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.

SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 650)

PROPOSED DISPOSAL OF THE ENTIRE INTEREST IN SHUN CHEONG INVESTMENTS LIMITED

VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Financial adviser to Shun Cheong Holdings Limited

Watterson Asia

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

KIM ENG

Kim Eng Corporate Finance (Hong Kong) 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 Monday, 27 March 2006 at 10:00 a.m. is set out on pages 108 and 109 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 to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Securities Limited, Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong 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.

10 March 2006

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Account Date"	30 September 2005
"Accountants' Report"	the accountants' report of the Contracting Group as at the Account Date issued on 10 March 2006 and contained in the circular of CAG dated 10 March 2006
"Acquisition"	the acquisition by CAT (BVI) of the entire issued share capital of SCI pursuant to the Sale and Purchase Agreement
"Annual Caps"	the maximum aggregate annual value of the transactions contemplated under the Continuing Connected Transactions
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audited Consolidated Net Tangible Assets"	the audited consolidated net tangible assets of the Contracting Group at the Account Date as set out in the Accountants' Report assuming the Corporate Restructuring had taken place
"Board"	the board of Directors
"business day"	a day on which licensed banks in Hong Kong are generally open for business (excluding Saturday, Sunday and public holidays)
"CAG" or "Purchaser's Guarantor"	Chinney Alliance Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 385), and the guarantor of the Purchaser in respect of the Sale and Purchase Agreement
"CAG Board"	the board of CAG Directors
"CAG Group"	CAG and its subsidiaries
"CAG SGM"	the special general meeting of CAG to be convened and held for, amongst other things, seeking approvals from the CAG Shareholders for the Acquisition contemplated under the Sale and Purchase Agreement
"CAG Shareholder(s)"	holder(s) of shares of CAG
"CAT (BVI)" or the "Purchaser"	Chinney Alliance Trading (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CAG, the purchaser under the Sale and Purchase Agreement

"Company"	Shun Cheong Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 650), the vendor under the Sale and Purchase Agreement, which is owned as to approximately 29.93% by CAG
"Completion"	the completion of the Acquisition and Disposal contemplated under the Sale and Purchase Agreement
"Completion Date"	the 5th business day after fulfillment of all the conditions precedent and shall in any event be no later than the Long Stop Date
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration of HK$35,000,000 (subject to adjustment) under the Sale and Purchase Agreement
"Continuing Connected Transactions"	the transactions contemplated under the Sub-contracting Agreements
"Contracting Group"	SCI and its certain subsidiaries engaging in building related contracting services for both public and private sectors, together with any investments held by SCI and/or such subsidiaries
"Corporate Restructuring"	the corporate restructuring of the Company and its subsidiaries and/or investments prior to Completion, which include the transfer of certain subsidiaries of SCI engaging in the building maintenance business to a wholly-owned subsidiary of the Company to form the Remaining Group, and the waiver of an aggregate sum of approximately HK$18 million due by the Contracting Group to the Remaining Group
"Deed of Indemnity"	the deed of indemnity to be executed by CAG under which CAG will indemnify the Vendor against certain liabilities of the Vendor as well as the Purchaser
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal by the Company of the entire issued share capital of SCI pursuant to the Sale and Purchase Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China

"Independent Shareholders"	Shareholders other than CAG and its associates
"Kim Eng"	Kim Eng Corporate Finance (Hong Kong) Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial advisor to the Independent Board Committee and Independent Shareholders in respect of the Sale and Purchase Agreement and the Sub-contracting Agreements (including the Annual Caps)
"Latest Practicable Date"	3 March 2006, 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
"Long Stop Date"	28 April 2006, or such other date as the parties to the Sale and Purchase Agreement may agree in writing
"Remaining Group"	the Group as remained after the Disposal pursuant to the Sale and Purchase Agreement
"Sale and Purchase Agreement"	the sale and purchase agreement dated 26 January 2006 entered into between the Company, CAT (BVI) and CAG for the sale and purchase of the entire issued share capital in SCI
"SGM"	the special general meeting of the Company to be convened and held for, amongst other things, seeking approvals from the Independent Shareholders for the Disposal contemplated under the Sale and Purchase Agreement and the Continuing Connected Transactions under the Sub-contracting Agreements
"Share(s)"	share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"SCI"	Shun Cheong Investments Limited, an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shun Cheong Electrical"	Shun Cheong Electrical Engineering Company Limited, a Hong Kong incorporated company and an indirect wholly-owned subsidiary of SCI

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sub-contracting Agreements"	the sub-contracting agreements entered into between each of Shun Cheong Electrical and Westco Airconditioning (as main contractors) and Tinhawk (as sub-contractor) on 31 December 2005
"Tinhawk"	Tinhawk Company Limited, a Hong Kong incorporated company and an indirect 90% owned subsidiary of the Company
"Westco Airconditioning"	Westco Airconditioning Limited, a Hong Kong incorporated company and a wholly-owned subsidiary of Shun Cheong Electrical
"HK$"	Hong Kong dollars

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 Yu Fai, Patrick

Independent Non-Executive Directors:
Chan Chok Ki
Ho Hin Kwan, Edmund
Yu Hon To, David

Registered Office:
Canon's Court
22 Victoria Street
Hamilton
HM 12
Bermuda

Head Office and Principal Place of Business:
Block C, 9/F
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

10 March 2006

To the Shareholders

Dear Sir/Madam,

PROPOSED DISPOSAL OF THE ENTIRE INTEREST IN SHUN CHEONG INVESTMENTS LIMITED

VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

The Sale and Purchase Agreement

On 26 January 2006, the Company (as Vendor), CAT (BVI) (as Purchaser) and CAG (as Purchaser's Guarantor) entered into the Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to dispose and CAT (BVI) has conditionally agreed to acquire the entire issued share capital of SCI, being the holding company for the building related contracting business under the Contracting Group upon completion of the Corporate Restructuring, for a cash consideration of HK$35,000,000. The initial Consideration (subject to adjustment), which has been arrived at after arm's length negotiations between the parties, was determined by reference to the unaudited consolidated net tangible assets of approximately HK$38 million of the Contracting Group as at 30 September 2005 (assuming Corporate Restructuring had taken place) and after taking into consideration the Contracting Group's further expected operating losses during the period between 1 October 2005 and the Completion Date, currently expected to be in March 2006. Upon completion of the Sale and Purchase Agreement, the Company will focus on building related maintenance business for both public and private sectors.

As the Company is owned as to approximately 29.93% by CAG (being a substantial shareholder), CAG and its wholly-owned subsidiary, CAT (BVI) are connected persons of the Company under the Listing Rules, and the Disposal constitutes a connected transaction for the Company under the Listing Rules. As the Disposal also constitutes a very substantial disposal for the Company under the Listing Rules, it is therefore subject to the approval by the Independent Shareholders by poll at the SGM. CAG and its associates will abstain from voting in respect of the Disposal at the SGM.

The Sale and Purchase Agreement is also conditional upon, among other things, the approval by the Independent Shareholders of the Sub-contracting Agreements which constitute continuing connected transactions of the Company upon completion of the Sale and Purchase Agreement (as detailed below).

The Sub-contracting Agreements

On 31 December 2005, the Sub-contracting Agreements were entered into between members of the Contracting Group (as main contractors) and the Remaining Group (as subcontractor) with regard to certain maintenance work contracts. Upon completion of the Sale and Purchase Agreement, those existing maintenance work contracts held under the Contracting Group, for which a member of the Remaining Group currently acts as sub-contractor, will continue until completion of such contracts.

As the Contracting Group will become subsidiaries of CAG following Completion, the transactions under the Sub-contracting Agreements will therefore constitute continuing connected transactions of the Company. As each of the percentage ratios (other than profit ratio) (as defined in Rule 14.07 of the Listing Rules) of the annual amounts of transactions contemplated under the Sub-contracting Agreements exceed 2.5%, the Sub-contracting Agreements and the Annual Caps for the two financial years to 31 March 2008 are subject to approval by Independent Shareholders by poll at the SGM under Rule 14A.48 of the Listing Rules. CAG and its associates will abstain from voting in respect of the Continuing Connected Transactions at the SGM.

2. THE SALE AND PURCHASE AGREEMENT

Date

26 January 2006

Parties

Vendor	:	The Company
Purchaser	:	CAT (BVI), a wholly-owned subsidiary of CAG CAG is a substantial shareholder of the Company, beneficially holding approximately 29.93% of the issued share capital of the Company and thus CAT (BVI) is a connected person of the Company under the Listing Rules.
Purchaser's Guarantor	:	CAG

Assets to be disposed by the Company (and acquired by CAT (BVI))

The Company has conditionally agreed to sell to CAT (BVI) and CAT (BVI) has conditionally agreed to purchase from the Company the Contracting Group, being SCI and its certain subsidiaries together with their investments upon completion of the Corporate Restructuring.

Upon Completion, CAT (BVI) will have 100% interests in the Contracting Group and the Company will cease to have any interests in the Contracting Group.

Consideration

Pursuant to the Sale and Purchase Agreement, the initial Consideration for the sale and purchase of the Contracting Group is HK$35,000,000, subject to adjustment. The Consideration payable to the Company will be satisfied by CAT (BVI) in cash by way of internal resources upon Completion.

The Consideration payable under the Sale and Purchase Agreement was arrived at after arm's length negotiations between the Company and CAT (BVI) and was determined by reference to the value of the Contracting Group's unaudited consolidated net tangible assets of approximately HK$38 million as at 30 September 2005 (assuming Corporate Restructuring had taken place) and after taking into consideration the Contracting Group's further expected operating losses during the period between 1 October 2005 and the Completion Date, currently expected to be in March 2006. The Contracting Group's unaudited consolidated net tangible assets of HK$38 million is arrived at after waiving the inter-company balances of approximately HK$18 million (due by the Contracting Group to the Remaining Group) upon completion of Corporate Restructuring (the "Waiver"), i.e. being the sum of the Contracting Group's unaudited consolidated net tangible assets before the Waiver of approximately HK$20 million and the Waiver of approximately HK$18 million, assuming the Corporate Restructuring had taken place. The above inter-company balances arose from business activities between the Contracting Group and the Remaining Group. The purpose of the waiver is to clean up such inter-company balances as part of the Corporate Restructuring prior to Completion of the Sale and Purchase Agreement.

The Consideration is subject to adjustment with reference to the Accountants' Report in the following manner:

(i) if the value of the Contracting Group's Audited Consolidated Net Tangible Assets is less than HK$34,500,000, the Consideration will be reduced by the amount equivalent to the difference between such value and HK$34,500,000; or

(ii) if the value of the Contracting Group's Audited Consolidated Net Tangible Assets is more than HK$39,500,000, the Consideration will be increased by the amount equivalent to the difference between such value and HK$39,500,000.

The Accountants' Report reported the Audited Consolidated Net Tangible Assets of the Contracting Group as at 30 September 2005 to be HK$38,395,000. As the Consolidated Net Tangible Assets did not exceed the threshold of HK$39,500,000 nor fall below the threshold of HK$34,500,000, the adjustment mechanism set out above has not been triggered and the final Consideration of the Disposal was determined to be HK$35,000,000.

Conditions precedent

The Completion of the Sale and Purchase Agreement is subject to the fulfillment of the following conditions:

(a) the passing of resolutions by the Independent Shareholders by poll at the SGM approving the Disposal and the Continuing Connected Transactions;

(b) the passing of a resolution by the CAG Shareholders at the CAG SGM approving the Acquisition;

(c) the Deed of Indemnity (as detailed below) being duly executed by the parties thereto on the Completion Date;

(d) the completion of the Corporate Restructuring which include among others, the waiver of the aggregate sum of approximately HK$18 million due by the Contracting Group to the Remaining Group;

(e) the value of the Audited Consolidated Net Tangible Assets being confirmed and determined by the auditors with an unqualified opinion; and

(f) all of the warranties, representations, indemnities and undertakings of the Vendor, the Purchaser and CAG as set out in the Sale and Purchase Agreement remain true and accurate and not misleading at all times from the date of the Sale and Purchase Agreement up to and including the Completion Date.

If the conditions precedent have not been fulfilled or waived by the Vendor and/or the Purchaser (save for conditions (a) to (e) which cannot be waived) and the Completion cannot take place on or before the Long Stop Date (or any other date as agreed between the parties), the Sale and Purchase Agreement shall have no effect and no party shall have any claims against the other parties under the Sale and Purchase Agreement (without prejudice to the rights of any party to the Sale and Purchase Agreement in respect of antecedent breaches). As at the Latest Practicable Date, the condition (e) had been fulfilled.

Completion

Upon compliance with or fulfillment of the conditions precedent, Completion shall take place on the Completion Date.

Deed of Indemnity

Upon Completion, CAG shall, among other things, execute the Deed of Indemnity.

Date	:	Completion Date
Parties	:	CAG, as Purchaser's Guarantor The Company, as Vendor
Scope	:	CAG has agreed to guarantee the performance of the Purchaser and to indemnify the Vendor for all its obligations in relation to the guarantees provided by the Vendor to the banks and/or third parties for the business operation of certain members of the Contracting Group as set out in the Sale and Purchase Agreement, and procure the discharge or release or cancellation of such guarantees in its best endeavors within three months after Completion or such other date as agreed in writing between the Vendor and CAG.

Information on the Contracting Group

SCI is the holding company of the Contracting Group which include Shun Cheong Engineering Limited and Shun Cheong International Limited, both of which are investment holding companies and wholly-owned subsidiaries of SCI.

Shun Cheong Engineering Limited's main operating subsidiaries include Shun Cheong Electrical and Shun Wing Construction & Engineering Company Limited. Shun Cheong Electrical, together with its wholly-owned subsidiary, Westco Airconditioning, are engaged in the design and installation of electrical and mechanical systems, heating ventilation and air-conditioning systems for both public and private sectors. Shun Wing Construction & Engineering Company Limited, a 50.10% owned subsidiary within the Contracting Group, was engaged in the design and installation of building and electrical systems for a contract of the Government of the Hong Kong Special Administration Report (the "Government), which was completed in March 2004 but pending payment of sub-contracting fee by the main contractor following certification by the Government.

Shun Cheong International Limited's main operating subsidiary is Shun Cheong Trade and Development Company Limited which is engaged in the trading and installation of generator sets.

As at 30 September 2005, assuming the Corporate Restructuring had taken place, the audited consolidated net tangible assets of the Contracting Group was approximately HK$38 million.

The audited consolidated results of the Contracting Group for the two years ended 31 March 2005 and the six months ended 30 September 2005 (assuming Corporate Restructuring had taken place) are as follows:

	For the year ended 31 March		**For the six months ended 30 September**
	2004	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	734,616	505,574	206,084
Profit/(loss) before tax	10,915	(19,498)	12,699 *(Note 1)*
Profit/(loss) after tax and minority interests	(2,731)	(20,467)	12,680 *(Note 1)*
Adjusted loss after tax and minority interests	(2,731)	(20,467)	(5,373) *(Note 2)*

Notes:

1. Included the gain of approximately HK$18,053,000 arising from the waiver of inter-company indebtedness (the "Waiver"), assuming the Corporate Restructuring had taken place.

2. Excluded the gain arising from the Waiver.

Information on the Group and CAG Group

The Group is principally engaged in building related contracting services, which include 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, trading of electrical and mechanical engineering materials and equipment as well as building related maintenance services.

The CAG Group is principally engaged in the trading of plastics and chemicals, trading of industrial products and equipment, air-conditioning engineering works and has approximately 29.93% equity investment in the Company.

Financial effect of the Disposal

Upon Completion, the Group will cease to have any interests in the Contracting Group.

For the year ended 31 March 2005, the Group recorded audited loss attributable to equity holders of the parent of HK$33.7 million and the Contracting Group recorded audited loss attributable to equity shareholders of the parent of HK$20.5 million. During the six months ended 30 September 2005, the Group recorded audited loss attributable to equity holders of the parent of HK$7.9 million and the Contracting Group recorded an adjusted loss attributable to the shareholders of the parent of HK$5.4 million (excluding the gain arising from the Waiver and assuming the Corporate Restructuring had taken place). As seen from above historical results, the loss of the Group was mainly attributable to the Contracting Group's business.

Based on the unaudited pro forma financial information of the Remaining Group set out in Appendix II to this circular and assuming Completion took place on 1 April 2004, the Remaining Group's unaudited loss attributable to the equity holders of the parent for the year ended 31 March 2005 would have been HK$13.3 million (i.e. loss after tax and minority interests of HK$44.5 million as adjusted by excluding the loss on disposal of subsidiaries of HK$31.2 million), as compared with the Group's audited loss attributable to the equity holders of the parent of HK$33.7 million before the Disposal. The Directors believe the Group's performance would have been improved following the disposal of the loss making Contracting Group's business. In light of the Contracting Group's further anticipated operating losses during the period between 1 October 2005 and the Completion Date (currently expected to be in March 2006), the Directors expect that the Disposal will not give rise to any material profit or loss to the Group.

As set out in the unaudited pro forma balance sheet of the Remaining Group which assumed Completion had taken place on 30 September 2005, the unaudited consolidated net assets of the Remaining Group would have been approximately HK$53.4 million, compared to the Group's audited net assets of approximately HK$58.8 million as at 30 September 2005 before the Disposal. Following receipt of expected net cash proceeds from the Disposal of approximately HK$33.0 million, cash and cash equivalents of the Remaining Group would increase to approximately HK$35.1 million as compared with the Group's balance of approximately HK$9.0 million as at 30 September 2005 prior to the Disposal.

The current ratio would be slightly improved from 1.3 of the Group as at 30 September 2005 to 1.4 of the Remaining Group following the Disposal. The gearing ratio (as measured by total bank borrowings to the shareholders' equity) of the Remaining Group would become zero, as compared with the Group of 76% as at 30 September 2005 before the Disposal.

The pro forma financial information of the Remaining Group as set out in Appendix II to this circular is for illustration purpose only. As the book value of the Contracting Group at the Completion Date may be different from the amount currently used in the preparation of the pro forma financial information, the actual financial impact arising from the Disposal may be different from the estimated amount in the pro forma financial information.

Reasons for and benefits of the Disposal

The Group is principally engaged in building related contracting services (businesses carried out under the Contracting Group) as well as building related maintenance services (businesses carried out under the Remaining Group) as aforesaid. Building related contracting services carried out under the Contracting Group generally involve the design and installation of electrical equipment, water pump and fire services equipment, air-conditioning systems as well as plumbing and drainage systems in new buildings; whereas the building related maintenance services undertaken by the Remaining Group primarily involve the maintenance of the above installations as well as general building maintenance.

For the year ended 31 March 2005, the Group had a turnover of HK$550 million but suffered an audited loss of HK$33.7 million. For the six months to 30 September 2005, the Group had a turnover of HK$245.5 million and had an audited loss of HK$7.9 million. The above loss making results were mainly due to limited construction works in both private and public sectors in Hong Kong, resulting in profit margin erosions caused by keen competition within the contracting sector. Witnessing such development, the Company had actively explored new contracting business opportunities in other territories, such as Macau, and was awarded a contract for the electrical installation for the Grand Lisboa Hotel and Casino in Macau in 2005. However, funding and banking support are vital in order to grow new businesses under the Contracting Group. Currently, the Group has banking facilities of approximately HK$76.5 million. Of this amount, HK$26.8 million cash was pledged by the Group to banks as collateral for such facilities.

Given the Group's audited net assets value of approximately HK$58.8 million as at 30 September 2005, its past loss making track records and current available banking facilities, the Board has found it difficult to secure further banking support for the development of the Contracting Group's existing business. On the other hand, the building related maintenance business is by nature less susceptible to property development cycles that had affected the Contracting Group and does not require significant capital outlay as that of the Contracting Group.

The Board has considered other options to raise funds for the development of the Contracting Group's business. These options include share placing and a rights issue. However, given the Company's current market capitalisation of only approximately HK$35 million and its loss making track records, the Board is of the view that the above fund raising alternatives are not deemed to be feasible. In particular, it would be impracticable to find an underwriter to underwrite the rights issue at a rights issue price that would not pose a significant dilution to existing net assets on a per share basis.

Given the situation mentioned above, the Board is of the view that, with the Group's current financial resources, the Company should dispose of the Contracting Group and focus on the remaining building related maintenance businesses.

As the Consideration is primarily determined by reference to the value of the consolidated net tangible assets of the Contracting Group as at 30 September 2005 and after taking into consideration its loss making track records, it is expected that the Disposal will not give rise to any material profit or loss to the Group, nor will it have any significant adverse effect to the Group's net assets.

The Board considers that the Sale and Purchase Agreement was entered on normal commercial terms and is in the interests of the Company and the Shareholders taken as a whole.

Intended use of proceeds by the Group

The Board intends to use the net proceeds of HK$33 million from the Disposal as to approximately HK$13 million for working capital requirements of the remaining building related maintenance businesses and as to approximately HK$20 million for other investment opportunities in Hong Kong and China. At present, the Company has not committed to engaging in any particular investment that requires the use of the above remaining proceeds.

Requirements of the Listing Rules

As the Company is owned as to 29.93% by CAG (being a substantial shareholder), CAG and its wholly-owned subsidiary, CAT (BVI) are connected persons of the Company under the Listing Rules, and the Disposal constitutes a connected transaction and very substantial disposal for the Company under the Listing Rules. As such, the Disposal is subject to the approval by the Independent Shareholders by poll at the SGM. CAG and its associates will abstain from voting in respect of the Disposal at the SGM.

3. THE SUB-CONTRACTING AGREEMENTS

On 31 December 2005, Tinhawk entered into the Sub-contracting Agreements with each of Shun Cheong Electrical and Westco Airconditioning (main operating subsidiaries of the Contracting Group) for the provision of building related maintenance sub-contracting work. Upon Completion, the Sub-contracting Agreements will constitute continuing connected transactions of the Company and the principal terms of which are summarised as follow:

Date	:	31 December 2005
Parties	:	Shun Cheong Electrical and Westco Airconditioning, as main contractors, being main operating subsidiaries of the Contracting Group under CAG upon Completion and a connected person of the Company Tinhawk, as sub-contractor

Duration : From 1 January 2006 to 31 May 2008

Terms : Each of Shun Cheong Electrical and Westco Airconditioning (as main contractors) will pay Tinhawk (as sub-contractor) a sub-contracting fee after deducting a management fee calculated based on 3% on contract amounts receivable from clients.

The aggregate contract amounts for the provision of building related maintenance sub-contracting work by Tinhawk to Shun Cheong Electrical and Westco Airconditioning for the financial years ended 31 March 2004 and 2005 and the eight months ended 30 November 2005 are as follows:

	Year ended 31 March 2004	**Year ended 31 March 2005**	**Eight months ended 30 November 2005**
	HK$ million	*HK$ million*	*HK$ million*
	46	55	55

Annual Caps

It is proposed that the Annual Caps for the total sub-contracting fees receivable by Tinhawk under the Sub-contracting Agreements for the financial years ending 31 March 2007 and 2008 will be HK$114 million and HK$82 million respectively for the purpose of Chapter 14A of the Listing Rules.

The Annual Caps are determined with reference to current estimated unbilled contract value of existing maintenance contracts on hand, assuming that Completion will take place in March 2006.

Reasons for and benefits of the Sub-contracting Agreements

On 31 December 2005, the above Sub-contracting Agreements were entered into between members of the Contracting Group (as main contractors) and the Remaining Group (as sub-contractor) with regard to certain maintenance work contracts. Upon completion of the Sale and Purchase Agreement, those existing maintenance work contracts held under Shun Cheong Electrical and Westco Airconditioning (being main operating companies within the Contracting Group), for which Tinhawk, a member within the Remaining Group currently acts as a sub-contractor, will continue with a view to allow continuity to those contracts until completion of such contracts. It is currently expected that the above maintenance contracts will run until 2008.

Under the Sub-contracting Agreements, Tinhawk will continue to act as sub-contractor to Shun Cheong Electrical and Westco Airconditioning under existing building related maintenance contracts for which they act as main contractors. As main contractors, each of Shun Cheong Electrical and Westco Airconditioning is entitled to deduct a management fee of a total 3% on amounts receivable from their clients and pay the balance to the sub-contractor following receipt of monies from clients. The Directors confirm the above management fee is determined with reference to market rate not less favourable than that offered by independent contractors and the terms of such agreements are on normal commercial terms in line with market practice.

Both the Board and CAG Board are of the view that the above Sub-contracting Agreements will enable both the Company and CAG to continue servicing the existing building related maintenance contracts entered into by the Contracting Group following Completion with a view to ensuring smooth and continuous services to existing customers.

The terms of the Sub-contracting Agreements were arrived at after arm's length negotiations between the parties thereto. The Board considers that the Sub-contracting Agreements were entered into in the ordinary and usual course of business of the Company and the terms therein are normal commercial terms that are in line with market practice and are fair and reasonable so far as the Shareholders are concerned, and that the entering of the same is in the interest of the Company and the Shareholders as a whole.

Requirements of the Listing Rules

As Shun Cheong Electrical and Westco Airconditioning, being members of the Contracting Group, will become the subsidiaries of CAG following Completion, the transactions under the Sub-contracting Agreements will therefore constitute continuing connected transactions of the Company. As each of the percentage ratios (other than the profit ratio) (as defined in Rule 14.07 of the Listing Rules) of the annual amounts of transactions contemplated under the Sub-contracting Agreements exceed 2.5%, the Sub-contracting Agreements and the Annual Caps for the two financial years to 31 March 2008 are subject to Independent Shareholders' approval by poll at the SGM under Rule 14A.48 of the Listing Rules. CAG and its associates will abstain from voting in respect of the Continuing Connected Transactions at the SGM.

4. SGM

Set out on pages 108 and 109 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 Monday, 27 March 2006 at 10:00 a.m. at which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Disposal and the Continuing Connected Transactions. CAG and its associates will abstain from voting in respect of the Disposal and the Continuing Connected Transactions at the SGM.

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 adjourned meeting. 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.

5. 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 is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(i) by the chairman of the meeting; or

(ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised corporate representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised corporate representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) by any member or members present in person (or, in the case of a member being a corporation, by its 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.

In accordance with the requirements of the Listing Rules, the results of the poll will be published by way of an announcement in the local newspapers on the business day following the SGM.

6. RECOMMENDATION

The Directors, including the independent non-executive Directors are of the view that the Sale and Purchase Agreement and the Sub-contracting Agreements (including the Annual Caps) and the terms thereof are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions as set out in the notice of the SGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular and the letter from Kim Eng set out on pages 19 to 33 to the Independent Board Committee and the Independent Shareholders of this circular.

7. 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

SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 650)

10 March 2006

To the Independent Shareholders

Dear Sir/Madam,

PROPOSED DISPOSAL OF THE ENTIRE INTEREST IN SHUN CHEONG INVESTMENTS LIMITED

VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 10 March 2006 (the "Circular") to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Sale and Purchase Agreement and the Sub-contracting Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

Kim Eng has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the Sub-Contracting Agreements. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 19 to 33 of the Circular.

Your attention is drawn to the letter from the Board set out on pages 5 to 16 of the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Sale and Purchase Agreement and the Sub-contracting Agreements, and the advice given by Kim Eng, we consider that the terms of the Sale and Purchase Agreement and the Sub-contracting Agreements (including the Annual Caps) are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions approving the Disposal and the Continuing Connected Transactions to be proposed at the SGM.

Yours faithfully,
Independent Board Committee of
Shun Cheong Holdings Limited

Chan Chok Ki	**Ho Hin Kwan, Edmund**	**Yu Hon To, David**

The following is the text of a letter of advice from Kim Eng Corporate Finance (Hong Kong) Limited, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Sale and Purchase Agreement and the Sub-contracting Agreements (including the Annual Caps).

KIM ENG

Kim Eng Corporate Finance (Hong Kong) Limited
Room 1901, Bank of America Tower,
12 Harcourt Road, Central
Hong Kong

The Independent Board Committee and the Independent Shareholders of
Shun Cheong Holdings Limited

10 March 2006

Dear Sirs,

PROPOSED DISPOSAL OF THE ENTIRE INTEREST IN SHUN CHEONG INVESTMENTS LIMITED

VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Sale and Purchase Agreement and the Sub-contracting Agreements (including the Annual Caps). Details of the Sale and Purchase Agreement and the Sub-contracting Agreements (including the Annual Caps) are set out in the letter from the Board contained in the circular to the Shareholders dated 10 March 2006 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 26 January 2006, the Company (as Vendor), CAT (BVI) (as Purchaser) and CAG (as Purchaser's Guarantor) entered into the Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to dispose of and CAT (BVI) has conditionally agreed to acquire the entire issued share capital of SCI, being the holding company for the building related contracting business under the Contracting Group upon completion of the Corporate Restructuring, for a cash consideration of HK$35,000,000.

CAT (BVI) is a wholly-owned subsidiary of CAG. As the Company is owned as to approximately 29.93% by CAG (being a substantial shareholder), CAG and CAT (BVI) are connected persons of the Company under the Listing Rules, and the Disposal constitutes a connected transaction for the Company under the Listing Rules. The Disposal also constitutes a very substantial disposal for the Company under the Listing Rules.

On 31 December 2005, the Sub-contracting Agreements were entered into between members of the Contracting Group (as main contractors) and the Remaining Group (as subcontractor) with regard to certain maintenance work contracts. Upon completion of the Sale and Purchase Agreement, those existing maintenance work contracts held under the Contracting Group, for which a member of the Remaining Group currently acts as sub-contractor, will continue until completion of such contracts.

As the Contracting Group will become subsidiaries of CAG following Completion, the transactions under the Sub-contracting Agreements will therefore constitute continuing connected transactions of the Company. As each of the percentage ratios (other than profit ratio) (as defined in Rule 14.07 of the Listing Rules) of the annual amounts of transactions contemplated under the Sub-contracting Agreements exceed 2.5%, the Sub-contracting Agreements and the Annual Caps for the two financial years to 31 March 2008 are subject to approval by Independent Shareholders by poll at the SGM under Rule 14A.48 of the Listing Rules.

The SGM will be convened to approve the Sale and Purchase Agreement and the Sub-contracting Agreements (including the Annual Caps). **CAG and its associates will abstain from voting in respect of the Disposal and the Continuing Connected Transactions at the SGM.**

INDEPENDENT BOARD COMMITTEE

The Board currently consists of four executive directors, namely Mr. Chan Yuen Keung, Zuric, Mr. Hong Yiu, Mr. Yu Sek Kee, Stephen and Mr. Au Yu Fai, Patrick; and three independent non-executive director, namely Dr. Chan Chok Ki, Mr. Ho Hin Kwan, Edmund and Mr. Yu Hon To, David, who are considered to be independent pursuant to Rule 3.13 of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Chan Chok Ki, Mr. Ho Hin Kwan, Edmund and Mr. Yu Hon To, David, has been formed to consider the terms and conditions of the Sale and Purchase Agreement and the Sub-contracting Agreements (including the Annual Caps) and give an advice and make recommendation to the Independent shareholders in this respect.

BASIS OF OUR OPINION

In forming our opinion, we have relied on the information and representations as contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete at the time when they were made and continue to be true, accurate and complete as at the date of the Circular.

We have also assumed that all statements of belief, opinion and intention made by the Board of Directors of the Company and as contained in the Circular were reasonably made by them after their due enquiry and careful consideration and that there are no other facts the omission of which would make any statement in the Circular misleading in any material respect.

Notwithstanding the aforesaid, we consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular as aforesaid and to provide reasonable grounds for our advice. Our review and analyses were based upon the information provided by the Company which include:

1. the Sale and Purchase Agreement and the Sub-contracting Agreements;

2. the audited financial statements of the Company for the year ended 31 March 2005 and 2004 and the six months ended 30 September 2005; and

3. the unaudited interim report of the Company for six months ended 30 September 2005 and 2004.

In addition, we have reviewed relevant data relating to Hong Kong construction industry published by Census and Statistics Department, Hong Kong Government and relevant information posted on the website of Hong Kong Housing Authority.

We have also discussed with senior management of several companies which are involved in building construction and related businesses enquiring about the trend of building construction and related businesses in Hong Kong and normal terms of sub-contracting arrangements which are similar to the one entered into between members of the Contracting Group and the Remaining Group.

Furthermore, we have no reason to doubt the truth, accuracy and/or completeness of the information and representations as provided to us by the Directors. We have not conducted any independent in-depth investigation into nor have we carried out any independent verification of the information supplied therefor.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the terms and conditions of the Sale and Purchase Agreement and the Sub-contracting Agreements (including the Annual Caps), we have taken into consideration the following principal factors and reasons:

1. The Sale and Purchase Agreement

A. Principal businesses of the Group

The Group is principally engaged in building-related contracting services (businesses carried out under the Contracting Group) as well as building related maintenance services (businesses carried out under the Remaining Group).

Building-related contracting services carried out under the Contracting Group generally involve the design and installation of electrical equipment, water pump and fire services equipment, air-conditioning systems as well as plumbing and drainage systems in new buildings; whereas, building-related maintenance services undertaken by the Remaining Group primarily involve the maintenance of the above installations as well as general building maintenance.

B. Trend of building construction and related businesses in Hong Kong

The main categories of construction activities is (a) building, covering residential, commercial and industrial/storage/service; and (b) structures and facilities, covering transport, other utilities and plant, environment, and sports and recreation. The gross value of construction works performed by main contractors for the above construction activities for the years from 2000 to 2005 are as follows:

	2000	**2001**	**2002**	**2003**	**2004**	**First to third quarters of 2004**	**First to third quarters of 2005** *(Note)*
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Building (including residential, commercial, industrial and storage and service)	69,327	57,799	53,005	46,855	37,510	28,064	26,078
Structures and facilities (including transport, other utilities and plant, environment and sports and recreation)	20,582	24,491	21,358	20,710	19,044	14,294	11,373
Total	**89,909**	**82,290**	**74,363**	**67,565**	**56,554**	**42,358**	**37,451**

Source: Census and Statistics Department

Note: 3rd quarter of 2005 figures are provisional.

According to the aforesaid figures, we note that the gross value of the above-mentioned construction work decreased from HK$89,909 million in year 2000 to HK$56,554 million in year 2004, or about 37.1% and the gross value decreased from HK$42,358 million for the first three quarters of 2004 to HK$37,451 million for the same period in 2005, or about 11.6%. As for the building construction work, the gross value decreased from HK$69,327 million in year 2000 to HK$37,510 million in year 2004, or about 45.9% and the gross value decreased from HK$28,064 million for the first three quarters of 2004 to HK$26,078 million for the same period in 2005, or about 7.1%.

The above statistics show that the level of construction activities and works has been in a downward trend. As stated in the annual report of the Company for the year ended 31 March 2005, the housing development in both public and private sectors continued to slow down during that financial year, which led to the limited availability of building services projects and as a result, the Group continued to face fierce competition amongst eligible contractors which led to the decrease in both turnover and gross profit.

C. Information on the Contracting Group

SCI is the holding company of the Contracting Group which include Shun Cheong Engineering Limited and Shun Cheong International Limited, both of which are investment holding companies and wholly-owned subsidiaries of SCI.

The audited consolidated results of the Contracting Group for the two years ended 31 March 2005 and the six months ended 30 September 2005 (assuming Corporate Restructuring had taken place) are as follows:

	For the year ended 31 March		For the six months ended 30 September
	2004	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	734,616	505,574	206,084
Profit/(loss) before tax	10,915	(19,498)	12,699 *(Note 1)*
Profit/(loss) after tax and minority interests	(2,731)	(20,467)	12,680 *(Note 1)*
Adjusted loss after tax and minority interests	(2,731)	(20,467)	(5,373) *(Note 2)*

Notes:

1. Included the gain of approximately HK$18,053,000 from the waiver of inter-company indebtedness (the "Waiver"), assuming the Corporate Restructuring had taken place.

2. Excluded the gain arising from the Waiver.

For the year ended 31 March 2005, the Group recorded audited loss attributable to equity holders of the parent of HK$33.7 million and the Contracting Group recorded audited loss attributable equity shareholders of the parent of HK$20.5 million. During the six months ended 30 September 2005, the Group recorded audited loss attributable to equity holders of the parent of HK$7.9 million and the Contracting Group recorded an adjusted loss attributable to the shareholders of the parent of HK$5.4 million (excluding the gain arising from the Waiver and assuming the Corporate Restructuring had taken place). As seen from above historical results, the loss of the Group was mainly attributable to the Contracting Group's business.

As at 30 September 2005, assuming the Corporate Restructuring had been completed, the audited consolidated net tangible assets of the Contracting Group would be approximately HK$38 million.

Unless the building construction and related businesses in Hong Kong are able to improve significantly and the Group is able to secure more sizeable and profitable projects in the near future, taking into account the historical operating results, the Contracting Group will most likely continue to suffer losses in the coming years. Accordingly, it is expected that the Group's financial position and operating performance will be improved upon completion of the disposal of the Contracting Group.

D. Reason for and benefit of entering into the Sale and Purchase Agreement

As stated in the Letter from the Board,

(a) For the year ended 31 March 2005, the Group had a turnover of HK$550 million but suffered an audited loss of HK$33.7 million;

(b) For the six months to 30 September 2005, the Group had a turnover of HK$245.5 million and had an audited loss of HK$7.9 million. The said loss making results were mainly due to limited construction works in both private and public sectors in Hong Kong, resulting in profit margin erosions caused by keen competition within the contracting sector.

Witnessing the past development, the Company had actively explored new contracting business opportunities in other territories, such as Macau, and was awarded a new contract for the electrical installation for the Grand Lisboa Hotel and Casino in Macau in 2005. However, funding and banking support are vital in order to grow new businesses under the Contracting Group. Currently, the Group has banking facilities of approximately HK$76.5 million. Of this amount, HK$26.8 million cash was pledged by the Group to banks as collateral for such facilities;

(c) Given the Group's audited net assets value of approximately HK$58.8 million as at 30 September 2005, its past loss making track records and current available banking facilities, the Board has found it difficult to secure further banking support for the development of the Contracting Group's existing business. On the other hand, the building-related maintenance business is by nature less susceptible to property development cycles that had affected the Contracting Group and does not require significant capital outlay as that of the Contracting Group;

(d) The Board has considered other options to raise funds for the development of the Contracting Group's business. These options include share placing and a rights issue. However, given the Company's current market capitalisation of only approximately HK$35 million and its loss making track records, the Board is of the view that the above fund raising alternatives are not deemed to be feasible. In particular, it would be impracticable to find an underwriter to underwrite the rights issue at a rights issue price that would not pose a significant dilution to existing net assets on a per share basis; and

(e) Given the situation mentioned above, the Board is of the view that, with the Group's current financial resources, the Company should dispose of the Contracting Group and focus on the remaining building-related maintenance businesses. The Board intends to use the net proceeds of HK$33 million from the Disposal as to approximately HK$13 million for working capital requirements of the remaining building related maintenance businesses and as to approximately HK$20 million for other investment opportunities in Hong Kong and China. At present, the Company has not committed to engaging in any particular investment that requires the use of the above remaining proceeds.

In view of the downtrend in the building construction and related businesses in Hong Kong as shown in the statistics set out above (with no significant indication that the environment will improve in the coming years), the difficulty of the Group to secure sizeable and profitable projects in view of the Group's existing limited financial resources and the adverse effect of the fierce competition in this industry to the operating results of the Group, we agree with the Board's view that it would be in the best interests of the Company and its Shareholders to dispose of the Contracting Group and focus on the remaining building-related maintenance businesses, which require much lesser capital outlays and commitments.

E. Basis of the Consideration

Pursuant to the Sale and Purchase Agreement, the initial Consideration for the sale and purchase of the Contracting Group is HK$35,000,000, subject to adjustment. The Consideration payable to the Company will be satisfied by CAT (BVI) in cash by way of internal resources upon Completion.

The Consideration payable under the Sale and Purchase Agreement was arrived at after arm's length negotiations between the Company and CAT (BVI) and was determined by reference to the value of the Contracting Group's unaudited consolidated net tangible assets of approximately HK$38 million as at 30 September 2005 (assuming Corporate Restructuring had taken place) and after taking into consideration the Contracting Group's further expected operating losses during the period between 1 October 2005 and the Completion Date, currently expected to be in March 2006. The Contracting Group's audited consolidated net tangible assets of HK$38 million is arrived at after waiving the inter-company balances of approximately HK$18 million (due by the Contracting Group to the Remaining Group) upon completion of Corporate Restructuring (the "Waiver), i.e. being the sum of the Contracting Group's audited consolidated net tangible assets before the

Waiver of approximately HK$20 million and the Waiver of approximately HK$18 million, assuming the Corporate Restructuring had taken place. The above inter-company balances arose from business activities between the Contracting Group and the Remaining Group. The purpose of the waiver is to clean up such inter-company balances as part of the Corporate Restructuring prior to Completion of the Sale and Purchase Agreement.

The Consideration is subject to adjustment with reference to the Accountants' Report in the following manner:

(i) if the value of the Contracting Group's Audited Consolidated Net Tangible Assets is less than HK$34,500,000, the Consideration will be reduced by the amount equivalent to the difference between such value and HK$34,500,000; or

(ii) if the value of the Contracting Group's Audited Consolidated Net Tangible Assets is more than HK$39,500,000, the Consideration will be increased by the amount equivalent to the difference between such value and HK$39,500,000.

If the value of the Contracting Group's Audited Consolidated Net Tangible Assets is within the range of HK$34,500,000 and HK$39,500,000, the Consideration will be HK$35 million and no adjustments will be made. The Accountants' Report reported the Audited Consolidated Net Tangible Assets of the Contracting Group as at 30 September 2005 to be HK$38,395,000. As the Consolidated Net Tangible Assets did not exceed the threshold of HK$39,500,000 nor fall below the threshold of HK$34,500,000, the adjustment mechanism set out above has not been triggered and the final Consideration of the Disposal was determined to be HK$35,000,000.

As the Consideration is primarily determined by reference to the value of the consolidated net tangible assets of the Contracting Group as at 30 September 2005 and after taking into consideration its loss making track record, it is expected that the Disposal will not give rise to any material profit or loss to the Group, nor will it have any significant adverse effect to the Group's net assets.

Taking into account that the Contracting Group has been operating at a loss in the past few years, we consider that using the net asset value of the Contracting Group as the basis for determining the Consideration (including the adjustment clause as set out above) is fair and reasonable.

F. Deed of Indemnity

Upon Completion, CAG shall, among other things, execute the Deed of Indemnity. CAG has agreed to guarantee the performance of the Purchaser and to indemnify the Vendor for all its obligations in relation to the guarantees provided by the Vendor to the banks and/or third parties for the business operation of certain members of the Contracting Group as set out in the Sale and Purchase Agreement, and procure the discharge or release or cancellation of such guarantees in its best endeavors within three months after Completion or such other date as agreed in writing between the Vendor and CAG.

We are of the view that the entering into the deed of indemnity is in the interest of the Company and its Shareholders.

G. *Financial effects of the Disposal*

Earning

Based on the unaudited pro forma consolidated income statement of the Remaining Group for the year ended 31 March 2005 as if the Disposal had been completed on 1 April 2004 set out in Appendix II to the Circular, the proforma unaudited consolidated loss of the Remaining Group for the year ended 31 March 2005 would have been approximately HK$45,616,000, as compared with the Group's audited consolidated loss of approximately HK$34,567,000 before the Disposal.

We would like to draw the attention of the Independent Shareholders that the increase in loss of the Remaining Group for the year ended 31 March 2005 as if the Disposal had been completed on 1 April 2004 was mainly attributable to a loss on the Disposal of HK$31.2 million has been included in the preparation of the pro forma consolidated income statement of the Remaining Group, details of which are set out Appendix II of the Circular.

As stated in the Letter from the Board, the Remaining Group's unaudited operating loss attributable to the equity holders of the parent for the year ended 31 March 2005 would have been HK$13.3 million (i.e. loss after tax and minority interests of HK$44.5 million as adjusted by excluding the loss on Disposal of HK$31.2 million), as compared with the Group's audited loss attributable to the equity holders of the parent of HK$33.7 million before the Disposal. The Directors believe that the Group's performance will improve following the disposal of the loss making Contracting Group's business.

In light of the Contracting Group's further anticipated operating losses during the period between 1 October 2005 and the Completion Date (currently expected to be in March 2006), the Directors expect that the Disposal will not give rise to any material profit or loss to the Group.

Net assets value

As set out in the unaudited pro forma consolidated balance sheet of the Remaining Group as at 30 September 2005 as if the Disposal had been completed on 30 September 2005 set out in Appendix II to the Circular, the unaudited consolidated net assets of the Remaining Group would have been approximately HK$53,406,000, which was decreased by about HK$5,395,000 as compared with the Group's audited consolidated net assets of approximately HK$58,801,000 as at 30 September 2005 before the Disposal.

Independent Shareholders should note that the decrease in the consolidated net assets of the Remaining Group was mainly due to the difference between (a) the audited consolidated net tangible assets of the Contracting Group would be approximately HK$38 million as at 30 September 2005, assuming the Corporate Restructuring had been completed and (b) the expected net proceeds of approximately HK$33 million (after deducting the relevant costs for the Disposal of about HK$2 million) to be received by the Remaining Group upon completion of the Disposal. In light of the Contracting Group's further anticipated operating losses during the period between 1 October 2005 and the Completion Date (currently expected to be in March 2006), the Directors expect that the Disposal will not give rise to any material profit or loss to the Group and there will not be any material adverse effects on the net assets value of the Remaining Group.

Working capital

As set out in the unaudited pro forma consolidated balance sheet of the Remaining Group as at 30 September 2005 as if the Disposal had been completed on 30 September 2005 set out in Appendix II to the Circular and following receipt of expected net cash proceeds of about HK$33 million from the Disposal, cash and cash equivalents of the Remaining Group would increase to approximately HK$35,092,000 as compared with the Group's cash and cash equivalents of approximately HK$9,024,000 as at 30 September 2005 before the Disposal.

Independent Shareholders should note that based on unaudited pro forma consolidated balance sheet of the Remaining Group as at 30 September 2005 as if the Disposal had been completed on 30 September 2005 set out in Appendix II to the Circular, the advance due from the Remaining Group to the Contracting Group amounted to HK$20,575,000. We were informed by management that majority of the said advance has been settled by the Remaining Group's internal resources during the period from 1 October 2005 and the Latest Practicable Date.

Gearing ratio

As set out in the unaudited pro forma consolidated balance sheet of the Remaining Group as at 30 September 2005 as if the Disposal had been completed on 30 September 2005 set out in Appendix II to the Circular and following receipt of expected net cash proceeds of about HK$33 million from the Disposal, the gearing ratio (total bank borrowings over the shareholders' fund) would improved from 76% as at 30 September 2005 to nil following the Disposal and the current ratio would be slightly improved from 1.3 of the Group as at 30 September 2005 to 1.4 of the Remaining Group following the Disposal.

Overall

Independent Shareholders should note that (i) the pro forma financial information of the Remaining Group set out in Appendix II to the Circular is for illustration purpose only; and (ii) as the book value of the Contracting Group at the Completion Date may be different from the amount currently used in the preparation of the pro forma financial information, the actual financial impact arising from the Disposal may be different from the estimated amount in the pro forma financial information.

Conclusion

Taking into account the aforesaid principal factors and reasons, we consider that the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms and the Sale and Purchase Agreement are fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders taken as a whole.

2. The Sub-contracting Agreements

A. The Sub-contracting Agreements

On 31 December 2005, the Sub-contracting Agreements were entered into between members of the Contracting Group (as main contractors) and the Remaining Group (as sub-contractor) with regard to certain maintenance work contracts. Upon completion of the Sale and Purchase Agreement, those existing maintenance work contracts held under Shun Cheong Electrical and Westco Airconditioning (being main operating companies within the Contracting Group), for which Tinhawk, a member within the Remaining Group currently acts as a sub-contractor, will continue with a view to allow continuity to those contracts until completion of such contracts. It is currently expected that the above maintenance contracts will run until 2008.

B. Principal terms of the Sub-contracting Agreement

The principal terms of the Sub-contracting Agreements are summarised as follow:

Date	:	31 December 2005
Parties	:	Shun Cheong Electrical and Westco Airconditioning, as main contractors, being main operating subsidiaries of the Contracting Group under CAG upon Completion and a connected person of the Company Tinhawk, as sub-contractor
Duration	:	From 1 January 2006 to 31 May 2008
Terms	:	Each of Shun Cheong Electrical and Westco Airconditioning (as main contractors) will pay Tinhawk (as sub-contractor) a sub-contracting fee, after deducting a management fee calculated based on 3% on contract amounts receivable from clients.

C. Reasons for entering into the Sub-contracting Agreement

Tinhawk, an indirect 90% owned subsidiary of the Company, will continue to act as a sub-contractor to Shun Cheong Electrical and Westco Airconditioning under the Sub-contracting Agreements. As advised by the Directors, Shun Cheong Electrical and Westco Airconditioning are qualified as approved contractors by the Hong Kong Housing Authority while Tinhawk is not. To carry out the existing maintenance work contracts held under Shun Cheong Electrical and Westco Airconditioning, it is necessary for Tinhawk to enter into the Sub-contracting Agreements.

As at the Latest Practicable Date, we were given to understand that there are about 44 existing building-related maintenance contracts to be completed by Tinhawk under the name of Shun Cheong Electrical and Westco Airconditioning and the total estimated amount of receivable (being the estimated future contract value and variation orders) in respect of these projects by each of the companies is as follows:

(a) approximately HK$210 million by Shun Cheong Electrical; and

(b) approximately HK$21 million by Westco Airconditioning.

We have discussed with management of the Company about the basis adopted to estimate the future contract value and variation orders. We have no reasons to doubt the fairness of the basis adopted as the estimated future contract was supported by the preliminary agreed amount set out in the contracts signed and the variation orders were assessed by the experienced management of the Company.

Accordingly, we concur with the Board's view that the entering into of the Sub-contracting Agreements will enable both the Company and CAG to continue servicing the existing building-related maintenance contracts entered into by the Contracting Group following Completion with a view to ensuring smooth and continuous services to existing customers and therefore is in the interest of the Company and the Shareholders as a whole.

D. Basis of the management fee

Under the Sub-contracting Agreements, each of Shun Cheong Electrical and Westco Airconditioning is entitled to deduct a management fee of a total 3% on amounts receivable from their clients and pay the balance to the sub-contractor following receipt of monies from clients. The Directors confirm that the said management fee is determined with reference to market rate not less favourable than that offered by independent contractors and the terms of such agreements are on normal commercial terms and in line with market practice.

We were given to understand that the management fee more or less represents a license fee to operate some contracting works granted to approved contractors and that there is a risk that the reputation and/or qualifications of Shun Cheong Electrical and Westco Airconditioning may be adversely affected in the event that the work of Tinhawk fall below the acceptable level. We have discussed with certain construction contractors and/or sub-contractors in Hong Kong and understand that the basis of the management fee of 3% is in line with market practice and within the normal range of management fees charged under similar arrangements.

Taking into account of the factors discussed above, we are of the view that the management fee of 3% on contract amounts receivable from clients entitled by Shun Cheong Electrical and Westco Airconditioning are fair and reasonable so far as Shareholders are concerned.

E. Basis of determination of the Annual Caps

It is proposed that the Annual Caps for the total sub-contracting fees receivable by Tinhawk under the Sub-contracting Agreements for the financial years ending 31 March 2007 and 2008 will be HK$114 million and HK$82 million respectively for the purpose of Chapter 14A of the Listing Rules. The Annual Caps are determined with reference to current estimated unbilled contract value of existing maintenance contracts on hand, assuming that Completion will take place in March 2006.

The aggregate contract amounts for the provision of building related maintenance sub-contracting work by Tinhawk to Shun Cheong Electrical and Westco Airconditioning for the financial years ended 31 March 2004 and 2005 and the eight months ended 30 November 2005 are as follows:

Year ended 31 March 2004 *HK$ million*	Year ended 31 March 2005 *HK$ million*	Eight months ended 30 November 2005 *HK$ million*
46	55	55

The total estimated amount of receivable (being the estimated future contract value and variation orders) in respect of the existing building-related maintenance contracts to be completed by Tinhawk under the name of Shun Cheong Electrical and Westco Airconditioning is approximately HK$231 million. As advised by the Directors, it is currently estimated that the above sub-contracting fees will be receivable by the Group in the following manner: (i) approximately HK$33.8 million during the three months ending 31 March 2006; (ii) approximately HK$113.2 million during the year ending 31 March 2007; (iii) approximately HK$81.4 million during the year ending 31 March 2008; and (iv) the balance of HK$2.6 million after 31 March 2008. Having considered the Annual Caps are determined with reference to current estimated unbilled contract value of existing maintenance contracts on hand to be receivable during the relevant periods as mentioned above, we concur with the Directors' view that the Annual Cap is fair and reasonable so far as the Shareholders are concerned.

F. Listing Rules' implications

The Sub-contracting Agreements and any continuing connected transactions contemplated thereunder are subject to the following annual review requirements of Rules 14A.37 to 14A.41 of the Listing Rules:

a. Each year the independent non-executive Directors must review the transactions contemplated under the Sub-contracting Agreements (the "Transactions") and confirm in the annual report and accounts that the Transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the Sub-contracting Agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

b. Each year the auditors must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the Transactions:

(1) have received the approval of the Board;

(2) are in accordance with the pricing policies of the Company if the Transactions involve provision of goods or services by the Company;

(3) have been entered into in accordance with the Sub-contracting Agreements governing the Transactions; and

(4) have not exceeded the Annual Caps.

c. The Company shall allow, and shall procure that the Contracting Group shall allow, the auditors sufficient access to their records for the purpose of reporting on the Transactions as set out in the Listing Rule. The Board must state in the annual report whether its auditors have confirmed the matters stated in (b) above.

d. The Company shall promptly notify the Stock Exchange and publish an announcement in the newspapers if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in (a) and/or (b) above respectively. The Company may have to re-comply with Rules 14A.35(3) and (4) of the Listing Rules and any other conditions the Stock Exchange considers appropriate.

e. Upon any variation or renewal of the Sub-contracting Agreement, the Company must comply in full with all applicable reporting, disclosure and independent Shareholders' approval requirements of Chapter 14 of the Listing Rules in respect of all continuing connected transactions effected after such variation or renewal.

The aforesaid annual review requirements pursuant to Rules 14A.37 to 14A4l of the Listing Rules can provide appropriate measures to govern the Company in carrying out the Sub-contracting Agreements and safeguard the interest of the Shareholders thereunder.

CONCLUSION

Taking into account the aforesaid principal factors and reasons, we consider that the terms and conditions of the Sub-contracting Agreements (including the Annual Caps) are on normal commercial terms and the Sub-contracting Agreements (including the Annual Caps) are fair and reasonable and the entering into of the Sub-contracting Agreements is in the interests of the Company and the Shareholders taken as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms and conditions of the Sale and Purchase Agreement and the Sub-contracting Agreements (including the Annual Caps) are fair and reasonable and the entering into of the Sale and Purchase Agreement and the Sub-contracting Agreements (including the Annual Caps) is in the interests of the Company and the Shareholders taken as a whole. We recommend the Independent Board Committee should advise the Independent Shareholders to vote in favour of the respective ordinary resolution to be proposed to approve the Sale and Purchase Agreement and the Sub-contracting Agreements (including the Annual Caps) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Kim Eng Corporate Finance (Hong Kong) Limited
Dino Ng
Director

ACCOUNTANTS' REPORT OF THE COMPANY FOR THE THREE YEARS ENDED 31 MARCH 2005 AND THE SIX MONTHS ENDED 30 SEPTEMBER 2005

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安永會計師事務所

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

10 March 2006

The Board of Directors
Shun Cheong Holdings Limited

Dear Sirs,

We set out below our report on the financial information regarding Shun Cheong Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2003, 2004 and 2005, and the six months ended 30 September 2005 (the "Relevant Periods") and the comparative financial information of the Group for the six months ended 30 September 2004, prepared on the basis set out in Section 1 below, for inclusion in the circular (the "Circular") issued by the Company dated 10 March 2006 in connection with the proposed disposal (the "Disposal") of the Group's entire 100% equity interests in Shun Cheong Investments Limited and certain of its subsidiaries (collectively, the "Contracting Group"), pursuant to a sale and purchase agreement dated 26 January 2006 entered into between the Company as vendor, Chinney Alliance Trading (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Chinney Alliance Group Limited, as purchaser, and Chinney Alliance Group Limited, as purchaser's guarantor.

The Company was incorporated in Bermuda with limited liability under the Companies Act 1981 of Bermuda (as amended) on 20 August 1992.

During the Relevant Periods, the principal activities of the Group consist of 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, together with the trading of electrical and mechanical engineering materials and equipment. The principal activity of the Company is investment holding.

The Group has adopted 31 March as its financial year end date for statutory reporting purposes.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with accounting principles generally accepted in Hong Kong. We have audited the consolidated financial statements of the Group for each of the years ended 31 March 2003, 2004 and 2005 and the six months ended 30 September 2005 in accordance with Statements of Auditing Standards ("SASs") and Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

For the purpose of this report, we have examined the audited consolidated financial statements of the Group for the Relevant Periods in accordance with the SASs and HKSAs and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report we have performed a review of the comparative financial information which includes the consolidated results and consolidated cash flows of the Group for the six months ended 30 September 2004, together with the notes thereto, (the "30 September 2004 Financial Information"), for which the directors of the Company are responsible, in accordance with SAS 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making inquiries of management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excluded audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope and provides a lower level of assurance than the audit or examination procedures described in the preceding paragraph, and accordingly, we do not express an audit opinion on the 30 September 2004 Financial Information.

The summaries of the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Relevant Periods and of the consolidated balance sheets of the Group and the balance sheets of the Company as at 31 March 2003, 2004 and 2005 and 30 September 2005 (the "Summaries") as set out in this report have been prepared, and are presented on the basis as set out in Section 1 below.

The Summaries together with the notes thereto are the responsibility of the directors of the Company who approve their issuance. The directors of the Company are responsible for the content of the Circular relating to the Group in which this report is included. It is our responsibility to form an independent opinion on such information and to report our opinion to you.

In forming our opinion we also evaluated the overall adequacy of the presentation of the Summaries together with the notes thereto. We believe that our work provides a reasonable basis for our opinion.

In our opinion, the Summaries together with the notes thereto give, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003, 2004, 2005 and 30 September 2005, respectively, and of the results and cash flows of the Group for the Relevant Periods.

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the 30 September 2004 Financial Information.

1. BASIS OF PRESENTATION

The Summaries have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong ("GAAP"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Summaries have been prepared under the historical cost convention, except for available-for-sale equity investments and equity investments at fair value through profit or loss, which have been measured at fair value as further explained below. The Summaries are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The HKICPA has issued a number of new and revised HKFRSs which are effective for the accounting periods beginning on or after 1 January 2005. The Summaries have been prepared in accordance with the new HKFRSs. The HKICPA has also issued several standards and interpretations that are not yet effective as at the date of this report. The directors of the Company anticipate that the adoption of these new standards and interpretations will have no material impact to the results of operations and financial position of the Group.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the Relevant Periods. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant inter-company 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 and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet from the results/equity attributable to equity holders of the parent.

The definitions used in the Circular apply to this report unless otherwise stated.

At the date of this report, the Company had direct or indirect interests in the following principal subsidiaries, all of which are private companies, the particulars of which are set out below:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company*	Principal activities
Shun Cheong Investments Limited	British Virgin Islands	US$100	100	Investment holding
Shun Cheong Engineering Limited	British Virgin Islands	US$1	100	Investment holding
Shun Cheong International Limited	British Virgin Islands	US$1	100	Investment holding
Ecotech Engineering Limited	Hong Kong	HK$650,001	89.99	Design, installation and maintenance of waste-water treatment systems
Ever Billion Engineering Limited ("Ever Billion")	Hong Kong	HK$100	100	Provision of building and electrical maintenance services
Shun Cheong Automation Systems Limited	Hong Kong	HK$2,000,000	85	Design and installation of computer control systems and building automation projects
Shun Cheong Electrical Engineering Company Limited	Hong Kong	HK$4,100,000	100	Design, installation, repair and maintenance of electrical and mechanical systems
Shun Cheong Electrical Supplies Company Limited	Hong Kong	HK$100,000	100	General trading of materials and equipment for electrical installation
Shun Cheong Trade and Development Company Limited	Hong Kong	HK$663,000	100	Trading of electrical generators and µPVC conduits and trunking systems

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company*	Principal activities
Shun Cheong Management Limited	Hong Kong	HK$2	100	Provision of management services
Shun Cheong Real Estates Limited ("SCRE")	Hong Kong	HK$10,000	100	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	Installation and maintenance of water pumps and fire prevention and fighting systems
Westco Airconditioning Limited	Hong Kong	HK$4,100,000	100	Design, installation and maintenance of heating ventilation and air-conditioning systems

* *All the above subsidiaries are held indirectly by the Company, except for Shun Cheong Investments Limited which is held directly 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, 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 income statement 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.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Critical accounting estimates and judgements

The preparation of the Group's financial statements requires the use of estimates and assumptions about future events and conditions. In this connection, the directors consider the significant areas where management's judgement is necessary are those in relation to (i) the valuation of the Group's available-for-sale equity investments and equity investments at fair value through profit or loss, (ii) provision for foreseeable losses against gross amount due from contract customers and (iii) recognition of losses against the Group's trade and other receivables and retention money receivables.

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

Impairment of assets

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arise.

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an 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 items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Leasehold land and properties held under medium term leases	2%
Machinery and equipment	20 – 30%
Furniture and office equipment	20%
Motor vehicles	20%
Leasehold improvements	3 years or over the lease terms, whichever is shorter

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

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

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

Investments

The Group classifies its investments as financial assets at fair value through profit or loss and available-for-sale financial assets under the scope of HKAS 39. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments after initial recognition and, where allowed and appropriate, re-evaluates this designation at every financial reporting date.

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

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Realised and unrealised gain or losses arising from changes in fair values of the "financial assets at fair value through profit or loss" are recognised in the consolidated income statement in the period in which they arise.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or not classified in any other categories under the scope of HKAS 39. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement.

The fair values of quoted investments are based on bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis or other valuation models as appropriate.

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in consolidated income statement, is transferred from equity to the consolidated income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the consolidated income statement.

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

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

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 income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

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

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

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

- where the deferred tax liability arises from 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, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from 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 reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

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 currencies

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

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

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

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

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

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

Cash and cash equivalents

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

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

Leases

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

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

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/period 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 income statement as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

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

Share-based payment transactions

The Company operated a share option scheme, which expired on 14 September 2002, for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Employees (including directors) of the Group received remuneration in the form of share-based payment transactions, whereby employees rendered services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, which is determined by an external valuer using appropriate valuation models. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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 an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets.

3. CONSOLIDATED INCOME STATEMENT

The following is a summary of the consolidated income statement of the Group for the Relevant Periods, which is presented on the basis set out in Section 1 above:

		Year ended 31 March			Six months ended 30 September	
		2003	2004	2005	2004	2005
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
REVENUE	*(a)*					
Continuing operations		644,019	734,189	550,031	249,407	245,488
Discontinued operations	*(b)*	291	–	–	–	–
		644,310	734,189	550,031	249,407	245,488
Cost of installation and cost of sales		(553,836)	(633,591)	(526,450)	(226,088)	(224,681)
Gross profit		90,474	100,598	23,581	23,319	20,807
Other income and gains	*(a)*	2,718	1,809	2,016	724	1,129
Administrative expenses		(80,814)	(77,943)	(57,245)	(31,427)	(28,874)
Impairment loss of available-for-sale equity investments		(7,130)	(9,108)	(757)	(944)	–
Unrealised holding gain/(loss) on equity investments at fair value through profit or loss		(1,244)	245	103	(95)	133
Provision for amounts due from former subsidiaries		–	(2,179)	–	–	–
Gain on dissolution of discontinued operations	*(b)*	–	4,105	–	–	–
Finance costs	*(f)*	(2,034)	(1,877)	(1,524)	(775)	(1,051)
Share of loss of an associate		(2)	–	–	–	–
PROFIT/(LOSS) BEFORE TAX	*(c)*	1,968	15,650	(33,826)	(9,198)	(7,856)

		Year ended 31 March			Six months ended 30 September	
		2003	**2004**	**2005**	**2004**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
PROFIT/(LOSS) BEFORE TAX		1,968	15,650	(33,826)	(9,198)	(7,856)
Tax	*(g)*	(4,872)	(4,418)	(741)	(1,231)	(101)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(2,904)	11,232	(34,567)	(10,429)	(7,957)
Attributable to:						
Equity holders of the parent		(14,685)	1,805	(33,729)	(12,446)	(7,613)
Minority interests		11,781	9,427	(838)	2,017	(344)
		(2,904)	11,232	(34,567)	(10,429)	(7,957)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*(k)*					
– Basic		(12.68 cents)	1.56 cents	(29.09 cents)	(10.73 cents)	(6.57 cents)
– Diluted		(12.68 cents)	N/A	N/A	N/A	N/A

Notes:

(a) Revenue, other income and gains

Turnover represented 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 Relevant Periods.

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

	Year ended 31 March			Six months ended 30 September	
	2003	**2004**	**2005**	**2004**	**2005**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
				(unaudited)	
Revenue					
Continuing operations:					
Building services contracting business	588,147	704,579	523,628	236,628	224,029
Project management income	4,638	2,240	2,222	1,023	996
Trading and installation of electrical and mechanical engineering materials and equipment	51,234	27,370	24,181	11,756	20,463
	644,019	734,189	550,031	249,407	245,488
Discontinued operations:					
Provision of broadband connectivity services	291	–	–	–	–
	644,310	734,189	550,031	249,407	245,488
Other income and gains					
Interest income	568	1,772	1,317	591	651
Gain/(loss) on dissolution of subsidiaries	–	(33)	313	–	–
Gain on dissolution of an associate	–	–	199	–	–
Others	2,150	70	187	133	478
	2,718	1,809	2,016	724	1,129

(b) Discontinued operations

In view of a strategic plan by the Group to concentrate on its core activities, the directors of the Company determined to phase out the Group's broadband connectivity services business and it was substantially abandoned during the year ended 31 March 2002. Accordingly, the directors considered the aforesaid business was discontinued operations during the year ended 31 March 2002.

During the year ended 31 March 2003, there were essentially no business activities of the broadband connectivity services. The subsidiary engaged in the broadband connectivity services business was in liquidation as of 31 March 2003 and was eventually dissolved in August 2003, which resulted in a net gain of approximately HK$4,105,000 arising on the dissolution of the subsidiary being recorded in the consolidated income statement for the year ended 31 March 2004.

The turnover, other income and gains and net loss for the year/period attributable to the discontinued operations are as follows:

	Year ended 31 March			**Six months ended 30 September**	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue	291	–	–	–	–
Cost of installation	(756)	–	–	–	–
Gross loss	(465)	–	–	–	–
Other income and gains	7	–	–	–	–
Finance costs	(20)	–	–	–	–
Loss before tax	(478)	–	–	–	–
Tax	–	–	–	–	–
Net loss for the year/period	(478)	–	–	–	–

The carrying amounts of the total assets and liabilities of the discontinued operations at the balance sheet date are as follows:

	Year ended 31 March			**Six months ended 30 September**	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Provision of broadband connectivity services					
Total assets	678	–	–	–	–
Total liabilities	(10,643)	–	–	–	–
Net liabilities	(9,965)	–	–	–	–

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

	Year ended 31 March			**Six months ended 30 September**	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Provision of broadband connectivity services					
Operating activities and net cash outflow	(950)	–	–	–	–

(c) Profit/(loss) before tax

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

	Year ended 31 March			Six months ended 30 September	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cost of inventories sold	43,188	24,583	17,332	7,230	395
Cost of installation	510,648	609,008	509,118	218,858	244,286
	553,836	633,591	526,450	226,088	244,681
Depreciation	3,087	2,539	1,749	972	588
Minimum lease payments under operating leases in respect of land and buildings	1,993	1,425	1,095	703	336
Auditors' remuneration	800	800	800	384	388
Employee benefits expenses (including directors' remuneration (Section 3(d)):					
Wages and salaries	64,217	64,299	50,958	23,686	27,641
Pension scheme contributions	2,982	2,811	3,021	1,392	1,028
Less: Forfeited contributions	(238)	(1,038)	(309)	(233)	(145)
Net pension scheme contributions*	2,744	1,773	2,712	1,159	883
	66,961	66,072	53,670	24,845	28,524
Less: Amount capitalised in contract costs	–	(118)	(10,537)	(190)	(8,418)
Amounts charged to administrative expenses	66,961	65,954	43,133	24,655	20,106
Provision for doubtful debts	–	109	1,531	–	2,386
Recovery of previously provided doubtful debts	(754)	(392)	(134)	–	–
Loss/(gain) on disposal of items of property, plant and equipment	434	7	(29)	19	(9)

* *The Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years as at 31 March 2003, 2004 and 2005 and 30 September 2004 and 2005.*

(d) Directors' and senior executives' remuneration

	Year ended 31 March			Six months ended 30 September	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* **(unaudited)**	*HK$'000*
Fees:					
Executive directors	–	–	–	–	–
Non-executive directors	–	–	–	–	–
Independent non-executive directors	240	250	362	182	180
	240	250	362	182	180
Other emoluments to executive directors:					
Salaries, allowances and benefits in kind	3,342	5,397	3,322	1,533	1,533
Performance related payments	538	334	330	–	–
Pension scheme contributions	153	220	175	88	88
	4,033	5,951	3,827	1,621	1,621
	4,273	6,201	4,189	1,803	1,801

During the year ended 31 March 2003, no directors were granted share options in respect of their services to the Group, under the share option scheme of the Company which was expired in September 2002.

Year ended 31 March 2003

	Fees	**Salaries, allowances and benefits in kind**	**Performance related payments**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Au Shiu Wai, Frank	–	1,063	80	72	1,215
Mr. Chan Yuen Keung, Zuric	–	1,223	380	11	1,614
Mr. Ou Ka Chi	–	1,056	78	70	1,204
Dr. Wong Sai Wing, James	–	–	–	–	–
Non-executive directors:					
Mr. Hong Yiu	–	–	–	–	–
Mr. Yu Sek Kee, Stephen	–	–	–	–	–
Independent non-executive directors:					
Dr. Chan Chok Ki	80	–	–	–	80
Mr. Li X Sinclair	120	–	–	–	120
Mr. Yuen Yiu Bun, Kenneth	40	–	–	–	40
	240	3,342	538	153	4,273

Year ended 31 March 2004

	Fees	Salaries, allowances and benefits in kind	Performance related payments	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Au Shiu Wai, Frank	–	1,040	80	76	1,196
Mr. Au Yu Fai, Patrick	–	975	75	68	1,118
Mr. Chan Yuen Keung, Zuric	–	1,306	101	12	1,419
Mr. Ou Ka Chi	–	2,076	78	64	2,218
Dr. Wong Sai Wing, James	–	–	–	–	–
Non-executive directors:					
Mr. Hong Yiu	–	–	–	–	–
Mr. Yu Sek Kee, Stephen	–	–	–	–	–
Independent non-executive directors:					
Dr. Chan Chok Ki	120	–	–	–	120
Mr. Ho Hin Kwan, Edmund	80	–	–	–	80
Mr. Li X Sinclair	50	–	–	–	50
Mr. Yu Hon To, David	–	–	–	–	–
	250	5,397	334	220	6,201

Year ended 31 March 2005

	Fees	Salaries, allowances and benefits in kind	Performance related payments	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Au Shiu Wai, Frank	–	1,040	80	96	1,216
Mr. Au Yu Fai, Patrick	–	975	150	67	1,192
Mr. Chan Yuen Keung, Zuric	–	1,307	100	12	1,419
Mr. Hong Yiu	–	–	–	–	–
Dr. Wong Sai Wing, James	–	–	–	–	–
Mr. Yu Sek Kee, Stephen	–	–	–	–	–
Independent non-executive directors:					
Dr. Chan Chok Ki	120	–	–	–	120
Mr. Ho Hin Kwan, Edmund	120	–	–	–	120
Mr. Yu Hon To, David	122	–	–	–	122
	362	3,322	330	175	4,189

Six months ended 30 September 2004 (unaudited)

	Fees	Salaries, allowances and benefits in kind	Performance related payments	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Au Shiu Wai, Frank	–	480	–	48	528
Mr. Au Yu Fai, Patrick	–	450	–	34	484
Mr. Chan Yuen Keung, Zuric	–	603	–	6	609
Mr. Hong Yiu	–	–	–	–	–
Dr. Wong Sai Wing, James	–	–	–	–	–
Mr. Yu Sek Kee, Stephen	–	–	–	–	–
Independent non-executive directors:					
Dr. Chan Chok Ki	60	–	–	–	60
Mr. Ho Hin Kwan, Edmund	60	–	–	–	60
Mr. Yu Hon To, David	62	–	–	–	62
	182	1,533	–	88	1,803

Six months ended 30 September 2005

	Fees	Salaries, allowances and benefits in kind	Performance related payments	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Au Shiu Wai, Frank	–	480	–	48	528
Mr. Au Yu Fai, Patrick	–	450	–	34	484
Mr. Chan Yuen Keung, Zuric	–	603	–	6	609
Mr. Hong Yiu	–	–	–	–	–
Mr. Yu Sek Kee, Stephen	–	–	–	–	–
Independent non-executive directors:					
Dr. Chan Chok Ki	60	–	–	–	60
Mr. Ho Hin Kwan, Edmund	60	–	–	–	60
Mr. Yu Hon To, David	60	–	–	–	60
	180	1,533	–	88	1,801

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 September 2004.

During the Relevant Periods and the six months ended 30 September 2004, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(e) Five highest paid employees

The five highest paid employees during the years ended 31 March 2003, 2004 and 2005 and the six months ended 30 September 2004 and 2005 included three, four, three, two and two directors, respectively, details of whose remuneration are set out in Section 3(d) above. Details of the remuneration of the remaining non-director, highest paid employees during the Relevant Periods and the six months ended 30 September 2004 are set out below.

	Year ended 31 March			Six months ended 30 September	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries, allowances and benefits in kind	1,860	910	1,557	719	719
Performance related payments	184	70	120	–	–
Pension scheme contribution	129	63	122	61	61
	2,173	1,043	1,799	780	780

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

	Year ended 31 March			Six months ended 30 September	
	2003	**2004**	**2005**	**2004**	**2005**
HK$1 – HK$1,000,000	–	–	1	2	2
HK$1,000,001 – HK$1,500,000	2	1	1	–	–
	2	1	2	2	2

During the Relevant Periods and the six months ended 30 September 2004, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(f) Finance costs

	Year ended 31 March			Six months ended 30 September	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interest on bank loans and overdrafts wholly repayable within five years	1,405	1,110	807	391	764
Interest on other loans	–	–	234	–	94
Interest on finance leases	83	51	43	43	–
Bank charges	546	716	440	341	193
	2,034	1,877	1,524	775	1,051

(g) Tax

The Company is exempt from tax in Bermuda until 2016.

Hong Kong profits tax has been provided at the statutory tax rate on the estimated assessable profits arising in Hong Kong during the Relevant Periods and the six months ended 30 September 2004. The statutory tax rate for Hong Kong profits tax is 16% for the year ended 31 March 2003; and 17.5% for the years ended 31 March 2004 and 2005 and the six months ended 30 September 2004 and 2005.

	Year ended 31 March			Six months ended 30 September	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Group:					
Current – Hong Kong					
Charge for the year/period	5,245	4,590	812	1,231	101
Under/(over)provision in prior years	(66)	(66)	50	–	–
Deferred (Section 4(n))	(307)	(106)	(121)	–	–
Total tax charge for the year/period	4,872	4,418	741	1,231	101

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

	Year ended 31 March			Six months ended 30 September	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit/(loss) before tax	1,968	15,650	(33,826)	(9,198)	(7,856)
Tax at the Hong Kong statutory rate	315	2,739	(5,919)	(1,610)	(1,375)
Effect on opening deferred tax of increase in rates	24	–	–	–	–
Adjustments in respect of current tax of previous years	(66)	(66)	50	–	–
Income not subject to tax	(25)	(728)	(2)	–	(37)
Expenses not deductible for tax	1,669	2,320	448	303	434
Tax losses utilised from previous year/period	(340)	(802)	(226)	(58)	(501)
Tax losses not recognised	3,231	1,002	6,402	2,484	1,525
Others	64	(47)	(12)	112	55
Tax charge at the Group's effective rate	4,872	4,418	741	1,231	101

(h) Related party transactions

(1) In addition to the transactions detailed elsewhere in these Summaries, the Group had the following material transactions with related parties during the Relevant Periods and the six months ended 30 September 2004:

		Year ended 31 March			Six months ended 30 September	
	Notes	**2003**	**2004**	**2005**	**2004**	**2005**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Billing of building maintenance works and building services installation works to Chinney Construction Company, Limited ("Chinney Construction")	*(i)*	274,343	268,515	120,152	60,400	48,376
Payment to Diyixian.com Limited ("Diyixian") of rental for server co-location at Diyixian's data centres and for access to the internet together with related set-up charges	*(ii)*	192	–	–	–	–
Purchase of merchandise from Chinney Alliance Engineering Limited	*(iii)*	808	1,155	817	613	491
Sub-contracting charge paid to a 49.90% minority shareholder of Shun Wing for the completion of work orders of a building maintenance contract		81,670	92,310	25,846	11,140	1,617
Management fee paid to a 49.90% minority shareholder of Shun Wing for the provision of management services of a building maintenance contract		5,091	6,510	–	–	–

Notes:

(i) Chinney Construction is a company of which Wong Sai Wing, James (who resigned as chairman and executive director of the Company on 17 September 2004) and Chan Yuen Keung, Zuric, are also directors and have indirect beneficial interests therein.

The amounts due from Chinney Construction are unsecured, interest-free and are repayable within normal credit terms of 60 days. Details of the balances are included in Section 4(h) to these Summaries. The maximum amount due from Chinney Construction during the years ended 31 March 2003, 2004 and 2005 and the six months ended 30 September 2004 and 2005 are HK$15,420,000, HK$47,432,000, HK$47,369,000, HK$46,729,000 and HK$41,442,000, respectively.

The Group also had amounts payable to Chinney Construction of HK$22,930,000 and HK$15,700,000, which were unsecured, interest-free and had no fixed terms of repayment as at 31 March 2005 and 30 September 2005, respectively. There were no amounts payable to Chinney Construction as at 31 March 2003 and 2004.

(ii) Diyixian was a minority shareholder of Speedlink Limited, a former subsidiary of the Group which was dissolved in August 2003.

(iii) 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 also 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 terms and rates in the normal course of the Group's business.

(2) Outstanding balances with related parties

(i) Details of the Company's amounts due from subsidiaries are included in Section 4(b) to the report.

(ii) Details of the Group's loans from minority shareholders of subsidiaries are included in Section 4(m) of this report.

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

The executive directors are the key management personnel of the Group. Details of their remunerations are disclosed in Section 3(d) of this report.

(i) Connected transactions

During the Relevant Periods and the six months ended 30 September 2004, the Group had the following connected transactions with Chinney Construction:

On 10 August 2004, Ever Billion, a wholly-owned subsidiary of the Group, entered into an agreement with Chinney Construction (the "Agreement") for the subcontracting of a three-year building and land maintenance contract dated 1 March 2004 awarded by the Architectural Services Department of the Government of the Hong Kong Special Administrative Region to Chinney Construction. Chan Yuen Keung, Zuric, and Wong Sai Wing, James, who is/was the chairman and executive director of the Company, are also a director of and have indirect beneficial interests in Chinney Construction. The Agreement constitutes a continuing connected transaction of the Company under the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details of the continuing connected transactions were disclosed in a circular dated 24 August 2004 to all shareholders of the Company.

The continuing connected transaction was approved by independent shareholders of the Company on the special general meeting held on 16 September 2004 with an annual cap for the contract amount of the Agreement of HK$120 million for each of the years ended/ending 31 March 2005, 2006 and 2007, and HK$78 million for the year ending 31 March 2008. During the year ended 31 March 2005 and the six months ended 30 September 2004 and 2005, the amount for the services provided under the Agreement was approximately HK$41,643,000, HK$10,301,000 and HK$38,764,000, respectively.

(j) Dividend

No dividend has been paid or declared by the Company during the Relevant Periods and the six months ended 30 September 2004.

(k) Earnings/loss per share attributable to ordinary equity holders of the parent

For the years ended 31 March 2003, 2004 and 2005 and the six months ended 30 September 2004 and 2005, the calculations of basic earnings/(loss) per share are based on the profit/(loss) attributable to equity holders of the parent of (HK$14,685,000), HK$1,805,000, (HK$33,729,000), (HK$12,446,000) and (HK$7,613,000), respectively, and the weighted number of ordinary shares of 115,930,400 for the respective years/periods, respectively, in issue during the Relevant Periods, after taken into consideration of the Capital Reorganisation on 16 September 2004 (Section 4(o)).

The diluted loss per share for the year ended 31 March 2003 was calculated based on the loss attributable to equity holders of the parent of HK$14,685,000 and weighted number of shares of 115,930,400. The diluted earnings/loss per share amounts for the years ended 31 March 2004 and 2005 and the six months ended 30 September 2004 and 2005 have not been disclosed because no diluting events existed during the respective years/period.

4. BALANCE SHEETS

The following is a summary of the consolidated balance sheets of the Group and the balance sheets of the Company as at 31 March 2003, 2004 and 2005 and 30 September 2005, after making such adjustments as we consider appropriate and on the basis as set out in Section 1 above:

Consolidated balance sheets of the Group

	Notes	**2003**	**31 March 2004**	**2005**	**30 September 2005**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*(a)*	23,176	20,735	19,093	18,629
Interest in an associate	*(c)*	–	–	–	–
Available-for-sale equity investments	*(d)*	12,365	3,257	2,500	2,500
Equity investments at fair value through profit or loss	*(e)*	166	411	514	647
Total non-current assets		35,707	24,403	22,107	21,776
CURRENT ASSETS					
Gross amount due from contract customers	*(f)*	86,453	84,798	90,500	93,438
Inventories	*(g)*	3,499	3,248	395	–
Trade and other receivables	*(h)*	160,904	143,919	175,244	152,547
Retention money receivables		25,905	25,344	22,505	21,609
Prepayments, deposits and other assets		752	545	604	474
Prepaid tax		2,249	2,527	4,693	4,367
Pledged time deposits	*(i)*	27,348	26,800	26,800	26,800
Cash and cash equivalents	*(i)*	26,825	10,129	8,261	9,024
Total current assets		333,935	297,310	329,002	308,259
CURRENT LIABILITIES					
Gross amount due to contract customers	*(f)*	83,514	61,827	91,745	56,176
Trade payables	*(j)*	44,790	30,628	33,576	55,325
Bills payable		23,032	6,443	3,263	6,472
Retention money payables		17,280	20,742	24,623	23,512
Other payables and accruals		40,762	44,874	59,102	59,914
Tax payable		1,807	474	357	377
Interest-bearing bank loans and overdrafts	*(k)*	33,741	30,274	46,886	44,659
Finance lease payables	*(l)*	270	180	–	–
Total current liabilities		245,196	195,442	259,552	246,435
NET CURRENT ASSETS		88,739	101,868	69,450	61,824
TOTAL ASSETS LESS CURRENT LIABILITIES		124,446	126,271	91,557	83,600

	Notes	31 March 2003 HK$'000	31 March 2004 HK$'000	31 March 2005 HK$'000	30 September 2005 HK$'000
NON-CURRENT LIABILITIES					
Interest-bearing bank loans, overdrafts and other borrowings	*(k)*	3,333	–	–	–
Loans from minority shareholders of subsidiaries	*(m)*	12,500	6,900	6,900	6,900
Finance lease payables	*(l)*	180	–	–	–
Deferred tax liabilities	*(n)*	253	147	26	26
Total non-current liabilities		16,266	7,047	6,926	6,926
Net assets		108,180	119,224	84,631	76,674
EQUITY					
Equity attributable to equity holders of the parent:					
Issued capital	*(o)*	46,372	46,372	1,159	1,159
Reserves		51,966	53,771	65,255	57,642
		98,338	100,143	66,414	58,801
Minority interests		9,842	19,081	18,217	17,873
Total equity		108,180	119,224	84,631	76,674

Balance sheets of the Company

			31 March		30 September
	Notes	**2003**	**2004**	**2005**	**2005**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Interests in subsidiaries	*(b)*	64,536	62,000	59,878	58,756
CURRENT ASSETS					
Prepayment, deposits and other assets		321	341	209	136
Cash and cash equivalents	*(i)*	76	75	74	73
Total current assets		397	416	283	209
CURRENT LIABILITIES					
Other payables and accruals		195	207	219	315
Total current liabilities		195	207	219	315
NET CURRENT ASSETS/ (LIABILITIES)		202	209	64	(106)
Net assets		64,738	62,209	59,942	58,650
EQUITY					
Issued capital		46,372	46,372	1,159	1,159
Reserves		18,366	15,837	58,783	57,491
Total equity		64,738	62,209	59,942	58,650

Notes:

(a) Property, plant and equipment

	Leasehold land and properties *HK$'000*	Machinery and equipment *HK$'000*	Furniture and office equipment *HK$'000*	Motor vehicles *HK$'000*	Leasehold improve-ments *HK$'000*	Total *HK$'000*
31 March 2003						
At 1 April 2002						
Cost	22,378	6,200	13,859	5,203	2,108	49,748
Accumulated depreciation	(2,871)	(6,195)	(9,713)	(2,938)	(1,346)	(23,063)
Net carrying amount	19,507	5	4,146	2,265	762	26,685
At 1 April 2002, net of accumulated depreciation	19,507	5	4,146	2,265	762	26,685
Additions	–	–	342	–	246	588
Depreciation provided during the year	(447)	(5)	(1,344)	(815)	(476)	(3,087)
Disposals	–	–	(951)	–	(59)	(1,010)
At 31 March 2003, net of accumulated depreciation	19,060	–	2,193	1,450	473	23,176
At 31 March 2003						
Cost	22,378	–	10,249	4,505	2,045	39,177
Accumulated depreciation	(3,318)	–	(8,056)	(3,055)	(1,572)	(16,001)
Net carrying amount	19,060	–	2,193	1,450	473	23,176
31 March 2004						
At 31 March 2003 and at 1 April 2003:						
Cost	22,378	–	10,249	4,505	2,045	39,177
Accumulated depreciation	(3,318)	–	(8,056)	(3,055)	(1,572)	(16,001)
Net carrying amount	19,060	–	2,193	1,450	473	23,176
At 1 April 2003, net of accumulated depreciation	19,060	–	2,193	1,450	473	23,176
Additions	–	–	105	–	–	105
Depreciation provided during the year	(447)	–	(968)	(815)	(309)	(2,539)
Disposals	–	–	(7)	–	–	(7)
At 31 March 2004, net of accumulated depreciation	18,613	–	1,323	635	164	20,735
At 31 March 2004						
Cost	22,378	–	9,802	4,505	1,750	38,435
Accumulated depreciation	(3,765)	–	(8,479)	(3,870)	(1,586)	(17,700)
Net carrying amount	18,613	–	1,323	635	164	20,735

	Leasehold land and properties HK$'000	Machinery and equipment HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improve-ments HK$'000	Total HK$'000
31 March 2005						
At 31 March 2004 and at 1 April 2004:						
Cost	22,378	–	9,802	4,505	1,750	38,435
Accumulated depreciation	(3,765)	–	(8,479)	(3,870)	(1,586)	(17,700)
Net carrying amount	18,613	–	1,323	635	164	20,735
At 1 April 2004, net of accumulated depreciation	18,613	–	1,323	635	164	20,735
Additions	–	–	352	271	33	656
Depreciation provided during the year	(449)	–	(860)	(275)	(165)	(1,749)
Write-off and disposals	–	–	(30)	(510)	(9)	(549)
At 31 March 2005, net of accumulated depreciation	18,164	–	785	121	23	19,093
At 31 March 2005:						
Cost	22,378	–	4,737	1,462	756	29,333
Accumulated depreciation	(4,214)	–	(3,952)	(1,341)	(733)	(10,240)
Net carrying amount	18,164	–	785	121	23	19,093
30 September 2005						
At 31 March 2005 and at 1 April 2005:						
Cost	22,378	–	4,737	1,462	756	29,333
Accumulated depreciation	(4,214)	–	(3,952)	(1,341)	(733)	(10,240)
Net carrying amount	18,164	–	785	121	23	19,093
At 1 April 2005, net of accumulated depreciation	18,164	–	785	121	23	19,093
Additions	–	–	63	–	79	142
Depreciation provided during the period	(224)	–	(321)	(27)	(16)	(588)
Disposals	–	–	(18)	–	–	(18)
At 30 September 2005, net of accumulated depreciation	17,940	–	509	94	86	18,629
At 30 September 2005:						
Cost	22,378	–	3,713	768	835	27,694
Accumulated depreciation	(4,438)	–	(3,204)	(674)	(749)	(9,065)
Net carrying amount	17,940	–	509	94	86	18,629

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles as at 31 March 2003 and 2004 was HK$648,000 and HK$468,000, respectively. As at 31 March 2005 and 30 September 2005, no items of property, plant and equipment of the Group was held under finance leases.

The Group's leasehold land and properties are located in Hong Kong and are held under medium-term leases as at 31 March 2003, 2004 and 2005 and 30 September 2005.

Certain of the Group's leasehold lands and properties with a net book value of approximately HK$16,500,000, HK$16,100,000 and HK$15,716,000 and HK$15,524,000 were pledged to secure general banking facilities granted to the Group as set out in Section 4(k) to this report at 31 March 2003, 2004 and 2005 and 30 September 2005, respectively. The mortgage on the pledged leasehold land and buildings for the aforesaid banking facilities was subsequently released on 7 October 2005.

(b) Interests in subsidiaries

Company

		31 March		**30 September**
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	33,116	33,116	33,116	33,116
Due from subsidiaries	143,695	148,903	147,434	147,169
	176,811	182,019	180,550	180,285
Impairment	(112,275)	(120,019)	(120,672)	(121,529)
	64,536	62,000	59,878	58,756

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

Particulars of the Group's principal subsidiaries are set out in Section 1 of this report.

(c) Interest in an associate

		31 March		**30 September**
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	–	–	–	–

Particulars of the associate as at 31 March 2003 and 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	Inactive

The associate was deregistered on 18 February 2005.

(d) Available-for-sale equity investments

	31 March 2003	2004	2005	30 September 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted equity investments, at fair value	12,365	3,257	2,500	2,500

The above investments consist of investments in equity securities which are designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The available-for-sale equity investments were stated at their fair values as estimated by the directors based on available audited financial statements or latest available unaudited financial information. The directors believe the estimated fair values resulting from the aforesaid valuation method are reasonable and appropriate at the respective balance sheet dates.

(e) Equity investments at fair value through profit or loss

	31 March 2003	2004	2005	30 September 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Listed equity investments in Hong Kong, at market value	166	411	514	647

(f) Gross amount due from/(to) contract customers

	31 March 2003	2004	2005	30 September 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross amount due from contract customers	86,453	84,798	90,500	93,438
Gross amount due to contract customers	(83,514)	(61,827)	(91,745)	(56,176)
	2,939	22,971	(1,245)	37,262
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	2,473,677	3,138,146	3,284,629	3,992,548
Less: Progress billings	(2,470,738)	(3,115,175)	(3,285,874)	(3,955,286)
	2,939	22,971	(1,245)	37,262

(g) Inventories

	31 March 2003	2004	2005	30 September 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Merchandise for sale	3,499	3,248	395	–

(h) Trade and other receivables

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

	31 March			30 September
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	133,525	108,948	122,992	93,933
Other receivables	27,379	34,971	52,252	58,614
	160,904	143,919	175,244	152,547

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

	31 March			30 September
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	106,582	78,411	60,816	30,025
31 – 60 days	9,329	17,261	11,867	7,993
61 – 90 days	5,160	6,010	6,738	3,943
Over 90 days	12,454	7,266	43,571	51,972
	133,525	108,948	122,992	93,933

Included in the trade receivable balance as at 30 September 2005 as set out above are amounts due from Chinney Construction of approximately HK$33,215,000 (31 March 2003: HK$15,420,000; 31 March 2004: HK$46,729,000 and 31 March 2005: HK$41,442,000) which arose from the provision of various building and maintenance services. Please refer to Section 3(h) for details of related party transactions with Chinney Construction.

(i) Cash and bank balances and pledged bank deposits

Group

	31 March 2003	2004	2005	30 September 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	14,238	4,631	2,751	3,458
Time deposits	39,935	32,298	32,310	32,366
	54,173	36,929	35,061	35,824
Less: Time deposit pledged for general banking facilities (Section 4(k))	(27,348)	(26,800)	(26,800)	(26,800)
Cash and cash equivalents	26,825	10,129	8,261	9,024

Company

	31 March 2003	2004	2005	30 September 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	76	75	74	73

(j) Trade payables

An aged analysis of the Group's trade payables as at each of the balance sheet date is as follows:

	31 March 2003	2004	2005	30 September 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	22,527	13,725	17,321	14,104
31 – 60 days	9,190	8,805	7,414	15,197
Over 60 days	13,073	8,098	8,841	26,024
	44,790	30,628	33,576	55,325

(k) Interest-bearing bank loans and overdrafts

	Effective interest rate (%) for the six months ended 30 September 2005	31 March 2003	31 March 2004	31 March 2005	30 September 2005
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current					
Bank overdrafts – secured	3.2	16,086	17,143	25,490	21,942
Bank overdrafts – unsecured	7	–	–	5,066	4,361
Bank loans – secured	–	4,000	3,333	–	–
Trust receipt loans – unsecured	6.7	13,655	9,798	16,330	18,356
		33,741	30,274	46,886	44,659
Non-current					
Bank loans – secured		3,333	–	–	–
		37,074	30,274	46,886	44,659
Analysed into:					
Bank overdrafts repayable within one year or on demand		16,086	17,143	30,556	26,303
Bank loans repayable:					
Within one year or on demand		4,000	3,333	–	–
In the second year		3,333	–	–	–
Trust receipt loans repayable within three months from date of advance		13,655	9,798	16,330	18,356
		37,074	30,274	46,886	44,659

As at 30 September 2005, the Group's banking facilities, including overdrafts, term loans, letters of credit and bank guarantees of approximately HK$76,500,000 (31 March 2003: HK$108,500,000; 31 March 2004: HK$93,500,000 and 31 March 2005: HK$76,500,000), of which HK$66,561,000 (31 March 2003: HK$82,800,000; 31 March 2004: HK$54,301,000 and 31 March 2005: HK$67,793,000) has been utilised as at the balance sheet date.

As at 30 September 2005, the aforesaid banking facilities are secured by bank deposits of the Group of approximately HK$26,800,000 (31 March 2003: HK$27,348,000 and 31 March 2004 and 2005: HK$26,800,000) and certain of the Group's leasehold land and properties as set out in Section 4(a) of this report.

All other borrowings of the Group bear interest at floating interest rates.

The carrying amounts of the Group's bank and other borrowings approximate their fair values at the respective balance sheet dates.

(l) Finance lease payables

During the Relevant Periods, the Group leased motor vehicles for its building services contracting business and classified these leases as finance leases. These leases expired in the year ended 31 March 2005.

As at each of the balance sheet date, the total future minimum lease payments under finance lease and their present values were as follows:

	Minimum lease payments				Present value of minimum lease payments			
	31 March			30 September	31 March			30 September
	2003	**2004**	**2005**	**2005**	**2003**	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:								
Within one year	322	214	–	–	270	180	–	–
In the second year	214	–	–	–	180	–	–	–
Total minimum finance lease payments	536	214	–	–	450	180	–	–
Future finance charges	(86)	(34)	–	–				
Total net finance lease payables	450	180	–	–				
Portion classified as current liabilities	(270)	(180)	–	–				
Long term portion	180	–	–	–				

(m) Loans from minority shareholders of subsidiaries

The loans from minority shareholders of subsidiaries were unsecured, interest-free and had no fixed terms of repayment as at 31 March 2003, 2004 and 2005 and 30 September 2005.

(n) 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 Relevant Periods are as follows:

		31 March		30 September
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accelerated tax depreciation:				
At beginning of year/period	–	–	147	26
Deferred tax charged/(credited) to the consolidated income statement during the year/period	–	147	(121)	–
At end of year/period	–	147	26	26
Cumulative differences in profit relating to incomplete long term installation and maintenance contracts:				
At beginning of year/period	560	253	–	–
Deferred tax credited to the consolidated income statement during the year/period	(307)	(253)	–	–
At end of year/period	253	–	–	–
Total deferred tax liabilities	253	147	26	26

As at 30 September 2005, the Group has tax losses arising in Hong Kong of approximately HK$77,327,000 (31 March 2005: HK$72,244,000; 31 March 2004: HK$37,675,000 and 31 March 2003: HK$37,475,000) 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 2003, 2004 and 2005 and 30 September 2005, there were no significant unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group had no liability to additional tax should such amounts be remitted.

(o) Share capital

Company

	31 March 2003	31 March 2004	31 March 2005	30 September 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
8,000,000,000 ordinary shares of HK$0.01 each (31 March 2005: 8,000,000,000 ordinary shares of HK$0.01 each; 31 March 2004 and 31 March 2003: 800,000,000 ordinary shares of HK$0.10 each)	80,000	80,000	80,000	80,000
Issued and fully paid:				
115,930,400 ordinary shares of HK$0.01 each (31 March 2005: 115,930,400 ordinary shares of HK$0.01 each; 31 March 2004 and 2003: 463,721,600 ordinary shares of HK$0.10 each)	46,372	46,372	1,159	1,159

During the Relevant Periods, there was no movements in the share capital of the Company for the years ended 31 March 2003 and 2004 and the period ended 30 September 2005. The movements in the share capital of the Company during the year ended 31 March 2005 were as follows:

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:

(i) 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");

(ii) 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;

(iii) 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");

(iv) 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;

(v) the application of the total credit of HK$45,212,856 arising from the capital reduction as detailed in (ii) above to set off the accumulated losses of the Company of HK$108,935,656 as at 31 March 2004, and

(vi) the cancellation of the share premium account of HK$110,631,927 and the application of the credit so arising as follows:

  (a) to eliminate the balance of the accumulated losses of the Company as at 31 March 2004; and

  (b) 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 Relevant Periods 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	Share premium account	Total
		HK$'000	*HK$'000*	*HK$'000*
At 1 April 2002, 31 March 2003, 31 March 2004 and 1 April 2004	463,721,600	46,372	110,632	157,004
Share consolidation (i)	(347,791,200)	–	–	–
Capital reduction (ii)	–	(45,213)	–	(45,213)
Cancellation of share premium account (vi)	–	–	(110,632)	(110,632)
At 31 March 2005 and 30 September 2005	115,930,400	1,159	–	1,159

(p) Reserves

(i) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity set out in Section 6 of this report.

(ii) Company

	Share premium account	Contributed surplus	Capital redemption reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2002	110,632	14,009	132	(69,404)	55,369
Net loss for the year	–	–	–	(37,003)	(37,003)
At 31 March 2003 and 1 April 2003	110,632	14,009	132	(106,407)	18,366
Net loss for the year	–	–	–	(2,529)	(2,529)
At 31 March 2004 and 1 April 2004	110,632	14,009	132	(108,936)	15,837
Capital Reorganisation (Section 4(o))	(110,632)	46,909	–	108,936	45,213
Net loss for the year	–	–	–	(2,267)	(2,267)
At 31 March 2005 and 1 April 2005	–	60,918	132	(2,267)	58,783
Net loss for the period	–	–	–	(1,292)	(1,292)
At 30 September 2005	–	60,918	132	(3,559)	57,491

The contributed surplus represents the difference between the aggregate net asset value of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition of the subsidiaries under a Group reorganisation in 1992. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

(q) Dissolution of subsidiaries, net

The fair values of the identifiable assets and liabilities of the subsidiaries dissolved during the Relevant Periods at their dates of dissolution are as follows:

	Year ended 31 March			Six months ended 30 September	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Net assets disposed of:					
Cash and bank balances	–	651	133	–	–
Trade and other receivables	–	442	6	–	–
Prepayments, deposits and other assets	–	150	–	–	–
Trade payables	–	(4,984)	–	–	–
Other payables and accruals	–	(543)	(426)	–	–
Minority shareholders' loan	–	(5,600)	–	–	–
Minority interests	–	5,812	(26)	–	–
	–	(4,072)	(313)	–	–
Gain on dissolution of discontinued operations	–	4,105	–	–	–
Gain/(loss) on dissolution of a subsidiary	–	(33)	313	–	–
	–	–	–	–	–

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

	Year ended 31 March			Six months ended 30 September	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cash and bank balances disposed of	–	(651)	(133)	–	–

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

(r) Contingent liabilities

In addition to the leasehold land and properties and the bank deposits as detailed in Sections 4(a) and 4(i) to this report to secure the banking facilities granted to the Group as set out in Section 4(k) to the report, as at 30 September 2005, the Company provides corporate guarantees to banks of HK$51,000,000 (31 March 2005: HK$51,000,000; 31 March 2004: HK$68,000,000 and 31 March 2003: HK$83,000,000) in connection with the banking facilities granted to the Group. In addition, certain subsidiaries of the Group provides letters of indemnity to a financial institution for the issue of performance bonds. As at 30 September 2005, the banking facilities utilised by the Group amounted to approximately HK$66,561,000 (31 March 2005: HK$67,793,000; 31 March 2004: HK$54,301,000 and 31 March 2003: HK$82,800,000). As at 30 September 2005, the Group had contingent liabilities in respect of guarantees and indemnities provided by the Group for the issue of performance bonds by banks and a financial institution amounted to HK$11,590,000 (31 March 2003: Nil; 31 March 2004: HK$5,950,000 and 31 March 2005: HK$13,070,000).

Save as disclosed above, the Group had no significant contingent liabilities as at 31 March 2003, 2004, 2005 and 30 September 2005.

(s) 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 31 March 2003, 2004 and 2005 and 30 September 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

		31 March		**30 September**
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,641	734	828	695
In the second to fifth years, inclusive	577	64	983	660
	2,218	798	1,811	1,355

(t) Commitments

Apart from the operating lease commitments detailed in Section 4(s) above, the Group did not have any significant commitments as at 31 March 2003, 2004, 2005 and 30 September 2005.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, overdrafts and other borrowings, cash and bank balances, pledged time deposits and finance leases. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as gross amounts due from and to contract customers, trade and other receivables, retention money receivables and payables, trade and bills payables which arise directly from the Group's operations.

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

(i) Cash flow interest rate risk

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

The interest rates and terms of repayment of interest-bearing bank loans and other borrowings are disclosed in Section 4(k). Other financial assets and liabilities do not have material interest rate risk.

Interest-bearing bank loans and other borrowings, cash and bank balances, and short term time deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expenses are charged to the consolidated income statement as incurred.

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

(ii) Credit risk

The Group maintains various credit policies for business operations as detailed in Section 4(h) above. In addition, all receivable balances are closely monitored on an ongoing basis to minimise the Group's exposure to bad debts.

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

(iii) Liquidity risk

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

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

6. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Movements in the shareholders' equity of the Group for the Relevant Periods on the basis as set out in Section 1 above are as follows:

	Attributable to equity holders of the parent							
	Issued share capital	**Share premium account***	**Contributed surplus***	**Capital redemption reserve***	**Retained profits/ (accumulated losses)***	**Total**	**Minority interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2002	46,372	110,632	–	132	(44,113)	113,023	4,061	117,084
Loss for the year	–	–	–	–	(14,685)	(14,685)	11,781	(2,904)
Dividend	–	–	–	–	–	–	(6,000)	(6,000)
At 31 March 2003 and 1 April 2003	46,372	110,632	–	132	(58,798)	98,338	9,842	108,180
Profit for the year	–	–	–	–	1,805	1,805	9,427	11,232
Dividend paid	–	–	–	–	–	–	(6,000)	(6,000)
Dissolution of subsidiaries *(Section 4(q))*	–	–	–	–	–	–	5,812	5,812
At 31 March 2004 and 1 April 2004	46,372	110,632	–	132	(56,993)	100,143	19,081	119,224
Capital reorganisation *(Section 4(o))*	(45,213)	(110,632)	46,909	–	108,936	–	–	–
Loss for the year	–	–	–	–	(33,729)	(33,729)	(838)	(34,567)
Dissolution of subsidiaries *(Section 4(q))*	–	–	–	–	–	–	(26)	(26)
At 31 March 2005 and 1 April 2005	1,159	–	46,909	132	18,214	66,414	18,217	84,631
Loss for the period	–	–	–	–	(7,613)	(7,613)	(344)	(7,957)
At 30 September 2005	1,159	–	46,909	132	10,601	58,801	17,873	76,674
At 31 March 2004 and 1 April 2004	46,372	110,632	–	132	(56,993)	100,143	19,081	119,224
Capital reorganisation *(Section 4(o))*	(45,213)	(110,632)	46,909	–	108,936	–	–	–
Loss for the period	–	–	–	–	(12,446)	(12,446)	2,017	(10,429)
At 30 September 2004	1,159	–	46,909	132	39,497	87,697	21,098	108,795

* *These reserves accounts comprise the consolidated reserves of HK$51,966,000, HK$53,771,000, HK$65,255,000 and HK$57,642,000 as at 31 March 2003, 2004 and 2005 and 30 September 2005 respectively.*

7. CONSOLIDATED CASH FLOW STATEMENTS

The consolidated cash flow statements of the Group for the Relevant Periods after making such adjustments as we consider appropriate and on the basis set out in Section 1 above are as follows:

	Year ended 31 March			Six months ended 30 September	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax	1,968	15,650	(33,826)	(9,198)	(7,856)
Adjustments for:					
Share of losses of an associate	2	–	–	–	–
Interest paid	1,488	1,161	1,084	434	858
Interest income	(568)	(1,772)	(1,317)	(591)	(651)
Depreciation	3,087	2,539	1,749	972	588
Loss/(gain) on disposal of items of property, plant and equipment	434	7	(29)	19	(9)
Gain on dissolution of discontinued operations (Section 4(q))	–	(4,105)	–	–	–
Loss/(gain) on dissolution of subsidiaries (Section 4(q))	–	33	(313)	–	–
Gain on dissolution of an associate	–	–	(199)	–	–
Provision for amounts due from former subsidiaries	–	2,179	–	–	–
Provision for doubtful debts	–	109	1,531	–	2,386
Impairment loss of available-for-sale equity investments	7,130	9,108	757	944	–
Unrealised holding (gains)/losses on equity investments at fair value through profit or loss	1,244	(245)	(103)	95	(133)
Operating profit/(loss) before working capital changes	14,785	24,664	(30,666)	(7,325)	(4,817)
Decrease/(increase) in gross amount due from contract customers	(25,097)	1,655	(5,702)	(9,983)	(2,938)
Decrease/(increase) in inventories	1,028	251	2,853	(55)	395
Decrease/(increase) in trade and other receivables	(28,641)	14,255	(32,864)	(6,694)	20,311
Decrease in retention money receivables	5,716	561	2,839	2,943	896
Decrease/(increase) in prepayments, deposits and other assets	1,130	57	(59)	4	130
Increase/(decrease) in gross amount due to contract customers	37,689	(21,687)	29,918	40,249	(35,569)
Increase/(decrease) in trade payables	5,146	(9,178)	2,948	3,337	21,749
Increase/(decrease) in bills payable	(9,962)	(16,589)	(3,180)	(3,238)	3,209
Increase/(decrease) in retention money payable	(3,543)	3,462	3,881	1,834	(1,111)
Increase/(decrease) in other payables and accruals	5,874	4,655	14,855	(30,444)	812
Cash generated from/(used in) operations – page 82	4,125	2,106	(15,177)	(9,372)	3,067

	Year ended 31 March			Six months ended 30 September	
	2003	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash generated from/(used in) operations – page 81	4,125	2,106	(15,177)	(9,372)	3,067
Interest paid	(1,405)	(1,110)	(1,041)	(391)	(858)
Interest element on finance lease rental payments	(83)	(51)	(43)	(43)	–
Hong Kong profits tax paid	(10,434)	(6,226)	(3,145)	(32)	(77)
Hong Kong profits tax refunded	812	91	–	–	322
Net cash inflow/(outflow) from operating activities	(6,985)	(5,190)	(19,406)	(9,838)	2,454
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	568	1,772	1,317	591	651
Purchases of items of property, plant and equipment	(588)	(105)	(656)	(365)	(142)
Proceeds from disposal of items of property, plant and equipment	576	–	578	473	27
Dissolution of subsidiaries (Section 4(q))	–	(651)	(133)	–	–
Advances to an associate	(2)	–	–	–	–
Additional investment in an available-for-sale investment	(990)	–	–	–	–
Net cash inflow/(outflow) from investing activities	(436)	1,016	1,106	699	536
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to a minority shareholder	(6,000)	(6,000)	–	–	–
Capital element on finance lease rental payments	(337)	(270)	(180)	(180)	–
Increase/(decrease) in trust receipt loans	12,734	(3,857)	6,532	(5,116)	2,026
New bank loans raised	8,000	–	–	–	–
Repayment of bank loans	(667)	(4,000)	(3,333)	(2,000)	–
Net cash inflow/(outflow) from financing activities	13,730	(14,127)	3,019	(7,296)	2,026
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,309	(18,301)	(15,281)	(16,435)	5,016
Cash and cash equivalents at beginning of year/period	31,778	38,087	19,786	19,786	4,505
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	38,087	19,786	4,505	3,351	9,521
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	14,238	4,631	2,751	7,694	3,458
Non-pledged time deposits with original maturity of less than three months when acquired	12,587	5,498	5,510	5,500	5,566
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	27,348	26,800	26,800	26,800	26,800
Bank overdrafts	(16,086)	(17,143)	(30,556)	(36,643)	(26,303)
	38,087	19,786	4,505	3,351	9,521

8. 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.

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

Year ended 31 March 2003

	(Continuing) Building services contracting business and project management	(Continuing) Trading of electrical and mechanical engineering materials and equipment	(Discontinued) Provision of broadband connectivity services	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sale to external customers	592,785	51,234	291	–	644,310
Intersegment sales	–	8,342	–	(8,342)	–
Total	592,785	59,576	291	(8,342)	644,310
Segment results	9,512	606	(458)	–	9,660
Interest income and unallocated gains					2,718
Impairment loss of available-for-sale equity investments					(7,130)
Unrealised holding loss on equity investments at fair value through profit or loss					(1,244)
Finance costs					(2,034)
Share of loss of an associate					(2)
Profit before tax					1,968
Tax					(4,872)
Loss for the year					(2,904)
Assets and liabilities					
Segment assets	278,251	21,847	591	–	300,689
Unallocated assets					68,953
Total assets					369,642
Segment liabilities	199,411	11,824	10,643		221,878
Unallocated liabilities					39,584
Total liabilities					261,462
Other segment information:					
Depreciation	3,018	69	–	–	3,087
Capital expenditure	577	11	–	–	588

Year ended 31 March 2004

	Building services contracting business and project management	Trading of electrical and mechanical engineering materials and equipment	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	706,819	27,370	–	734,189
Intersegment sales	–	9,951	(9,951)	–
Total	706,819	37,321	(9,951)	734,189
Segment results	25,362	(2,707)	–	22,655
Interest income and unallocated gains				1,809
Impairment loss of available-for-sale equity investments				(9,108)
Unrealised holding gain on equity investments at fair value through profit or loss				245
Provision for amounts due from former subsidiaries				(2,179)
Gain on dissolution of discontinued operations				4,105
Finance costs				(1,877)
Profits before tax				15,650
Tax				(4,418)
Profit for the year				11,232
Assets and liabilities				
Segment assets	259,504	19,085	–	278,589
Unallocated assets				43,124
Total assets				321,713
Segment liabilities	161,552	9,862	–	171,414
Unallocated liabilities				31,075
Total liabilities				202,489
Other segment information:				
Depreciation	2,485	54	–	2,539
Capital expenditure	92	13	–	105
Provision for doubtful debts	109	–	–	109

Year ended 31 March 2005

	Building services contracting business and project management	Trading of electrical and mechanical engineering materials and equipment	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	525,850	24,181	–	550,031
Intersegment sales	–	1,963	(1,963)	–
Total	525,850	26,144	(1,963)	550,031
Segment results	(28,658)	(5,035)	–	(33,693)
Interest income and unallocated gains				2,045
Impairment loss of available-for-sale equity investments				(757)
Unrealised holding gain on equity investments at fair value through profit or loss				103
Finance costs				(1,524)
Loss before tax				(33,826)
Tax				(741)
Loss for the year				(34,567)
Assets and liabilities				
Segment assets	296,535	11,805	–	308,340
Unallocated assets				42,769
Total assets				351,109
Segment liabilities	204,273	8,036	–	212,309
Unallocated liabilities				54,169
Total liabilities				266,478
Other segment information:				
Depreciation	1,708	41	–	1,749
Capital expenditure	656	–	–	656
Provision for doubtful debts	77	1,454	–	1,531

Six months ended 30 September 2004 (unaudited)

	Building services contracting business and project management	Trading of electrical and mechanical engineering materials and equipment	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	237,651	11,756	–	249,407
Intersegment sales	–	1,152	(1,152)	–
Total	237,651	12,908	(1,152)	249,407
Segment results	(7,027)	(1,081)	–	(8,108)
Interest income and unallocated gains				724
Impairment loss of available-for-sale equity investments				(944)
Unrealised holding loss on equity investments at fair value through profit or loss				(95)
Finance costs				(775)
Loss before tax				(9,198)
Tax				(1,231)
Loss for the period				(10,429)
Other segment information:				
Depreciation	952	20	–	972
Capital expenditure	365	–	–	365

Six months ended 30 September 2005

	Building services contracting business and project management	Trading of electrical and mechanical engineering materials and equipment	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	225,025	20,463	–	245,488
Intersegment sales	4	3,350	(3,354)	–
Total	225,029	23,813	(3,354)	245,488
Segment results	(8,151)	75	–	(8,076)
Interest income and unallocated gains				1,138
Unrealised holding gain on equity investments at fair value through profit or loss				133
Finance costs				(1,051)
Loss before tax				(7,856)
Tax				(101)
Loss for the period				(7,957)
Assets and liabilities				
Segment assets	271,620	15,078	–	286,698
Unallocated assets				43,337
Total assets				330,035
Segment liabilities	192,961	8,439	–	201,400
Unallocated liabilities				51,961
Total liabilities				253,361
Other segment information:				
Depreciation	580	8	–	588
Capital expenditure	128	14	–	142
Provision for doubtful debts	1,974	412	–	2,386

(b) Geographical segments

No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong and over 90% of the Group's assets are located in Hong Kong.

9. EVENTS AFTER THE BALANCE SHEET DATE

(a) Subsequent to 30 September 2005, on 10 October 2005, SCRE entered into a conditional sale and purchase agreement to dispose of certain leasehold land and properties to an unrelated third party for a cash consideration of HK$16.5 million (the "Property Disposal"), which resulted in a gain of approximately HK$600,000. The Property Disposal constituted a major transaction of the Company under the Listing Rules and the details of the transaction were disclosed in a circular to all shareholders of the Company dated 24 October 2005. The Property Disposal was approved by the shareholders of the Company on 9 November 2005 and was completed on 14 December 2005.

(b) On 26 January 2006, the Company, as vendor, entered into a conditional sale and purchase agreement with Chinney Alliance Trading (BVI) Limited as purchaser, and Chinney Alliance Group Limited as purchaser's guarantor for the proposed disposal of the Contracting Group. The Contracting Group to be disposed of is mainly engaged in the design and installation of building, electrical and mechanical systems, heating ventilation and air-conditioning systems for both public and private sectors. The completion of the Disposal is pending for the approval by the shareholders of the Company and is expected to be completed by March 2006.

10. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 30 September 2005.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

A. LETTER ON UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following is a text of the letter from Ernst & Young, the reporting accountants, in respect of the unaudited pro forma financial information of the Remaining Group, prepared for the purpose of incorporation in this circular.

ERNST & YOUNG
安永會計師事務所

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

10 March 2006

The Board of Directors
Shun Cheong Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of the Group (as defined herein) excluding the Group's interests in Shun Cheong Investments Limited and its subsidiaries, (the "Remaining Group") set out on pages 92 to 98 in Appendix II to the circular dated 10 March 2006 (the "Circular") issued by Shun Cheong Holdings Limited (the "Company", and together with its subsidiaries, referred to as the "Group"), in connection with the proposed very substantial disposal (the "Disposal") of the Group's entire interest in Shun Cheong Investments Limited and its subsidiaries (collectively known as the "Contracting Group"). The pro forma financial information is unaudited and has been prepared by the directors of the Company, solely for illustrative purposes, to provide information about how the Disposal and the transactions as described in the accompanying introduction to the unaudited pro forma financial information of the Remaining Group might have affected the historical financial information in respect of the Group.

The historical financial information is derived from the audited and unaudited historical financial information of the Group, where applicable, appearing elsewhere in the Circular. The basis of preparation of the unaudited pro forma financial information is set out in the accompanying introduction and notes to the unaudited pro forma financial information of the Remaining Group.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). It is our responsibility to form an opinion, as required by the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the unaudited pro forma financial information with the directors of the Company.

Our work did not constitute an audit or a review made in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such audit or review assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the directors' judgements and assumptions, and, because of its nature, it does not provide an assurance or indication that any event will take place in the future and may not be indicative of the financial position or results of:

– the Remaining Group, had the transaction actually occurred as at the dates indicated therein; or

– the Remaining Group at any future dates or for any future periods.

Opinion

In our opinion:

(a) the accompanying unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

For illustrative purpose only, the following is the unaudited pro forma financial information of the Remaining Group, based on the Group's audited consolidated income statement and audited consolidated cash flow statement for the year ended 31 March 2005 and the audited consolidated balance sheet as at 30 September 2005.

(i) Unaudited pro forma consolidated income statement of the Remaining Group for the year ended 31 March 2005 as if the Disposal had been completed on 1 April 2004

	Audited consolidated income statement of the Group for the year ended 31 March 2005	Pro forma adjustments for the Disposal		Pro forma unaudited consolidated income statement of the Remaining Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
Revenue	550,031	(426,251)	*1*	123,780
Cost of installation and cost of sales	(526,450)	410,373	*1*	(116,077)
Gross profit	23,581			7,703
Other income and gains	2,016	(1,502)	*1*	514
Administrative expenses	(57,245)	35,720	*1*	(21,525)
Impairment loss of available-for-sale equity investments	(757)	757	*1*	–
Unrealised holding gain on equity investments at fair value through profit or loss	103	(103)		–
Finance costs	(1,524)	504	*1*	(1,020)
Loss on disposal of equity interests in the Contracting Group	–	(31,235)	*4*	(31,235)
LOSS BEFORE TAX	(33,826)			(45,563)
Tax	(741)	688	*1*	(53)
LOSS FOR THE YEAR	(34,567)			(45,616)
Attributable to:				
Equity holders of the parent	(33,729)	(10,768)		(44,497)
Minority interests	(838)	(281)	*1*	(1,119)
	(34,567)			(45,616)

(ii) Unaudited pro forma consolidated balance sheet of the Remaining Group as at 30 September 2005 as if the Disposal had been completed on 30 September 2005

	Audited consolidated balance sheet of the Group as at 30 September 2005	Pro forma adjustments for the Disposal		Pro forma unaudited consolidated balance sheet of the Remaining Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
NON-CURRENT ASSETS				
Properties, plant and equipment	18,629	(291)	2	18,338
Investment in an associate	–	–		
Available-for-sale equity investments	2,500	(2,500)	*2*	–
Equity investments at fair value through profit or loss	647	(647)	*2*	–
Total non-current assets	21,776			18,338
CURRENT ASSETS				
Gross amount due from contract customers	93,438	(63,899)	*2*	29,539
Trade and other receivables	152,547	(102,110)	*2*	50,437
Retention money receivables	21,609	(19,857)	*2*	1,752
Prepayments, deposits and other assets	474	(227)	*2*	247
Prepaid tax	4,367	(4,288)	*2*	79
Pledged time deposits	26,800	(26,800)	*2*	–
Cash and cash equivalents	9,024	26,068	*2, 6*	35,092
Total current assets	308,259			117,146
CURRENT LIABILITIES				
Gross amount due to contract customers	56,176	(39,365)	*2*	16,811
Trade payables	55,325	(38,721)	*2*	16,604
Bills payable	6,472	(6,472)	*2*	–
Retention money payables	23,512	(21,960)	*2*	1,552
Other payables and accruals	59,914	(34,193)	*2*	25,721
Due to the Contracting Group	–	20,575	*2, 4, 7*	20,575
Tax payable	377	(346)	*2*	31
Interest-bearing bank loans and overdrafts	44,659	(44,659)	*2*	–
Total current liabilities	246,435			81,294
NET CURRENT ASSETS	61,824			35,852
TOTAL ASSETS LESS CURRENT LIABILITIES	83,600			54,190

	Audited consolidated balance sheet of the Group as at 30 September 2005	Pro forma adjustments for the Disposal		Pro forma unaudited consolidated balance sheet of the Remaining Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
NON-CURRENT LIABILITIES				
Loan from a minority shareholder of a subsidiary	6,900	(6,900)	*2*	–
Deferred tax liabilities	26	(26)	*2*	–
Total non-current liabilities	6,926			–
Net assets	76,674			54,190
EQUITY				
Equity attributable to equity holders of the parent:				
Issued capital	1,159			1,159
Reserves	57,642	(5,395)	*5*	52,247
	58,801			53,406
Minority interests	17,873	(17,089)		784
Total equity	76,674			54,190

(iii) Unaudited pro forma consolidated cash flow statement of the Remaining Group for the year ended 31 March 2005 as if the Disposal had been completed on 1 April 2004

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2005 *HK$'000*	Pro forma adjustments for the Disposal *HK$'000*	*Notes*	Pro forma unaudited consolidated cash flow statement of the Remaining Group *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(33,826)	(11,737)	*3, 4*	(45,563)
Adjustments for:				
Interest paid	1,084	(89)	*3*	995
Interest income	(1,317)	87	*3*	(1,230)
Depreciation	1,749	(838)	*3*	911
Gain on disposal of items of property, plant and equipment	(29)	47	*3*	18
Provision for doubtful debts	1,531	(1,460)	*3*	71
Impairment loss of unavailable-for-sale equity investments	757	(757)	*3*	–
Unrealised holding gains on equity investments at fair value through profit or loss	(103)	103	*3*	–
Gain on dissolution of an associate	(199)	199	*3*	–
Gain on dissolution of subsidiaries	(313)	313	*3*	–
Loss on disposal of equity interests in the Contracting Group	–	31,235	*4*	31,235
Operating loss before working capital changes	(30,666)			(13,563)
Increase in gross amount due from contract customers	(5,702)	(14,679)	*3*	(20,381)
Decrease in inventories	2,853	(2,853)	*3*	–
Increase in trade and other receivables	(32,864)	26,129	*3*	(6,735)
Decrease in retention money receivables	2,839	(2,839)	*3*	–
Increase in prepayments, deposits and other assets	(59)	(4)	*3*	(63)
Increase in gross amount due to contract customers	29,918	(27,654)	*3*	2,264
Increase in trade payables	2,948	3,838	*3*	6,786
Decrease in bills payable	(3,180)	3,180	*3*	–
Increase in retention money payables	3,881	(3,805)	*3*	76
Increase in other payables and accruals	14,855	2,054	*3*	16,909
Cash used in operations	(15,177)			(14,707)
Interest paid	(1,041)	46	*3*	(995)
Interest element on finance lease rental payments	(43)	43	*3*	–
Hong Kong profits tax paid	(3,145)	3,011	*3*	(134)
Net cash outflow from operating activities	(19,406)			(15,836)

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2005	Pro forma adjustments for the Disposal		Pro forma unaudited consolidated cash flow statement of the Remaining Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,317	(87)	*3*	1,230
Purchases of items of property, plant and equipment	(656)	148	*3*	(508)
Proceeds from disposal of items of property, plant and equipment	578	(558)	*3*	20
Dissolution of subsidiaries	(133)	133	*3*	–
Proceeds from disposal of the Contracting Group	–	33,000	*6*	33,000
Net cash inflow from investing activities	1,106			33,742
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital element on finance lease rental payments	(180)	180	*3*	–
Increase in trust receipt loans	6,532	(6,532)	*3*	–
Repayment of bank loans	(3,333)	–	*3*	(3,333)
Balance with the Contracting Group	–	16,820	*3,4,7*	16,820
Net cash inflow from financing activities	3,019			13,487
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(15,281)			31,393
Cash and cash equivalent at beginning of the year	19,786	(17,932)	*3, 6*	1,854
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4,505			33,247

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2005	Pro forma adjustments for the Disposal		Pro forma unaudited consolidated cash flow statement of the Remaining Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	2,751	31,043	*3*	33,794
Non-pledged time deposits with original maturity of less than three months when acquired	5,510	(5,510)	3	–
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	26,800	(26,800)	*3*	–
Bank overdrafts	(30,556)	30,009	*3*	(547)
	4,505			33,247

Notes:

1. The adjustments reflect the effect of the Disposal, which represents the elimination of net loss of the Contracting Group of approximately HK$20.5 million and transactions between the Remaining and Contracting Group for the year ended 31 March 2005.

2. The adjustment reflects the carrying values of assets and liabilities of the Contracting Group to be disposed of in relation to the Disposal as at 30 September 2005.

3. The adjustments reflect the cash flow effect from the Disposal for the year ended 31 March 2005. The net cash outflow from the Disposal represents cash consideration less cash and bank balances of the Contracting Group to be disposed of.

4. The adjustments reflect the effect of the Disposal, which represent a net loss of approximately HK$31.2 million on the Disposal for the year ended 31 March 2005 taking into account of (i) the consideration of the Disposal of HK$35.0 million; (ii) the elimination of the aggregate net assets of the Contracting Group of approximately HK$46.1 million as at 1 April 2005, after taking into account of a dividend of HK$6 million paid to a minority shareholder of a subsidiary of the Contracting Group immediately before the Disposal (Note 7); and (iii) the elimination of the amount of approximately HK$18.1 million due by the Contracting Group to the Remaining Group as at 1 April 2004; and (iv) the relevant costs for the Disposal of approximately HK$2.0 million.

5. The adjustment reflects the effect of the Disposal, which represent a decrease in net assets of approximately HK$5.4 million on the Group's balance sheet as at 30 September 2005, taking into account of (i) the consideration of the Disposal of HK$35.0 million; (ii) the elimination of aggregate net assets of the Contracting Group of approximately HK$20.3 million as at 30 September 2005, after taking into account of a dividend of HK$6 million declared by a subsidiary of the Contracting Group immediately before the Disposal (Note 7); (iii) the elimination of the amount of approximately HK$18.1 million due by the Contracting Group to the Remaining Group as at 30 September 2005; and (iv) the relevant costs for the Disposal of approximately HK$2.0 million.

6. The adjustment reflects the net proceeds of the Disposal of approximately HK$33.0 million (net of the relevant costs for the Disposal of approximately HK$2.0 million) upon the completion of the Disposal.

7. The adjustment reflects the effect of the Disposal, taking into account the dividend of HK$6.0 million declared and paid to a minority shareholder of a subsidiary of the Contracting Group on 28 October 2005. The dividend is taken into account in the pro forma financial information as if it was declared and paid immediately before the Disposal.

8. The above pro forma adjustments have no continuing effect on the Group.

1. INDEBTEDNESS

As at 31 January 2006, 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 overdrafts and trust receipt loans, of approximately HK$10,908,000 and HK$11,851,000 respectively 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 January 2006, the Group had contingent liabilities of HK$11,590,000 in respect of corporate guarantees and letters of indemnity provided by the Group to a bank and a financial institution for the issue of performance bonds.

The Group's secured banking facilities were secured by bank deposits of the Group of HK$26,800,000 as at 31 January 2006.

Save as aforesaid and apart from intra-group liabilities and 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 January 2006.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the approximately exchange rates prevailing at the close of business on 31 January 2006.

Save as disclosed above, the Directors have confirmed that there has been no material changes in the indebtedness and contingent liabilities of the Group since 31 January 2006.

2. 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.

3. MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

The Group's turnover for the six months ended 30 September 2005 was approximately HK$245 million (2004: HK$249 million). Loss attributable to equity holders of the Company was approximately HK$7.6 million (2004: HK$12.4 million). While the average gross profit ratio maintained at 2004's level, the turnover of new E&M projects during the six months ended 30 September 2005 decreased by approximately HK$27 million as compared to prior year, which was mainly due to the delay in commencement of actual works for major government contracts. The Group was awarded some new projects in Macau but these projects would only have contributions to the Group's revenue in the second half of the financial year. In view of fewer projects available in Hong Kong market, the Group decided to reduce the headcount in Hong Kong so as to control the overhead. While there were fewer new projects in both public and private sectors in Hong Kong, the Group put more effort on the building related maintenance business, with the Hong Kong Government and Hong Kong Housing Authority as the major clients. During the period under review, the maintenance business reached approximately HK$91 million in turnover, represented an increase of about HK$14 million over that of the prior year. The Group's trading business, primarily the supply of generator sets, also recorded an increase in turnover of approximately HK$8.7 million to HK$20.5 million. With such increase in contribution from both the maintenance and trading businesses, the Group managed to reduce its loss by approximately HK$4.8 million.

As at 30 September 2005, the Group's uncompleted contracts on hand was approximately HK$891 million (31 March 2005: HK$718 million).

Financial review

Liquidity and financial resources

The Group's total bank borrowings amounted to HK$44.7 million as at 30 September 2005 (31 March 2005: HK$46.9 million), which represented trust receipt loans and overdrafts and were wholly repayable within one year.

Total cash and bank balances as at 30 September 2005 was HK$35.8 million (31 March 2005: HK$35.1 million), which included pledged time deposits of HK$26.8 million (31 March 2005: HK$26.8 million). The Group had a total of approximately HK$9.9 million committed but undrawn banking facilities as at 30 September 2005.

In October 2005 and December 2005, an aggregate sum of HK$16.5 million was received in respect of the disposal of the property located in Workshop Nos. 1, 3, 5, 7 and 9, 2nd Floor, Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong which enhanced the working capital of the Group.

The gearing ratio of the Group, as measured by the total bank borrowings of HK$44.7 million to shareholders' fund of HK$58.8 million, was 76% as at 30 September 2005 (31 March 2005: 71%).

Funding and treasury policy

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

Pledged of assets

As at 30 September 2005, the Group had pledged bank time deposits of HK$26.8 million (31 March 2005: HK$26.8 million) and mortgage on certain leasehold land and buildings to secure general banking facilities granted to the Group. The mortgage on the pledged leasehold land and buildings for general banking facilities of the Group was subsequently released on 7 October 2005.

Investments

As at 30 September 2005, the Group had investments in listed and unlisted equity securities with an aggregate carrying value of approximately HK$3.1 million (31 March 2005: HK$3 million)

Contingent liability

As at 30 September 2005, the Group provided corporate guarantees and letters of indemnity to a bank and a financial institution for the issue of performance bonds of approximately HK$11.6 million.

Employees and remuneration policies

The Group employed approximately 260 staff in Hong Kong as at 30 September 2005. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefits scheme, medical insurance and educational subsidies to the all eligible staff.

Financial and trading prospects of the Group

The economy of Hong Kong continued to improve, with GDP in the third quarter of 2005 increased by 8.2% in real term over year. The increase in GDP was mainly attributable to the export of goods and services. However, the performance of the construction sector remained weak. As the local economy continues to revive, it is expected the difficult operating environment will improve with more private developments and increase in government spending in the public sector.

The rapid development in gambling and entertainment businesses in Macau brings great business opportunity to Hong Kong based construction companies, technical staff and skilled workers. During the six months ended 30 September 2005, the Group was awarded an aggregate contract sum of approximately HK$140 million in Macau. Despite that the Group is optimistic about the trading prospect in Macau, having considered funding and banking support are vital in order to grow new businesses under the Contracting Group of which the Group has found it difficult to secure further banking support for its development, the Directors are of the view that it is in the best interest of the Group to dispose of the Contracting Group and focus on the remaining building related maintenance businesses which is by nature less susceptible to property development cycles that had affected the Contracting Group and does not require significant capital outlay as that of the Contracting Group.

Looking ahead, the Group will continue to explore opportunities in the building related maintenance business both in the private and public sectors.

4. MATERIAL ADVERSE CHANGE

Save for the financial effects arising from the Disposal, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 September 2005, the date to which the latest audited financial statements of the Company were made up.

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 shares of the Company:

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Mr. Chan Yuen Keung, Zuric	Personal	2,500,000	2.16
Mr. Hong Yiu	Personal	6,805,000	5.87
Mr. 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
Mr. Hong Yiu	Directly beneficially owned	6,805,000	5.87

(ii) As at the Latest Practicable Date, and so far as was known to the Directors 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
Mr. Chan Chi Kin	Tinhawk Company Limited	10.00
Howing Engineering Limited	Shun Wing Construction & Engineering Company Limited	49.90
Mr. Lin Shu Lin	Shun Cheong Shenzhen Jianda Joint Venture Company Limited	30.00
Mr. 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

As at the Latest Practicable Date, 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) 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 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 on 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

(ii) None of the Directors, Kim Eng and Ernst & Young 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 30 September 2005, being the date to which the latest published audited financial statements of the Company were made up;

(iii) None of Kim Eng and Ernst & Young had any shareholding in any member of the Group and none of them had 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

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) an agreement dated 10 August 2004 entered into between Ever Billion Engineering Limited and Chinney Construction Company, Limited 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;

(b) an agreement dated 10 October 2005 entered into between Shun Cheong Real Estates Limited and Honey Lady International Limited for the sale and purchase of the Workshop Nos. 1, 3, 5, 7 and 9, 2nd Floor, Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong at a consideration of HK$16.5 million; and

(c) the Sale and Purchase Agreement.

5. EXPERTS

The qualifications of the experts who have provided their opinion or report contained in this circular are set out as follows:

Name	**Qualification**
Kim Eng	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	certified public accountants

Each of Kim Eng and Ernst & Young 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.

6. GENERAL

(a) The secretary and qualified accountant of the Company is Lo Yun Sang, *BBA, CPA, FCCA*.

(b) The head office and principal place of business of the Company is situated at Block C, 9/F, Hong Kong Spinners Industrial Building, Phase VI, 481-483 Castle Peak Road, 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.

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

7. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Block C, 9/F, Hong Kong Spinners Industrial Building, Phase VI, 481-483 Castle Peak Road, Kowloon, Hong Kong during normal office hours of business days up to and including 27 March 2006:

(a) the Sale and Purchase Agreement;

(b) the Sub-contracting Agreements;

(c) the bye-laws of the Company;

(d) the annual reports of the Company for each of the two financial years ended 31 March 2005;

(e) the interim report of the Company for the six months ended 30 September 2005;

(f) the accountants' report of the Group prepared by Ernst & Young, the text of which is set out in Appendix I to this circular;

(g) the letter from Ernst & Young on the unaudited pro forma consolidated financial information of the Remaining Group, the text of which is set out in part A of Appendix II to this circular;

(h) the letter of advice from Kim Eng to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 33 in this circular;

(i) the written consents from each of Kim Eng and Ernst & Young as referred to in the paragraph headed "Experts" in this appendix;

(j) each of the material contracts entered into by the Group, as referred to in the paragraph headed "Material Contracts" in this appendix;

(k) the circular of the Company issued on 24 October 2005 in respect of a major transaction for the proposal disposal of property; and

(l) this circular

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 Monday, 27 March 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTION

"1. **THAT**

(a) the disposal of the entire issued share capital of Shun Cheong Investments Limited to Chinney Alliance Trading (BVI) Limited (the "Disposal") pursuant to the sale and purchase agreement dated 26 January 2006 (the "Agreement") made between the Company as vendor, Chinney Alliance Trading (BVI) Limited as purchaser and Chinney Alliance Group Limited as purchaser's guarantor for an aggregate cash consideration of HK$35,000,000, including the indemnity to be given by Chinney Alliance Group Limited in favour of the Company for the guarantee of the performance of Chinney Alliance Trading (BVI) Limited under the Agreement and to indemnify the Company for all its obligations under guarantees provided to banks and/or third parties for the business operation of Shun Cheong Investments Limited and its subsidiaries and an undertaking to procure the release of such guarantees within three months from the date of completion of the Agreement, be and is hereby approved an confirmed;

(b) the contents of the Agreement in relation to the sale and purchase of the entire issued share capital of Shun Cheong Investments Limited and all the transactions contemplated under the Agreement (a copy of which has been produced to the Meeting marked "A" and initialed by the Chairman of the Meeting for the purpose of identification), be and are hereby approved, ratified and confirmed; and

(c) any directors of the Company be and is hereby irrevocably and unconditionally authorised to execute (whether under seal or under hand) all such documents, instruments and agreements and to do all such acts and things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in or relating to the Agreement and/or the Disposal as he may consider necessary, desirable or expedient."

"2. **THAT** two sub-contracting agreements dated 31 December 2005 (the "Sub-Contracting Agreements") entered into between each of Shun Cheong Electrical Engineering Company Limited and Westco Airconditioning Limited (as main contractors) and Tinhawk Company Limited (as sub-contractor) (the "Continuing Connected Transactions"), a copy of which is tabled at the meeting and marked "B" and initialled by the chairman of the meeting for identification purpose, and the proposed annual caps in relation to the Continuing Connected Transactions for the two financial years ending 31 March 2008 (the "Annual Caps") be and are hereby approved, ratified and confirmed."

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

Hong Kong, 10 March 2006

Head Office and Principal Place of Business:
Block C, 9/F
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

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 seven directors, of whom four are executive directors, namely Mr. Chan Yuen Keung, Zuric, Mr. Hong Yiu, Mr. Yu Sek Kee, Stephen and Mr. Au Yu Fai, Patrick; and three are independent non-executive directors, namely Dr. Chan Chok Ki, Mr. Ho Hin Kwan, Edmund and Mr. Yu Hon To, David.