THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Shun Cheong Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or the bank, stockbroker or other registered dealer or other agent whom the sale or transfer was affected for transmission to the purchaser or transferee.

Shun Cheong Holdings Limited
順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 650)

VERY SUBSTANTIAL ACQUISITION

A notice convening a special general meeting of the Company to be held at Suite 2302, Wing On Centre, 111 Connaught Road, Central Hong Kong on 5 January 2009 at 10:00 a.m. is set out on pages 132 to 133 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the special general meeting if you so wish.

19 December 2008

* *For identification purposes only*

CONTENTS

		Page
Definitions		1
Letter from the Board		4
Appendix I	**– Financial information on the Group**	14
Appendix II	**– Financial information on the Target Group**	63
Appendix III	**– Unaudited pro forma financial information on the Enlarged Group**	106
Appendix IV	**– Property valuation of the Enlarged Group**	116
Appendix V	**– General information**	127
Notice of SGM		132

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

"Acquisition"	the proposed acquisition of the Sale Capital by the Purchaser pursuant to the terms and conditions of the Agreements
"Agreements"	the Sale and Purchase Agreement and the Debt Restructuring Agreement (as supplemented by the Supplemental Agreements)
"Announcements"	the announcements dated 2 September 2008, 23 September 2008, 27 October 2008 and 5 December 2008 made by the Company in relation to the Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Shun Cheong Holdings Limited, a company incorporated in Bermuda with limited liability which shares are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the Acquisition
"connected persons"	has the meaning as ascribed in the Listing Rules
"Consideration"	the consideration of RMB148,230,000 payable by the Company to the Vendors for the Sale Capital, the particulars of which are set out in the paragraphs headed "Consideration" under the section "Sale and Purchase Agreement" above
"Debt Restructuring Agreement"	the debt restructuring agreement dated 19 August 2008 entered into between the Purchaser, Yinhe and the Target Company in relation to the settlement of Hotel's Payables (as supplemented by the Supplemental Debt Restructuring Agreement)
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group and the Target Group
"Group"	the Company and its subsidiaries
"Hotel"	廣西沃頓國際大酒店 (Guangxi Wharton International Hotel), a five-star hotel located at Nanning, Guangxi Zhuang Autonomous Region, the PRC and the relevant land use right

"Hotel Bank Loan"	the bank loan applied by the Target Company from The Guangxi Branch of The Bank of China of which the amount will be reference to the amount of bank loan payable by Yinhe to The Bank of China
"Hotel's Payables"	the amount payable by the Target Company to Yinhe or relevant parties amounted to RMB411,770,000 (subject to adjustments) as at 31 July 2008
"Latest Practicable Date"	16 December 2008, being the latest practicable date prior to the issue of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management Transfer Date"	the date of transfer of management right of the Target Company, which should be a day after the Purchaser deposits RMB18,230,000 into an account which is jointly controlled by the Purchaser and Yinhe
"PRC"	the People's Republic of China
"Purchaser"	Open Land Holdings Limited, a company incorporated in Hong Kong and is wholly-owned by the Company
"Sale and Purchase Agreement"	the sale and purchase agreement dated 19 August 2008 entered into between the Purchaser and the Vendors in relation to the sale and purchase of Sale Capital (as supplemented by the Supplemental Sale and Purchase Agreement)
"Sale Capital"	the entire equity capital of the Target Company
"SGM"	special general meeting of the Company to be convened to consider and, if thought fit, approve the resolution in respect of the Acquisition
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholders"	the holder(s) of the Share
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Supplemental Agreements"	the Supplemental Sale and Purchase Agreement and the Supplemental Debt Restructuring Agreement
"Supplemental Debt Restructuring Agreement"	the supplemental debt restructuring agreement dated 3 December 2008 entered into between the Purchaser, Yinhe and the Target Company to amend certain terms and conditions of the Debt Restructuring Agreement
"Supplemental Sale and Purchase Agreement"	the supplemental sale and purchase agreement dated 3 December 2008 entered into between the Purchaser, Yinhe and Mr. Gao Jian to amend certain terms and conditions of the Sale and Purchase Agreement
"Target Company"	廣西沃頓國際大酒店有限公司 (Guangxi Wharton International Hotel Limited#), a company incorporated in the PRC
"Target Group"	the Target Company and its subsidiaries
"Vendors"	Yinhe and Mr. Gao Jian
"Yinhe"	北海銀河高科技產業股份有限公司 (Beihai Yinhe Hi-Tech Industrial Co., Ltd#), a company incorporated in the PRC, of which shares are listed on the Shenzhen Stock Exchange
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of PRC
"%"	per cent.

(For the purpose of illustration only, the exchange rate of RMB1 to HK$1.14 is adopted.)

* *for identification purposes only*

unofficial translation

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:
Professor 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

19 December 2008

To the Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

As disclosed in the Announcements, the Purchaser entered into the Agreements, pursuant to which the Purchaser has conditionally agreed to (i) purchase the Sale Capital, representing the entire issued share capital of the Target Company, for a consideration of RMB148,230,000 (equivalent to approximately HK$168,982,200); and (ii) assume the Hotel's Payables amounted to RMB411,770,000 (equivalent to approximately HK$469,417,800).

The purpose of this circular is to provide you with further information in relation to the Acquisition and to give you the notice of the SGM.

* *For identification purposes only*

THE SALE AND PURCHASE AGREEMENT

Date: 19 August 2008 (supplemented by the Supplemental Sale and Purchase Agreement on 3 December 2008)

Parties:

Vendors : Yinhe and Mr. Gao Jian

Purchaser : the Purchaser

The Purchaser is a wholly-owned subsidiary of the Company. To the best knowledge of the Directors having made reasonable enquiries, Yinhe and its substantial shareholder and Mr. Gao Jian are parties independent of and not connected with the Company and its connected persons.

As at the Latest Practicable Date, the Target Company is owned as to 95% and 5% by Yinhe and Mr. Gao Jian respectively.

Assets to be acquired

Under the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire from the Vendors the Sale Capital, representing the entire equity capital of Target Company.

Further details of the Target Company are set out in the section headed "Information on the Target Group" below.

Consideration

The consideration for the Sale Capital is RMB148,230,000 (equivalent to approximately HK$168,982,200) which is payable by cash.

A deposit of RMB20,000,000 has been paid to Yinhe and the deposit will form part of the Consideration upon completion of the Acquisition. Provided that the Acquisition cannot be completed before 20 January 2009 and the delay is not caused by the Purchaser, Yinhe shall refund the deposit. In addition, a deposit delay penalty of RMB200,000 in refund which is equivalent to 1% of the amount of deposit will be charged to Yinhe for each day of delay.

Within three business days after the satisfaction of the conditions to the Agreements, including (i) entering into of the agreement in relation to the Hotel Bank Loan by The Bank of China and the Target Company; (ii) having completed the change of business registration of the Target Company; and (iii) having obtained the approval of the State Administration of Foreign Exchange in relation to the amount payable by the Purchaser, the Purchaser will deposit or will procure another party to deposit RMB18,230,000 into an account which is jointly controlled by the Purchaser and Yinhe.

As the planning of use of approximately 30 mou of land which is included in the land use right owned by the Hotel has not been confirmed and/or approved by the parties concerned and the regulatory authorities, the Purchaser and Yinhe will decide the amount of remaining balance of the Consideration (at a maximum of RMB110,000,000) for that piece of land after the planning has been settled.

The Consideration will be financed by internal resources of the Group.

In addition to the Consideration, pursuant to the Debt Restructuring Agreement (detail of which is set out in the section "Debt Restructuring Agreement" below), the Purchaser is required to assume the Hotel's Payables amounted to RMB411,770,000 (subject to adjustments as disclosed in the paragraph "Debt Restructuring" under the section "Debt Restructuring Agreement" below).

Basis of Consideration

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendors, and taking into consideration of (i) the registered capital of the Target Company as at 31 July 2008 amounted to RMB87,814,000 based on the management account prepared in accordance with PRC accounting standard; (ii) the amount payable by the Target Company as at 31 July 2008 amounted to RMB411,770,000 (subject to adjustments); (iii) the preliminary estimated value of the Hotel by an independent valuation firm, BMI Appraisals Limited, which is approximately RMB600,000,000; and (iv) the net asset value and the registered capital of the Target Company as at 31 July 2008 amounted to RMB18,691,000 and RMB87,814,000 respectively based on the audited account prepared in accordance with Hong Kong accounting standard. The valuation has been prepared on the basis of market value which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". The final valuation report issued by BMI Appraisals Limited which indicated that the aggregate value of the Hotel including two phases of land parcel are amounted to RMB600,000,000 is set out in Appendix IV to this circular. The Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

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

(1) having obtained the approval by the board of directors and the shareholder of the Purchaser of the Sale and Purchase Agreement and the transactions contemplated thereunder;

(2) having obtained the approval by the shareholders of Yinhe of the Sale and Purchase Agreement and the transactions contemplated thereunder;

(3) having obtained the approval by The Bank of China for the debt restructuring plan of the Target Company pursuant to the Debt Restructuring Agreement;

(4) entering into of the agreement in relation to the Hotel Bank Loan by The Bank of China and the Target Company;

(5) having completed the change of business registration of the Target Company;

(6) having obtained the approval of the State Administration of Foreign Exchange in relation to the amount payable by the Purchaser; and

(7) completion of the Debt Restructuring Agreement.

As at the Latest Practicable Date, none of the conditions above has been fulfilled.

Long Stop Date

The Sale and Purchase Agreement is conditional upon completion of the Debt Restructuring Agreement. Unless otherwise agreed by the parties, the Agreements will be terminated if the Hotel Bank Loan has not been approved by the Bank of China within 20 business days after the signing of the Supplemental Debt Restructuring Agreement on 3 December 2008.

Break-up fee

The Purchaser and Vendors agreed that (i) if condition (1) to the Sale and Purchase Agreement cannot be fulfilled, the Purchaser shall pay to the Vendors a break-up fee of RMB10,000,000 (equivalent to approximately HK$11,400,000); and (ii) if condition (2) to the Sale and Purchase Agreement cannot be fulfilled, the Vendors shall pay to the Purchaser a break-up fee of RMB10,000,000 (equivalent to approximately HK$11,400,000), within five days upon the relevant general meeting of shareholders.

Delay penalty

Upon satisfaction of all conditions to the Sale and Purchase Agreement, in the event that either party fails to fulfill its obligations under the Sale and Purchase Agreement without the consent of the non-breaching party, then from the date of such breach, the breaching party must pay to the other party an amount of RMB148,230, equivalent to 0.1% of the Consideration, for each day of delay.

Others

If the Acquisition does not completed before 20 January 2009 and Yinhe fails to repay the deposit of RMB20,000,000 and delay penalty within one month, Yinhe will procure the Hotel to provide the Purchaser a consumption facility for the use of facilities provided by the Hotel, including food and beverage and room charges, at a specified and agreed rate for 5 years which amount is equivalent to the aggregate amount repayable by Yinhe. It is further agreed that if the Hotel terminates or changes its principal business and as such services cannot be provided to the Purchaser for consumption, Yinhe should pay the Purchaser in cash for the outstanding amount of consumption facility.

THE DEBT RESTRUCTURING AGREEMENT

Date: 19 August 2008 (supplemented by the Supplemental Debt Restructuring Agreement on 3 December 2008)

Parties:

(a) Yinhe;

(b) the Purchaser; and

(c) the Target Company

Debt Restructuring:

Pursuant to the Debt Restructuring Agreement, the parties agreed the following:

(i) the total payables of the Target Company amounted to RMB411,770,000 as at 31 July 2008 will be payable by the Target Company (or the Purchaser) to Yinhe or relevant parties (Out of RMB411,770,000 payables, about RMB390 million was due to Yinhe and related party);

(ii) the receivables and payables (stated in (i) above) of the Target Company incurred before the Management Transfer Date will be settled by Yinhe (it is expected that all the receivables and payables of the Target Company will be generated from the hotel operating activities. After the Management Transfer Date, (a) the amount of outstanding payables will be used to offset the amount payable by the Target Company (or the Purchaser) to Yinhe as stated in (i) above; (b) the amount of outstanding receivables will continued to be collected by Yinhe and all receipt will belong to Yinhe;

(iii) an tax exemption of approximately RMB7,000,000 has been applied for by Yinhe but has not been approved. Yinhe shall provide the evidence of relevant tax exemption or settlement of the relevant tax before the Management Transfer Date. Before Yinhe providing such evidence, the relevant amount will be deducted from the amount payable by the Target Company to Yinhe as stated in (i) above. Within 10 business days upon Yinhe providing the evidence on the finalized tax exemption amount, the relevant tax will be paid directly to the taxation authorities and the outstanding balance will be paid by the Target Company to Yinhe.

The Target Company has applied for the Hotel Bank Loan from The Guangxi Branch of The Bank of China of which the amount will be reference to the amount of bank loan payable by Yinhe to The Bank of China. The Hotel Bank Loan, if approved by The Bank of China, is expected to be at a minimum of approximately RMB320,000,000 with a term of 10 years at an interest rate of approximately 7% per annum. The Hotel Bank Loan will be used to partially settle the Hotel's Payables as stated in (i) above and the settlement of the remaining balance of the Hotel's Payables, after deduction of the abovementioned adjustments and other adjustments (if any) pursuant to the finalized financial statement of the Target Group agreed by the parties, (the "Remaining Payables") will be payable by the Target Company or the Purchaser.

Conditions Precedent

Within five business days after the satisfaction of the following conditions, the Purchaser shall deposit the Remaining Payables into an account which is jointly controlled by the Purchaser, the Target Company and Yinhe:

(1) having obtained the approval by the shareholder of the Purchaser of the Agreements and the transactions contemplated thereunder;

(2) having obtained the approval by the shareholders of Yinhe of the Agreements and the transactions contemplated thereunder;

(3) having obtained the approval by The Bank of China for the debt restructuring plan of the Target Company;

(4) entering into of the agreement in relation to the Hotel Bank Loan by The Bank of China and the Target Company;

(5) having completed the change of business registration of the Target Company; and

(6) having obtained the approval of the State Administration of Foreign Exchange in relation to the Remaining Payables.

The Remaining Payables shall be transferred from the jointly controlled account to the bank account of Yinhe in The Bank of China on the Management Transfer Date.

As at the Latest Practicable Date, none of the conditions above has been fulfilled.

Long Stop Date

The parties agreed that unless otherwise agreed by the parties, the Agreements and the Supplemental Agreements will be terminated if the Hotel Bank Loan has not been approved by the Bank of China within 20 business days after the signing of the Supplemental Debt Restructuring Agreement on 3 December 2008.

Delay penalty

Upon satisfaction of all conditions to the Debt Restructuring Agreement, in the event that either party fails to fulfill its obligations under the Debt Restructuring Agreement without the consent of the non-breaching party, then from the date of such breach, the breaching party must pay to the other party an amount of RMB411,770, equivalent to approximately 0.1% of the Hotel's Payables, for each day of delay.

INFORMATION ON YINHE

Yinhe is a company incorporated in the PRC which shares are listed on the Shenzhen Stock Exchange. It is principally engaged in (i) manufacturing and marketing of electric power system automation equipment and electronic components; and (ii) providing computer system integration services and development of computer software.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the PRC and is principally engaged in the owning and management of the Hotel. The Hotel is a five-star hotel located at No. 88, East Minzu Avenue, Nanning, Guangxi Zhuang Autonomous Region, the PRC. There are 338 rooms in the Hotel with total gross floor area of approximately 46,000 square metres.

The financial information on the Target Group is set out in Appendix II to this circular. The valuation report issued by BMI Appraisals Limited which indicated that the aggregate value of the Hotel and two phases of land parcel are amounted to RMB600,000,000 is set out in Appendix IV to this circular.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the provision of building related maintenance services. The Directors have been seeking suitable investment opportunities from time to time to broaden the Group's source of income.

Pursuant to the National Bureau of Statistics of China, the nominal gross domestic products of Guangxi Zhuang Autonomous Region are as follows:

Year	**2003**	**2004**	**2005**	**2006**	**2007**
Nominal gross domestic products (in RMB billion)	273.3	332.0	406.3	480.2	586.5
Increase from previous year	22.5%	21.5%	22.4%	18.2%	22.1%

Source: the website of the government of Guangxi Zhuang Autonomous Region

Recognizing the efforts of the PRC government in promoting the economies of the less developed regions and the rapid development of local tourism industry in the second tier cities in the PRC, the Directors consider that increasing number of investors as well as overseas and local travellers and tourists would be attracted to these cities in the PRC, thereby creating demand for hotel services and enhancing the value of Hotel. The Directors are confident that the Acquisition will enable the Group to capture the results of economic boom in Guangxi Zhuang Autonomous Region.

After entering into of the original Sale and Purchase Agreement and Debt Restructuring Agreement on 19 August 2008 and upon conducting certain due diligence on the Target Group, the Company noted that the planning of use of approximately 30 mou of land which is included in the land use right owned by the Hotel has not been confirmed and/or approved by the parties concerned and regulatory authorities. Therefore the Supplemental Agreements were entered to amend certain terms and conditions of the original Sale and Purchase Agreement and Debt Restructuring Agreement, in particular the adjustment of the payment terms of the Consideration for that piece of land. No other irregularities have been identified by the Directors during the course of the due diligence.

The increase in the Consideration for the Sale Capital under the Supplemental Sale and Purchase Agreement is the result of the corresponding decrease in the payables of the Target Group to be assumed by the Purchaser pursuant to the Supplemental Debt Restructuring Agreement.

The Directors consider that the terms and conditions of the Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Earnings

Upon completion of Acquisition, the results of the Target Group will be consolidated by the Group. As noted from the unaudited pro forma financial information on the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma consolidated net loss after tax of the Enlarged Group for the year ended 31 March 2008 would have amounted to approximately HK$11.5 million as compared to the audited consolidated net loss of the Group for the year ended 31 March 2008 of approximately HK$8.7 million.

Net asset value

As noted from the unaudited pro forma financial information on the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma consolidated net asset value of the Enlarged Group as at 31 March 2008 would have amounted to approximately HK$126.1 million. As compared to the audited consolidated net asset value of the Group as at 31 March 2008 of approximately HK$106.6 million, this represents an increase of approximately 18.3%.

Gearing

According to the audited consolidated balance sheet of the Group as at 31 March 2008, the Group had a gearing ratio, calculated as total liabilities over total assets, of approximately 55.5%. Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the gearing ratio of the Enlarged Group, calculated as total liabilities over total assets, would increase to approximately 83.6%.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratio as defined in the Listing Rules of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and are subject to the approval of Shareholders. A SGM will be held to consider and, if thought fit, approve the resolution in respect of the Acquisition. As no Shareholder has any material interest in the Acquisition, no Shareholder is required to abstain from voting in the SGM in respect of the resolution to approve the Acquisition.

SGM

Set out on pages 132 to 133 is a notice convening the SGM to be held at Suite 2302, Wing On Centre, 111 Connaught Road, Central Hong Kong on 5 January 2009 at 10:00 a.m. at which relevant resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Acquisition.

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

Pursuant to the amendments to the Listing Rules which will be effective on 1 January 2009, the vote of Shareholders at the SGM must be taken by poll.

RECOMMENDATION

The Board considers that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution as set out in the notice of SGM.

ADDITIONAL 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

SUMMARY OF FINANCIAL RESULTS

An unqualified opinion in respect of the audit of the financial statements of the Group has been issued for each of the three years ended 31 March 2008. The following is a summary of the audited consolidated results for the three years ended 31 March 2008 extracted from the annual reports of the Group:

	Year ended 31 March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	195,871	210,512	130,682
Gross profit	21,516	16,409	6,141
Profit/(Loss) for the year	(11,323)	(2,726)	(8,704)
Net profit/(loss) attributable to equity holders of the Company	(11,102)	(2,508)	(8,361)
Earnings/(loss) per share attributable to equity holders of the Company	(9.58) cents	(2.16) cents	(6.51) cents

The following is a summary of the audited consolidated assets and liabilities as at 31 March 2006, 31 March 2007 and 31 March 2008 extracted from the annual reports of the Company:

	As at 31 March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Total non-current assets	2,742	2,614	2,488
Total current assets	122,170	118,539	236,983
Total non-current liabilities	0	0	76,359
Total current liabilities	68,374	67,341	56,516
Total equity attributable to equity holders of the Company	55,312	52,804	105,931

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2008

Set out below are the audited consolidated financial statements of the Company for the year ended 31 March 2008 as extracted from the 2008 annual report of the Company. Reference to page numbers in the audited financial statements of the Group is to the page numbers of the 2008 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

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

CONSOLIDATED BALANCE SHEET

31 March 2008

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008

	Attributable to equity holders of the parent								
	Issued capital	Share premium account	Contributed surplus	Equity component of convertible bonds	Capital redemption reserve	Retained profits/ (losses)	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	1,159	–	46,909	–	132	7,112	55,312	1,226	56,538
Loss for the year	–	–	–	–	–	(2,508)	(2,508)	(218)	(2,726)
At 31 March 2007 and 1 April 2007	1,159	–	46,909	–	132	4,604	52,804	1,008	53,812
Issue of shares *(notes 23)*	230	17,986	–	–	–	–	18,216	–	18,216
Issue of convertible bonds *(note 22)*	–	–	–	43,272	–	–	43,272	–	43,272
Loss for the year	–	–	–	–	–	(8,361)	(8,361)	(343)	(8,704)
At 31 March 2008	1,389	17,986*	46,909*	43,272	132*	(3,757)*	105,931	665	106,596

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2008

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

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

BALANCE SHEET

31 March 2008

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

NOTES TO FINANCIAL STATEMENTS

31 March 2008

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*

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

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Impairment of non-financial assets other than goodwill

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

Leases

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

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

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

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

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

Loans and receivables

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

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowances are written off when there is no realistic prospect of future recovery.

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

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

Derecognition of financial assets

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

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

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

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

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

Convertible bonds

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

Derecognition of financial liabilities

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

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

Construction contracts

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

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

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

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

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

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.

Other employee benefits – Retirement benefits schemes

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

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

5. SEGMENT INFORMATION

(a) Business segments

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

(b) Geographical segments

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

6. REVENUE AND OTHER INCOME

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

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

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

7. LOSS BEFORE TAX

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

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

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

8. FINANCE COSTS

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

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

9. DIRECTORS' REMUNERATION

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Fees:		
Executive directors	60	–
Non-executive director	350	–
Independent non-executive directors	168	231
	578	231
Other emoluments to executive directors:		
Salaries, allowances and benefits in kind	–	314
Performance related payments	–	–
Pension scheme contributions	–	12
	–	326
	578	557

(a) Independent non-executive directors

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

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

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

(b) Executive directors and a non-executive director

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

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

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

10. FIVE HIGHEST PAID EMPLOYEES

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

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

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

11. TAX

The Company is exempt from tax in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

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

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

The Group has tax losses arising in Hong Kong of approximately HK$20,987,000 (2007: HK$15,722,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

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

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

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

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

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

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings *HK$'000*	Furniture and office equipment *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
31 March 2008					
At 31 March 2007 and at 1 April 2007:					
Cost	3,086	849	271	323	4,529
Accumulated depreciation	(792)	(663)	(216)	(244)	(1,915)
Net carrying amount	2,294	186	55	79	2,614
At 1 April 2007, net of accumulated depreciation	2,294	186	55	79	2,614
Additions	–	7	–	111	118
Disposal	–	–	(35)	–	(35)
Depreciation provided during the year	(62)	(73)	(11)	(63)	(209)
At 31 March 2008, net of accumulated depreciation	2,232	120	9	127	2,488
At 31 March 2008:					
Cost	3,086	856	194	434	4,570
Accumulated depreciation	(854)	(736)	(185)	(307)	(2,082)
Net carrying amount	2,232	120	9	127	2,488

Group

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

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

Company

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

Company

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

15. INTERESTS IN SUBSIDIARIES

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

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

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

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

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

* These subsidiaries are held indirectly by the Company.

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

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

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

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

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

17. TRADE RECEIVABLES

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

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

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

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

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

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

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

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

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

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

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

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

19. CASH AND CASH EQUIVALENTS

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances and the time deposits approximate to their fair values.

20. TRADE PAYABLES

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Current to 30 days	10,852	5,742
31 to 60 days	610	368
Over 60 days	9,467	11,231
	20,929	17,341

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

21. OTHER PAYABLES AND ACCRUALS

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

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

22. CONVERTIBLE BONDS

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

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

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

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

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

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

23. SHARE CAPITAL

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

On 15 September 2007, the Company allotted and issued 23,000,000 ordinary shares of HK$0.01 each at the price of HK$0.792 per share to two new investors, resulting in total proceeds of HK$18,216,000. The purpose of the issue was to provide additional working capital.

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

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

24. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 23 of the financial statements.

(b) Company

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

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

25. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year ended 31 March 2007:

	Notes	**Group 2007** *HK$'000*
Billing of building maintenance works and building services installation works to Chinney Construction Company Limited ("Chinney Construction")	*(i)*	121,999
Billing of electrical and mechanical maintenance works and payment of management fees to Shun Cheong Electrical Engineering Limited ("SCEE") and Westco Airconditioning Limited ("WAL")	*(ii)*	85,490
Project management fees paid to SCEE and WAL	*(iii)*	2,471

Notes:

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

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

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

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

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

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

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

(b) Other transaction with a related party:

On 29 October 2007, the Company (as issuer), Tanisca Investments Limited ("Tanisca"– subscriber) entered into a subscription agreement pursuant to which the Company conditionally agreed to issue and Tanisca conditionally agreed to subscribe for the redeemable convertible bonds (the "Bonds") in an aggregate principal amount of HK$120 million. The Bonds bear an interest of 1% per annum, being payable semi-annually, and will mature on the fifth anniversary of the date of its issue. The conversion price of the Bonds was set at HK$0.60 per conversion share (subject to adjustments in certain events). Tanisca is wholly owned by Mr. Mo Tianquan ("Mr. Mo"), who is a director and also interested in approximately 50.51% of the total issued share capital of the Company as at 31 March 2008. Mr. Mo is thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bonds constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction were disclosed in a circular dated 21 November 2007 to all shareholders of the Company. The ordinary resolution approving the connected transaction and subscription agreement was duly passed by the independent shareholders at the Special General Meeting by way of poll on 7 December 2007. The issue of the Bonds was completed on 28 March 2008.

(c) Outstanding balances with related parties:

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

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

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

26. OPERATING LEASE ARRANGEMENTS

As lessee, the Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years (2007: one to four years).

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

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

27. COMMITMENT

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

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

28. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

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

Financial liabilities

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

Company

Financial assets

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

Financial liabilities

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

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

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

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

Credit risk

The Group maintains various credit policies for business operations as detailed in note 17. In addition, all receivable balances are closely monitored on an ongoing basis to minimise the Group's exposure to bad debts.

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

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

Liquidity risk

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

The Group's objective is to maintain a continuity of funding for the Group operations. The Group's policy is to maintain the Group at net current asset position.

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

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

Group

2008

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

Group

2007

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

Company

2008

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

2007

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

Capital management

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

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

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

Group

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

30. POST BALANCE SHEET EVENTS

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

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

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

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

31. COMPARATIVE AMOUNTS

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

32. APPROVAL OF THE FINANCIAL STATEMENTS

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

INDEBTEDNESS

Borrowings

As at the close of business at 31 October 2008, (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the Enlarged Group has the following borrowings:

	31 October 2008
	HK$'000
Unsecured borrowings from ultimate holding company	1,815
Unsecured borrowings from immediate holding company	442,537
Unsecured borrowings from a minority shareholder	1,140
Unsecured borrowings from a fellow subsidiary	74
	445,566

As at October 2008, the Enlarged Group had outstanding convertible bonds amounted to HK$120,000,000. Interest is payable half yearly in arrears at 1% annum.

Pledged of Assets

As at 31 October 2008, the hotel buildings and land use rights with net book amounts of HK$248,504,000 and HK$12,699,000, respectively were pledged as collateral to a bank for the ultimate holding company's borrowings.

Commitments and contingent liabilities

As at 31 October 2008, the Enlarged Group had capital commitments have been contracted but not provided for of approximately HK$14,554,000.

As at 31 October 2008, the Enlarged Group did not have any significant contingent liabilities.

Saved as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, the Enlarged Group did not have any other outstanding bank or other borrowings, mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, guarantees, liabilities under acceptances, acceptable credits, hire purchase or other finance lease commitments or other contingent liabilities.

Saved as disclosed above, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Enlarged Group since 31 October 2008.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account of the financial resources available to the Enlarged Group including internally generated funds and the credit facilities, the Enlarged Group, after the completion of the Acquisition, will not have sufficient working capital for its present requirements and for a period of 12 months from the date of this circular. The Directors will seek other financing in order to fulfil the future working capital requirements of the Enlarged Group if necessary.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

In order to broaden the Group's source of income, the Board herby propose the Acquisition. For the establishment of the new joint venture company in Guangxi Nanning, the Group is in the process of obtaining trading license from the relevant PRC government authorities.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE BUSINESS OF THE GROUP

The following are the management discussion and analysis on the business of the Group for the three years ended 2008 extracted from the 2006, 2007 and 2008 annual reports of the Company.

For the year ended 31 March 2008

Business review

The Group recorded revenue of HK$130.7 million for the year ended 31 March 2008 (2007: HK$210.5 million) and loss for the year of HK$8.7 million (2007: HK$2.7 million). Consolidated revenue of HK$130.7 million for the year ended 31 March 2008, showing a 37.9% decrease from HK$210.5 million for the previous year. The decrease in business volume was primarily due to the decrease in work orders received from the Hong Kong Government and the Hong Kong Housing Authority during the year.

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

Liquidity and financial resources

The Group's cash and bank balances are mostly in Hong Kong dollars. As at 31 March 2008, the Group had unpledged cash and bank deposit balances of approximately HK$165.4 million (2007: HK$33.3 million). As at 31 March 2008, the Group had no outstanding bank borrowings (2007: Nil). The gearing ratio of the Group, which represented the total bank borrowings to the equity attributable to equity holders of the parent, was nil (2007: Nil). As the Group's transactions are mostly settled in Hong Kong dollars, the use of financial instruments for hedging purposes is not considered necessary.

Treasury and funding policy

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

Pledge of assets

The Group did not have any pledged assets as at 31 March 2008 (2007: Nil) to secure general banking facilities.

Employees and remuneration policy

The Group employed approximately 65 employees as at 31 March 2008 (2007: 132). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefits scheme, medical insurance and educational subsidies to all eligible staff.

For the year ended 31 March 2007

Business review

The Group recorded turnover of HK$210.5 million for the year ended 31 March 2007 (2006: HK$195.9 million) and loss for the year of HK$2.7 million (2006: HK$11.3 million comprising of HK$2.9 million from a continuing operation and HK$8.4 million from discontinued operations).

In March 2006, the Group disposed of Shun Cheong Investments Limited and its subsidiaries engaging in building related contracting services for both the public and private sectors (the "Contracting Group"). For the purposes of disclosure in the financial statements, the businesses of the Contracting Group were regarded as discontinued operations. After the disposal, the business operations of the Group were basically building related maintenance services (the "Maintenance Services").

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 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 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.

Liquidity and financial resources

The Group's cash and bank balances are mostly in Hong Kong dollars. As at 31 March 2007, the Group had unpledged cash and bank deposit balances of approximately HK$33.3 million (2006: HK$37.1 million). As at 31 March 2007, the Group had no outstanding bank borrowings (2006: Nil). The gearing ratio, which represented the total bank borrowings to the equity attributable to equity holders of the parent, was nil (2006: Nil). As the Group's transactions are mostly settled in Hong Kong dollars, the use of financial instruments for hedging purposes is not considered necessary.

Treasury and funding policy

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

Pledge of assets

The Group did not have any pledged assets as at 31 March 2007 (2006: Nil) to secure general banking facilities.

Employees and remuneration policy

The Group employed approximately 132 employees as at 31 March 2007 (2006: 150). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefits scheme, medical insurance and educational subsidies to all eligible staff.

For the year ended 31 March 2006

Business review

The Group recorded turnover of HK$195.9 million for the year ended 31 March 2006 (2005: HK$123.8 million) and loss for the year of HK$11.3 million (2005: HK$34.6 million).

The Group disposed of Shun Cheong Investments Limited and its subsidiaries engaging in building related contracting services for both the public and private sectors (the "Contracting Group") to CAG, which was a then 29.93% shareholder of the Company. For the purposes of disclosure in the financial statements, the businesses of the Contracting Group were regarded as discontinued operations. The disposal was approved by the independent shareholders of the Company on 27 March 2006 and was completed on 31 March 2006. After the disposal, the business operations of the Group were basically building related maintenance services (the "Maintenance Services"). Due to the adoption of new and revised accounting standards issued by the Hong Kong Institute of Certified Public Accountants, the net result of the discontinued operations is presented separately in the consolidated income statement for the current year and the consolidated income statement for the previous year is restated accordingly to conform with current year's presentation. Consolidated turnover of HK$195.9 million for the year ended 31 March 2006 was entirely attributable to the Maintenance Services, showing a 58.2% increase from HK$123.8 million for the previous year. 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 Maintenance Services, however showed a loss of HK$2.9 million for the year (2005: HK$14.4 million), which was due to the inclusion of a loss of HK$2.8 million arising from disposal of the Contracting Group. If this loss was excluded, the Maintenance Services would have shown a small loss of HK$0.1 million for the year, a considerable improvement from the previous year.

Liquidity and financial resources

The Group's cash and bank balances are mostly in Hong Kong dollar. As at 31 March 2006, the Group had unpledged cash and bank deposit balances of approximately HK$37.1 million (2005: HK$8.3 million). The increase in the unpledged cash and bank deposit balances was mainly due to the cash consideration of HK$35 million received upon the completion of the disposal of the Contracting Group on 31 March 2006. Last year, the Group had pledged bank deposits of HK$26.8 million. As at 31 March 2006, the Group had no outstanding bank borrowings (2005: HK$46.9 million). The decrease in bank borrowings and pledged bank deposits was mainly due to the disposal of the Contracting Group. The gearing ratio, which represented the total bank borrowings to the equity attributable to equity holders of the parent, was nil (2005: 71%). As the Group's transactions are mostly settled in Hong Kong dollar, the use of financial instruments for hedging purposes is not considered necessary.

Funding and treasury policy

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

Pledge of assets

The Group did not have any pledged assets as at 31 March 2006. As at 31 March 2005, certain of the Group's land and buildings with an aggregate net book value of HK$15.7 million and bank deposits of HK$26.8 million were pledged to secure general banking facilities granted to the Group.

Employees and remuneration policy

The Group employed approximately 150 employees as at 31 March 2006 (2005: 260). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefits scheme, medical insurance and educational subsidies to all eligible staff.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the reporting accountant, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

19 December 2008

The Board of Directors
Shun Cheong Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Guangxi Wharton International Hotel Company Limited ("Guangxi Wharton") and its subsidiary, (hereinafter collectively referred to as the "Guangxi Wharton Group") set out in Sections I to III below, for inclusion in the circular of Shun Cheong Holdings Limited (the "Company") dated 19 December 2008 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Guangxi Wharton (the "Acquisition"). The Financial Information comprises the consolidated balance sheets of Guangxi Wharton Group as at 31 December 2005, 2006 and 2007 and 31 July 2008, the balance sheets of Guangxi Wharton as at 31 December 2005, 2006, and 2007 and 31 July 2008, and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of Guangxi Wharton Group for each of the years ended 31 December 2005, 2006 and 2007 and the seven months ended 31 July 2007 and 2008 (the "Relevant Periods), and a summary of significant accounting policies and other explanatory notes.

Guangxi Wharton was established on 2 September 1992 under the name of 廣西南寧國際大酒店有限公司 in the People's Republic of China (the "PRC") as a sino-foreign joint venture under the Company Law of the PRC. On 14 May 2003, Guangxi Wharton was transformed into a joint stock limited company in the PRC and was renamed as its current name following the acquisition by 廣西銀河集團有限公司 in June 2003.

Guangxi Wharton is principally engaged in hotel and restaurant operations in the PRC. Details of its subsidiary are set out in note 1 of Section II below.

Guangxi Wharton and its subsidiary have adopted 31 December as their financial year end date for statutory reporting and management reporting purposes. Their statutory audited financial statements were prepared in accordance with accounting principles and relevant financial regulations applicable to enterprises established in the PRC. The audited statutory financial statements for each of the years ended 31 December 2005, 2006 and 2007 of Guangxi Wharton and its subsidiary were audited by 深圳南方民和會計師事務所.

For the purpose of this report, the directors of Guangxi Wharton have prepared the consolidated financial statements of the Guangxi Wharton Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements for each of the years ended 31 December 2005, 2006 and 2007 and for the seven months ended 31 July 2008 in accordance with Hong Kong Standards on Auditing.

The Financial Information has been prepared based on the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The directors of Guangxi Wharton during the Relevant Periods are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements for the Relevant Periods in accordance with HKFRSs.

For the financial information for each of the years ended 31 December 2005, 2006 and 2007 and the seven months ended 31 July 2008, the directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Underlying Financial Statements and Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the seven months ended 31 July 2007, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in note 3 of Section II below which are in conformity with HKFRSs.

REPORTING ACCOUNTANT'S RESPONSIBILITY

For the Financial Information for each of the years ended 31 December 2005, 2006 and 2007 and the seven months ended 31 July 2008, our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the consolidated financial statements and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the financial information for the seven months ended 31 July 2007, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to review financial statements" issued by the HKICPA. Our review consisted of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the financial information for the seven months ended 31 July 2007.

OPINION AND REVIEW CONCLUSION

In our opinion, for the purpose of this report, the Financial Information for a true and fair view of the state of affairs of the Guangxi Wharton Group and Guangxi Wharton as at 31 December 2005, 2006 and 2007 and 31 July 2008 and of the Guangxi Wharton Group's consolidated results and cash flows for the years and period then ended.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the financial information for the seven months ended 31 July 2007 is not prepared, in all material respects, in accordance with the accounting policies set out in note 3 of Section II below which are conformity with HKFRSs.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 of Section II to the Financial Information concerning the adoption of the going concern basis on which the Financial Information has been prepared. As at 31 December 2005, 2006 and 2007 and 31 July 2008, Guangxi Wharton Group had net current liabilities of RMB370,074,000, RMB330,484,000, RMB316,020,000 and RMB400,794,000, respectively. The immediate holding company, 北海銀河高科技產業股份有限公司 ("Yinhe"), to which Guangxi Wharton owed RMB390,382,000 at 31 July 2008, has undertaken not to demand repayment of debts due from Guangxi Wharton until such time when repayment will not affect Guangxi Wharton's ability to repay other creditors in the normal course of business. These conditions, along with other matters as disclosed in note 2 of Section II to the Financial Information, indicates the existence of a material uncertainty which may cast doubt about Guangxi Wharton Group's ability to continue as a going concern.

I. FINANCIAL INFORMATION

(a) Consolidated income statements

		Year ended 31 December			Seven months ended 31 July	
		2005	2006	2007	2007	2008
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Turnover	*6(a)*	95,242	99,861	103,090	49,365	50,090
Direct operating costs		(58,078)	(60,537)	(62,787)	(32,240)	(35,222)
Gross profit		37,164	39,324	40,303	17,125	14,868
Other revenue and income	*7*	215	383	254	158	62
Distribution costs		(7,426)	(7,782)	(7,304)	(4,154)	(4,453)
Administrative expenses		(17,020)	(19,599)	(17,820)	(9,900)	(16,644)
Impairment of trade receivables		(869)	(294)	(175)	(175)	(56)
Impairment of other receivables		(881)	(417)	(431)	(431)	–
Operating profit/(loss)	*8*	11,183	11,615	14,827	2,623	(6,223)
Finance costs	*8(d)*	(1,031)	–	(23,533)	(13,723)	(13,793)
Profit/(loss) before income tax		10,152	11,615	(8,706)	(11,100)	(20,016)
Income tax expense	*10*	–	–	–	–	–
Profit for the year/period for continuing operations		10,152	11,615	(8,706)	(11,100)	(20,016)
Profit/(loss) from discontinued operation	*11*	1	34	74	–	–
Profit/(loss) for the year/period		10,153	11,649	(8,632)	(11,100)	(20,016)
Attributable to:						
Guangxi Wharton		10,153	11,647	(8,632)	(11,100)	(20,016)
Minority interest		–	2	–	–	–
		10,153	11,649	(8,632)	(11,100)	(20,016)
Dividends	*12*	–	–	–	–	–

(b) Consolidated balance sheets

	Note	As at 31 December 2005 RMB'000	2006 RMB'000	2007 RMB'000	As at 31 July 2008 RMB'000
Non current assets					
Property, plant and equipment	*13*	394,185	366,563	343,640	408,585
Land use rights	*14*	11,725	11,406	11,087	10,900
		405,910	377,969	354,727	419,485
Current assets					
Inventories	*17*	4,157	4,009	3,442	3,517
Land use rights	*14*	319	319	319	319
Trade receivables	*18*	3,082	4,336	4,446	2,430
Other receivables	*18*	1,398	2,004	5,357	3,453
Amounts due from fellow subsidiaries	*26(c)*	3,652	7,776	14,779	14
Amount due from ultimate holding company	*22*	12,095	13,608	200	–
Amount due from a related company	*26(d)*	111	211	211	211
Cash and bank balances	*19*	4,362	3,235	5,782	1,032
		29,176	35,498	34,536	10,976
Current liabilities					
Trade payables	*21*	4,569	5,713	5,924	4,631
Other payables	*21*	8,790	12,035	12,394	14,737
Short–term bank loan	*20*	–	–	4,000	–
Amount due to immediate holding company	*22*	350,553	313,563	293,207	390,382
Amount due to ultimate holding company	22	–	–	–	1,020
Amounts due to fellow subsidiaries	*26(c)*	34,338	33,671	34,031	–
Amount due to a minority shareholder	*26(e)*	1,000	1,000	1,000	1,000
		399,250	365,982	350,556	411,770
Net current liabilities		(370,074)	(330,484)	(316,020)	(400,794)
Net assets		35,836	47,485	38,707	18,691
Capital and reserves					
Paid up capital	*23(a)*	87,814	87,814	87,814	87,814
Reserves		(52,122)	(40,475)	(49,107)	(69,123)
Equity attributable to equity holders of Guangxi Wharton		35,692	47,339	38,707	18,691
Minority interest		144	146	–	–
Total equity		35,836	47,485	38,707	18,691

(b) Balance sheets

		As at 31 December			As at 31 July
		2005	2006	2007	2008
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non current assets					
Property, plant and equipment	*13*	394,185	366,563	343,640	408,585
Land use rights	*14*	11,725	11,406	11,087	10,900
Investment in a subsidiary	*15*	2,850	2,850	–	–
		408,760	380,819	354,727	419,485
Current assets					
Inventories	*17*	4,157	4,009	3,442	3,517
Land use rights	*14*	319	319	319	319
Trade receivables	*18*	3,082	4,336	4,446	2,430
Other receivables	*18*	1,398	2,004	5,357	3,453
Amount due from a subsidiary	*22*	820	–	–	–
Amounts due from fellow subsidiaries	*26(c)*	3,652	7,776	14,779	14
Amount due from ultimate holding company	22	8,153	10,941	200	–
Amount due from a related company	*26(d)*	111	211	211	211
Cash and bank balances	*19*	4,362	3,235	5,782	1,032
		26,054	32,831	34,536	10,976
Current liabilities					
Trade payables	*21*	4,569	5,713	5,924	4,631
Other payables	*21*	8,556	11,607	12,394	14,737
Short-term bank loan	*20*	–	–	4,000	–
Amount due to immediate holding company	22	350,553	313,563	293,207	390,382
Amount due to a subsidiary		–	683	–	–
Amount due to ultimate holding company	*22*	–	–	–	1,020
Amounts due to fellow subsidiaries	*26(c)*	34,338	33,671	34,031	–
Amount due to a minority shareholder	*26(e)*	1,000	1,000	1,000	1,000
		399,016	366,237	350,556	411,770
Net current liabilities		(372,962)	(333,406)	(316,020)	(400,794)
Net assets		35,798	47,413	38,707	18,691
Capital and reserves					
Paid up capital	*23(a)*	87,814	87,814	87,814	87,814
Reserves		(52,016)	(40,401)	(49,107)	(69,123)
Total equity		35,798	47,413	38,707	18,691

(c) Consolidated cash flow statements

	Year ended 31 December			Seven months ended 31 July	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit/(loss) before taxation	10,152	11,615	(8,706)	(11,100)	(20,016)
Discontinued operation	1	34	74	–	–
Adjustments for:					
Amortisation of land use rights	319	319	319	187	187
Depreciation	28,375	30,016	30,597	21,081	23,871
Loss on disposal of property, plant and equipment	688	1,025	4,640	4,640	3,569
Interest income	(24)	(25)	(22)	(10)	(10)
Interest expense	1,031	–	23,533	13,723	13,793
Impairment on other receivables	881	417	431	431	–
Impairment on trade receivables	869	294	175	175	56
Operating profit before changes in working capital	42,292	43,695	51,041	29,127	21,450
Decrease/(increase) in inventories	204	148	567	205	(75)
(Increase)/decrease in trade receivables	(177)	(1,548)	(285)	(4,572)	1,960
Decrease/(increase) in other receivables	5,199	(1,023)	(3,784)	1,216	1,904
Decrease/(increase) in amounts due from fellow subsidiaries	6,105	(4,124)	(7,003)	(8,837)	14,765
Decrease/(increase) in amount due from ultimate holding company	19,009	(1,513)	13,408	5,851	200
(Increase)/decrease in amounts due from related companies	(111)	(100)	–	211	–
(Decrease)/increase in trade payables	(1,507)	1,144	211	(2,300)	(1,293)
Increase in other payables	162	3,245	213	8,820	2,343
Cash generated from operations	71,176	39,924	54,368	29,721	41,254
Interest received	24	25	22	10	10
Net cash generated from operating activities	71,200	39,949	54,390	29,731	41,264

	Year ended 31 December			Seven months ended 31 July	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Investing activities					
Purchase of property, plant and machinery	(38,770)	(3,419)	(12,314)	(12,314)	(92,385)
Net cash used in investing activities	(38,770)	(3,419)	(12,314)	(12,314)	(92,385)
Financing activities					
Increase/(decrease) in amount due to immediate holding company	350,553	(36,990)	(20,356)	(8,908)	97,175
Increase/(decrease) in amounts due to fellow subsidiaries	30,380	(667)	360	16	(34,031)
(Decrease)/increase in amount due to ultimate holding company	(381,006)	–	–	–	1,020
Interest paid	(1,031)	–	(23,533)	(13,723)	(13,793)
Increase in short term loan	–	–	4,000	4,000	–
Repayment of short term loan	(30,000)	–	–	–	(4,000)
Net cash used in financing activities	(31,104)	(37,657)	(39,529)	(18,615)	46,371
Increase/(decrease) in cash and cash equivalents	1,326	(1,127)	2,547	(1,198)	(4,750)
Cash and cash equivalents at beginning of the year/period	3,036	4,362	3,235	3,235	5,782
Cash and cash equivalents at end of the year/period	4,362	3,235	5,782	2,037	1,032

(d) Consolidated statements of changes in equity

	Attributable to equity holder of Guangxi Wharton					
	Paid–up capital *RMB'000*	Capital reserve *RMB'000*	Accumulated losses *RMB'000*	Subtotal *RMB'000*	Minority interest *RMB'000*	Total *RMB'000*
At 1 January 2005	87,814	227	(62,502)	25,539	–	25,539
Purchase of subsidiary	–	–	–	–	144	144
Profit for the year	–	–	10,153	10,153	–	10,153
At 31 December 2005 and 1 January 2006	87,814	227	(52,349)	35,692	144	35,836
Profit for the year	–	–	11,647	11,647	2	11,649
At 31 December 2006 and 1 January 2007	87,814	227	(40,702)	47,339	146	47,485
De-registration of subsidiary	–	–	–	–	(146)	(146)
Loss for the year	–	–	(8,632)	(8,632)	–	(8,632)
At 31 December 2007 and 1 January 2008	87,814	227	(49,334)	38,707	–	38,707
Loss for the period	–	–	(20,016)	(20,016)	–	(20,016)
At 31 July 2008	87,814	227	(69,350)	18,691	–	18,691
At 1 January 2007	87,814	227	(40,702)	47,339	146	47,485
Loss for the period (unaudited)	–	–	(11,100)	(11,100)	–	(11,100)
At 31 July 2007 (unaudited)	87,814	227	(51,802)	36,239	146	36,385

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATION INFORMATION

(a) Guangxi Wharton was established on 2 September 1992 under the name of 廣西南寧國際大酒店有限公司 in the People's Republic of China (the "PRC") as a sino-foreign joint venture under the Company law of the PRC. On 14 May 2003, Guangxi Wharton was transformed into a joint stock limited company in the PRC and was renamed as its current name following the acquisition by 廣西銀河集團有限公司 in June 2003. Guangxi Wharton is principally engaged in hotel and restaurant operations in the PRC.

(b) 廣西南洋國際旅行社有限公司 ("國旅") was the only subsidiary of Guangxi Wharton and was 95% and 5% beneficially owned by Guangxi Wharton and the minority investor, respectively. 國旅 was engaged in the travel and related services and was de-registered on 21 December 2007.

(c) On 19 August 2008 and 3 December 2008, a sale and purchase agreement, supplemental sale and purchase agreement, a debt restructuring agreement and supplemental debt restructuring agreement (the "Agreements") were entered into between 北海銀河高科技產業有限公司 Beihai Yinhe Hi-Tech Industrial Co., Ltd ("Yinhe") and Mr Gao Jian and the Company, whereby the Company, through its wholly owned subsidiary, Open Land Holdings Limited (the "Purchaser"), will (i) acquire from Yinhe its entire interest in Guangxi Wharton for a cash consideration RMB148,230,000; will (ii) pay total payables of Guangxi Wharton of RMB411,700,000 as at 31 July 2008.

2. BASIS OF PRESENTATION

As at 31 December 2005, 2006, 2007 and 31 July 2008, Guangxi Wharton Group had net current liabilities of approximately RMB370,074,000, RMB330,484,000, RMB316,020,000 and RMB400,794,000, respectively.

In preparing the Financial Information, the directors of the Company have given careful consideration to the future liquidity of Guangxi Wharton and have taken consideration of the following events:

(a) On 3 December 2008, Yinhe and Open Land Holdings Limited entered into a debt supplemental restructuring agreement whereby the Purchaser will pay the total payables of RMB411,700,000 of Guangxi Wharton as at 31 July 2008.

(b) The immediate holding company, Yinhe, to which Gauangxi Wharton owed RMB390,382,000 as at 31 July 2008, has undertaken not to demand repayment of debts due from Guangxi Wharton until such time when repayment will not affect Guangxi Wharton's ability to repay other creditors in the normal course of business, should the proposed acquisition under the Agreements, as referred to note 1(c) above, was not to proceed further.

(c) Guangxi Wharton is currently in negotiations with a PRC bank for a Hotel Bank Loan of approximately RMB320,000,000 with a term of 10 years at an interest rate of approximately 7.8% per annum.

(d) Upon completion of the Agreements, as referred to note 1(c) above, the Company will provide financial support to Guangxi Wharton to enable it to meet its financial obligations as they fall due for the foreseeable future.

Consequently, the directors of the Company are satisfied that Guangxi Wharton will be able to obtain the necessary fundings so as to meet its debts when they fall due for the foreseeable future. Accordingly, the Financial Information has been prepared on a going concern basis.

Should the going concern basis not been used, adjustments would have to be made to reclassify non-current assets as current assets and non-current liabilities as current liabilities, reduce the value of assets to their recoverable amounts and provide for further liabilities which might arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange Limited.

Guangxi Wharton has adopted all the new and amended HKFRSs which are relevant to and effective for the accounting periods beginning on 1 January 2007, issued by the HKICPA in the preparation of the Financial Information throughout the Relevant Period. HKFRS 1 "First-time Adoption of HKFRS" has been applied in preparing the Financial Information. The Financial Information is the first set of financial statements prepared in accordance with HKFRSs by Guangxi Wharton.

At the date of this report, the following HKFRSs have been issued but are not yet effective:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Share-based Payment-Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 8	Operating Segments[1]
HK(IFRIC) - Int 11	HKFRS 2 - Group and Treasury Share Transactions[2]
HK(IFRIC) - Int 12	Service Concession Arrangements[3]
HK(IFRIC) - Int 13	Customers Loyalty Programmes[4]
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[1]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operations[5]

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

(b) Basis of preparation of the Financial Information

The directors of Guangxi Wharton anticipate that the adoption of these standards, amendments and interpretations in future periods will have no material impact on the results of operations and financial position of Guangxi Wharton Group.

The preparation of the Financial Information in conformity with HKRFSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Guangxi Wharton's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 5 to the Financial Information.

(c) Subsidiaries

A subsidiary is an entity controlled by Guangxi Wharton. Control exists when Guangxi Wharton has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Interest in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interest represent the portion of the net asset of a subsidiary attributable to interest that is not owned by Guangxi Wharton, whether directly or indirectly through subsidiaries, and in respect of which the Guangxi Wharton Group has not agreed any additional terms with the holders of this interest which would result in the Guangxi Wharton Group as a whole having a contractual obligation in respect of this interest that meets the definition of a financial liability. Minority interest is presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of Guangxi Wharton. Minority interest in the results of the Guangxi Wharton Group is presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of Guangxi Wharton.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against Guangxi Wharton's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Guangxi Wharton Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Guangxi Wharton Group has been recovered.

In Guangxi Wharton's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sales).

(d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Guangxi Wharton Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Guangxi Wharton Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Guangxi Wharton Group companies

The results and financial position of all the Guangxi Wharton Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

Buildings mainly comprise hotel properties. All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economics benefit associated with the item will flow to the Guangxi Wharton Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residue value, using the straight-line method over their estimated useful lives as follows:

Hotel buildings	Lower of underlying land lease term or 30 years
Furniture and fixtures	8 years
Leasehold improvements	8 years
Equipment and machinery	12 years
Motor vehicles	5 years

Construction in progress includes hotel buildings, equipment and machinery in the course of installation, and is stated at cost less impairment losses. Cost comprises direct and indirect costs of construction incurred during the period of construction. Construction in progress is transferred to hotel buildings, equipment and machinery when the asset is substantially ready for its intended use. No depreciation is provided for construction in progress.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceed and the carrying amount to the relevant asset, and is recognised in the income statement.

(g) Land use rights

Prepaid leasehold payments or land use rights for hotel buildings are stated at amortised cost less impairment, and amortised over the period of the lease on a straight-line basis to the income statement.

(h) Impairment on investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not been available for use are not subject to amortisation and are tested annually for impairment. Assets that subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

The Guangxi Wharton Group classified its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition and re-evaluated this designation at every reporting date.

– *Financial assets at fair value through profit or loss*

  This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives were categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either for trading or are expected to be realised within 12 months of the balance sheet date.

– *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as long-term receivables and account receivables in the balance sheet.

– *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designed in this category or not classified in any of the other categories. They are included in non-current assets unless the management intends to dispose of the investment with 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date, the date on which the Guangxi Wharton Group commits to purchase or sell the asset. Investments are initially recognised at cost for all financial assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Guangxi Wharton Group has transferred substantially all risks and rewards of ownership. Financial assets held for trading are substantially carried at fair value based on current market closing prices with realised and unrealised gains and losses arising from change in fair value included in the income statement in the period in which they arise. Loans and receivables are carried at amortised cost using the effective interest method less impairment changes in carrying value to be recognised in the income statement. Available-for-sale financial assets are stated at cost less impairment as the fair value of these financial assets cannot be reliably measured.

The Guangxi Wharton Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of loans and receivables and available-for-sale financial assets, a significant or prolonged decline in the expected recoverable value of the asset below its cost is considered in determining whether the asset is impaired. If any such evidence exists, the carrying value is reduced to its estimated recoverable amount.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment of trade and other receivables is established when there is objective evidence that the Guangxi Wharton Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. Subsequent recoveries of amount previously written off are credited against administrative expenses in the income statement.

(k) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment, if any such evidence exists, any impairment loss is determined and recognized as follows:

– a significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognized as follows :

– For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

  If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in case of goodwill, may have decreased.

– property, plant and equipment;

– land use rights; and

– investment in a subsidiary

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its net selling price and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generating unit).

– Recognition of impairment losses

  An impairment loss is recognized in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group or units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost, being cost of purchase, is determined on weight average basis. Net realised value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, deemed deposits with banks and other financial institutions and short term highly liquid investments that readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Guangxi Wharton Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Guangxi Wharton Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in equity, in which case they are recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liabilities in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Guangxi Wharton Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(q) Borrowing costs

Borrowing costs are expensed in income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for it intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Guangxi Wharton Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability or outflow of economic benefit is remote.

(s) Employee retirement benefits

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial government undertakes to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and Guangxi Wharton has no further obligation for post-retirement benefits beyond the contributions made. The Guangxi Wharton Group's contributions to these plans are expensed as incurred.

(t) Recognition of revenue

Revenue comprises the fair value of the sale of goods and services net of value-added tax, rebates and discounts. Revenue is recognised as follows:

(i) Hotel revenue from room rentals, food and beverage sales and other ancillary services is recognised when the services are rendered.

(ii) Income from tour and travel services is recognised when the services are rendered. Revenue from sale of air tickets is recognised when the tickets are delivered.

(iii) Revenue from sales of goods is recognised when goods are delivered and title has been passed.

(iv) Rental revenue from properties is recognised on a straight-line basis over the periods of the respective leases.

(v) Interest income is recognised as it accrues using the effective interest method.

(u) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(v) Discontinued operation

A discontinued operation is a component of the Guangxi Wharton that may be a major line of business or geographical area of operations that has been disposed of or is held for sale. The results of that component are separately reported as ("discontinued operation") in the income statement. The comparative income statement and cash flow statement are restated as if the operation had been discontinued from the start of the comparative period. The assets and liabilities of such component classified as "discontinued operation" or "held for sale" is presented separately in the assets and liabilities, respectively, of the balance sheet, from the date it is first determined to be discontinued or held for sale.

(w) Related parties

Parties are considered to be related to the Guangxi Wharton Group if:

(i) the party has the ability, directly, or indirectly through one or more intermediaries, to control the Guangxi Wharton Group or excise significant influence over the Guangxi Wharton Group in making financial and operating policy decisions, or has joint control over the Guangxi Wharton Group;

(ii) the Guangxi Wharton Group and the party are subject to common control;

(iii) the party is an associate of the Guangxi Wharton Group or a joint venture in which the Guangxi Wharton Group is a venturer;

(iv) the party is a member of the key management personnel of the Guangxi Wharton Group or its parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close member of the family of any individual referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Guangxi Wharton Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, interest rate risk arises in the normal course of the Guangxi Wharton Group's business.

(i) Foreign currency risk

Guangxi Wharton Group's business are located in the PRC and all transactions are conducted in RMB, except for certain cash balances denominated in Hong Kong dollars, amounted to HK$18,000 and HK$17,000 as at years ended 31 December 2005 and 2006. In addition, there are no purchases and payments made in foreign currencies. In the opinion of the directors of Guangxi Wharton, fluctuations of the exchange rates of RMB against foreign currencies are not expected to have significant impacts on the results of the Guangxi Wharton Group.

(ii) Credit risk

The Guangxi Wharton Group has no significant concentrations of credit risk. It has policies in place to ensure that sale of rooms to wholesalers are made to customers with an appropriate credit history. Sales to retail customers are made via credit cards to a significant extend. Sales to corporate customers are made to customers with good credit history.

The maximum exposure of credit risk at each of the balance sheet dates in respect of each class of financial assets is disclosed in the notes to the Financial Information of the relevant financial assets.

(iii) Liquidity risk

The Guangxi Wharton Group has exposure to liquidity risk in view of its net current liabilities position. As the Guangxi Wharton Group will be able to obtain external financing from potential acquirer of the Guangxi Wharton Group subsequent to 31 July 2008, the exposure to liquidity risk is significantly reduced.

The following liquidity table set out the remaining contractual maturities at the balance sheet date of the Guangxi Wharton Group's financial liabilities based on contractual undiscounted cash flows and the earliest date the Guangxi Wharton Group is required to pay:

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	4,569	5,713	5,924	4,631
Other payables	8,790	12,035	12,394	14,737
Short-term bank loan	–	–	4,000	–
Amount due to immediate holding company	350,553	313,563	293,207	390,382
Amount due to ultimate holding company	–	–	–	1,020
Amounts due to fellow subsidiaries	34,338	33,671	34,031	–
Amount due to a minority shareholder	1,000	1,000	1,000	1,000
	399,250	365,982	350,556	411,770

(iv) Interest rate risk

The interest rates on the Guangxi Wharton Group's interest-bearing loan and the amount due to immediate holding company are on fixed rate basis. No sensitivity analysis is prepared accordingly. The interest rates on the bank deposits and bank loans are disclosed in notes 19 and 20.

As at 31 July 2008, it is estimated that a general increase/decrease of 100 basic points in bank deposit interest rates for RMB, with all other variables held constant, would increase/decrease the Guangxi Wharton Group's profit/(loss) after tax and retained earnings by approximately RMB3,000, RMB2,000, RMB4,000 and RMB1,000 as at 31 December 2005, 2006, 2007 and 31 July 2008.

The sensitive analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet dates and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents the management's assessment of a reasonable possible change in respective interest rates over the period until the next annual balance sheet date.

(b) Fair value estimation

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2005, 2006, 2007 and 31 July 2008.

(i) Cash and cash equivalents, trade and other receivables, trade and other payables, amounts due from/(to) fellow subsidiaries, amount due from/(to) ultimate holding company, amounts due from related companies, amount due to immediate holding company, and amount due to a minority shareholder.

The carrying values approximate their fair values because of the short maturities of these items.

(ii) Short-term bank loan

The carrying amount of loan approximates its fair value based on the borrowing rate currently available for bank loans with similar terms and maturities.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Useful lives of the property, plant and equipment

The Guangxi Wharton Group's management determines the estimated useful lives and the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Depreciation of hotel properties

The Guangxi Wharton Group's carrying amount of hotel properties as at 31 December 2005, 2006, 2007 and 31 July 2008 was approximately RMB242,981,000, RMB234,160,000, RMB225,339,000 and RMB220,193,000. The Guangxi Wharton Group depreciates the hotel properties on a straight-line basis over their remaining unexpired terms of the leases. It reflects the directors' estimate of the periods that the Guangxi Wharton Group intends to derive economic benefits from the use of the Guangxi Wharton Group's hotel properties. During the Relevant Periods, the useful lives of the hotel properties have been reviewed and these estimates are considered to be appropriate. Guangxi Wharton has been granted the rights to operate and manage the hotel in Guangxi, the PRC for a period of 40 years and subject to certain conditions to be fulfilled by Guangxi Wharton. Should the conditions not be fulfilled, the depreciation period of the hotel properties would be adjusted. During the Relevant Periods, the estimated useful life of 40 years of these hotel properties has been reviewed, and these estimates are considered to be appropriate.

(iii) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

(iv) Impairment of trade receivables and other receivables

The Guangxi Wharton Group makes provision for impairment of trade and other receivables based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Guangxi Wharton Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

6. TURNOVER AND SEGMENT INFORMATION

The Guangxi Wharton Group owns and operates hotel and related services. Sales recognised during the Relevant Periods are as follows:

(a) Turnover

	Year ended 31 December			Seven months ended 31 July	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Hotel operation:					
– Room rentals	38,595	40,310	40,155	21,880	22,049
– Food and beverage sales	47,223	50,431	53,604	21,685	23,841
– Rendering of ancillary services	9,424	9,120	9,331	5,800	4,200
	95,242	99,861	103,090	49,365	50,090

(b) Segment information

No segment of analysis for business segment is presented as the Guangxi Wharton Group principally operates in one business segment, which is the hotel operations and hotel related services in the PRC.

No segment analysis for geographical segment is presented as substantially all of the Guangxi Wharton Group's sales, operating results, assets and liabilities were located in the PRC.

7. OTHER REVENUE AND INCOME

	Year ended 31 December			Seven months ended 31 July	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income	24	25	22	10	10
Rebate from suppliers	173	277	230	148	52
Sundry income	18	81	2	–	–
	215	383	254	158	62

8. OPERATING PROFIT/(LOSS)

(a) Direct operating costs

	Year ended 31 December			Seven months ended 31 July	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Business tax	5,957	6,129	5,925	3,297	2,957
Depreciation	18,156	18,278	18,425	10,748	10,810
Direct materials	19,053	20,212	21,977	9,306	10,094
Direct wages	6,530	7,255	7,841	4,072	5,443
Utilities	8,382	8,663	8,619	4,817	5,918
	58,078	60,537	62,787	32,240	35,222

(b) Employee benefit expenses (excluding directors' remuneration)

	Year ended 31 December			Seven months ended 31 July	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Wages and salaries	8,342	9,370	10,171	5,214	7,319
Pension costs-statutory pensions	800	968	1,238	843	904
Staff welfare and benefits	2,129	2,296	2,632	877	1,882
	11,271	12,634	14,041	6,934	10,105

(c) Other items

	Year ended 31 December			Seven months ended 31 July	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Auditor's remuneration	–	–	–	–	–
Directors' remuneration	–	–	–	–	–
Depreciation of property, plant and equipment *(note 13)*	28,375	30,016	30,597	21,081	23,871
Amortisation of land use rights *(note 14)*	319	319	319	187	187
Cost of inventories consumed in operation	19,053	20,212	21,977	9,306	10,095
Loss on disposal of property, plant and equipment	4,563	1,025	4,640	4,640	3,569
Impairment on trade receivables	869	294	175	175	56
Impairment on other receivables	3,194	417	431	431	–
Property tax	12	1,189	38	25	4

(d) Finance costs

	Year ended 31 December			Seven months ended 31 July	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expense on					
– Bank borrowings wholly repayable within five years	1,031	–	320	182	66
– Amount due to immediate holding company	–	–	23,213	13,541	13,727
	1,031	–	23,533	13,723	13,793

(e) Property tax

The property tax rate levied on the rental income and hotel buildings (restricted to 70% of the cost of the buildings) applicable to Guangxi Wharton is 12% and 1.2%, respectively. According to the "supplementary provision of policies on property tax of Guangxi Province", Guangxi Wharton is entitled to the exemption of property tax and land tax on the hotel buildings for the year ended 31 December 2005, 2006 and 2007 of approximately RMB1,136,000, RMB1,304,000 and RMB3,207,000, respectively.

9. DIRECTOR' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

No directors remuneration were paid during the Relevant Periods

(b) Five highest paid individuals

During the Relevant Periods, none of the five highest paid individuals is a director of Guangxi Wharton.

	Year ended 31 December			Seven months ended 31 July	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries	718	780	744	455	455
Bonuses	–	–	–	–	–
Pension costs	–	–	–	–	–
	718	780	744	455	455

The emoluments paid to each of the above non-director individual throughout the Relevant Periods fell within the banding of nil to HK$1,000,000 (equivalents to RMB940,000).

(c) During the Relevant Periods, no emoluments was paid by Guangxi Wharton to the director of any of the five highest paid individuals as an inducement to join or upon joining Guangxi Wharton or as compensation for loss of office.

10. INCOME TAX EXPENSES

No Hong Kong Profits Tax has been provided as Guangxi Wharton did not have any assessable profits derived from Hong Kong during the Relevant Periods.

No PRC Enterprise Income Tax has been provided as Guangxi Wharton has accumulated losses brought forward to set off the assessable profits derived during the Relevant Periods.

The income tax expenses for the Relevant Periods can be reconciled to the profit/(loss) before income tax per consolidated income statements as follows:

	Year ended 31 December			Seven months ended 31 July	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before income tax	10,153	11,649	(8,632)	(11,100)	(20,016)
Calculated at the PRC enterprise income rate of 33%/25%	3,350	3,844	(2,849)	(3,663)	(5,004)
Income not subject to tax	(10)	(25)	(461)	(458)	(2)
Expenses not deductible for tax	3,554	8	11	9	16
Tax losses utilised	(6,894)	(3,827)	–	–	–
Tax effect of tax loss not recognised	–	–	3,299	4,112	4,990
Income tax expense	–	–	–	–	–

In March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China which will take effect from 1 January 2008. From 1 January 2008, the statutory income tax applicable to Guangxi Wharton is 25%.

11. DISCONTINUED OPERATION

Guangxi Wharton Group's provision of travel agency and related services was discontinued upon the de-registration of the subsidiary on 21 December 2007.

(a) The results of the discontinued operation during the Relevant Periods were as follows:

	Year ended 31 December			Seven months ended 31 July	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Commission from air ticketing	154	93	–	–	–
Other income	18	–	–	–	–
Selling and distribution expenses	(79)	(7)	–	–	–
Administrative expenses	(92)	(52)	–	–	–
Profit from operations	1	34	–	–	–
Gain on de-registration of the subsidiary *(note c)*	–	–	74	–	–
Profit before income tax	1	34	74	–	–
Income tax	–	–	–	–	–
Profit for the year	1	34	74	–	–
Attributable to:					
Guangxi Wharton	1	32	74	–	–
Minority interest	–	2	–	–	–

(b) Net assets attributable to Guangxi Wharton

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	(232)	(428)	–	–
Amount due from ultimate holding company	3,942	2,667	–	–
Amount due (to)/from Guangxi Wharton	(822)	683	–	–
Net assets	2,888	2,922	–	–
Net assets attributable to Guangxi Wharton	2,744	2,776	–	–
Net assets attributable to minority interest	144	146	–	–

(c) Gain on de-registration was determined as follow:

	As at 21 December 2007
	RMB'000
Other receivables	111
Other payables	(39)
	72
Less: minority interest disposed of	(146)
Net liabilities disposed of	(74)
Gain on de-registration	74
	–

12. DIVIDENDS

No dividend was declared or paid during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT- GUANGXI WHARTON GROUP AND GUANGXI WHARTON

	Hotel properties						
	Hotel buildings RMB'000	Leasehold improvements RMB'000	Equipment and machinery RMB'000	Construction in progress ("CIP") RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost							
At 1 January 2005	244,618	1,911	99,084	65,325	37,687	2,602	451,227
Additions	28,359	–	293	4,820	5,298	–	38,770
Transfer from CIP	2,693	61,568	–	(64,261)	–	–	–
Disposals	–	(676)	–	–	(313)	(342)	(1,331)
At 31 December 2005 and 1 January 2006	275,670	62,803	99,377	5,884	42,672	2,260	488,666
Additions	–	138	–	2,272	1,009	–	3,419
Transfer from CIP	–	2,357	1,024	(7,278)	3,897	–	–
Disposals	–	(1,213)	–	–	(170)	(480)	(1,863)
At 31 December 2006 and 1 January 2007	275,670	64,085	100,401	878	47,408	1,780	490,222
Additions	–	3,971	1,590	3,949	2,804	–	12,314
Transfer from CIP	–	615	168	(4,651)	3,868	–	–
Disposals	–	(7,238)	–	–	(80)	–	(7,318)
At 31 December 2007 and 1 January 2008	275,670	61,433	102,159	176	54,000	1,780	495,218
Additions	–	84,419	–	2,817	5,149	–	92,385
Transfer from CIP	–	1	–	(131)	130	–	–
Disposals	–	(3,468)	(1,577)	–	(88)	(315)	(5,448)
At 31 July 2008	275,670	142,385	100,582	2,862	59,191	1,465	582,155
Accumulated depreciation and impairment losses							
At 1 January 2005	24,696	390	23,864	–	15,197	2,602	66,749
Charge for the year	7,993	7,595	7,945	–	4,842	–	28,375
Written back on disposal	–	–	–	–	(301)	(342)	(643)
At 31 December 2005 and 1 January 2006	32,689	7,985	31,809	–	19,738	2,260	94,481
Charge for the year	8,821	7,913	7,998	–	5,284	–	30,016
Written back	–	(197)	–	–	(161)	(480)	(838)
At 31 December 2006 and 1 January 2007	41,510	15,701	39,807	–	24,861	1,780	123,659
Charge for the year	8,821	8,467	8,065	–	5,244	–	30,597
Written back on disposal	–	(2,605)	–	–	(73)	–	(2,678)
At 31 December 2007 and 1 January 2008	50,331	21,563	47,872	–	30,032	1,780	151,578
Charge for the period	5,146	10,284	4,735	–	3,706	–	23,871
Written back on disposal	–	(1,408)	(73)	–	(83)	(315)	(1,879)
At 31 July 2008	55,477	30,439	52,534	–	33,655	1,465	173,570
Net book value							
At 31 December 2005	242,981	54,818	67,568	5,884	22,934	–	394,185
At 31 December 2006	234,160	48,384	60,594	878	22,547	–	366,563
At 31 December 2007	225,339	39,870	54,287	176	23,968	–	343,640
At 31 July 2008	220,193	111,946	48,048	2,862	25,536	–	408,585

As at 31 December 2005, 2006, 2007 and 31 July 2008, all the hotel buildings with net book amounts totaling RMB242,981,000, RMB234,160,000, RMB225,339,000 and RMB220,193,000 were pledged as collateral to a bank for the ultimate holding company's borrowings, respectively.

The hotel properties, together with the land use rights as referred to note 14 below, were revalued at RMB600,000,000 by an independent firm of professional valuers, BMI Appraisals Limited, by reference to the market vale at existing state as at 31 October 2008. The revalued amount has not been incorporated in the Financial Information.

14. LAND USE RIGHTS – GUANGXI WHARTON GROUP AND GUANGXI WHARTON

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost	12,779	12,779	12,779	12,779
Accumulated amortisation				
Balance at 1 January	416	735	1,054	1,373
Charge for the year/period	319	319	319	187
	735	1,054	1,373	1,560
Net book value	12,044	11,725	11,406	11,219

Land use rights represent lease payments for acquiring rights to use land, which is all located in the PRC, for own-used hotel properties as referred to note 13 above.

Pursuant to the land use rights certificate, Nan Ning Guo Yong (2005) No 429198 (the "Land Certificate"), issued by Nanning City People's Government dated 28 February 2005, the land use rights of the property with a site of 41,426 sq.m. have been granted to Guangxi Wharton for a term of 40 years expiring on 29 May 2043 for hotel and catering purposes. The validity of the Land Certificate will expire on 10 October 2009. As advised by the Group and its legal adviser in the PRC, the tenure of the Land Certificate can be renewed on an annual basis until 29 May 2043 at no extra land premium or other payments.

As at 31 December 2005, 2006, 2007 and 31 July 2008, prepaid lease payments with net book amounts totaling RMB12,044,000, RMB11,725,000, RMB11,406,000 and RMB11,219,000 were pledged as collateral to a bank for the ultimate holding company's borrowings, respectively.

15. INVESTMENT IN A SUBSIDIARY – GUANGXI WHARTON

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity interests, at cost	2,850	2,850	–	–

Particulars of the Company's subsidiary prior to 21 December 2007 as follows:

Name	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/paid in capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
廣西南洋國際旅行社有限公司	The People's Republic of China (the "PRC")	RMB 3,000,000	95%	–	Travel and related services

The subsidiary was de-registered on 21 December 2007.

16. DEFERRED TAXATION

Guangxi Wharton had unutilised tax losses approximately RMB30,690,000, RMB19,093,000, RMB29,091,000 and RMB49,053,000 as at 31 December 2005, 31 December 2006, 31 December 2007 and 31 July 2008 respectively, that can be carried forward for five years from the year/period in which the losses arose for offsetting against future taxable profits of the tax entity in which the losses arose. Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of related benefits through future taxable profits is probable. Guangxi Wharton did not recognise deferred tax assets of approximately RMB10,128,000, RMB6,301,000, RMB9,600,000 and RMB12,263,000 as at 31 December 2005, 31 December 2006, 31 December 2007 and 31 July 2008, respectively, in respect of such unutilised tax losses due to unpredictability of future profit streams.

17. INVENTORIES – GUANGXI WHARTON GROUP AND GUANGXI WHARTON

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	946	1,169	910	931
Low value consumables	3,211	2,840	2,532	2,586
	4,157	4,009	3,442	3,517

18. TRADE AND OTHER RECEIVABLES – GUANGXI WHARTON GROUP AND GUANGXI WHARTON

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	3,951	5,499	5,784	3,824
Less: provision for impairment	(869)	(1,163)	(1,338)	(1,394)
Trade receivables – net	3,082	4,336	4,446	2,430
Other receivables	1,470	1,748	5,929	2,232
Prepayments	809	1,554	1,157	1,221
Less: provision for impairment	(881)	(1,298)	(1,729)	–
	1,398	2,004	5,357	3,453
	4,480	6,340	9,803	5,883

Other receivables mainly represent fundings to third parties, which are unsecured, interest free and have no fixed repayment terms.

There is no concentration of credit risk with respect to trade receivables, as Guangxi Wharton has a large number of customers, dispersed over the country.

(a) As at 31 December 2005, 2006, 2007 and 31 July 2008, the fair value of trade receivables of Guangxi Wharton approximated their carrying amounts.

(b) A significant part of Guangxi Wharton's sales are by credit cards or against payment of deposits. The remaining amounts are with general credit term of 90 days. Guangxi Wharton has a defined credit policy. The ageing analysis of the trade receivables after provision of impairment is as follows:

	As at 31 December			**As at 31 July**
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31- 60 days	1,840	3,566	2,983	1,843
61- 90 days	159	182	348	236
Over 90 days	1,083	588	1,115	351
	3,082	4,336	4,446	2,430

Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2005, 2006, 2007 and 31 July 2008, trade receivables of RMB1,083,000, RMB588,000, RMB1,115,000 and RMB351,000 were past due but not impaired. These relate to a number of independent customers for whom no recent history of default.

	As at 31 December			**As at 31 July**
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Over 90 days	1,083	588	1,115	351
	1,083	588	1,115	351

As at 31 December 2005, 2006, 2007 and 31 July 2008, trade receivables of RMB869,000, RMB1,163,000, RMB1,338,000, RMB1,394,000 were considered impaired. Guangxi Wharton does not hold any collateral over these balances.

Movements in the provision for impairment of trade receivables during the Relevant Periods are as follows:

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	–	869	1,163	1,338
Provision for impairment	869	294	175	56
At end of the year/period	869	1,163	1,338	1,394

Movements in the provision for impairment of other receivables during the Relevant Periods are as follows:

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	–	881	1,298	1,729
Provision for impairment	881	417	431	–
At end of the year/period	881	1,298	1,729	1,729

The creation of provision of impaired receivables have been included in administrative expenses in the consolidated income statement.

19. CASH AND CASH EQUIVALENTS – GUANGXI WHARTON GROUP AND GUANGXI WHARTON

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	4,362	3,235	5,782	1,032

All the Guangxi Wharton's bank balances are denominated in RMB were placed with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

The effective annual interest rate on bank deposits as at 31 December 2005, 2006, 2007 and 31 July 2008 was 1.52%, 3.3%, 3.05% and 1.83%, respectively.

20. SHORT-TERM BANK LOAN – GUANGXI WHARTON GROUP AND GUANGXI WHARTON

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short term bank loan				
– Unsecured	–	–	4,000	–
	–	–	4,000	–

The effective interest rates of short-term bank loan at each of the balance sheet dates of the Relevant Periods were as follows:

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loan	–	–	5.19%	–

The short-term bank loan was guaranteed by the ultimate holding company and was repaid in March 2008.

21. TRADE AND OTHER PAYABLES

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangxi Wharton Group				
Trade payables	4,569	5,713	5,924	4,631
Receipts in advance	5,514	5,533	6,287	6,901
Other taxes payable	711	679	744	568
Deposits received	893	940	1,048	1,145
Other payables	1,672	4,883	4,315	6,123
	13,359	17,748	18,318	19,368

	As at 31 December			As at 31 July
	2005	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangxi Wharton				
Trade payables	4,569	5,713	5,924	4,631
Receipts in advance	5,514	5,533	6,287	6,901
Other taxes payable	711	679	744	568
Deposits received	893	940	1,048	1,145
Other payables	1,438	4,455	4,315	6,123
	13,125	17,320	18,318	19,368

The ageing analysis of trade payables as at 31 December 2005, 2006, 2007 and 31 July 2008 is as follows:

	As at 31 December			As at 31 July
	2005	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31-60 days	2,868	3,959	4,135	2,761
61-90 days	272	918	1,045	698
Over 90 days	1,429	836	744	1,172
	4,569	5,713	5,924	4,631

The carrying amounts of trade payables approximated their fair values.

22. AMOUNT DUE FROM/(TO) ULTIMATE HOLDING COMPANY/AMOUNT DUE TO IMMEDIATE HOLDING COMPANY/AMOUNT DUE FROM A SUBSIDIARY

The amounts due from/(to) ultimate holding company, immediate holding company and a subsidiary are unsecured, interest-free and repayable on demand except for the amount of RMB293,207,000 and RMB390,382,000 due to the immediate holding company which borne interest of 7.68% and 7.47% per annum at 31 December 2007 and 31 July 2008 respectively.

23. CAPITAL AND RESERVES

(a) Share capital

	As at 31 December			As at 31 July
	2005	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-up capital	87,814	87,814	87,814	87,814

(b) Capital reserve

Capital reserve mainly represents the book value of assets injected by the investors of Guangxi Wharton in excess of their share of the registered capital.

(c) Distribution of reserves

In the opinion of directors of Guangxi Wharton, Guangxi Wharton did not have any reserve available for distribution to equity shareholders during the Relevant Periods.

(d) Capital management

Guangxi Wharton's primary objectives when managing capital are to safeguard the company's ability to continue as a going concern, so that it can fund its development, management of hotel operations, and continue to provide returns for shareholders, by pricing hotel operations commensurately with the level of risk and by securing access to finance at a reasonable cost.

Guangxi Wharton actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantage and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Guangxi Wharton monitors its capital structure on the basis of a gearing ratio, being the total of bank and interest bearing borrowings divided by the total assets. As at 31 December 2005, 2006, 2007 and 31 July 2008, the gearing ratios of Guangxi Wharton were 81%,77%, 80% and 110%, respectively.

Guangxi Wharton is not subject to externally imposed capital requirements.

24. PLEDGE OF ASSETS

As at 31 December 2005, 2006, 2007 and 31 July 2008, bank borrowings of the ultimate holding company were secured on Guangxi Wharton's hotel properties and land use rights as follows:

	As at 31 December			**As at 31 July**
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hotel buildings	242,981	234,160	225,339	220,193
Land use rights	12,044	11,725	11,406	11,219
	255,025	245,885	236,745	231,412

25. COMMITMENTS

(a) Capital commitments outstanding at each of the balance sheet date not provided for in the Financial Information were as follows:

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for, in respect of leasehold improvements	7,920	8,047	4,345	1,377
Authorised but not contracted for, in respect of leasehold improvements	–	–	–	–
	7,920	8,047	4,345	1,377

(b) Guangxi Wharton Group had future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of land and buildings as follows:

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not later than one year	96	1,229	1,413	1,341
Later than one year and not later than five years	272	1,876	513	24
	368	3,105	1,926	1,365

26. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of Guangxi Wharton is set out in note 9 of this section.

(b) Transactions with related parties

During the Relevant Periods, Guangxi Wharton's directors are of the view that the following companies/parties are related parties of the Guangxi Wharton Group:

廣西銀河集團有限公司	A majority shareholder of 北海銀河高科技產業股份有限公司, the ultimate holding company of Guangxi Wharton
北海銀河高科技產業股份有限公司	The immediate holding company of Guangxi Wharton
北海銀河開關設備有限公司	A subsidiary of 北海銀河高科技產業股份有限公司, the immediate holding company of Guangxi Wharton

南寧銀河南方軟件有限公司	A subsidiary of 北海銀河高科技產業股份有限公司, the immediate holding company of Guangxi Wharton
四州銀河汽車集團有限公司	A subsidiary of 北海銀河高科技產業股份有限公司, the immediate holding company of Guangxi Wharton
江西變壓器科技股份有限公司	A subsidiary of 北海銀河高科技產業股份有限公司, the immediate holding company of Guangxi Wharton
柳州特種變壓器有限責任公司	A subsidiary of 北海銀河高科技產業股份有限公司, the immediate holding company of Guangxi Wharton
貴州遵義銀河長征科技有限責任公司	A subsidiary of 北海銀河高科技產業股份有限公司, the immediate holding company of Guangxi Wharton
北海銀河科技變壓器有限公司	A subsidiary of 北海銀河高科技產業股份有限公司, the immediate holding company of Guangxi Wharton
北海銀河電子有限公司	A subsidiary of 北海銀河高科技產業股份有限公司, the immediate holding company of Guangxi Wharton
北海銀河科技電氣有限責任公司	A subsidiary of 北海銀河高科技產業股份有限公司, the immediate holding company of Guangxi Wharton
西安開元電力自動化有限公司	A subsidiary of 北海銀河高科技產業股份有限公司, the immediate holding company of Guangxi Wharton
貴州長征電器股份有限公司	An associate of 廣西銀河集團有限公司, the ultimate holding company of Guangxi Wharton
Gao Jian	A minority shareholder of Guangxi Wharton

Guangxi Wharton had the following significant transactions with related parties in accordance with the terms mutually agreed by the respective parties. The directors of Guangxi Wharton are of the opinion that such transactions were conducted in the ordinary and usual course of business and on normal commercial terms.

	As at 31 December			As at 31 July
	2005	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of services				
To parties under common control:				
fellow subsidiaries				
– 北海銀河開關設備有限公司	–	–	20	18
– 南寧銀河南方軟件有限公司	68	64	54	10
– 四州銀河汽車集團有限公司	–	–	41	–
– 江西變壓器科技股份有限公司	72	113	158	–
– 柳州特種變壓器有限責任公司	29	39	50	–
	169	216	323	28
immediate holding company				
– 北海銀河高科技產業股份有限公司	–	364	2,392	1,966
ultimate holding company				
– 廣西銀河集團有限公司	2,632	2,522	249	143
To parties under common significant influence related company				
– 貴州長征電器股份有限公司	111	100	–	–
Purchase of computer equipment				
fellow subsidiary				
– 南寧銀河南方軟件有限公司	47	61	–	–

(c) Amounts due from/(to) fellow subsidiaries

	As at 31 December			As at 31 July
	2005	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Parties under common control:				
Amounts due from fellow subsidiaries				
– 北海銀河開關設備有限公司	–	–	17	14
– 貴州遵義銀河長征科技有限責任公司	2,000	–	–	–
– 四州銀河汽車集團有限公司	54	54	7,000	–
– 江西變壓器科技股份有限公司	69	182	262	–
– 柳州特種變壓器有限責任公司	29	6,040	6,000	–
– 北海銀河科技變壓器有限公司	1,500	1,500	1,500	–
	3,652	7,776	14,779	14

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to fellow subsidiaries				
– 南寧銀河南方軟件有限公司	4,337	4,370	4,408	–
– 北海銀河電子有限公司	28,801	28,801	29,123	–
– 北海銀河科技電氣有限責任公司	700	–	–	–
– 西安開元電力自動化有限公司	500	500	500	–
	34,338	33,671	34,031	–

The balances due from/(to) fellow subsidiaries at 31 December 2005, 2006, 2007 and 31 July 2008 are unsecured, interest free and repayable on demand.

(d) Amount due from a related company

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Party under significant influence				
– 貴州長征電器股份有限公司	111	211	211	211

The balance due from a related company at 31 December 2005, 2006, 2007 and 31 July 2008 is unsecured, interest free and repayable on demand.

(e) Amount due to a minority shareholder

	As at 31 December			As at 31 July
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
– Gao Jian	1,000	1,000	1,000	1,000

The balance due from a minority shareholder at 31 December 2005, 2006, 2007 and 31 July 2008 is unsecured, interest free and repayable on demand.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Guangxi Wharton in respect of any period subsequent to 31 July 2008.

Yours faithfully

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Leung Chun Wa
Practising Certificate Number P04963

MANAGEMENT DISCUSSION AND ANALYSIS ON THE BUSINESS OF THE TARGET GROUP

Business review

The Target Group recorded turnovers of approximately RMB95.2 million, RMB99.9 million, RMB103.1 million and RMB50.1 million for the three years ended 31 December 2005, 2006 and 2007 and seven months ended 31 July 2008 respectively. The gross profits of the Target Group were approximately RMB37.2 million, RMB39.3 million, RMB40.3 million and RMB14.9 million for the three years ended 31 December 2005, 2006 and 2007 and seven months ended 31 July 2008 respectively. The increases in turnovers and gross profits over these three years were primarily attributable to the improvement in food and beverage sales and sales of goods.

The Target Group recorded net profits of approximately RMB10.2 million and RMB11.6 million for the two years ended 31 December 2005 and 2006 respectively. However for the year ended 31 December 2007 and seven months ended 31 July 2008, the Target Group turned to net losses of approximately RMB8.6 million and RMB20.0 million respectively. The turnaround for the year ended 31 December 2007 was primarily due to the interest expense on amount due to Yinhe of approximately RMB 23.2 million. Such interest expense was arisen from the loan due to Yinhe of amounted to approximately RMB293.2 million at 31 December 2007 which borne interest of 7.68% per annum. The net losses for the seven months ended 31 July 2008 further increased due to the reduction in customer's consumption under the unfavourable economic condition.

Liquidity and financial resources

The Target Group had cash and bank balances of approximately RMB4.4 million, RMB3.2 million, RMB5.8 million and RMB1.0 million as at 31 December 2005, 2006 and 2007 and 31 July 2008 respectively. All the Target Group's cash and bank balances are denominated in RMB and were placed with banks in the PRC.

The Target Group had no outstanding bank borrowings as at 31 December 2005 and 2006 and 31 July 2008 respectively. The short-term bank loan of approximately RMB4.0 million as at 31 December 2007 which bore an effective interest of 5.19% was repaid in March 2008.

The major liabilities of the Target Group were the amounts due to Yinhe which amounted to approximately RMB350.6 million, RMB313.6 million, RMB293.2 million and RMB390.4 million as at 31 December 2005, 2006 and 2007 and 31 July 2008 respectively, of which the amounts due to Yinhe at 31 December 2007 and 31 July 2008 bore an interest of 7.68% and 7.47% per annum. The borrowing from Yinhe by the Target Group was the result of building, redecoration and refurbishment of the Hotel.

As a result, the gearing ratio, which represented the total liabilities to the total assets, reached approximately 91.8%, 88.5%, 90.1% and 95.7% as at 31 December 2005, 2006 and 2007 and 31 July 2008 respectively.

Funding and treasury policy

The Target Group's business are located in the PRC and all transactions are conducted in RMB, except for certain cash balances denominated in Hong Kong dollars, amounted to HK$18,000 and HK$17,000 as at years ended 31 December 2005 and 2006. In addition, there are no purchases and payments made in foreign currencies. It is considered that fluctuations of the exchange rates of RMB against foreign currencies are not expected to have significant impacts on the results of the Target Group. In addition, as all the borrowings of the Target Group were on fixed rate basis, it is considered that the interest rate risk of the Target Group is minimal.

Pledge of assets

As at 31 December 2005, 2006, 2007 and 31 July 2008, the hotel buildings and land use rights of the Target Group with net book amounts totaling RMB255.0 million, RMB245.9 million, RMB236.7 and RMB231.4 were pledged as collateral to a bank for Yinhe's borrowings, respectively. The Vendors undertake to the Purchaser that their pledges will be discharged before the Management Transfer Date and the pledges will be assumed by the Purchaser amounted to the loan approved by the Bank of China which is currently intended to be RMB320 million.

Employees and remuneration policy

The Target Group employed approximately 601, 532, 569 and 589 employees as at 31 December 2005, 2006, 2007 and 31 July 2008 respectively. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. The Target Group also provides other benefits including medical allowance and educational subsidies to all eligible staff.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The accompanying unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Enlarged Group, comprising the unaudited pro forma consolidated balance sheet, the unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group, have been prepared by the directors in accordance with paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, to illustrate the effect of the proposed acquisition of the entire issued share capital (the "Sale Capital") of Guangxi Wharton International Hotel Company Limited and the total payables of Guangxi Wharton as at 31 July 2008 (the "Acquisition") on the results of operations, financial position and cash flows of the Group as if the Acquisition had been completed on (i) 1 April 2007 in respect of the unaudited pro forma income statement and cash flow statement of the Enlarged Group; and (ii) 31 March 2008 in respect of the unaudited pro forma balance sheet of the Enlarged Group.

The unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Enlarged Group have been prepared based upon the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 31 March 2008 as set out in Appendix I to this Circular and the audited income statement and audited cash flow statement of Guangxi Wharton Group for the period ended 31 July 2008 as set out in Appendix II to this Circular, after incorporating the unaudited pro forma adjustments described in the accompanying notes. The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2008 as set out in Appendix I to this Circular and the audited balance sheet of Guangxi Wharton Group as at 31 July 2008 as set out in Appendix II to this Circular, after incorporating the unaudited pro forma adjustments described in the accompanying notes. A narrative description of the unaudited pro forma adjustments of the Acquisition that are (i) directly attributable to the transaction concerned; (ii) expected to have a continuing impact on the Enlarged Group; and (ii) factually supportable, are summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 March 2008, or the results and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on 1 April 2007. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results or cash flows.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I to this Circular, the financial information of Guangxi Wharton Group as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Unaudited pro forma consolidated income statement for the year ended 31 March 2008

	The Group for the year ended 31 March 2008	Guangxi Wharton Group for the period ended 31 July 2008	Combined total	Pro forma adjustments	Note	Pro forma consolidated income statement of the Enlarged Group for the year ended 31 March 2008
	Note (1)	*Note (2)*				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Revenue	130,682	55,876	186,558			186,558
Cost of maintenance	(124,541)	(39,292)	(163,833)			(163,833)
Gross profit	6,141	16,584	22,725			22,725
Other income	1,577	69	1,646			1,646
Selling and distribution expenses	–	(4,967)	(4,967)			(4,967)
Administrative expenses	(14,467)	(18,567)	(33,034)			(33,034)
Other operating expenses	(1,666)	(62)	(1,728)			(1,728)
Discount on acquisition	–	–	–	19,542	*4*	19,542
Finance costs	(229)	(15,386)	(15,615)			(15,615)
Loss before tax	(8,644)	(22,329)	(30,973)			(11,431)
Tax	(60)	–	(60)			(60)
Loss for the year/period	(8,704)	(22,329)	(31,033)			(11,491)
Attributable to:						
Equity holders of the parent	(8,361)	(22,329)	(30,690)	19,542	*4*	(11,148)
Minority interest	(343)	–	(343)			(343)
	(8,704)	(22,329)	(31,033)			(11,491)

Unaudited pro forma consolidated balance sheet as at 31 March 2008

	The Group as at 31 March 2008	Guangxi Wharton Group as at 31 July 2008	Combined total	Pro forma adjustments	*Note*	Pro forma consolidated balance sheet of the Enlarged Group as at 31 March 2008
	Note (1)	*Note (2)*				
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Non-current assets						
Property, plant and equipment	2,488	466,577	469,065	–		469,065
Prepaid lease payments	–	12,812	12,812	204,611	*4*	217,423
Interests in subsidiaries	–	–	–	(21,344) 21,344	*10* *4*	–
	2,488	479,389	481,877			686,488
Current assets						
Gross amount due from contract customers	28,147	–	28,147			28,147
Inventories	–	4,016	4,016			4,016
Trade receivables	26,428	2,775	29,203			29,203
Retention money receivables	171	–	171			171
Prepayments, deposits and other receivables	16,846	3,943	20,789			20,789
Amount due from a fellow subsidiary	–	16	16			16
Amounts due from related companies	–	241	241			241
Cash and cash equivalents	165,391	1,178	166,569	(165,391)	*4*	1,178
Total current assets	236,983	12,169	249,152			83,761
Current liabilities						
Gross amount due to contract customers	15,014	–	15,014	–		15,014
Trade payables	20,929	5,288	26,217	(5,288)	*8*	20,929
Retention money payables	696	–	696	–		696
Other payables and accruals	19,877	16,828	36,705	(16,828)	*8*	19,877
Amount due to ultimate holding company	–	1,165	1,165	(1,165)	*8*	–
Amount due to immediate holding company	–	445,791	445,791	(445,791)	*8*	–
Amount due to a shareholder	–	1,142	1,142	(1,142)	*8*	–
Advance from a controlling shareholder	–	–	–	3,873 104,806	*4* *8*	108,679
Total current liabilities	56,516	470,214	526,730			165,195
Net current assets/(liabilities)	180,467	(458,045)	(277,578)			(81,434)
Total assets less current liabilities	182,955	21,344	204,299			605,054
Non-current liabilities						
Hotel Bank Loan	–	–	–	365,408	*8*	365,408
Convertible bonds	76,359	–	76,359			76,359
Deferred tax liabilities	–	–	–	37,149	*4*	37,149
Net Assets	106,596	21,344	127,940			126,138
Equity						
Issued capital	1,389	100,986	102,375			102,375
Equity component of convertible bonds	43,272	–	43,272			43,272
Reserves	61,270	(79,642)	(18,372)	(21,344) 19,542 (1,802)	*10* *4*	(20,174)
	105,931	21,344	127,275			125,473
Minority interests	665	–	665			665
Total Equity	106,596	21,344	127,940			126,138

Unaudited pro forma consolidated cash flow statement for the year ended 31 March 2008

	The Group for the year ended 31 March 2008	Guangxi Wharton Group for the period ended 31 July 2008	Combined total	Pro forma adjustments	Note	Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2008
	Note (1)	*Note (2)*				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Loss before tax	(8,644)	(22,329)	(30,973)	19,542	*4*	(11,431)
Adjustments for:						
Finance costs	229	15,386	15,615			15,615
Interest income	(1,321)	(11)	(1,331)			(1,331)
Depreciation and amortisation	209	26,837	27,047			27,047
Impairment of trade receivables	1,650	62	1,712			1,712
Discount on acquisition	–	–	–	(19,542)	*4*	(19,542)
Loss of disposal of property, plant and equipment	16	3,981	3,997			3,997
	(7,861)	23,928	16,067			16,067
Decrease/(increase) in the gross amount due from contract customers	299	–	299			299
Decrease in inventories	–	(84)	(84)			(84)
Decrease in trade receivables	4,908	2,186	7,094			7,094
Decrease in retention money receivables	481	–	481			481
Decrease in prepayments, deposits and other receivables	6,290	2,124	8,414			8,414
Decrease in amounts due from fellow subsidiaries	–	16,471	16,471			16,471
Decrease in amount due from ultimate holding company	–	1,361	1,361			1,361
Increase in gross amount due to contract customers	1,801	–	1,801			1,801
Increase in amount due to immediate holding company	–	108,400	108,400			108,400
Decrease in amounts due to fellow subsidiaries	–	(37,962)	(37,962)			(37,962)
Increase/(decrease) in trade payables	3,588	(1,442)	2,146			2,146
Decrease in retention money payables	(856)	–	(856)			(856)
Increase/(decrease) in other payables and accruals	(15,344)	2,614	(12,730)			(12,730)
Cash (used in)/generated from operations	(6,694)	117,596	110,902			110,902
Interest paid	(229)	(15,386)	(15,615)			(15,615)
Hong Kong profits tax paid	(74)	–	(74)			(74)
Net cash (outflow)/inflow from operating activities	(6,997)	102,210	95,213			95,213
Investing activities						
Payment for the Acquisition	–	–	–	(639,478)	*8*	(639,478)
Interest received	1,321	11	1,332			1,332
Purchase of properties, plant and equipment	(118)	(103,057)	(103,175)			(103,175)
Disposal of property, plant and equipment	19	–	19			19
Net cash inflow/(outflow) from investing activities	1,222	(103,046)	(101,824)			(741,302)

	The Group for the year ended 31 March 2008 *Note (1)* *HK$'000*	Guangxi Wharton Group for the period ended 31 July 2008 *Note (2)* *HK$'000*	Combined total *HK$'000*	Pro forma adjustments *HK$'000*	*Note*	Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2008 *HK$'000*
Financing activities						
Hotel Bank Loan	–	–	–	365,408	*8*	365,408
Advance from a controlling shareholder	–	–	–	108,679	*8*	108,679
Repayment of short term loan	–	(4,462)	(4,462)			(4,462)
Proceeds from issue shares	18,216	–	18,216			18,216
Proceeds from issue convertible bond	119,631	–	119,631			119,631
Net cash inflow/(outflow) from financing activities	137,847	(4,462)	133,385			607,472
Net increase/(decrease) in cash and cash equivalents	132,072	(5,298)	126,774			(38,617)
Effect of exchange rate changes	–	26	26			26
Cash and bank balances at beginning of year	33,319	6,450	39,769			39,769
Cash and bank balances at end of year	165,391	1,178	166,569	(165,391)	*8*	1,178

Notes to the Unaudited Pro Forma Financial Information

(1) The balances are extracted from the audited financial information of the Group for the year ended 31 March 2008 as set out in Appendix I to this Circular.

(2) The balances are extracted from the audited financial information of Guangxi Wharton Group for the period ended 31 July 2008 as set out in Appendix II to this Circular and were translated to Hong Kong dollars at translation rates of RMB100=HK$114 in respect of unaudited pro forma balance sheet and RMB100=HK$111 in respect of the unaudited pro forma income statement and cash flow statement.

(3) Pursuant to the terms of the Supplemental Sale and Purchase Agreement dated 3 December 2008, the cash consideration paid for the entire issued share capital of Guangxi Wharton of RMB148,230,000 (equivalent to approximately HK$169,264,000) was satisfied by way of cash of RMB148,230,000 and pay the total payables of Guangxi Wharton of RMB411,770,000 (equivalent to approximately HK$470,214,000) as at 31 July 2008 The estimated fair value adjustment on hotel properties and land use rights is determined by reference to the valuation report by BMI Appraisals Limited of 19 December 2008 and the hotel properties and land use rights were valued of RMB600,000,000 (equivalent to approximately HK$684,000,000) at 31 October 2008.

(4) Under Hong Kong Financial Reporting Standard 3 Business Combinations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the Group will apply the purchase method to account for the acquisition of Guangxi Wharton Group in the consolidated financial statements of the Group and the calculation is as follows:

	HK$'000
Net assets of Guangxi Wharton Group acquired	21,344
Estimated fair value adjustment on hotel properties and land use rights *(note 5)*	204,611
Deferred tax liabilities recognised in respect of fair value adjustment *(note 6)*	(37,149)
Fair value of net assets of Guangxi Wharton Group acquired	188,806
Cash consideration *(note 7)*	169,264
Discount on acquisition	19,542

On completion, the fair value of the consideration and the net identifiable assets and liabilities of the Guangxi Wharton Group will have to be assessed. As a result, the amount of discount on acquisition may be different from that estimated based on the basis stated above for the purpose of preparation of the unaudited pro forma financial information. Accordingly, the actual discount on acquisition at the date of completion may be different from that presented above.

(5) The fair value of hotel properties and land use rights acquired is as follows:

	HK$'000
Net book value as at 31 July 2008	
– Hotel properties	466,577
– Land use rights	12,812
	479,389
Revalued amount *(note 3)*	684,000
Fair value adjustment of hotel properties and land use rights	204,611

(6) The adjustment represented the deferred tax liabilities attributable to the fair value adjustment of the hotel properties and land use rights of RMB44,870,000 (equivalent to approximately HK$51,152,000) after netting off the tax losses brought forward of RMB49,053,000 (equivalent to approximately HK$56,015,000) of Guangxi Wharton.

(7) The cash consideration of RMB148,230,000 (equivalent to approximately HK$169,264,000) for the Acquisition would be financed by internal resources of the Group.

(8) This represents the adjustments on the cash position of the Group as a result of the Acquisition and this is analysed as follows:

Cash outflows

	HK$'000
Cash consideration is to be paid on the Completion as shown in *(note 4)* above	169,264
Total payables of Guangxi Wharton Group as at 31 July 2008 *(note 3)*	470,214
Total cash payments	639,478

The above cash payments are to be partially financed from a possible Hotel Bank Loan for a principal amount of RMB320,000,000 (equivalent to approximately HK$365,408,000) for a term of 10 years at an interest rate of approximately 7.8% per annum in accordance with the indicative terms offered by the Guangxi Branch of the Bank of China. Pursuant to the Announcement of the Company dated 5 December 2008 in relation to the Acquisition, the consideration for the Sale Capital will be RMB148,230,000 (equivalent to HK$169,264,000) the total payables of the Guangxi Wharton Group as at 31 July 2008 of RMB411,770,000 (equivalent to HK$470,214,000) and Guangxi Wharton has applied for the Hotel Bank Loan of approximately RMB320,000,000 (equivalent to approximately HK$365,408,000) and the Hotel Bank Loan will be used to partially settle Guangxi Wharton's total payables. The cash position of the Group arising from the bank loan and advance from a controlling shareholder is summarised as follows:

Cash inflows

	HK$'000
Cash and cash equivalents as at 31 March 2008	165,391
Hotel Bank Loan drawdown	365,408
Advance from a controlling shareholder	108,679
Cash position	639,478

(9) No adjustment has been made to reflect the costs of Acquisition as such costs are not considered to be material.

(10) This reflects the adjustment on the elimination of interests in subsidiaries and the respective pre-acquisition reserves.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PROFORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from CCIF CPA Limited. As described in the paragraph headed "Documents available for inspection" in Appendix V, a copy of the following accountants' report is available for inspection.

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

19 December 2008

The Board of Directors
Shun Cheong Holdings Limited

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out in Appendix III to the circular dated 19 December 2008 (the "Circular") of the Company, in connection with the acquisition of the entire issued share capital of Guangxi Wharton International Hotel Company Limited. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on in Section A of Appendix III to the Circular.

Respective responsibilities of directors of the Company and the reporting accountants

It is solely the responsibility of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 29 of Chapter 4 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 (7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owned to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 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 source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The 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 which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information 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 Financial Information as disclosed pursuant to Paragraph 29 (1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it 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 Enlarged Group as at 31 March 2008 or any future date; or

– the results and cash flows of the Enlarged Group for the year ended 31 March 2008 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information 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 Financial Information as disclosed pursuant to Paragraph 29 (1) of Chapter 4 of the Listing Rules.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Leung Chun Wa
Practising Certificate Number P04963

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations of the properties located in the PRC and Hong Kong.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmintelligence.com

19 December 2008

The Directors
Shun Cheong Holdings Limited
Suite 2302
Wing On Centre
111 Connaught Road Central
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to your instructions for us to value the property to be acquired by Shun Cheong Holdings Limited (the "Company") and/or its subsidiaries (hereinafter referred to as the "Group") located in the People's Republic of China (the "PRC") and the properties owned/leased by the Group in Hong Kong. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 October 2008 (the "date of valuation").

BASIS OF VALUATION

Our valuations of the properties have been based on the Market Value, which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

PROPERTY CATEGORIZATION

In the course of our valuations, the valued properties are categorized into the following groups:–

Group I – Property to be acquired by the Group in the PRC

Group II – Property owned by the Group in Hong Kong

Group III – Property leased by the Group in Hong Kong

VALUATION METHODOLOGIES

Groups I and II

In valuing the properties in Groups I and II, we have valued them on an open market basis by the Comparison Approach assuming sale in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Adjustments are then made to take into account the differences between the properties and the comparables in order to arrive at a fair comparison of values. In addition, we have also considered the Profits Method based in valuing the property in Group I on capitalization of the historical hotel's operating profits in previous years. Allowances for outgoings have been made in arriving at the net operating profit.

Group III

In valuing the property in Group III, which is leased by the Group, we are of the opinion that it has no commercial value either because of its non-assignability in the open market or there are prohibitions against subletting and/or assignment contained in the tenancy agreement or the lack of marketable and substantial profit rent.

TITLE INVESTIGATION

For the property in Group I, we have been provided with extracts of title documents and have been advised by the Group that no further relevant documents have been produced. Moreover, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. Therefore, in the course of our valuation, we have relied on the advice and information given by the Group and its PRC legal adviser, 歐亞嘉華律師事務所, regarding the title of the property in the PRC. All documents have been used for reference only.

For the property in Group II, we have caused land searches to be made at the Land Registry and have been provided with extracts of title documents. We have been advised by the Group that no further relevant documents have been produced. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the copies handed to us. All documents have been used for reference only.

We have not searched the title of the property in Group III and have not scrutinized the original title documents to verify ownership or to ascertain the existence of any amendments, which do not appear on the copies handed to us. However, we have been given a copy of the tenancy agreement of the property. All documents have been used for reference only.

In valuing the properties, we have relied on the advice given by the Group that the owners of the properties have valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted rights to use the same, for the whole of the unexpired terms granted subject to the payment of annual government rents/land use fees and all requisite land premium/purchase considerations payable have been fully settled.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the open market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting the sale or purchase of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group in such matters as approvals or statutory notices, easements, tenure, particulars of occupancy, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct.

Except otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on the information contained in the documents provided to us by the Group and are therefore approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and the Group has also advised us that no material facts have been omitted from the information so supplied. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) for the property in the PRC and Hong Kong Dollars (HK$) for the properties in Hong Kong. No allowances have been made for any exchange transfers.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng
BSc, MUD, MBA (Finance), MSc (Eng), PhD (Econ), MHKIS, MCIArb, AFA, SCIFM, FCIM, MASCE, MIET,MIEEE, MASME, MIIE
Director

Joannau W.F. Chan
BSc. MSc. MRICS MHKIS RPS(GP)
Director

Notes:

Dr. Tony C.H. Cheng is a member of the Hong Kong Institute of Surveyors who has over 15 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a Chartered Surveyor who has over 15 years' experience in valuations of properties in Hong Kong and over 9 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 October 2008
	Group I – Property to be acquired by the Group in the PRC	
1.	A hotel project located at No. 88 Min Zu Avenue East, Nanning City, Guangxi Zhuang Autonomous Region, the PRC	RMB390,000,000
	Total:	RMB390,000,000
	Group II – Property owned by the Group in Hong Kong	
2.	Unit A, 9th Floor, Chiap Luen Industrial Building, Nos. 30-32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong	HK$3,680,000
	Total:	HK$3,680,000
	Group III – Property leased by the Group in Hong Kong	
3.	Suite 2302, 23rd Floor, Wing On Centre, No. 111 Connaught Road Central, Hong Kong	No Commercial Value
	Total:	Nil

VALUATION CERTIFICATE

Group I – Property to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2008 *RMB*
1.	A hotel project located at No. 88 Min Zu Avenue East, Nanning City, Guangxi Zhuang Autonomous Region, the PRC	The property comprises a hotel project to be developed under two phases on a land parcel with a site area of approximately 41,426.70 sq.m. (or about 445,917 sq.ft.). Phase 1 of the hotel project ("Phase 1") comprises a hotel complex known as Guangxi Wharton International Hotel (廣西沃頓國際大酒店), completed in about 2000, erected on portion of the land parcel. Phase 2 of the hotel project ("Phase 2"), comprising office, apartment and ancillary buildings and car parking spaces, will be developed on the remaining portion of the land parcel. According to 2 Area Calculation Forms registered in 南寧市國土資源信息中心 provided by the Group, the site areas of Phase 1 and Phase 2 land parcels of the hotel project are approximately 20,762.69 sq.m. (or about 223,489.60 sq.ft.) and 20,664.01 sq.m. (or about 222,427.40 sq.ft.) respectively.	The hotel complex (Phase 1) is owner-occupied for hotel and ancillary purposes. The remaining portion of the land parcel is owner-occupied for temporary car parking and ancillary uses.	390,000,000 (the market value includes Phase 1 only, and please see Note 11 for details)

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2008 *RMB*
		The hotel complex (Phase 1) has a gross floor area ("GFA") of approximately 46,409.36 sq.m. (or about 499,550.35 sq.ft.). The hotel complex provides 338 guest rooms, two Chinese restaurants, a western restaurant, a lobby bar, a multi-function hall, a luxury banquet hall, seven meeting rooms, a night club, a sauna centre and other ancillary facilities. The Phase 2 will have a planned total GFA of approximately 119,608.60 sq.m. (or about 1,287,466.97 sq.ft.). The land use rights of the property have been granted for a term of 40 years expiring on 29 May 2043 for catering and hotel uses. *(see Note 2)*		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract, Nan Guo Tu He Zi 2003 No. 7 (南國土合字20037號), entered into between the People's Republic of China Guangxi Zhuang Autonomous Region Nanning City Land and Resources Bureau (中華人民共和國廣西壯族自治區南寧市國土資源局) and Guangxi Nanning International Hotel Company Limited (廣西南寧國際大酒店有限公司) dated 30 May 2003, the land use rights of the property with a site area of 41,426.7 sq.m. have been granted to Guangxi Nanning International Hotel Company Limited at a land premium of RMB81,513,200 for a term of 40 years for catering and hotel uses.

2. Pursuant to a State-owned Land Use Rights Certificate, Nan Ning Guo Yong (2005) Di No. 429198 (南寧國用(2005)第429198號) (the "Land Certificate"), issued by Nanning City People's Government (南寧市人民政府) dated 28 February 2005, the land use rights of the property with a site area of 41,426.7 sq.m. have been granted to Guangxi Wharton International Hotel Company Limited (廣西沃頓國際大酒店有限公司) ("Guangxi Wharton") for a term of 40 years expiring on 29 May 2043 for catering and hotel uses. Validity of he Land Certificate will expire on 10 October 2009. As advised by the Group and its PRC legal adviser, the tenure of Land Certificate can be renewed on an annual basis until 29 May 2043 at no extra land premium or other payments.

3. Pursuant to a Building Ownership Certificate, Yong Fang Quan Zheng Zi Di No. 01483395 (邕房權證字第01483395號）, issued by Nanning City Real Estate Bureau (南寧市房產管理局) dated 25 March 2005, the hotel complex (Phase 1) of the property with a GFA of 46,409.36 sq.m. is legally owned by Guangxi Wharton.

4. Pursuant to a Master Layout Plan (總平面圖) issued by Nanning Institute of Architecture Design (南寧市建築設計院) dated 8 November 2002 and approved by Nanning City Planning Administrative Bureau (南寧市規劃管理局) (審批號 2002-234) dated 5 December 2002, the proposed development under Phase 2 for apartment, office and ancillary room uses with a total GFA of 119,608.6 sq.m. and additional 80 car parking spaces is permitted to be developed on the Phase 2 portion of the land parcel of the property.

5. Pursuant to a Business License (企業法人營業執照), Registration No. Qi 4500001001576 issued by Guangxi Zhuang Autonomous Region Industry and Commerce Administrative Bureau (廣西壯族自治區工商行政管理局) (the "Bureau") dated 1 November 2007, Guangxi Wharton was incorporated with a registered capital of RMB87,814,000 for the businesses of hotel and catering services, sales of consumer goods and air passenger agency services.

6. Pursuant to a Mortgage Contract, 2005 Nian Bei Zhong Yin Di Zi Di No. 002 (2005年北中銀抵字第002號), dated 22 March 2005, entered into between Guangxi Wharton and Bank of China – Beihai Branch (中國銀行北海分行), the former has mortgaged the property to the latter as security for various loans up to a maximum amount of RMB420,000,000 valid until all the loans have been repaid.

7. Pursuant to a Mortgage Contract, 2007 Nian Bei Zhong Yin Di Zi Di No. 001 (2007年北中銀抵字第001號), dated 10 January 2007, entered into between Guangxi Wharton and Bank of China Limited – Beihai Branch (中國銀行股份有限公司北海分行), the former has mortgaged the property to the latter as security for various loans up to a maximum amount of RMB262,500,000 valid until all the loans have been repaid.

8. Pursuant to a Mortgage Contract, No.2007010901 Di Zi 01 (2007010901抵字01), dated 19 January 2007, entered into between Guangxi Wharton and 北海市城市建設投資發展有限公司, the former has mortgaged the hotel complex (Phase 1) of the property to the latter as security for a loan amount of RMB52,000,000.

9. The status of title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes
Mortgage Contracts	Yes

10. The opinion of the PRC legal adviser, 歐亞嘉華律師事務所, to the Group contains, inter alia, the following:

 a. Guangxi Nanning International Hotel Company Limited is the former name of Guangxi Wharton;

 b. The property is legally vested in Guangxi Wharton and all the land premium and other costs of ancillary utility services have been settled in full and Guangxi Wharton has the rights to occupy, self-use, lease, mortgage and dispose of the property to both local and overseas purchasers with prior consents of the mortgagees;

 c. There exist no legal impediments for Guangxi Wharton to obtain annual renewal of the Land Certificate until the expiry of the existing term of land use rights or until the completion of the procedure to divide the land parcel into Phase 1 and Phase 2 land parcels and the obtaining of the relevant land use rights certificates for the divided land parcels;

 d. The planning scheme for Phase 2 land parcel is legally valid and is in compliance with the relevant regulations of the planning authority;

e. Upon obtaining the consents from the relevant mortgagees and the compliance with the relevant planning regulations, there exist no legal impediments for the division of the land parcel into Phase 1 and Phase 2 land parcels and the obtaining of the relevant land use rights certificates for the divided land parcels;

f. There exist no legal impediments for obtaining the relevant approvals for the construction of development on Phase 2 land parcel;

g. Upon completion of the construction of development on Phase 2 land parcel, there exist no legal impediments for Guangxi Wharton to obtain the relevant title certificates and upon obtaining the consents from the relevant mortgagees, Guangxi Wharton has the rights to occupy, use, lease, mortgage and dispose of the Phase 2 property to both local and overseas purchasers within the term of the land use rights of Phase 2 land parcel; and

h. Apart from the aforementioned mortgages in Notes 7 to 9, the property is not subject to any other mortgages or material encumbrances.

11. Our valuation of the captioned amount in the sum of RMB390,000,000 attributes to Phase 1 of the property (i.e. the hotel complex constructed upon Phase 1 land parcel) only. Having considered the PRC legal opinion in Note 11 and the advice given by the Group, for your internal reference purpose, as at the date of valuation, the market value of the Phase 2 land parcel assuming that all the required planning permits, construction permits and land use rights certificate for the relevant uses can be obtained for the development of the Phase 2 land parcel without extra land premium or onerous payments payable to the government and that the Phase 2 land can be freely transferred in the open market to both local and overseas purchasers would be in the sum of approximately RMB210,000,000.

12. We have prepared our valuations based on the following assumptions:–

a. Guangxi Wharton is in possession of a proper legal title to the property and is entitled to transfer the property within its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

b. All land premium and other costs of ancillary utility services have been settled in full;

c. The property is not subject to any material encumbrances;

d. The existing use, design, planning and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and

e. The property can be freely sublet, transferred or disposed of to both local and overseas purchasers.

Group II – Property owned by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2008 *HK$*
2.	Unit A, 9th Floor, Chiap Luen Industrial Building, Nos. 30-32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong 51/1,724th equal and undivided shares of and in Kwai Chung Town Lot No. 282	The property comprises an industrial unit on 9th floor in a 19-storey industrial building known as Chiap Luen Industrial Building which was completed in 1978. The salable area of the property is approximately 4,330 sq.ft. (or about 402.27 sq.m.) as scaled from the registered floor plan. The property is held under New Grant No. 5354 for a term of 99 years less the last 3 days commencing on 1 July 1898 which had been extended upon expiry until 30 June 2047 with a revised annual rent at 3% of the rateable value from the date of extension.	As advised by the Group, the property is subject to a tenancy at a monthly rent at HK$30,000 exclusive of management fee for workshop and ancillary office uses.	3,680,000

Notes:

1. The registered owner of the property is Shun Cheong Real Estates Limited (formerly known as Whole Grand Limited and Shun Cheong (Guangzhou) Limited) vide Memorial No. TW984172 dated 24 November 1994.

2. The property is subject to the following material encumbrances:

   a. The property is subject to an Order No. UBZ/U04-30/0007/05 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 07042700960956 dated 24 July 2006.

   b. The property is subject to an Order No. DBZ/U04-30/0008/05 by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 07061101230196 dated 24 July 2006.

3. In our valuation, we have assumed that the works stipulated in the Orders in Notes 2a and 2b have been complied with to the satisfaction of the Building Authority.

4. Shun Cheong Real Estates Limited is a wholly-owned subsidiary of the Group.

5. As advised by the Group, the tenant of the property is Tinhawk Company Limited, which is a 90%-owned subsidiary of the Group.

Group III – Property leased by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2008 *HK$*
3.	Suite 2302, 23rd Floor, Wing On Centre, No. 111 Connaught Road Central, Hong Kong	The property comprises an office unit on 23rd floor in a 31-storey commercial building known as Wing On Centre which was completed in 1977. The gross floor area of the property is approximately 1,900 sq.ft. (or about 176.51 sq.m.). The property is rented by Shun Cheong Holdings Limited under a tenancy agreement dated 7 August 2006 for a term of 3 years commencing on 15 August 2006 and expiring on 14 August 2009 at a monthly rent of HK$45,600 exclusive of management fee for commercial office use.	The property is occupied by the Group for office use.	No Commercial Value

Note:

The tenant of the property is the Company.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly 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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

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 Director	Nature of interests	Number of ordinary shares directly beneficially owned	Percentage of the Company's issued share capital
Mo Tianquan	Corporate	208,113,409 *(Note 1)*	59.92
		324,763,193 *(Note 2)*	93.50
Cao Jing	Family	208,113,409 *(Note 3)*	59.92
		324,763,193 *(Note 3)*	93.50

Notes:

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

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

(3) Ms. Cao Jing is interested in the Shares held by Upsky Enterprises Limited and Tanisca Investments Limited 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.

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 shareholder	**Capacity and nature of interests**	**Number of Shares owned**	**Percentage of the Company's issued share capital** *(Note 1)*
Upsky Enterprises Limited	Directly beneficially owned	208,113,409	59.92
Tanisca Investments Limited	Directly beneficially owned	324,763,193	93.50 *(Note 2)*
Mo Tianquan	Attributable interest of controlled corporation	208,113,409 324,763,193	59.92 *(Note 3)* 93.50 *(Note 3)*

Notes:

(1) All interests stated above represent long position.

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

(3) The entire issued share capital of Upsky Enterprises Limited and Tanisca Investments Limited are legally and beneficially owned by Mr. Mo Tianquan who is therefore deemed to have an interest in the Shares in which Upsky Enterprises Limited and Tanisca Investments Limited are interested. Accordingly, the interest held by each of Upsky Enterprises Limited, Tanisca Investments Limited and Mr. Mo Tianquan refers to the same parcel of shares.

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.

DIRECTOR'S SERVICE CONTRACTS

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

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 2008 (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 Enlarged Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(i) the Sale and Purchase Agreement, the Debt Restructuring Agreement and the Supplemental Agreements;

(ii) the underwriting agreement dated 7 April 2008 entered into by the Company and Upsky Enterprises Limited pursuant to which Upsky Enterprises Limited agreed to underwrite 103,128,227 Shares which are issued under a rights issue;

(iii) a subscription agreement dated 29 October 2007 entered into by the Company and Tanisca Investments Limited in relation to the issue of HK$120,000,000 convertible bond;

(iv) a subscription agreement dated 14 August 2007 in relation to the subscription of 11,500,000 Shares by IDG Technology Venture Investment III, LP; and

(v) a subscription agreement dated 14 August 2007 in relation to the subscription of 11,500,000 Shares by Digital Link Investment Limited.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, being the date to which the latest published audited accounts of the Group were made up.

LITIGATION

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

QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have made statements in this circular:

Name	Qualifications
BMI Appraisals Limited	Professional valuer
CCIF CPA Limited	Certified Public Accountants

BMI Appraisals Limited and CCIF CPA Limited have given and have not withdrawn their written consents to the issue of this circular with the inclusion of the copies of their reports and the references to their names in the form and context they respectively appear therein.

As at the Latest Practicable Date, BMI Appraisals Limited and CCIF CPA Limited were 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.

BMI Appraisals Limited and CCIF CPA Limited did not have any interests, either directly or indirectly, in any assets which have been, since 31 March 2008 (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.

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 principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited whose address is Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.

(c) The Hong Kong share registrars and transfer office of the Company is Computershare Hong Kong Investor Services Limited whose address is at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

(d) The English text of this circular shall prevail over their respective Chinese texts.

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 the SGM:

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

(ii) the annual reports of the Company for the two years ended 31 March 2007 and 31 March 2008;

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

(iv) the written consents of the experts referred to in the paragraph headed "Qualifications and Consents of Experts" in this appendix;

(v) the accountants' report on the Target Group prepared by CCIF CPA Limited, the text of which is set out in Appendix II to this circular;

(vi) the accountants' report from CCIF CPA Limited on the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;

(vii) the property valuation report of the Enlarged Group, the text of which is set out in Appendix IV to this circular; and

(viii) this circular.

Shun Cheong Holdings Limited
順昌集團有限公司*

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

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 Suite 2302, Wing On Centre, 111 Connaught Road, Central Hong Kong on 5 January 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(i) the Acquisition (as defined in the circular dated 19 December 2008 despatched to the shareholders of the Company (the "Circular")) which is governed by, including not limited to, the Sale and Purchase Agreement, the Debt Restructuring Agreement, the Supplemental Sale and Purchase Agreement and the Supplemental Debt Restructuring Agreement (as defined in the Circular respectively) (copies of which has been produced to this meeting marked "A", "B", "C" and "D" respectively and signed by the Chairman hereof for the purpose of identification) and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(ii) the directors of the Company be and are hereby authorized to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary desirable or expedient to carry and implement the Acquisition (as defined in the Circular) and all the transactions contemplated thereunder into full effect."

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

Hong Kong, 19 December 2008

* *For identification purposes only*

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

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

4. In the case of joint holders of Shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holder are 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 Shares shall alone be entitled to vote in respect thereof.