\$18,204,000 respectively, an unsecured advance of HK\$7,000,000 from Chinney Development Company Limited and an unsecured loan from a minority shareholder of a subsidiary of the Company of HK\$6,900,000 which was interest-free and had no fixed terms of repayment. As at 31 August 2005, the Group had contingent liability of HK\$7,120,000 in respect of corporate guarantees provided by the Group to a bank for the issue of a performance bond.

The Group's secured banking facilities were secured by bank deposits of the Group of HK\$26,800,000 and certain leasehold land and buildings of the Group with a net book value of approximately HK\$15,556,000 as at 31 August 2005. The relevant mortgage of the pledged leasehold land and buildings for the aforesaid banking facilities was subsequently released on 7 October 2005. The unsecured advance of HK\$7,000,000 from Chinney Development Company Limited was interest bearing at Hong Kong dollars best lending rates as quoted by Standard Chartered Bank (Hong Kong) Limited from time to time and had been fully repaid in September 2005. Wong Sai Wing, James, who resigned as the chairman and executive director of the Company on 17 September 2004, was a director of and had beneficial interest of over 30% in the issued share capital of Chinney Development Company Limited. Therefore, Chinney Development Company Limited is a connected person of the Company. As the unsecured advance was provided to the Group on normal commercial terms and was not secured by the assets of the Group, it was exempted from any reporting, disclosure and shareholders' approval requirements as connected transaction pursuant to Rule 14A.65(4) of the Listing Rules.

Save as aforesaid and apart from intra-group liabilities, normal trade payable and bills payable, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdraft or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or guarantees or other material contingent liabilities as at the close of business on 31 August 2005.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximately exchange rates prevailing at the close of business on 31 August 2005.

Save as disclosed above, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 August 2005.

4. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that following the completion of the Disposal, taking into account the financial resources available to the Group, including internal resources and present available banking facilities, and in the absence of unforeseen circumstances, the Group has available sufficient working capital for the Group's present requirements, that is for at least the next 12 months from the date of publication of this circular.

5. FINANCIAL AND TRADING PROSPECTS

The local economy continues to show improvement while the pricing of building services contracts is still under pressure resulting from limited construction works in both private sector and public sector in Hong Kong. On the other hand, the development of entertainment business and tourism in Macau will provide business opportunities for Hong Kong construction companies for the next few years. The Group will concentrate on its core building services business in Hong Kong and explore new business opportunities in Macau with its expertise as a building services contractor based in Hong Kong and competitive advantage in this specialised trade. Despite the adverse market conditions in Hong Kong, the Directors remain optimistic of the Group's business in the future.

The following is the text of the letter and valuation certificate, prepared for the purpose of incorporation in this circular, received from Knight Frank Hong Kong Limited, an independent valuer, in connection with their valuation of the Property as at 10 October 2005.



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24 October, 2005

The Directors
Shun Cheong Holdings Limited
Flat 201, 2nd Floor
Premier Centre
20 Cheung Shun Street
Lai Chi Kok
Kowloon

Dear Sirs,

**Re: Workshops Nos. 1, 3, 5, 7 and 9 on 2nd Floor,
Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon
("the property")**

In accordance with your instructions for us to value the property held by Shun Cheong Holdings Limited (the "Company") or its subsidiaries (together referred to as the "Group"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the property as at 10 October, 2005.

Our valuation of the property is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation has been made on the assumption that the owner sells the property on the open market in its existing state without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangements which would serve to increase the value of the property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property.

In valuing the property which is owned and occupied by the Group, we have valued it by the Direct Comparison Method by making reference to the comparable market transactions assuming sale with vacant possession.

In valuing the property which is held under a Government lease expired before 30 June, 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance that such lease term has been extended without premium until 30 June, 2047 and that an annual rent at three per cent of the rateable value of the property is charged from the date of extension.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, floor areas and all other relevant matters. We have caused searches to be made at the Land Registry. However, we have not scrutinised the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to our valuation. We were also advised by the Group that no material facts have been omitted from the information supplied.

We have inspected both the exterior and the interior of the property. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Our valuation has been prepared in accordance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities published by the Stock Exchange Hong Kong Limited and the Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
KNIGHT FRANK HONG KONG LIMITED
C.K. Lau
MHKIS MRICS RPS(GP)
Executive Director

Note: Mr. C.K. Lau, a professional member of The Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice, has over 12 years post-qualification experience in the valuation of properties in Hong Kong and the People's Republic of China.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 10 October, 2005
Workshops Nos. 1, 3, 5, 7 and 9 on 2nd Floor, Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon	The property comprises 5 workshop units on the 2nd Floor of a 14-storey industrial building completed in 1994. The total gross floor area of the property is approximately 7,364 sq.ft.	The property is occupied by the Group as head offices.	HK\$13,500,000
128/2,625th shares of and in New Kowloon Inland Lot No. 5538.	The property is held under Conditions of Sale No. 10539 for a term of 99 years less the last 3 days from 1 July, 1898. The lease term was statutorily extended until 30 June, 2047. The annual Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property.		

Notes: (1) The registered owner of the property is Shun Cheong Real Estates Limited, which is an indirect wholly-owned subsidiary of the Company.

(2) The property is situated within an area zoned "Other Specified Uses (Business)" under Cheung Sha Wan Outline Zoning Plan No. S/K5/28 dated 12 August, 2005.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interest of Directors

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests and short positions in the equity and debt securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the ordinary shares of the Company:

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Chan Yuen Keung, Zuric	Personal	2,500,000	2.16
Hong Yiu	Personal	6,805,000	5.87
Au Shiu Wai, Frank	Personal	150,000	0.13
Au Yu Fai, Patrick	Personal	88,500	0.08

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of persons who had an interest or short position which were discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

- (i) As at the Latest Practicable Date, according to the register of interests in long positions and short positions kept by the Company pursuant to Divisions 2 and 3 of Part XV and section 336 of the SFO and so far as the Directors were aware, the following persons had a long position or share position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions

Name of shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Chinney Alliance Group Limited	Directly beneficially owned	34,697,500	29.93
Hong Yiu	Directly beneficially owned	6,805,000	5.87

- (ii) As at the Latest Practicable Date, so far as was known to Director and chief executive of the Company, the following persons were directly or indirectly interested in 10 % or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group other than the Company and the amount of each of such persons' interests in such securities were as follows:

Name of persons having more than 10% interest	Name of members of the Group	Approximate percentage of interest held
Chan Chi Kin	Tinhawk Company Limited	10.00
Howing Engineering Limited	Shun Wing Construction & Engineering Company Limited	49.90
Lin Shu Lin	Shun Cheong Shenzhen Jianda Joint Venture Company Limited	30.00
Lo Koon Hung	Shun Cheong Automation Systems Limited	15.00

Save as disclosed above, so far as is known to Directors and chief executive of the Company, no other person as at the Latest Practicable Date had a long position or short position in the shares, underlying shares or debentures which would fall to be disclosed to the Company under the provisions of Divisions 2 ad 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

(c) Directors' service contracts

None of the Directors has any existing or proposed service contract (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)) with any member of the Group.

(d) Directors' interests in competing business

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had an interest in a business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

(e) Miscellaneous

Save as disclosed in this circular and as at the Latest Practicable Date,

- (i) None of the Directors and Knight Frank Hong Kong Limited has or had any direct or indirect interests in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group since 31 March 2005, being the date to which the latest published audited financial statements of the Company were made up;
- (ii) As detailed in the Company's circular dated 24 August 2004, Ever Billion Engineering Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Chinney Construction Company, Limited on 10 August 2004 for the subcontracting of a 3-year buildings and land maintenance contract dated 31 March 2004 awarded from the Architectural Services Department of the Government of Hong Kong Special Administrative Region to Chinney Construction Company, Limited. Chan Yuen Keung, Zuric, the Chairman of the Company, is a director of and has beneficial interests in 13.95% of the issued share capital of Chinney Construction Company, Limited. This agreement constituted a continuing connected transaction of the Company and was approved by independent shareholders of the Company at a special general meeting held on 16 September 2004.

Save as disclosed above, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and

- (iii) Knight Frank Hong Kong Limited did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

4. MATERIAL CONTRACTS

Other than the Sale and Purchase Agreement and the agreement dated 10 August 2004 between Ever Billion Engineering Limited and Chinney Construction Company, Limited, neither the Company nor any of its subsidiaries had entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and are or may be material.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2005, the date to which the latest audited financial statements of the Company were made up.

6. CONSENT AND QUALIFICATION OF EXPERT

Knight Frank Hong Kong Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and letter and the reference to its name in the form and context in which it appears.

The qualification of the expert who has provided its opinion or report contained in this circular is set out as follows:

Name	Qualification
Knight Frank Hong Kong Limited	Professional surveyors and valuer

7. GENERAL

- (i) The secretary and qualified accountant of the Company is Lo Yun Sang, BBA, CPA, FCCA.
- (ii) The head office and principal place of business of the Company is situated at Flat 201, 2nd Floor, Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong. The Hong Kong share registrar of the Company is Computershare Hong Kong Investor Services Limited, situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(iii) The English language text of this circular shall prevail over the Chinese language text.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Flat 201, 2nd Floor, Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong during normal office hours up to and including 9 November 2005:

- (a) the bye-laws of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 March 2004 and 2005;
- (c) the letter and valuation certificate prepared by Knight Frank Hong Kong Limited as set out in Appendix II to this circular;
- (d) the written consent referred to in the paragraph headed “Consent and qualification of expert” in this appendix;
- (e) the Sale and Purchase Agreement;
- (f) the agreement entered between Ever Billion Engineering Limited and Chinney Construction Company, Limited on 10 August 2004 for the subcontracting of a 3-year buildings and land maintenance contract dated 31 March 2004 awarded by the Architectural Services Department of the Government of Hong Kong Special Administrative Region to Chinney Construction Company, Limited; and
- (g) this circular.

NOTICE OF THE SGM



SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

NOTICE IS HEREBY GIVEN that a special general meeting of Shun Cheong Holdings Limited (the “Company”) will be held at Lotus Room, 6th Floor, The Marco Polo Hong Kong Hotel, Harbour City, Kowloon, Hong Kong on 9 November 2005 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the sale and purchase agreement executed on 10 October 2005 entered into between Shun Cheong Real Estates Limited, an indirect wholly-owned subsidiary of the Company, and Honey Lady International Limited in relation to the sale of the property known as Workshops Nos. 1, 3, 5, 7 and 9, 2nd Floor, Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong by Shun Cheong Real Estates Limited to Honey Lady International Limited (a copy of such sale and purchase agreement has been produced to this meeting and marked “A” and initialed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved.”

By order of the Board
Shun Cheong Holdings Limited
Chan Yuen Keung, Zuric
Chairman

Hong Kong, 24 October 2005

Head Office and Principal Place of Business:

Flat 201, 2nd Floor
Premier Centre
20 Cheung Shun Street
Lai Chi Kok
Kowloon
Hong Kong

NOTICE OF THE SGM

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use for the aforesaid purpose will be delivered forthwith together with a copy of this original notice to the registered address of the members entitled to vote at the meeting. In order to be valid, the said form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting at which the person named in such instrument proposes to vote.
3. Whether or not you propose to attend the meeting in person, you are strongly urged to complete and return the said form of proxy in accordance with the instructions printed thereon. Completion and return of such form of proxy will not preclude you from attending the meeting and voting in person if you so wish (in which case any appointment of proxy for the purpose of the meeting will be automatically revoked).
4. For joint registered holders of any share attending the meeting on the same occasion, the vote of the holder whose name stands first on the register who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
5. As at the date hereof, the board of directors of the Company comprises of eight directors, of whom five are executive directors, namely Chan Yuen Keung, Zuric, Hong Yiu, Yu Sek Kee, Stephen, Au Shiu Wai, Frank and Au Yu Fai, Patrick; and three are independent non-executive directors, namely Chan Chok Ki, Ho Hin Kwan, Edmund and Yu Hon To, David.