THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspects of this circular or as to the action you should take, you should consult your stockbroker or other registered dealers in securities, bank managers, solicitors, professional accountants or other professional advisers.

If you have sold or transferred all your shares in Shun Cheong Holdings Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agents through whom the sale was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

SHUN CHEONG HOLDINGS LIMITED
順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

PROPOSED RIGHTS ISSUE OF 208,395,600 RIGHTS SHARES AT HK$0.50 EACH ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE

Underwriter
Upsky Enterprises Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

WALLBANCK BROTHERS
Securities (Hong Kong) Limited

A letter from the board of directors of the Company is set out from pages 7 to 20 of this circular. A letter from the independent board committee of the Company is set out on page 21 of this circular. A letter from Wallbanck Brothers Securities (Hong Kong) Limited containing its advice to the independent board committee and the independent shareholders of the Company is set out from pages 22 to 44 of this circular.

A notice convening the special general meeting of the Company to be held at Plaza I-III, Lower Lobby, Novotel Century, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 19 May 2008 at 10:00 a.m. or any adjournment is set out from pages 102 to 103 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy, to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the special general meeting of the Company should you so wish.

It should be noted that the Underwriting Agreement (as defined herein) contains provisions granting the Underwriter (as defined herein), by notice in writing, the right to terminate its obligations thereunder on the occurrence of certain events. These events are set out in the secton headed "Termination of the Underwriting Agreement" on page 5 and from pages 14 to 15 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue (as defined herein) shall not proceed.

The Shares (as defined herein) will be dealt in on an ex-rights basis from Friday, 9 May 2008. Dealing in the Rights Shares (as defined herein) in the nil-paid form will take place from Thursday, 22 May 2008 to Friday, 30 May 2008 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled on or before the latest acceptance time of the Rights Issue (or such later time and/or date as the Company and the Underwriter may agree in writing), or the Underwriting Agreement is terminated, the Rights Issue shall not proceed and the Rights Issue shall lapse.

Any persons contemplating buying or selling the Shares from the date of the Announcement (as defined herein) up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Thursday, 22 May 2008 to Friday, 30 May 2008 (both dates inclusive) shall bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any shareholders or other persons contemplating dealings in the Shares or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

29 April 2008

* *For identification purposes only*

CONTENTS

In this circular, unless the context otherwise requires, capitalized terms used shall have the following meanings:

"Announcement"	the announcement of the Company dated 8 April 2008 in relation to the Rights Issue
"Acceptance Date"	4 June 2008, being the last day for acceptance and payment of the Rights Shares, or such other date as the Company and the Underwriter may agree in writing
"associate(s)"	shall have the meaning as ascribed to it under the Listing Rules
"Beihai Yinhe and Mr. Gao"	北海銀河高科技產業股份有限公司 (Beihai Yinhe High Technology Industry Company Limited*) and Mr. Gao Jian who respectively owns 95% and 5% of the equity interests in the Hotel
"Board"	the board of Directors
"Business Day"	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong
"Bye-Law(s)"	the bye-law(s) of the Company
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Shun Cheong Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
"Convertible Bond"	a convertible bond issued by the Company to Tanisca in the aggregate principal amount of HK$120,000,000 with a term of five years on 28 March 2008
"Director(s)"	director(s) of the Company
"EAF(s)	the form(s) of the application for excess Rights Shares
"Ernst & Young"	Certified Public Accountants

"Excluded Shareholder(s)"	Shareholder(s) whose names appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong where the Directors, based on legal opinions provided by the overseas legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hotel"	廣西沃頓國際大酒店有限公司 (Guangxi Wharton International Hotel Company Limited*)
"Independent Board Committee"	comprises all the three independent non–executive Directors, being Prof. Ye Jianping, Mr. Derek Palaschuk and Mr. Yao Xusheng, to advise the Independent Shareholders in respect of the Rights Issue and the Underwriting Agreement
"Independent Shareholders"	Shareholders other than Upsky, its associates and their respective parties acting in concert
"independent third party(ies)"	shall have the meaning as ascribed to it under the Listing Rules
"Last Trading Day"	7 April 2008, being the last half trading day of the Shares on the Stock Exchange prior to the release of the Announcement
"Latest Practicable Date"	25 April 2008, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Overseas Shareholder(s)"	Shareholder(s) whose names appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong

"PAL(s)"	the provisional allotment letter(s) to be issued in connection with the Rights Issue
"PRC"	the People's Republic of China
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue
"Prospectus Posting Date"	20 May 2008 or such other date as may agreed between the Underwriter and the Company
"Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholders
"Record Date"	19 May 2008, the record date to determine entitlements to the Rights Issue
"Rights Issue"	the issue of 208,395,600 Rights Shares at the Subscription Price on the basis of three Rights Shares for every two existing Shares held on the Record Date payable in full on acceptance
"Rights Issue Documents"	the Prospectus, the PALs and the EAFs to be issued by the Company
"Rights Share(s)"	new Share(s) to be allotted and issued in respect of the Rights Issue
"SFO"	the Securities and Futures Ordinance of Hong Kong
"SGM"	the special general meeting of the Company to be convened for the purposes of considering and if thought fit, to approve, among other things, the Rights Issue and the Underwriting Agreement on 19 May 2008
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.50 per Rights Share

"Tanisca"	Tanisca Investments Limited, a company wholly–owned by Mr. Mo Tianquan (a non–executive Director and a substantial Shareholder)
"Underwriter" or "Upsky"	Upsky Enterprises Limited, a company wholly–owned by Mr. Mo Tianquan (a non–executive Director and a substantial Shareholder) and is interested in 70,178,249 Shares, representing approximately 50.51% of the issued share capital of the Company as at the Latest Practicable Date
"Underwriting Agreement"	the underwriting agreement entered into between the Company and Upsky dated 7 April 2008 in relation to the Rights Issue
"Underwritten Shares"	103,128,227 Rights Shares fully underwritten by Upsky on and subject to terms and conditions as set out in the Underwriting Agreement
"Wallbanck Brothers" or "Independent Financial Adviser"	Wallbanck Brothers Securities (Hong Kong) Limited, a licensed corporation for carrying out types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO and the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Underwriting Agreement
"Warranties"	the representations, warranties and undertakings contained in the Underwriting Agreement
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"US dollars"	United States dollar, the lawful currency of Hong Kong
"%"	per cent.

* *For identification purpose only*

TERMINATION OF THE UNDERWRITING AGREEMENT

If at any time on or before 4:00 p.m. on the second Business Day following the Acceptance Date:

(a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the Warranties in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or

(b) there shall be

(i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

(ii) any change in local, national or international financial, political, industrial or economic conditions;

(iii) any change of an exceptional nature in local, national or international equity securities or currency markets;

(iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

(v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;

(vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of seven trading days (as defined under the Listing Rules);

(vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which is or are, in the reasonable opinion of the Underwriter:–

(a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or

(b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or

(c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then the Underwriter may, by notice in writing given to the Company on or before 4:00 p.m. on the second Business Day following the Acceptance Date, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter hereunder shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches) and the Rights Issue shall not proceed.

EXPECTED TIMETABLE

Dates or deadlines specified in this circular are indicative only and may be varied by agreement between the Company and Upsky. Any consequential changes to the expected timetable will be published or notified to the Shareholders appropriately.

	2008 (Hong Kong time)
Despatch of the Company's circular with notice of SGM	29 April
Last day of dealings in the Shares on a cum–rights basis	8 May
Commencement of dealings in the Shares on an ex–rights basis	9 May
Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue	4:30 p.m. on 13 May
Register of members closes (both dates inclusive)	14 May to 19 May
Record Date	19 May
Register of members re–opens	20 May
Despatch of the Rights Issue Documents	20 May
First day of dealings in nil–paid Rights Shares	22 May
Latest time for splitting nil–paid Rights Shares	4:30 p.m. on 27 May
Last day of dealings in nil–paid Rights Shares	30 May
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares	4:00 p.m. on 4 June
Underwriting Agreement becomes unconditional	4:00 p.m. on 6 June
Announcement of results of the Rights Issue to be published in the respective websites of the Stock Exchange and the Company	12 June
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before	13 June
Certificates for the Rights Shares expected to be posted on or before	13 June
Dealings in fully–paid Rights Shares commence	17 June

SHUN CHEONG HOLDINGS LIMITED
順昌集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 650)

Executive Directors
Ms. Cao Jing *(executive chairman)*
Mr. Zhang Shaohua *(managing director)*

Non-executive Director:
Mr. Mo Tianquan

Independent non-executive Directors:
Prof. Ye Jianping
Mr. Derek Palaschuk
Mr. Yao Xusheng

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

Head Office and principal place of business:
Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

29 April 2008

To the Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE OF 208,395,600 RIGHTS SHARES AT HK$0.50 EACH ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE

INTRODUCTION

The Board announced in the Announcement that the Company proposed to raise approximately HK$104.20 million, before expenses, by allotting and issuing 208,395,600 Rights Shares to the Qualifying Shareholders by way of Rights Issue at a price of HK$0.50 per Rights Share on the basis of three Rights Shares for every two existing Shares held on the Record Date.

The purpose of this circular is to provide you with information regarding (i) the details of the proposed Rights Issue and the Underwriting Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of SGM.

* *For identification purposes only*

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	three Rights Shares for every two existing Shares held on the Record Date
Number of existing Shares in issue:	138,930,400 Shares as at the Latest Practicable Date
Number of Rights Shares:	208,395,600 Rights Shares
Underwriter:	Upsky Enterprises Limited

Under the Rights Issue, 208,395,600 nil–paid Rights Shares would be provisionally allotted, representing approximately 150.00% of the issued share capital of the Company as at the Latest Practicable Date and approximately 60.00% of the issued share capital of the Company as enlarged by the issue of 208,395,600 Rights Shares.

As at the Latest Practicable Date, save as and except for the Convertible Bond, the Company had no outstanding convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the existing Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company as at the close of business on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with the Company's share registrar, Computershare Hong Kong Investor Services Limited, by 4:30 p.m. (Hong Kong time) on 13 May 2008.

The Company shall send the Rights Issue Documents to the Qualifying Shareholders. The Company shall send only the Prospectus to the Excluded Shareholders (if any) for information purposes.

Closure of register of members

The register of members of the Company will be closed from 14 May 2008 to 19 May 2008, both days inclusive. No transfer of Shares will be registered during this period.

Subscription Price

The Subscription Price of HK$0.50 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil–paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

(i) a discount of approximately 64.03% to the closing price of HK$1.39 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 24.24% to the closing price of HK$0.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iii) a discount of approximately 64.08% to the average closing price of approximately HK$1.392 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 63.90% to the average closing price of approximately HK$1.385 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 41.59% to the theoretical ex–rights price of approximately HK$0.856 based on the closing price of HK$1.39 per Share as quoted on the Stock Exchange on the Last Trading Day; and

(vi) a premium of approximately 4.07% over the unaudited net asset value of approximately HK$0.48 per Share as at 30 September 2007 and 138,930,400 Shares in issue as at the date of the Announcement.

The Subscription Price was arrived at after arm's length negotiation between the Company and Upsky with reference to the unaudited net asset value of approximately HK$0.48 per Share as at 30 September 2007. Moreover, it is noted that the general market practice for rights issue transactions by companies listed in Hong Kong is to issue rights shares at a discount to the prevailing market price of their respective shares. The Directors are of the view that the level of discount of the Subscription Price to the prevailing market price of the Shares would be able to enhance the attractiveness of the Rights Issue and thus encourage the Shareholders to participate in the Rights Issue. Therefore, the Directors consider that the discount of the Subscription Price to the current market price of the Shares as proposed is acceptable and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Basis of Provisional Allotments

Three Rights Shares (in nil–paid form) for every two existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the corresponding PAL and loging the same with a remittance for the Rights Shares being applied for.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank pari passu with the then existing Shares in issue in all respects. Holders of fully paid Rights Shares shall be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Certificates for the Rights Shares

Subject to the fulfillment by the Company of the conditions precedent to the Rights Issue as contained in the Underwriting Agreement, certificates for all fully–paid Rights Shares are expected to be posted by 13 June 2008 to those Qualifying Shareholders who have paid for and have accepted the Rights Shares by ordinary mail, at their own risk.

Refund cheques for the Rights Issue

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 13 June 2008 by ordinary post to the applicants at their own risk.

Fractions of the Rights Shares

No fractions of the Rights Shares shall be allotted and the Company shall sell any Rights Shares created from the aggregation of fractions of the Rights Shares in nil–paid form (if a net premium can be obtained thereof) and the net proceeds of sale (after deducting the expenses of sale, if any) shall be retained for the benefit of the Company.

Rights Shares that would have been allotted to Excluded Shareholders had they been Qualifying Shareholders

The Company shall provisionally allot the Rights Shares that would have been allotted in nil–paid form to Excluded Shareholders had they been Qualifying Shareholders to a nominee of the Company which shall arrange for the sale of such nil–paid rights as soon as practicable after the commencement of dealings on the Stock Exchange in the Rights Shares in nil–paid form if a net premium can be obtained thereof, and, if and to the extent that such rights can be so sold, the nominee shall thereafter account to the Company for the net proceeds of sale (after deducting the expenses of sale, if any), which will be distributed by the Company in HK$ to the Excluded Shareholders pro rata provided that rounded down amounts of less than HK$100 will not be so distributed but will be retained for the benefit of the Company.

The Company is seeking legal opinions from the overseas legal advisers as to whether the issue of the Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange in that place pursuant to Rule 13.36(2)(a) of the Listing Rules. If the Directors, based on the legal opinions provided by the overseas legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, no Rights Share will be offered to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any nil–paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders, any unsold entitlements of the Excluded Shareholders and any unsold fractions of the Rights Shares.

Applications may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Directors shall allocate the excess Rights Shares at their discretion on a fair and equitable basis following the principles below:

(1) preference will be given to applications for less than a board lot of the Rights Shares where they appear to the Directors that such applications are made to round up odd–lot holdings to whole–lot holdings; and

(2) subject to the availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allotted to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (that is, Qualifying Shareholders applying for smaller number of the Rights Shares are allocated with a higher percentage of successful application but shall receive less number of the Rights Shares; whereas Qualifying Shareholders applying for large number of the Rights Shares are allocated with a smaller percentage of successful application but shall receive higher number of Rights Shares).

Shareholders with their Shares held by a nominee company should note that the Board shall regard the nominee company as a single Shareholder according to the register of members of the Company.

Accordingly, Shareholders should note that the aforesaid arrangement in relation to the top–up of odd lots for allocation of excess Rights Shares will not be extended to ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

The latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares is expected to be at 4:00 p.m. on 4 June 2008, or such later date as may be agreed between the Company and the Underwriter.

Application for listing

The Company shall apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil–paid and fully–paid forms. Nil–paid Rights Shares are expected to be traded in board lots of 10,000 (as the Shares are currently traded on the Stock Exchange in board lots of 10,000).

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil–paid and fully–paid forms on the Stock Exchange, and compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil–paid and fully–paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil–paid and fully–paid forms on the Stock Exchange or such other dates as determined by the HKSCC. Settlement of transactions between the participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Undertaking of Upsky

As at the Latest Practicable Date, Upsky, a company wholly–owned by Mr. Mo Tianquan (a non–executive Director and a substantial Shareholder), is interested in 70,178,249 Shares, representing approximately 50.51% of the issued share capital of the Company. Pursuant to the Underwriting Agreement, Upsky has undertaken with the Company that it shall accept or procure the acceptance of 105,267,373 Rights Shares, being the rights entitlement which will be provisionally allotted to it as the holder of 70,178,249 Shares under the Rights Issue prior to 4:00 p.m. on the Acceptance Date.

Undertaking of Tanisca

Pursuant to the subscription agreement dated 29 October 2007, the Company agreed to issue the Convertible Bond in the principal amount of HK$120,000,000 to Tanisca. Subsequently, the Convertible Bond was issued to Tanisca on 28 March 2008.

Assuming full conversion of the Convertible Bond, the Company shall issue 200,000,000 new Shares (subject to adjustments) to Tanisca. As at the Latest Practicable Date, Tanisca had not exercised any of its conversion rights under the Convertible Bond and has undertaken with the Company that it shall not exercise any of its conversion rights under the Convertible Bond up to and including the Record Date. The conversion price of the Convertible Bond will be subject to adjustment for the Rights Issue and the Company shall issue further announcement regarding the adjustment to the conversion price as when necessary and appropriate.

Conditions of the Rights Issue

The obligations of the Underwriter under the Underwriting Agreement are conditional on the following:

(a) the delivery to the Stock Exchange and registration with the share registrar of Company in Hong Kong respectively one copy of each of the Rights Issue Documents duly certified by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Board (and all other documents required to be attached thereto) no later than the Record Date or otherwise in compliance with the Listing Rules and the Companies Ordinance;

(b) the filing of one copy of the Prospectus signed by one Director on behalf of all Directors with the Registrar of Companies in Bermuda prior to or as reasonably practicable after the publication of the Prospectus;

(c) the posting of the Rights Issue Documents to the Qualifying Shareholders and the posting of the Prospectus stamped "For Information Only" to the Excluded Shareholders; in each case, on the first Business Day after the Record Date;

(d) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment), and not having revoked, the listing of, and permission to deal in the Rights Shares, in nil–paid and fully–paid forms prior to 22 May 2008, being the expected date of commencement of dealing in the Rights Shares in nil–paid form (or such other date as may be agreed between the Company and the Underwriter);

(e) if required, the Bermuda Monetary Authority granting the consent to the issue of the Rights Shares on or before the Acceptance Date;

(f) the performance in full by Upsky of its undertakings to take up and accept the number of Rights Shares which will be provisionally allotted to it as the holder of 70,178,249 Shares; and

(g) the approval by the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and any transactions contemplated thereunder.

In the event that the above conditions have not been satisfied or waived on or before the time and dates specified in the Underwriting Agreement (or in each case such later date as the Underwriter and the Company may agree), all liabilities of the parties to the Underwriting Agreement will cease and none of the parties shall have any claims against the other (save for any antecedent breaches).

UNDERWRITING ARRANGEMENT

The Underwriting Agreement

Date:	7 April 2008
Underwriter:	Upsky Enterprises Limited
Number of the Rights Shares:	208,395,600 Rights Shares
Number of the Underwritten Shares:	103,128,227 Underwritten Shares
Underwriting commission:	2.00% of the Subscription Price of the Underwritten Shares

Termination of the Underwriting Agreement

If at any time on or before 4:00 p.m. on the second Business Day following the Acceptance Date:

(a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the Warranties in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or

(b) there shall be

(i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

(ii) any change in local, national or international financial, political, industrial or economic conditions;

(iii) any change of an exceptional nature in local, national or international equity securities or currency markets;

(iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

(v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;

(vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of seven trading days (as defined under the Listing Rules);

(vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which is or are, in the reasonable opinion of the Underwriter:–

(a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or

(b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or

(c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then the Underwriter may, by notice in writing given to the Company on or before 4:00 p.m. on the second Business Day following the Acceptance Date, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter hereunder shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches) and the Rights Issue shall not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL–PAID RIGHTS SHARES

Existing Shares will be dealt with on a cum-rights basis until 8 May 2008. The Rights Shares will be dealt with in their nil-paid form from 22 May 2008 to 30 May 2008 (both dates inclusive). If the Underwriter terminates the Underwriting Agreement (see sub-section headed "Termination of the Underwriting Agreement" above) or the conditions of the Rights Issue (see sub-section headed "Conditions of the Rights Issue" above) cannot be fulfilled or waived on or before the latest acceptance time of the Rights Issue (or such later time and/or date as the Company and the Underwriter may determine in writing), the Rights Issue shall not proceed and shall lapse.

Any dealings in the Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between 22 May 2008 and 30 May 2008, both dates inclusive, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors should therefore exercise caution when dealing in the Shares or Rights Shares in their nil–paid form, and if they are in any doubt about their position, they are recommended to consult their professional adviser.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

The changes in the shareholding structure of the Company arising from the Rights Issue are as follows:

	As at the Latest Practicable Date		Immediately following completion of the Rights Issue (assuming all the Shareholders have applied for the Rights Shares in full)		Immediately following completion of the Rights Issue (assuming 0% acceptance by the Shareholders other than Upsky)	
	Number of Shares	*(%)*	*Number of Shares*	*(%)*	*Number of Shares*	*(%)*
Upsky	70,178,249	50.51	175,445,622	50.51	278,573,849	80.21
Public Shareholders	68,752,151	49.49	171,880,378	49.49	68,752,151	19.79
Total	**138,930,400**	**100.00**	**347,326,000**	**100.00**	**347,326,000**	**100.00**

RESTORATION OF PUBLIC FLOAT

As set forth under the section headed "Changes in the shareholding structure of the Company arising from the Rights Issue" above, immediately upon completion of the Rights Issue, assuming no Rights Share is taken up by the Shareholders other than Upsky, the public float of the Company will decrease to approximately 19.79%. In this regard, Upsky has undertaken that it shall place such number of the Underwritten Shares to independent third parties to comply with the public float requirements under the Listing Rules in the event that the percentage of public float resulting from completion of the Rights Issue falls below the required minimum percentage under the Listing Rules. Upsky shall take appropriate steps/ measures to ensure sufficient public float of the Shares upon completion of the Rights Issue.

INFORMATION ON THE GROUP

The Company is an investment holding company and the principal activities of the Group are consisted of the provision of building related maintenance services in Hong Kong.

As referred to in the annual report of the Company for the year ended 31 March 2007, the Group's audited turnover for the year ended 31 March 2007 was approximately HK$210.51 million (2006: approximately HK$195.87 million), while its audited loss for the year ended 31 March 2007 was approximately HK$2.73 million (2006: approximately HK11.32 million).

As referred to in the interim report of the Company for the six months ended 30 September 2007, the Group's unaudited turnover for the six months ended 30 September 2007 was approximately HK$74.30 million (2006: approximately HK$108.06 million) while its unaudited loss for the six months ended 30 September 2007 was approximately HK$5.28 million (2006: approximately HK0.6 million).

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

As disclosed in the announcement of the Company dated 12 March 2008, the Company, through its wholly-owned subsidiary, entered into a non-legally binding framework agreement with Beihai Yinhe and Mr. Gao, pursuant to which Beihai Yinhe and Mr. Gao have agreed to sell and the Company has agreed to acquire the entire equity interest in the Hotel, which holds, amongst others, a hotel and the relevant land use right in Nanning, the PRC. Details of the acquisition of the Hotel are set out in the aforementioned announcement of the Company dated 12 March 2008.

Currently, the Company is in the process of obtaining approvals from the relevant PRC government authorities and negotiating on the terms of the acquisition of the Hotel. The net proceeds of the Rights Issue, after deduction of expenses, are estimated to be of approximately HK$101.1 million. The Company intends to apply the net proceeds from the Rights Issue to finance the acquisition of the Hotel, if materialises. In the event that the acquisition of the Hotel is not materialised, part of the net proceeds from the Rights Issue will be reserved as capital for other investment opportunities to be identified by the Company, while the remaining of the net proceeds (if any) will be utilised as general working capital of the Group.

Further announcement(s) will be made by the Company in respect of any material development in respect of the acquisition of the Hotel to comply with the disclosure and/or approval requirements under the Listing Rules.

FUND RAISING ACTIVITIES OF THE COMPANY WITHIN 12 MONTHS PRIOR TO THE DATE OF THE ANNOUNCEMENT

Date of announcement	Description	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the date of the Announcement
15 August 2007	Subscription of new Shares	HK$18 million	To strengthen the Company's capital base and provide flexibility for the Group's future development and expansion	The net proceeds have been reserved as general working capital of the Group
29 October 2007	Issue of the Convertible Bond	HK$120 million	To strengthen the Company's capital base and provide flexibility for the Group's future development and expansion	The net proceeds have been reserved as general working capital of the Group

Save as disclosed above, the Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months prior to the date of the Announcement.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company and the principal activities of the Group are consisted of the provision of building related maintenance services in Hong Kong.

In view of (i) the labour market in Hong Kong became tighter; (ii) the price volatility of metals remains high; (iii) the weakening of US dollars; and (iv) the sharp appreciation of Renminbi, the Directors expected the aforementioned external factors would generate a persistent pressure on controlling the costs of business of the Group. Although the Group intends to carry on the existing building related maintenance services business, the Directors decided to review on the existing financial position and operations of the Group and to reformulate the Group's business strategies in the near future.

The prosperity of the PRC market has created numerous business opportunities to investors. It is expected that the performance of the PRC's economy would remain optimistic in 2008 and may continue to grow. In this regard, the Directors shall keep a close eye on any possible potential projects in the PRC, such as the real estates and mineral sector.

For the real estates sector, as mentioned in the section headed "Reasons for the Rights Issue and use of proceeds" of this letter, the Company intends to acquire the entire equity interest in the Hotel and the Company shall apply the net proceeds from the Rights Issue to finance such acquisition. The Directors are optimistic about the future business development of the Hotel and shall endeavour to materialise the proposed acquisition of the Hotel.

For the mineral sector, on 28 February 2008, the Company entered into a joint venture agreement with Guangxi Yizhou Economic Trading Company Limited in relation to the formation of a limited liability joint venture company (the "JV Company") in Guangxi Province, the PRC. The JV Company shall engage in the import and export, processing and sales of mineral products and investment in mining. The Directors expected that the Group may penetrate into the mineral sector in the PRC.

Upon the receipt of the proceeds of the Rights Issue, the financial position of the Group will be further strengthened, which will position the Group into an advantageous position to carry out the acquisition of the Hotel and/ or take on new business opportunities as and when they arise.

LISTING RULES IMPLICATIONS

Since the Rights Issue shall increase the issued share capital and the market capitalisation of the Company by more than 50%, pursuant to Rule 7.19(6)(a) of the Listing Rules, the relevant resolution(s) regarding the Rights Issue must be made conditional upon approval by the Shareholders by way of poll at the SGM and any controlling Shareholders and their associates shall abstain from voting in favour of the relevant resolution(s). Accordingly, Upsky and its associates, and parties acting in concert with any of them shall abstain from voting in favour of the relevant resolution(s) relating to the Rights Issue and the Underwriting Agreement at the SGM.

GENERAL

The Company has established an Independent Board Committee (which comprises all the three independent non-executive Directors, being Prof. Ye Jianping, Mr. Derek Palaschuk and Mr. Yao Xusheng) to (i) advise the Independent Shareholders as to whether the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Rights Issue and the Underwriting Agreement are in the interests of the Company and the Shareholders as a whole, and (ii) advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

SGM

A notice convening the SGM to be held at Plaza I–III, Lower Lobby, Novotel Century, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 19 May 2008 at 10:00 a.m. or any adjournment is set out from pages 102 to 103 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy, to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of SGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM should you so wish.

PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

Pursuant to Bye-Law 70, a resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

(a) the chairman of such meeting; or

(b) at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or

(c) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one–tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one–tenth of the total sum paid up on all Shares conferring that right.

A demand by a person as proxy for a Shareholder or by a duly authorised corporate representative shall be deemed to be the same as a demand by a Shareholder.

RECOMMENDATION

In view of the various reasons and benefits of the proposed Rights Issue as detailed above, the Directors recommend the Independent Shareholders to vote in favour of the resolution(s) in respect of the Rights Issue and the Underwriting Agreement.

Your attention is drawn to the letter from Wallbanck Brothers, which contains its advice to the Independent Board Committee and the Independent Shareholders as regards to the Rights Issue and the Underwriting Agreement. The text of the letter from Wallbanck Brothers is set out from pages 22 to 44 of this circular.

FURTHER INFORMATION

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

By order of the Board
Shun Cheong Holdings Limited
Cao Jing
Executive Chairman

SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

29 April 2008

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 29 April 2008 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in connection with the terms of the Rights Issue and the Underwriting Agreement. Wallbanck Brothers has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are of the view that the terms of the Rights Issue and the Underwriting Agreement, after taking into account the advice of the Independent Financial Adviser as set out from pages 22 to 44 of the Circular, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Rights Issue and the Underwriting Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Rights Issue and the Underwriting Agreement.

Yours faithfully,
Independent Board Committee
Prof. Ye Jianping **Mr. Derek Palaschuk** **Mr. Yao Xusheng**
Independent non-executive Directors

* *For identification purpose only*

The following is the full text of a letter of advice from Wallbanck Brothers, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Rights Issue for the purpose of incorporation into this circular.

WALLBANCK BROTHERS
Securities (Hong Kong) Limited
1005B, Tower 1, Lippo Centre
89 Queensway, Central,
Hong Kong

29 April 2008

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

Dear Sirs,

PROPOSED RIGHTS ISSUE OF 208,395,600 RIGHTS SHARES AT HK$0.50 EACH ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Rights Issue, details of which are stated in the letter from the Board (the "Letter from the Board") contained in the circular of the Company dated 29 April 2008 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

On 8 April 2008, the Company announced, among other things, the Rights Issue. The Company proposes to carry out the Rights Issue of 208,395,600 Rights Shares at the Subscription Price of HK$0.50 per Rights Share on the basis of three Rights Shares for every two existing Shares held on the Record Date. The estimated net proceeds of the Rights Issue is approximately HK$101 million which shall be applied by the Group to finance the acquisition of the Hotel, if materializes.

As at the Latest Practicable Date, Upsky, a company wholly-owned by Mr. Mo Tianquan (a non-executive Director and a substantial Shareholder), is interested in 70,178,249 Shares, representing approximately 50.51% of the issued share capital of the Company. Upsky has undertaken that it shall accept or procure the acceptance of 105,267,373 Rights Shares, being the rights entitlement which will be provisionally allotted to it as the holder of 70,178,249 Shares under the Rights Issue on the Acceptance Date.

The Underwritten Shares will be fully underwritten by Upsky on the terms and subject to the conditions set out in the Underwriting Agreement. If Upsky terminates the Underwriting Agreement or the conditions of the Rights Issue are not fulfilled, the Rights Issue shall not proceed and shall lapse. Upsky has also undertaken that it shall place such number of the Underwritten Shares to independent third parties to comply with the public float requirements under the Listing Rules in the event that the percentage of public float resulting from completion of the Rights Issue falls below the required minimum percentage under the Listing Rules. Upsky shall take appropriate steps/measures to ensure sufficient public float of the Shares upon completion of the Rights Issue.

The SGM will be held to consider and, if thought fit, passing the ordinary resolution(s) by way of poll to approve the Rights Issue and the Underwriting Agreement. Pursuant to Rule 7.19(6) of the Listing Rules, Upsky and its associates, and parties acting in concert with any of them shall abstain from voting on the relevant resolution(s) at the SGM.

The Independent Board Committee, consisting of three independent non-executive Directors, namely Prof. Ye Jianping, Mr. Derek Palaschuk and Mr. Yao Xusheng, has been formed (i) to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Rights Issue and the Underwriting Agreement are in the interests of the Company and the Shareholders as a whole, and (ii) to advise the Independent Shareholders on how to vote, taking into account our recommendations.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations provided to us by the Directors and management of the Company, and have assumed that all information, opinions and representations contained or referred to in the Circular were true and accurate at the time they were made and will continue to be accurate at the date of the dispatch of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have reasons to consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

In formulating our opinion, we have relied on the financial information provided by the Company, particularly, on the accuracy and reliability of financial statements and other financial data of the Company. We have not audited, compiled nor reviewed the said financial statements and financial data. We shall not express any opinion or any form of assurance on them. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. The Directors have also advised us that no material facts have been omitted from the information to reach an informed view, and we have no reason to suspect that any material information has been withheld. We have not carried out any feasibility study on any past, and forthcoming investment decision or opportunity undertaken or be undertaken by the Company. Our opinion has been formed on the assumption that any analysis, estimation, forecast, anticipation, condition and assumption provided by the Company are valid and sustainable. Our opinions shall not be constructed as to give any indication to the validity, sustainability, feasibility and possibility of success of any past, existing and forthcoming investment decision or opportunity undertaken or to be undertaken by the Company.

In formulating our opinions, we have not considered the taxation implications on Qualifying Shareholders in relation to the Rights Issue as these are particular to the individual circumstances of each Shareholder. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Rights Issue.

In formulating our opinions, we have made reference to analysis on comparables on a non-exhaustive, best knowledge and endeavor basis.

Our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of, the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein which may come or be brought to our attention after the Latest Practicable Date.

Our opinions are formulated only and exclusively for the purpose of the Rights Issue and shall not be used for any comparison purpose in any circumstance nor with any other opinions.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the terms of the Rights Issue, we have taken into consideration of the following principal factors and reasons:

1. Business review of the Group

The Company is an investment holding company and the principal activities of the Group are consisted of the provision of building related maintenance services in Hong Kong. Table 1 shows the financial performance of the Group for the three years ended 31 March 2007 and six months ended 30 September 2006 and 30 September 2007.

Table 1: Financial performance of the Group

	For the six months ended 30 September		For the year ended 31 March		
	2007	**2006**	**2007**	**2006**	**2005**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited) (Restated)
Revenue	74,302	108,068	210,512	195,871	123,780
Gross profit	2,850	8,793	16,409	21,516	7,703
Gross profit margin (%)	3.84	8.14	7.79	10.98	6.22
Profit/(loss) before taxation (excluding discontinued operations)	(5,248)	(541)	(2,690)	(2,798)	(14,328)
Profit/(loss) after taxation	(5,277)	(569)	(2,726)	(11,323)	(34,567)

	As at 30 September	As at 31March		
	2007	**2007**	**2006**	**2005**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
	(Unaudited)	(Audited)	(Audited)	(Audited) (Restated)
Cash and cash equivalents	49,879	33,319	37,088	8,261
Net assets (net of minority interest)	66,024	52,804	55,312	66,414
Gearing ratio (total bank borrowings/equity attributable to equity holders)	–	–	–	71%

Source: Company's annual reports for the two years ended 31 March 2007 and the interim report for the six months ended 30 September 2007

From the above table, the Group recorded consolidated turnover of approximately HK$195.871 million for the financial year ended 31 March 2006, representing an increase of approximately 58.24% from approximately HK$123.780 million for the financial year ended 31 March 2005. Loss after taxation decreased from approximately HK$34.567 million for the financial year ended 31 March 2005 to approximately HK$11.323 million for the financial year ended 31 March 2006.

According to the annual report for the year ended 31 March 2006, consolidated turnover of approximately HK$195.9 million for the year ended 31 March 2006 was entirely attributable to the building related maintenance services. Gross profit grew almost 2.8 times to HK$21.5 million from HK$7.7 million. The increase in business volume and gross profit was primarily attributable to the increase in work orders received from the Hong Kong Government and the Hong Kong Housing Authority under the 3-year term maintenance contracts previously awarded.

The net assets of the Group of approximately HK$55.312 million as at 31 March 2006 (31 March 2005: restated approximately HK$66.414 million) had decreased by approximately 16.71% as compared to that of the previous year. As at 31 March 2006, the Group's cash and cash equivalents totalled approximately HK$37.088 (31 March 2005: approximately HK$8.261 million), representing an increase of 3.49 times against the balance as at 31 March 2005. The gearing ratio was nil (total bank borrowings/equity attributable to equity holders) as at 31 March 2006 (2005:71%).

For the financial year ended 31 March 2007, the Group recorded consolidated turnover of approximately HK$210.512 million, representing an increase of approximately 7.47% from approximately HK$195.871 million for the financial year ended 31 March 2006. Loss after taxation decreased from approximately HK$11.323 million for the financial year ended 31 March 2006 to approximately HK$2.726 million for the financial year ended 31 March 2007.

According to the annual report for the year ended 31 March 2007, the loss for the year was mainly attributable to the decrease in gross profit where higher subcontracting charges and material costs were incurred. On the other hand, the Group's staff costs reduced by approximately HK$3 million as a result of the reduction of staff in the last quarter of 2005/06. The interest expenses were also reduced by approximately HK$1 million followed by the decrease in interest-bearing borrowings. Such decreases in expenses were partly off-set by the increase in impairment loss of trade debts of HK$1.5 million.

The net assets of the Group of approximately HK$52.804 million as at 31 March 2007 (31 March 2006: approximately HK$55.312 million) had decreased by approximately 4.53% as compared to that of the previous year. As at 31 March 2007, the Group's cash and cash equivalents totaled approximately HK$33.319 million (31 March 2006: approximately HK$37.088 million), representing a decrease of approximately 10.16% against the balance as at 31 March 2006. The gearing ratio was nil (total bank borrowings/equity attributable to equity holders) as at 31 March 2007 (2006: nil).

According to the interim report for the six months ended 30 September 2007, the Group's revenue for the six months ended 30 September 2007 was approximately HK$74.302 million (2006: approximately HK$108.068 million) and loss for the period was approximately HK$5.277 million (2006: net loss of approximately HK$0.6 million). Consolidated revenue of approximately HK$74.3 million for the six months ended 30 September 2007, showing a decrease of approximately 31.25% from approximately HK$108.068 million for the pervious period. The decrease in business volume was primarily due to the decrease in work orders received from the Hong Kong Government and the Hong Kong Housing Authority. The loss for the period was mainly attributable to the decrease in gross profit where higher subcontracting charges and material costs were incurred.

The net assets of the Group of approximately HK$66.024 million as at 30 September 2007 (unaudited) (31 March 2007: approximately HK$52.804 million) had increased by approximately 25.04% as compared with those as at 31 March 2007.

As at 30 September 2007, the Group's cash and cash equivalents totalled approximately HK$49.879 million (31 March 2007: approximately HK$33.319 million), representing an increase of approximately 49.70% against the balance as at 31 March 2007. The gearing ratio was nil (total bank borrowings/equity attributable to equity holders) as at 30 September 2007 (31 March 2007: nil).

All the periods under review recorded losses after taxation, though loss after taxation of the Group had decreased for the year ended 31 March 2007 when compared with the loss after taxation of the years of 2005 and 2006.

Save and except for the year ended 31 March 2006, the gross profit margins of the group are all below 10% for the periods under review.

2. Terms of Rights Issue

(a) Issue statistics

Basis of Rights Issue:	three Rights Shares for every two existing Shares held on the Record Date
Number of existing Shares in issue:	138,930,400 Shares as at the Latest Practicable Date
Number of Rights Shares:	208,395,600 Rights Shares
Underwriter:	Upsky Enterprises Limited

As stated in the Letter from the Board, under the Rights Issue, 208,395,600 nil-paid Rights Shares would be provisionally allotted, representing approximately 150.00% of the existing issued share capital of the Company and approximately 60.00% of the issued share capital of the Company as enlarged by the issue of 208,395,600 Rights Shares.

As at the Latest Practicable Date, save as and except for the Convertible Bond, the Company had no outstanding convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the existing Shares.

(b) Subscription Price

As stated in the Letter from the Board, the Subscription Price of HK$0.50 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 64.03% to the closing price of HK$1.39 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 64.08% to the average closing price of approximately HK$1.392 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 63.90% to the average closing price of approximately HK$1.385 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 41.59% to the theoretical ex-rights price of approximately HK$0.856 based on the closing price of HK$1.39 per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a premium of approximately 4.07% over the unaudited net asset value of approximately HK$0.48 per Share as at 30 September 2007 and 138,930,400 Shares in issue as at the date of the Announcement; and

(vi) a discount of approximately 24.24% to the closing price of HK$0.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and Upsky with reference to the unaudited net asset value of approximately HK$0.48 per Share as at 30 September 2007. Moreover, it is noted that the general market practice for rights issue transactions by companies listed in Hong Kong is to issue rights shares at a discount to the prevailing market price of their respective shares. The Directors are of the view that the level of discount of the Subscription Price to the prevailing market price of the Shares would be able to enhance the attractiveness of the Rights Issue and thus encourage the Shareholders to participate in the Rights Issue. Therefore, the Directors consider that the discount of the Subscription Price to the current market price of the Shares as proposed is acceptable and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

(c) Status of the Rights Shares

According to the Letter from the Board, the Rights Shares (when allotted, issued and fully paid) will rank pari passu with the then existing Shares in issue in all respects. Holders of fully paid Rights Shares shall be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

(d) Fractions of the Rights Shares

According to the Letter from the Board, no fractions of the Rights Shares shall be allotted and the Company shall sell any Rights Shares created from the aggregation of fractions of the Rights Shares in nil–paid form (if a net premium can be obtained thereof) and the net proceeds of sale (after deducting the expenses of sale, if any) shall be retained for the benefit of the Company.

(e) Rights Shares that would have been allotted to Excluded Shareholders had they been Qualifying Shareholders

According to the Letter from the Board, the Company shall provisionally allot the Rights Shares that would have been allotted in nil-paid form to Excluded Shareholders had they been Qualifying Shareholders to a nominee of the Company which shall arrange for the sale of such nil-paid rights as soon as practicable after the commencement of dealings on the Stock Exchange in the Rights Shares in nil-paid form if a net premium can be obtained thereof, and, if and to the extent that such rights can be so sold, the nominee shall thereafter account to the Company for the net proceeds of sale (after deducting the expenses of sale, if any), which will be distributed by the Company in HK$ to the Excluded Shareholders pro rata provided that rounded down amounts of less than HK$100 will not be so distributed but will be retained for the benefit of the Company.

The Company is seeking legal opinions from the overseas legal advisers as to whether the issue of the Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange in that place pursuant to Rule 13.36(2)(a) of the Listing Rules. If the Directors, based on the legal opinions provided by the overseas legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, no Rights Share will be offered to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders.

(f) Application for excess Rights Shares

As stated in the Letter from the Board, Qualifying Shareholders are entitled to apply for any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders, any unsold entitlements of the Excluded Shareholders and any unsold fractions of the Rights Shares.

Applications may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares.

The Directors shall allocate the excess Rights Shares at their discretion on a fair and equitable basis following the principles below:

(1) preference will be given to applications for less than a board lot of the Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings; and

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allotted to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (that is, Qualifying Shareholders applying for smaller number of the Rights Shares are allocated with a higher percentage of successful application but shall receive less number of the Rights Shares; whereas Qualifying Shareholders applying for large number of the Rights Shares are allocated with a smaller percentage of successful application but shall receive higher number of Rights Shares).

Shareholders with their Shares held by a nominee company should note that the Board shall regard the nominee company as a single Shareholder according to the register of members of the Company.

Accordingly, Shareholders should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

The latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares is expected to be at 4:00 p.m. on 4 June 2008, or such later date as may be agreed between the Company and the Underwriter.

(g) Application for listing

According to the Letter from the Board, the Company shall apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil–paid and fully–paid forms. Nil–paid Rights Shares are expected to be traded in board lots of 10,000 (as the Shares are currently traded on the Stock Exchange in board lots of 10,000).

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil–paid and fully–paid forms on the Stock Exchange, and compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil–paid and fully–paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil–paid and fully–paid forms on the Stock Exchange or such other dates as determined by the HKSCC. Settlement of transactions between the participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

(h) Conditions of the Rights Issue

According to the Letter from the Board, the obligations of the Underwriter under the Underwriting Agreement are conditional on the following:

(i) the delivery to the Stock Exchange and registration with the share registrar of Company in Hong Kong respectively one copy of each of the Rights Issue Documents duly certified by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Board (and all other documents required to be attached thereto) no later than the Record Date or otherwise in compliance with the Listing Rules and the Companies Ordinance;

(ii) the filing of one copy of the Prospectus signed by one Director on behalf of all Directors with the Registrar of Companies in Bermuda prior to or as reasonably practicable after the publication of the Prospectus;

(iii) the posting of the Rights Issue Documents to the Qualifying Shareholders and the posting of the Prospectus stamped “For Information Only” to the Excluded Shareholders; in each case, on the first Business Day after the Record Date;

(iv) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment), and not having revoked, the listing of, and permission to deal in the Rights Shares, in nil–paid and fully–paid forms prior to 22 May 2008, being the expected date of commencement of dealing in the Rights Shares in nil–paid form (or such other date as may be agreed between the Company and the Underwriter);

(v) if required, the Bermuda Monetary Authority granting the consent to the issue of the Rights Shares on or before the Acceptance Date;

(vi) the performance in full by Upsky of its undertakings to take up and accept the number of Rights Shares which will be provisionally allotted to it as the holder of 70,178,249 Shares; and

(vii) the approval by the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and any transactions contemplated thereunder.

In the event that the above conditions have not been satisfied or waived on or before the time and dates specified in the Underwriting Agreement (or in each case such later date as the Underwriter and the Company may agree), all liabilities of the parties to the Underwriting Agreement will cease and none of the parties shall have any claims against the other (save for any antecedent breaches).

3. Reasons for the Rights Issue and use of proceeds

Accordingly to the Letter from the Board, as disclosed in the announcement of the Company dated 12 March 2008, the Company, through its wholly-owned subsidiary, entered into a non-legally binding framework agreement with Beihai Yinhe and Mr. Gao, pursuant to which Beihai Yinhe and Mr. Gao have agreed to sell and the Company has agreed to acquire the entire equity interest in the Hotel, which holds, among others, a hotel and the relevant land use right in Nanning, the PRC. Details of the acquisition of the Hotel are set out in the aforementioned announcement of the Company dated 12 March 2008.

Currently, the Company is in the process of obtaining approvals from the relevant PRC government authorities and negotiating on the terms of the acquisition of the Hotel. The net proceeds of the Rights Issue, after deduction of expenses, are estimated to be of approximately HK$101 million, the Company intends to apply the net proceeds from the Rights Issue to finance the acquisition of the Hotel, if materializes. In the event that the acquisition of the Hotel is not materialized, part of the net proceeds from the Rights Issue will be reserved as capital for other investment opportunities to be identified by the Company, while the remaining of the net proceeds (if any) will be utilized as general working capital of the Group.

Further announcement(s) will be made by the Company in respect of any material development in respect of the acquisition of the Hotel to comply with the disclosure and/or approval requirements under the Listing Rules.

4. Alternative financing to the Rights Issue

The Directors represented that they had considered other alternatives of fund raising, such as bank financing and placing of new shares. However, the Directors, taking into account that (i) the Group has been recording persistent losses from its business operation for the past three years ended 31 March 2007; and (ii) the Group considers that the debt financing is at a high cost for the Company. The alternative of a private placement of Shares shall result in a dilution to existing Shareholders' interests in the Company.

Although both an open offer and the Rights Issue would allow all the Shareholders to participate in the enlargement of the capital base of the Company and to maintain their proportionate shareholding interests in the Company, the Rights Issue would also allow those Shareholders who do not wish to participate in the fund raising of the Company to dispose of their Rights Shares entitlements in the market in a nil-paid form. As a result, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to raise funds through the Rights Issue. The Directors represented that the Rights Issue being the most viable immediate method presently available to the Group.

Taking into account of the above shortcomings of other financing alternatives in comparison with the Rights Issue, we are of the view that the Rights Issue under the existing circumstances and prevailing arrangement will be a better alternative of fund raising to finance the Group's operation and enable the Shareholders to maintain their proportionate interests in the Company should they wish to do so.

5. Share price performance of the Company

The highest monthly closing price, lowest monthly closing price, and average daily closing price per Share as quoted on the Stock Exchange in each month during the period commencing from 1 April 2007 to the Latest Practicable Date (both days inclusive) (the "Review Period") are shown as follows:

Table 2: Share price performance of the Company

Month	**Highest monthly closing price per Share** *(HK$)*	**Lowest monthly closing price per Share** *(HK$)*	**Average daily closing price per Share** *(HK$)*
2007			
April	1.00	0.75	0.87
May	0.90	0.79	0.84
June *(Note 1)*	1.80	0.82	1.10
July	0.97	0.79	0.88
August *(Note 2)*	1.24	0.86	0.96
September	1.22	0.98	1.09
October *(Note 3)*	1.93	1.10	1.24
November	1.80	1.08	1.35
December	1.85	1.30	1.55
2008			
January	1.47	1.21	1.35
February	1.59	1.35	1.46
March	1.60	1.28	1.45
April (up to and including the Latest Practicable Date) *(Note 4)*	1.40	0.66	0.93

Notes:

1. Trading in the Shares was suspended on 5 June 2007 and 27 June 2007, pending the release of relevant announcements.

2. Trading in the Shares was suspended on 15 August 2007, pending the release of a relevant announcement.

3. Trading in the Shares was suspended from 30 October 2007 to 31 October 2007, pending the release of a relevant announcement.

4. Trading in the Shares was suspended on 8 April 2008, pending the release of the Announcement.

5. On market days when the Shares are not traded, the closing price equals to that of the preceding trading day.

Source: website of the Stock Exchange

From the above table, we noted that the average daily closing prices of the Shares had been rising from May 2007 until it reached the peak in December 2007. Thereafter, the Shares' average daily closing prices fluctuated between HK$0.93 and HK$1.46 per Share. During the Review Period, the closing prices of the Shares varied within a range between HK$0.66 per Share and HK$1.93 per Share which were well above the Subscription Price of HK$0.50 per Right Share. The Shares are closed at HK$0.66 per Share as at the Latest Practicable Date.

As stated in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiation between the Company and Upsky with reference to the unaudited net asset value of approximately HK$0.48 per Share as at 30 September 2007. In view of the fact that the market price of the Shares is volatile and the Hong Kong stock market has been rapidly fluctuating within the last six months, it may be unable to serve as an indicator for the Company's business performance and the market perception on the Company. The unaudited net asset value of HK$0.48 per Share as at 30 September 2007 may serve as a better indicator for the comparison with the Subscription Price.

6. Trading Liquidity of Shares

Table 3 below sets out the average daily turnover per month and the respective percentages of the Shares' average daily turnover as compared to the total number of Shares in issue as at the Latest Practicable Date and the total number of Shares held by the public as at the Latest Practicable Date during the Review Period:

Table 3: Trading liquidity of Shares

Month	**Average daily turnover** (in number of Shares)	**Percentage of average daily turnover to total number of Shares in issue** *(Note 1)* (%)	**Percentage of average daily turnover to total number of Shares held by the public** *(Note 2)* (%)
2007			
April	122,778	0.088	0.179
May	46,762	0.034	0.068
June *(Note 3)*	848,253	0.611	1.234
July	152,762	0.110	0.222
August *(Note 4)*	154,057	0.111	0.224
September	111,604	0.080	0.162
October *(Note 5)*	66,842	0.048	0.097
November	109,455	0.079	0.159
December	143,263	0.103	0.208
2008			
January	36,477	0.026	0.053
February	47,740	0.034	0.069
March	55,579	0.040	0.081
April (up to and including the Latest Practicable Date) *(Note 6)*	326,918	0.235	0.476

Notes:

1. Based on 138,930,400 total issued Shares as at the Latest Practicable Date.

2. Based on the total number of Shares held by the public of 68,752,151 Shares as at the Latest Practicable Date.

3. Trading in the Shares was suspended on 5 June 2007 and 27 June 2007, pending the release of relevant announcements.

4. Trading in the Shares was suspended on 15 August 2007, pending the release of a relevant announcement.

5. Trading in the Shares was suspended from 30 October 2007 to 31 October 2007, pending the release of a relevant announcement.

6. Trading in the Shares was suspended on 8 April 2008, pending the release of the Announcement.

The trading volume was in general thin. The average daily trading volumes of the Company were well below 1% of the Shares in issue for all the months of the Review Period. Save and except for the month of June 2007, the average daily trading volumes of the Shares were below 0.5% of the issued Shares held by the public for all the months of the Review Period. The maximum daily trading occurred on 8 June 2007, with a trading volume of 6,846,950 shares and accounted for approximately 4.93% and 9.96% of the total issued shares and shares held by the public respectively. For the whole Review Period, there were 59 trading days recorded nil trading volume.

The aggregate amount of Shares owned by the public as at the Latest Practicable Date represents approximately 418 times of the average daily trading volume for the Review Period. Based on the above, we consider that the trading of the Shares was relatively thin and inactive during the Review Period.

7. COMPARISON WITH OTHER RIGHTS ISSUE

To evaluate the fairness and reasonableness of the Subscription Price, we have identified, to the best of our effort, knowledge, endeavor and as far as we are aware of, 21 recent rights issue of companies listed on the Main Board and GEM of the Stock Exchange from 1 October 2007 up to the Latest Practicable Date (the "Market Comparables"). Table 4 below summarizes our relevant findings:

Table 4: The Market Comparables

Company name	Stock Code	Date of announcement	Market capitalization as at the Last Trading Day	Premium/ (Discount) of the subscription price over/(to) closing price per share based on the closing price per share on last trading day prior to announcement date	Premium/ (Discount) of the subscription price over/(to) the theoretical ex-rights price per share based on the closing price per share on last trading day prior to announcement date	Premium/ (Discount) of the subscription price over/(to) NAV (net of minority interest) per share	Underwriting Commission
			HK$ million	%	%	%	%
Cash Financial Services Group Limited *(Note 1)*	8122	2-Oct-07	1,412	(40.30)	(32.50)	7.05	nil
GFT Holdings Limited	1003	10-Oct-07	169	(61.62)	(28.64)	18.20	2.50
Karrie International Holdings Limited	1050	11-Oct-07	387	(27.18)	(21.05)	(44.41)	0.00
B.A.L. Holdings Limited	8079	16-Oct-07	39	(29.60)	(21.90)	190.60	2.00
Radford Capital Investment Limited	901	25-Oct-07	91	(43.80)	(24.70)	(81.87)	2.00

Company name	Stock Code	Date of announcement	Market capitalization as at the Last Trading Day	Premium/(Discount) of the subscription price over/(to) closing price per share based on the closing price per share on last trading day prior to announcement date	Premium/(Discount) of the subscription price over/(to) the theoretical ex-rights price per share based on the closing price per share on last trading day prior to announcement date	Premium/(Discount) of the subscription price over/(to) NAV (net of minority interest) per share	Underwriting Commission
			HK$ million	*%*	*%*	*%*	*%*
Sun Man Tai Holdings Company Limited	433	29-Oct-07	332	(54.20)	(43.93)	(43.16)	1.00
Willie International Holdings Limited	273	15-Nov-07	434	(62.07)	(45.00)	146.84	2.50
The Wharf (Holdings) Limited	4	28-Nov-07	102,857	(26.02)	(23.81)	(6.86)	1.25
Freeman Corporation Limited	279	4-Dec-07	285	(82.86)	(44.62)	65.86	2.50
Forefront Group Limited	885	4-Dec-07	727	(45.95)	(36.17)	117.35	2.50
Compass Pacific Holdings Limited *(Note 2)*	1188	5-Dec-07	1,035	(58.30)	(41.20)	N/A	2.00
Easyknit Enterprises Holdings Limited	616	6-Dec-07	188	(40.20)	(30.70)	28.72	1.00
Unity Investments Holdings Limited	913	12-Dec-07	138	(87.23)	53.25	(26.99)	2.50
Intcera High Tech Group Limited	8041	18-Dec-07	70	(88.40)	(79.20)	(89.93)	nil
Trasy Gold Ex Limited	8063	18-Dec-07	222	(36.78)	(27.95)	40.96	2.50
SYSCAN Technology Holdings Limited	8083	18-Dec-07	168	(97.22)	(87.50)	(51.82)	1.00
Asia Standard International Group Limited	129	9-Jan-08	1,117	(35.70)	(27.10)	(68.61)	2.00
Cheuk Nang (Holdings) Limited	131	11-Jan-08	1,459	(17.28)	(15.41)	(54.39)	2.50
Golife Concepts Holdings Limited	8172	4-Feb-08	45	(5.00)	(3.39)	(31.57)	2.00
Harbour Centre Development Limited	51	5-Feb-08	6,020	(21.00)	(15.00)	(20.38)	1.25
eSun Holdings Limited	571	7-Mar-08	2,217	(29.18)	(21.63)	(51.22)	nil
			maximum	**(5.00)**	**53.25**	**190.60**	**2.50**
			minimum	**(97.22)**	**(87.50)**	**(89.93)**	**0.00**
			average	**(47.14)**	**(29.44)**	**2.22**	**1.83**
The Company	**650**	**8-Apr-08**	**193**	**(64.03)**	**(41.59)**	**4.07**	**2.00**

Notes:

1. Cash Financial Services Group Limited has transferred to Main Board (510.HK) by way of introduction in January 2008.

2. Compass Pacific Holdings Limited recorded net liabilities as at 30 June 2007.

Source: website of the Stock Exchange

As illustrated by the above table, the premium/(discount) of the subscription price over/(to) closing price per share based on the closing price per share on last trading day prior to announcement date of the Market Comparables (the "Price Premium/Discount Rate") ranging widely from a discount of approximately 97.22% to a discount of approximately 5.00%. The Subscription Price of HK$0.50 per Rights Share represents a discount of 64.03% to the closing price of the Shares of HK$1.39 as at the Last Trading Day, and is within the range of the Price Premium/Discount Rate of the 21 Market Comparables but has a larger discount than the average value of 47.14% in discount of the Price Premium/Discount Rate.

The premium/(discount) of the subscription price over/(to) the theoretical ex-rights price per share based on the closing price per share on last trading day prior to announcement date of the Market Comparables (the "Ex-rights Price Premium/Discount Rate") also ranging widely from a discount of approximately 87.50% to a premium of approximately 53.25%. The Subscription Price of HK$0.50 per Rights Share represents a discount of 41.59% to the theoretical ex-rights price of HK$0.856 per Share based on the closing price of HK$1.39 per Share as at the Last Trading Day, and is within the range of the Ex-rights Price Premium/Discount Rate of the Market Comparables but has a larger discount than the average value of 29.44% in discount of the Ex-rights Price Premium/Discount Rate.

Furthermore, The premium/(discount) of the subscription price over/(to) the NAV per share of the Market Comparables (the "NAV Premium/Discount Rate") also ranging widely from a discount of approximately 89.93% to a premium of approximately 190.60%. We also noted that one of the Market Comparables recorded net liabilities as at its latest published balance sheet date prior to the date of the announcement in relation to the relevant rights issue. The Subscription Price of HK$0.50 per Rights Share represents a premium of 4.07% over the unaudited net asset value of approximately HK$0.48 per Share as at 30 September 2007 and 138,930,400 in issue as at the Latest Practicable Date, and is within the range of the NAV Premium/Discount Rate of the Market Comparables and has a larger premium than the average value of 2.22% in premium of the NAV Premium/Discount Rate.

8. The Underwriting Agreement

(a) The Underwriting Agreement

Date:	7 April 2008
Underwriter	Upsky Enterprises Limited
Number of Rights Shares:	208,395,600 Rights Shares
Number of Underwritten Shares:	103,128,227 Underwritten Shares
Underwriting commission	2.00% of the Subscription Price of the Underwritten Shares

As demonstrated by Table 4 in the sub-section "Comparison with other rights issue" above, the underwriting commission of the Market Comparables ranged from 0% to 2.5% with an average underwriting commission of 1.83%. The underwriting commission of the Rights Issue of 2.00% is within the range of the Market Comparables but slightly higher than the average value of 1.83% of the underwriting commission of the Market Comparables.

(b) Termination of the Underwriting Agreement

According to the Letter from the Board, if at any time on or before 4:00 p.m. on the second Business Day following the Acceptance Date:

(a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the Warranties in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or

(b) there shall be

(i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

(ii) any change in local, national or international financial, political, industrial or economic conditions;

(iii) any change of an exceptional nature in local, national or international equity securities or currency markets;

(iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

(v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;

(vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of seven trading days (as defined under the Listing Rules);

(vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere, which is or are, in the reasonable opinion of the Underwriter:–

(a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or

(b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or

(c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then the Underwriter may, by notice in writing given to the Company on or before 4:00 p.m. on the second Business Day following the Acceptance Date, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter hereunder shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches) and the Rights Issue shall not proceed.

9. Undertaking of Upsky and Tanisca

(a) Undertaking of Upsky

According to the Letter from the Board, as at the Latest Practicable Date, Upsky, a company wholly-owned by Mr. Mo Tianquan (a non-executive Director and a substantial Shareholder), is interested in 70,178,249 Shares, representing approximately 50.51% of the issued share capital of the Company. Pursuant to the Underwriting Agreement, Upsky has undertaken with the Company that it shall accept or procure the acceptance of 105,267,373 Rights Shares, being the rights entitlement which will be provisionally allotted to it as the holder of 70,178,249 Shares under the Rights Issue prior to 4:00 p.m. on the Acceptance Date.

(b) Undertaking of Tanisca

Pursuant to the subscription agreement dated 29 October 2007, the Company agreed to issue the Convertible Bond in the principal amount of HK$120,000,000 to Tanisca. Subsequently, the Convertible Bond was issued to Tanisca on 28 March 2008.

Assuming full conversion of the Convertible Bond, the Company shall issue 200,000,000 new Shares (subject to adjustments) to Tanisca. As at the Latest Practicable Date, Tanisca has not exercised any of its conversion right under the Convertible Bond and has undertaken with the Company that it shall not exercise any of its conversion right under the Convertible Bond up to and including the Record Date. The conversion price of the Convertible Bond will be subject to adjustment for the Rights Issue and the Company shall issue further announcement regarding the adjustment to the conversion price as when necessary and appropriate.

10. Potential dilution effect of the Shareholders

As stated in the Letter from the Board, the changes in the shareholding structure of the Company arising from the Rights Issue are as follows:

Table 5: The changes in shareholding structure arising from the Rights Issue

	As at the Latest Practicable Date		**Immediately following completion of the Rights Issue (assuming all the Shareholders have applied for the Rights Shares in full)**		**Immediately following completion of the Rights Issue (assuming 0% acceptance by the Shareholders other than Upsky)**	
	Number of Shares	*(%)*	*Number of Shares*	*(%)*	*Number of Shares*	*(%)*
Upsky	70,178,249	50.51	175,445,622	50.51	278,573,849	80.21
Public Shareholders	68,752,151	49.49	71,880,378	49.49	68,752,151	19.79
Total	**138,930,400**	**100.00**	**347,326,000**	**100.00**	**347,326,000**	**100.00**

As illustrated from Table 5 above, immediately upon completion of the Rights Issue, assuming no Rights Share is taken up by the Shareholders other than Upsky, the public float of the Company will decrease to approximately 19.79%. In this regard, Upsky has undertaken that it shall place such number of the Underwritten Shares to independent third parties to comply with the public float requirements under the Listing Rules in the event that the percentage of public float resulting from completion of the Rights Issue falls below the required minimum percentage under the Listing Rules. Upsky shall take appropriate steps/measures to ensure sufficient public float of the Shares upon completion of the Rights Issue.

11. Financial effects of the Rights Issue

(a) Effect on net tangible assets

A statement of unaudited pro forma adjusted consolidated net tangible asset value ("NTAV") of the Group based on the unaudited consolidated NTAV of the Group as at 30 September 2007 as if the Rights Issue had been completed on 30 September 2007 is set out in Appendix II to the Circular (the "Statement"). The unaudited consolidated NTAV (net of minority interest) and NTAV per Share (net of minority interest) of the Group were approximately HK$66.024 million and HK$0.475 respectively as at 30 September 2007 according to the Statement and based on 138,930,400 Shares in issue as at the Last Trading Day. Upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated NTAV and NTAV per Share of the Group would increase by approximately 153.13% to approximately HK$167.124 million and increase by approximately 1.25% to approximately HK$0.481 per Share respectively based on the Statement. In view of the fact that the Rights Issue would enlarge the capital base of the Group, we consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

(b) Effect on gearing ratio

The gearing ratio of the Group, being calculated by total borrowings divided by NTAV, was approximately 50.39% as at 30 September 2007. As mentioned under the above paragraph, the unaudited pro forma adjusted consolidated NTAV of the Group would increase upon completion of the Rights Issue but the total borrowings of the Group are not expected to change. Consequently, the gearing position of the Group would be relieved to approximately 19.91% and the Directors expect that the Group would enjoy more financial flexibility afterwards and hence we consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

(c) Effect on liquidity

As advised by the Directors, the total cash and bank balances of the Group was approximately HK$49.879 million as at 30 September 2007. If the Rights Issue had been completed on 30 September 2007, the total cash balances of the Group would increase by 2.03 times to approximately HK$150.979 million. As stated in the Letter from the Board, the net proceeds from the Rights Issue will be applied as the acquisition of the Hotel, if materializes. In the event that the acquisition of the Hotel is not materialized, part of the net proceeds from the Rights Issue will be reserved as capital for other investment opportunities to be identified by the Company, while the remaining of the net proceeds (if any) will be utilized as general working capital of the Group. The Group's liquidity position would be improved if there is an increase in general working capital of the Group upon completion of the Rights Issue.

12. Warning of the risks of dealing in the Shares and the nil-paid Rights Shares

Existing Shares will be dealt with on a cum-rights basis until 8 May 2008. The Rights Shares will be dealt with in their nil-paid form from 22 May 2008 to 30 May 2008 (both dates inclusive). If the Underwriter terminates the Underwriting Agreement (see sub-section headed "Termination of the Underwriting Agreement" above) or the conditions of the Rights Issue (see sub-section headed "Conditions of the Rights Issue" above) cannot be fulfilled or waived on or before the latest acceptance time of the Rights Issue (or such later time and/or date as the Company and the Underwriter may determine in writing), the Rights Issue shall not proceed and shall lapse.

Any dealings in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between 22 May 2008 and 30 May 2008, both dates inclusive, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors should therefore exercise caution when dealing in the Shares or Rights Shares in their nil-paid form, and if they are in any doubt about their position, they are recommended to consult their professional adviser.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above and as summarized below:

(i) the loss-making nature of the Group for the three consecutive years ended 31 March 2007 and six months ended 30 September 2006 and 30 September 2007;

(ii) the very thin trading liquidity of Shares in the Review Period;

(iii) the high cost for the Group to obtain debt financing and dilution of shareholding by private placement;

(iv) the Rights Issue being the most viable immediate method presently available to the Group for fund raising purpose;

(v) the discount of the Subscription Price to the closing price of the Last Trading Day and theoretical ex-rights price are within the range of the Price Premium/Discount Rate and Ex-Rights Price Premium/Discount rate of the Market Comparables respectively;

(vi) the Subscription Price represents a premium of approximately 4.07% over the unaudited net asset value of approximately HK$0.48 per Share as at 30 September 2007 and 138,930,400 Shares in issue as at the date of the Announcement and is within the range of NAV Premium/Discount Rate of the Market Comparables;

(vii) the underwriting commission of 2.00% is within the range of the underwriting commissions of the Market Comparables; and

(viii) the Rights Issue will result in positive impact on the financial positions of the Group.

Having considered the above factors and reasons and Directors' representations, on balance, we are of opinion that the terms of the Rights Issue and the Underwriting Agreement are on normal and commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue is in the interests of the Company and the Shareholders as a whole even though it is not in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) at the SGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
WALLBANCK BROTHERS
Securities (Hong Kong) Limited
Phil Chan
Chief Executive Officer

1. SUMMARY OF FINANCIAL STATEMENTS

Financial Summary

Set out below is a summary of the audited consolidated results and financial position of the Group for each of the three years ended 31 March 2005, 2006 and 2007 as extracted from the annual reports of the Company for each of the two years ended 31 March 2006 and 31 March 2007, and the unaudited consolidated financial summary of the Group as extracted from the interim report of the Company for each of the six months ended 30 September 2006 and 30 September 2007. The auditors' reports as set out in the annual reports of the Group for each of the three years ended 31 March 2005, 2006 and 2007 were unqualified.

Consolidated Income Statement

	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	123,780	195,871	210,512	108,068	74,302
Gross Profit	7,703	21,516	16,409	8,793	2,850
Loss before taxation	(14,328)	(2,798)	(2,690)	(541)	(5,248)
Tax	(53)	(114)	(36)	(28)	(29)
	(14,381)	(2,912)	(2,726)	(569)	(5,277)
Loss for the discontinued operations	(20,186)	(8,411)	–	–	–
Net loss for the year/period	(34,567)	(11,323)	(2,726)	(569)	(5,277)
Attributable to:					
Equity holders of the parent	(33,729)	(11,102)	(2,508)	(577)	(4,996)
Minority interest	(838)	(221)	(218)	8	(281)
	(34,567)	(11,323)	(2,726)	(569)	(5,277)
Dividends	–	–	–	–	–

Consolidated Balance Sheet

	As at 31 March			As at 30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	351,109	124,912	121,153	133,561	119,719
Total liabilities	(266,478)	(68,374)	(67,341)	(77,592)	(52,968)
Net assets	84,631	56,538	53,812	55,969	66,751
Equity attributable to equity holders of the parent	66,414	55,312	52,804	54,735	66,024
Minority interests	18,217	1,226	1,008	1,234	727
Total equity	84,631	56,538	53,812	55,969	66,751

2. AUDITED FINANCIAL STATEMENTS FOR THE TWO YEAR ENDED 31 MARCH 2007

The following is the summary of the consolidated income statement, consolidated balance sheet and consolidated cash flow statement of the Group for the two years ended 31 March 2007 as extracted from the audited annual report of the Company for the year ended 31 March 2007.

CONSOLIDATED INCOME STATEMENT
Year Ended 31st March 2007

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

CONSOLIDATED BALANCE SHEET
31st March 2007

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31st March 2007

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

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

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:			
From a continuing operation		(2,690)	(2,798)
From discontinued operations	13	–	(8,358)
Adjustments for:			
Finance costs	8	175	1,666
Interest income	6	(1,225)	(960)
Depreciation	7	236	1,048
Impairment of trade receivables	7	2,007	3,125
Impairment of other receivables	7	255	–
Impairment of retention money receivables	7	255	–
Impairment of available-for-sale financial assets	7	–	2,160
Fair value gain on equity investments at fair value through profit or loss	7	–	(50)
Gain on disposal of items of property, plant and equipment	7	–	(693)
Loss on disposal of subsidiaries	25	–	2,818
		(987)	(2,042)
Decrease/(increase) in the gross amount due from contract customers		(435)	20,230
Decrease in inventories		–	395
Decrease/(increase) in trade and other receivables		(2,166)	16,006
Decrease in retention money receivables		445	1,710
Decrease/(increase) in prepayments, deposits and other assets		(200)	116
Increase in an amount due from a related company		(299)	–
Increase/(decrease) in the gross amount due to contract customers		380	(35,175)
Increase/(decrease) in trade payables		(3,938)	20,154
Increase in bills payable		–	4,464
Decrease in retention money payables		–	(924)
Decrease in other payables and accruals		(1,751)	(16,522)
Increase in amounts due to related companies		4,396	646
Cash generated from/(used in) operations		(4,555)	9,058
Interest paid		(175)	(1,666)
Hong Kong profits tax refunded/(paid)		(156)	1,538
Net cash inflow/(outflow) from operating activities – page 51		(4,886)	8,930

	Notes	2007 HK$'000	2006 HK$'000
Net cash inflow/(outflow) from operating activities – page 50		(4,886)	8,930
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,225	960
Purchases of items of property, plant and equipment	*15*	(108)	(2,846)
Proceeds from disposal of items of property, plant and equipment		–	16,182
Disposal of subsidiaries	*25*	–	21,869
Net cash inflow from investing activities		1,117	36,165
CASH FLOWS FROM FINANCING ACTIVITY			
Decrease in trust receipt loans and cash outflow from financing activity		–	(12,512)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3,769)	32,583
Cash and cash equivalents at beginning of year		37,088	4,505
CASH AND CASH EQUIVALENTS AT END OF YEAR		33,319	37,088
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*19*	2,131	2,088
Non-pledged time deposits with original maturity of less than three months when acquired	*19*	31,188	35,000
		33,319	37,088

BALANCE SHEET

31st March 2007

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

NOTES TO FINANCIAL STATEMENTS

31st March 2007

1. CORPORATE INFORMATION

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

During the year, the Group's principal activities were involved in the provision of building related maintenance services.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

The principal changes in accounting policies are as follows:

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

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

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

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

(ii) Amendment for the fair value option

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Impairment of non-financial assets other than goodwill

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

Leases

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

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

Investments and other financial assets

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

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

Available-for-sale financial assets

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

Derecognition of financial assets

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

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

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

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

Financial liabilities at amortised cost

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

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

Derecognition of financial liabilities

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

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

Construction contracts

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

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

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

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

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

Provisions

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

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

Income tax

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

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

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Foreign currencies

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

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

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

Employee benefits

Paid leave carried forward

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

Retirement benefits schemes

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

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

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

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

Cash and cash equivalents

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

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

Revenue recognition

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

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

Estimation uncertainty

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

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

5. SEGMENT INFORMATION

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

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

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

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

(c) Trading Business (disposed of in March 2006): the trading of electrical and mechanical engineering materials and equipment segment.

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

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

Group

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

6. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, and an appropriate proportion of contract revenue from installation and maintenance contracts during the year.

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

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

7. LOSS BEFORE TAX

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

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

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

8. FINANCE COSTS

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

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

9. DIRECTORS' REMUNERATION

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

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

(a) Independent non-executive directors

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

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

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

(b) Executive directors

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

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

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

10. FIVE HIGHEST PAID EMPLOYEES

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

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

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

11. TAX

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

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

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

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

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

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

13. DISCONTINUED OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The calculations of basic loss per share are based on:

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

Group

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

Group

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

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

Company

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

16. INTERESTS IN SUBSIDIARIES

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

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

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

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company*	Principal activities
Ever Billion Engineering Limited	Hong Kong	HK$100	100.00	Provision of building and electrical maintenance services
Shun Cheong Real Estates Limited	Hong Kong	HK$10,000	100.00	Property holding
Tinhawk Company Limited	Hong Kong	HK$2,000,000	90.00	Installation and maintenance of water pumps and fire prevention and fighting systems

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

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

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

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

18. TRADE AND OTHER RECEIVABLES

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

The Group grants to its trade customers credit periods normally ranging from cash on delivery to 60 days. A longer credit period is granted to a few customers with long business relationships with the Group and with strong financial positions. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

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

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

19. CASH AND CASH EQUIVALENTS

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

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

20. TRADE PAYABLES

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

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

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

21. OTHER PAYABLES AND ACCRUALS

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

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

22. DEFERRED TAX LIABILITIES

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

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

The Group has tax losses arising in Hong Kong of approximately HK$17,357,000 (2006: HK$15,345,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilitsed.

23. SHARE CAPITAL

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

24. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 24 of the financial statements.

(b) Company

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

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

25. DISPOSAL OF SUBSIDIARIES

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

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

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

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

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

26. RELATED PARTY TRANSACTIONS

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

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

Notes:

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

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

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

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

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

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

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

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

(b) Outstanding balances with related parties:

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

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

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

(c) Other transactions with related parties:

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

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

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

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

27. CONTINGENT LIABILITIES

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

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

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

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

28. OPERATING LEASE ARRANGEMENTS

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

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

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

29. COMMITMENTS

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Cash flow interest rate risk

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

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

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

Credit risk

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

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

Liquidity risk

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

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

31. POST BALANCE SHEET EVENTS

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

32. APPROVAL OF THE FINANCIAL STATEMENTS

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

ERNST & YOUNG
安 永

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

29 April 2008

The Board of Directors
Shun Cheong Holdings Limited
Suite 2302, Wing On Centre
111 Connaught Road Central
HONG KONG

Dear Sirs,

Shun Cheong Holdings Limited (the "Company") and its subsidiaries (the "Group")

We report on the unaudited pro forma statement (the "Unaudited Pro forma NTA") relating to adjusted consolidated net tangible assets of the Group as set out in the Section headed "UNAUDITED PRO FORMA FINANCIAL INFORMATION" of Appendix II to the circular of the Company dated 29 April 2008 (the "Circular") in connection with the rights issue (the "Rights Issue") to qualifying shareholders on the basis of three rights shares for every two existing shares held as at 19 May 2008 (the "Record Date"). The Unaudited Pro forma NTA is unaudited and has been prepared by the directors of the Company, solely for illustrative purposes, to provide information to the shareholders of the Company about how the Rights Issue might affect the consolidated net tangible assets of the Group after the completion of the Rights Issue.

The historical financial information is derived from the unaudited historical financial information of the Group and where applicable, appearing elsewhere in the Circular. The basis of preparation is set out in the accompanying introduction and notes to the Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group.

Respective responsibilities of directors of the Company and reporting accountants

It is solely the responsibility of the directors of the Company to prepare the Unaudited Pro forma NTA in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro forma NTA 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 NTA 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 engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the unaudited evidence supporting the adjustments and discussing the Unaudited Pro forma NTA with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro forma NTA has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro forma NTA as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro forma NTA is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2007 had the Rights Issue actually been completed on that date or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro forma NTA has been properly compiled by the directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the Unaudited Pro forma NTA as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

For illustrative purposes only, the pro forma statement which has been prepared in accordance with paragraph 4.29 of the Listing Rules is set out here to provide the investors with further information on how the Rights Issue might have affected the financial position of the Group. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial position of the Group after the completion of the Rights Issue.

Set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group based on the unaudited consolidated net tangible assets of the Group as at 30 September 2007 adjusted to reflect the effects of the Rights Issue assuming that 208,395,600 rights shares (the "Rights Shares") will be issued pursuant to the Rights Issue:

	Unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2007 (before) the Rights Issue)	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company immediately after the Rights Issue**
	HK$	*HK$* *Note*	*HK$*
Net tangible assets	66,024,000	101,100,000	167,124,000
Number of shares issued	138,930,400	208,395,600	347,326,000
Unaudited pro forma adjusted consolidated net tangible assets per share before/after the Rights Issue	HK$0.475		HK$0.481

Note:

The estimated net proceeds from the Rights Issue is calculated based on the issue of 208,395,600 Rights Shares at a price of HK$0.50 per Rights Share on the basis of three Rights Shares for every two existing shares as at the latest practicable date as set out in the Circular, and after deducting the estimated expenses of approximately HK$3.1 million.

1. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2008, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, except for a convertible bond which had principal outstanding amount of HK$120 million as at 31 March 2008, the Group did not have any bank or other borrowings.

Save as aforesaid and apart from intra-group liabilities and normal accounts payables in the ordinary course of business, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, bank loans and overdrafts or other similar indebtedness, financial lease or hire purchase commitments, liabilities under acceptance or acceptance credits or guarantees or other material contingent liabilities as at the close of business on 31 March 2008.

2. MATERIAL ADVERSE CHANGE SINCE 31 MARCH 2007

As at the Latest Practicable Date, the Directors confirm that, save as and except for i) the issue of the Convertible Bond; ii) the entering into a non–legally binding framework agreement in relation to the acquisition of the Hotel dated 12 March 2008; iii) the entering into a joint venture agreement dated 15 February 2008 in relation to the formation of Upsky Resources Trading Limited; and iv) the information as contained in the unaudited interim report of the Company for the six months ended 30 September 2007, there had been no material adverse changes in the financial or trading position or prospects of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Company were made up.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that in the absence of unforeseen circumstance, upon completion of the Rights Issue and after taking into account the financial resources available to the Group, including internal resources, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

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 in this circular misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date and following the completion of the Rights Issue were and are expected to be as follows:

Authorised:		*HK$*
8,000,000,000	Shares	80,000,000
Issued and fully paid:		*HK$*
138,930,400	Shares as at the Latest Practicable Date	1,389,304
208,395,600	Rights Shares to be issued under the Rights Issue (Assuming no new Share being issued on or before the Record Date)	2,083,956
347,326,000	Shares upon completion of the Rights Issue	3,473,260

All of the Shares in issue and to be issued rank and will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Rights Shares in issue and to be issued are or will be listed on the Stock Exchange.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests or short positions of each director and chief executive of the Company in the shares, debentures or underlying shares in the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 maintained by the Company 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, were as follows:

Long positions in ordinary shares of the Company:

Name of the Director	Nature of interests	Number of ordinary Shares directly beneficially owned	Percentage of the Company's issued share capital
Mo Tianquan	Corporate	70,178,249 *(Note 1)*	50.51%
		200,000,000 *(Note 2)*	143.95%
Cao Jing	Family	70,178,249 *(Note 3)*	50.51%
		200,000,000 *(Note 3)*	143.95%

Notes:

(1) These Shares are held by Upsky, a company wholly-owned by Mr. Mo Tiangnan.

(2) These Shares represent the Shares to be allotted and issued to Tanisca, a company wholly-owned by Mr. Mo Tianquan, upon exercise in full of its conversion rights under the Convertible Bond.

(3) Ms. Cao Jing is interested in the Shares held by Upsky and Tanisca by virtue of her marital relationship with Mr. Mo Tianquan.

Save as disclosed above, as at the Latest Practicable Date, none of the directors and chief executive of the Company or their respective associates (within the meaning of the Listing Rules) had any interests and short positions in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deem to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the registered maintained by the Company 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.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at the Latest Practicable Date, persons (other than a director or chief executive of the Company) who had an interest or a short position in the shares, debentures or underlying shares 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, or who 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 members of the Company were as follows:

Name of the Shareholder	**Capacity and nature of interests**	**Number of ordinary Shares owned**	**Percentage of the Company's issued share capital** *(Note 1)*
Upsky	Directly beneficially owned	70,178,249	50.51%
Tanisca	Directly beneficially owned	200,000,000 *(Note 2)*	143.95%
Digital Link Investments Limited	Directly beneficially owned	11,500,000	8.28%
IDG Technology Venture Investment III, L.P.	Directly beneficially owned	11,500,000	8.28%

Notes:

(1) All interests stated herein represent long positions.

(2) These Shares represent the Shares to be allotted and issued to Tanisca upon exercise in full of its conversion rights under the Convertible Bond. However, Tanisca has undertaken not to exercise any of its conversion rights up to and including the Record Date.

Save as disclosed above, the directors and chief executive of the Company were not aware of any other persons who, as at the Latest Practicable Date, had an interest or short position in the shares, debentures or underlying shares 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, who had, 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 members of the Company or had any options in respect of such Shares.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any members of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in any assets which have been, since 31 March 2007 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any members of the Group, or are proposed to be acquired or disposed of or leased to any members of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested in any contracts or arrangement, subsisting at the date of this circular, which are significant to the business of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have interests in any business, apart from the Group's business, which competes or is likely to compete, directly or indirectly, with the business in which the Group is engaged in.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have made their statement in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Wallbanck Brothers	A licensed corporation for carrying out types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO

Each of Ernst & Young and Wallbanck Brothers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the copy of its report or letter and the references to their name in the form and context they respectively appear therein.

As at the Latest Practicable Date, each of Ernst & Young and Wallbanck Brothers was not beneficially interested in the share capital of any members of the Group or had any rights, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

Each of Ernst & Young and Wallbanck Brothers did not have any interests, either directly or indirectly, in any assets which have been, since 31 March 2007 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any members of the Group, or are proposed to be acquired or disposed of or leased to any members of the Group.

9. CORPORATE INFORMATION

Registered office	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Principal place of business	Suite 2302, Wing On Centre 111 Connaught Road Central Hong Kong
Company secretary	Mr. Poon Yan Wai
Qualified accountant	Mr. Poon Yan Wai
Authorised representatives	Ms. Cao Jing Mr. Poon Yan Wai
Share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712–16, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	DBS Bank (Hong Kong) Limited G/F., The Center 99 Queen's Road Central Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

10. PARTIES INVOLVED IN THE RIGHTS ISSUE

Underwriter	Upsky Enterprises Limited 1589, Jufeng Road #46 Pudong Shanghai, 201208 PRC
Legal adviser to the Company as to Hong Kong Law	Angela Ho & Associates 1106, Tower 1 Lippo Centre 89 Queensway Hong Kong
Legal adviser to the Company as to Bermuda Law	Appleby 8th Floor Bank of America Tower 12 Harcourt Road Central Hong Kong
Reporting accountants	Ernst & Young *Certified Public Accountants* 18th Floor, Two International Finance Centre 8 Finance Street Central Hong Kong
Independent Financial Adviser	Wallbanck Brothers Securities (Hong Kong) Limited 1005B, Tower 1 Lippo Centre 89 Queensway Hong Kong
Share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-16, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

11. MATERIAL CONTRACTS

The Group have entered into (i) the Underwriting Agreement; (ii) a subscription agreement in relation to the issue of the Convertible Bond dated 29 October 2007; (iii) a subscription agreement in relation to the subscription of 11,500,000 Shares by IDG Technology Venture Investment III, LP dated 14 August 2007; and (iv) a subscription agreement in relation to the subscription of 11,500,000 Shares by Digital Link Investment Limited dated 14 August 2007 within two years immediately preceding the date of this circular and up to the Latest Practicable Date, which are contracts not being in the ordinary course of business of the Company or may be material.

12. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any members of the Group.

13. EXPENSES

The expenses in connection with the Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges etc. are estimated to be of approximately HK$3.1 million and will be payable by the Company.

14. GENERAL

(a) The company secretary and the qualified accountant of the Company is Mr. Poon Yan Wai ("Mr. Poon"), who is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon also holds a Bachelor's degree in Accountancy and Master's degree in Corporate Finance from the Hong Kong Polytechnic University.

(b) The English text of this circular shall prevail over its Chinese text.

(c) None of any part of the equity or debt securities of the Group is listed or dealt in any other recognized stock exchanges or on which listing or permission to deal is being or is proposed to be sought.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the principal place of business of the Company at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong during normal business hours on any weekdays other than public holidays, from the date of this circular up to and including the date of SGM:

(i) the memorandum and articles of association the Company and Bye-Laws;

(ii) the annual reports of the Company for the years ended 31 March 2006 and 31 March 2007 and the interim report of the Company for the six months ended 30 September 2007;

(iii) all the announcements and circulars of the Company as referred to in this circular;

(iv) the letter from the Board;

(v) the letter from the Independent Board Committee;

(vi) the letter from Wallbanck Brothers;

(vii) the report on unaudited pro forma statement of consolidated net tangible assets of the Group as set out in Appendix II to this circular;

(viii) the written consents from Ernst & Young and Wallbanck Brothers as referred to in the paragraph headed "Qualification and Consent of Experts" in this appendix;

(ix) all the agreements as referred to in the paragraph headed "Material Contracts" in this appendix;

(x) a non–legally binding framework agreement in relation to the acquisition of the Hotel dated 12 March 2008;

(xi) a joint venture agreement in relation to the formation of Upsky Resources Trading Limited dated 15 February 2008; and

(xii) this circular.

SHUN CHEONG HOLDINGS LIMITED
順昌集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 650)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "SGM") of the shareholders of Shun Cheong Holdings Limited (the "Company") will be held at Plaza I-III, Lower Lobby, Novotel Century, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 19 May 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following ordinary resolution:

ORDINARY RESOLUTION

"**THAT** subject to and conditional upon the obligations of Upsky Enterprises Limited ("**Upsky**") under the underwriting agreement dated 7 April 2008 (the "**Underwriting Agreement**") between the Company and Upsky (a copy of the Underwriting Agreement has been produced to the SGM and marked "A" and initialled by the chairman of the SGM for identification purpose) becoming unconditional:–

(a) the rights issue (the "**Rights Issue**") of 208,395,600 new shares (the "**Rights Shares**") in the share capital of the Company (the "**Shares**") to the holders of the Shares in the Company (the "**Shareholders**") at the subscription price of HK$0.50 per Rights Share in the proportion of three Rights Shares for every two existing Shares held by the Shareholders whose names appear on the register of members of the Company as at the close of business on 19 May 2008, other than those Shareholder(s) whose address(es) as shown on the register of members of the Company is/are outside Hong Kong where the directors of the Company (the "**Directors**"), based on the legal opinions provided by the overseas legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, on and subject to the terms and conditions set out in the circular to the Shareholders dated 29 April 2008 (the "**Circular**") and on such other terms and conditions as may be determined by the Directors be and is hereby approved;

(b) the Underwriting Agreement and any of the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

* *For identification purpose only*

(c) the Directors be and are hereby authorised to issue and allot the Rights Shares on terms as set out in the Circular and to do all such acts and things, to sign and execute all such further documents and to take all such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue and the Underwriting Agreement or any of the transactions contemplated thereunder."

By order of the Board
Shun Cheong Holdings Limited
Cao Jing
Executive Chairman

Hong Kong, 29 April 2008

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

Principal Place of Business:
Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll, votes may be given either personally or by a duly authorised corporate representative or by proxy. A member who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

3. The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, shall be deposited at Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the SGM or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the form of proxy shall not be treated as valid.

4. Where there are joint registered holders of any Share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

5. A form of proxy for use at the SGM is enclosed herewith.