Notes to Financial Statements

31 March 2006

1. CORPORATE INFORMATION

Vantage International (Holdings) Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is Room 703, West Coast International Building, 290-296 Un Chau Street, Shamshuipo, Kowloon, Hong Kong.

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

- a wide range of construction, civil engineering, renovation and other contract works in public and private sectors in Hong Kong
- property investment
- property development

The Company is a public company with its shares listed on the main board of The Stock Exchange of Hong Kong Limited.

In the opinion of the directors, the parent and the ultimate holding company of the Group is Winhale Ltd. ("Winhale"), a company incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2006. 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.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs and HKASs which are generally effective for accounting periods beginning on or after 1 January 2005. The Group early adopted the following new HKFRSs in the financial statements for the year ended 31 March 2005:

HKFRS 3	Business Combinations
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 40	Investment Property

The following new and revised HKFRSs, which were not previously early adopted by the Group, affect the Group and have been adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

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31 March 2006

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

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 20, 21, 23, 27, 31, 33, 37 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to a jointly-controlled entity was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of a jointly-controlled entity is presented net of the Group's share of tax attributable to a jointly-controlled entity.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior year, leasehold land and building held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and building is separated into leasehold land and building. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while building continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and building as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. As the Group's land lease payments cannot be allocated reliably between the land and building elements, the leasehold interests in land continue to be included in property, plant and equipment.

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

(b) HKAS 32 and HKAS 39 – Financial Instruments

Derivative financial instruments – Interest rate swaps

During the year, the Group uses interest rate swaps to manage its exposure to interest rate fluctuations.

In accordance with HKAS 39, a derivative is a financial asset or financial liability at fair value through profit or loss and is classified as held for trading (except for a derivative that is a designated and effective hedging instrument). A derivative is initially recognised at fair value on the date on which the derivative contract is entered into and is subsequently remeasured at fair value. For a derivative that is designated as held for trading, a gain or loss arising from a change of its fair value is recognised in profit or loss. For a derivative that is designated as a hedging instrument and meets the conditions for hedge accounting, changes in its fair value are recognised in profit or loss or in equity depending on the type of the hedging relationship and the effectiveness of the hedge.

The Group's interest rate swaps do not qualify for hedge accounting and accordingly, gains or losses arising from changes in fair value on the derivatives are taken directly to net profit or loss for the year.

The Group did not have any derivative financial instruments in prior years.

(c) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 2.5 "Summary of significant accounting policies" below.

As the Group did not have any share options granted under the Company's share option schemes for rewarding the Group's employees for their services rendered, the adoption of HKFRS 2 has had no impact on the Group.

Notes to Financial Statements

31 March 2006

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

(d) HK(SIC)-Int 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above change are summarised in note 2.4 to the financial statements. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

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. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

Notes to Financial Statements

31 March 2006

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

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

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 21 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 do not apply to the activities of the Group. HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7, HK(IFRIC)-Int 8 and HK(IFRIC)-Int 9 will be applied for annual periods beginning on or after 1 December 2005, 1 March 2006, 1 May 2006 and 1 June 2006, respectively.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

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31 March 2006

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

	Effect of adopting		
	HKAS 39	HK(SIC)-Int 21#	
Effect of new policies (Increase/(decrease))	**Derivative financial instruments**	**Deferred tax on revaluation of investment properties**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 April 2005			
Liabilities/equity			
Deferred tax liabilities	–	2,245	2,245
Retained profits	–	(2,245)	(2,245)
			–
At 31 March 2006			
Liabilities/equity			
Derivative financial instruments	752	–	752
Deferred tax liabilities	–	13,408	13,408
Retained profits	(752)	(13,408)	(14,160)
			–

Adjustment/presentation taken effect retrospectively

(b) Effect on the balances of equity at 1 April 2004 and at 1 April 2005

The adoption of HK(SIC)-Int 21 has reduced the retained profits of the Group as at 1 April 2005 by HK$2,245,000 and has had no impact on the retained profits of the Group as at 1 April 2004.

Notes to Financial Statements

31 March 2006

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(c) Effect on the consolidated income statement for the years ended 31 March 2006 and 2005

	Effect of adopting		
	HKAS 39	HK(SIC)-Int 21#	
Effect of new policies	Derivative financial instruments	Deferred tax on revaluation of investment properties	Total
	HK$'000	HK$'000	HK$'000
Year ended 31 March 2006			
Increase in other expenses	752	–	752
Increase in tax	–	11,163	11,163
Total decrease in profit	752	11,163	11,915
Decrease in basic earnings per share	HK0.08 cent	HK1.19 cents	HK1.27 cents
Year ended 31 March 2005			
Increase in tax	–	2,245	2,245
Decrease in profit	–	2,245	2,245
Decrease in basic earnings per share	–	HK0.24 cent	HK0.24 cent

Adjustments/presentation taken effect retrospectively

Notes to Financial Statements

31 March 2006

2.5 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.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture; or

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair values of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 (continued)

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of Statement of Standard Accounting Practice ("SSAP") 30 "Business Combinations" in 2001, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated reserves and is not recognised in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

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 jointly-controlled entity;

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

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

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

Notes to Financial Statements

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets, investment properties and goodwill), 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 is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property, plant and equipment and depreciation

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

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Leasehold improvements	Over the shorter of the lease term and 20%
Leasehold land	Over the remaining term of the lease
Building	Over the shorter of the remaining term of the land lease and 40 years
Machinery and equipment	20% to 24%
Furniture, fixtures and office equipment	20% to 24%
Motor vehicles	30%

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.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties held for development

Properties held for development are stated at cost less impairment losses. These properties are reclassified as properties under development when they are substantially ready for development.

Properties under development

Property under development for re-sale is included under current assets and is stated at the lower of cost and net realisable value. Cost comprises acquisition cost, construction costs, interest and other direct attributable costs. During the construction period, the amortisation charge provided for the leasehold land in the course of development is included as part of costs of the property under development. Net realisable value is determined by reference to the estimated selling prices less estimated total costs of the development and the estimated costs necessary to make the sale of the property.

Leases

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

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

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31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction, renovation and other contracts

Contract revenue comprises the agreed contract amount and the 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 construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of certified value of work performed to the contract sum for each contract.

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 customers for contract work.

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

Financial assets (applicable to the year ended 31 March 2006)

The Group's financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, or loans and receivables, 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 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, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (applicable to the year ended 31 March 2006) (continued)

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 carried at amortised cost using the effective interest method. 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.

Fair value

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

Impairment of financial assets (applicable to the year ended 31 March 2006)

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 profit or loss.

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

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

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31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (applicable to the year ended 31 March 2006)

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 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.

Interest-bearing loans and borrowings

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities (applicable to the year ended 31 March 2006)

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 profit or loss.

Derivative financial instruments (applicable to the year ended 31 March 2006)

The Group uses derivative financial instruments such as interest rate swaps to manage its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. The fair value of interest rate swap contracts is determined by reference to market interest rate of similar contracts. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group's interest rate swaps do not qualify for hedge accounting, accordingly, any gains or losses arising from the changes in fair value on the derivatives are taken directly to net profit or loss for the year.

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 sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, 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 and interests in joint ventures, 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.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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, renovation and other contracts, based on the percentage of completion basis, as further explained in the accounting policy for "Construction, renovation and other contracts" above;

(b) from work orders of contracts for alterations, additions, repairs and maintenance, based on the value of individual work orders certified by relevant employers;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial assets; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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 translated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Employee benefits

Share-based payment transactions

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

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

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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

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

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

Paid leave carried forward

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

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in 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 assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance ("ORSO") retirement benefits scheme for those employees who are eligible to participate in the ORSO scheme. This scheme operates in a way similar to the MPF scheme, except that when an employee left the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of forfeited employer's contributions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Properties held for development

The Group has leased out certain properties on a short-term basis even it is the Group's intention to redevelop these properties at some stage for higher value and/or higher returns. Accordingly, these properties are stated as properties held for development in the balance sheet. At 31 March 2006, these properties had an aggregate carrying amount of HK$115,500,000.

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.

Notes to Financial Statements

31 March 2006

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Construction, renovation and other contracts

As explained in note 2.5 to the financial statements, revenue and profit recognition on an incomplete project is dependent on the estimation of the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. As a result, until this point is reached, the amounts due from customers for contract work as disclosed in note 20 to the financial statements will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the estimated amounts recorded to date.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are given in note 17.

Impairment test of assets

The Group determines whether an asset is impaired at least on annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value of investment properties

As disclosed in note 16 to the financial statements, investment properties are revalued at the balance sheet dated on market value, existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the balance sheet date are used.

Notes to Financial Statements

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4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments, which is chosen as the primary reporting format.

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

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

(a) the building construction segment engages in construction contract works as a main contractor or subcontractor, primarily in respect of building construction;

(b) the civil engineering works segment engages in roadworks, drainage and sewerage works, water supply works, utilities engineering works and landslip preventive and remedial works to slopes and retaining walls;

(c) the renovation, repairs and maintenance segment engages in repairs, maintenance, renovation and fitting out works;

(d) the property investment segment invests in retail, commercial and residential premises for their rental income potential; and

(e) the property development segment engages in the development of properties.

There were no intersegment sales and transfers during the year (2005: Nil).

Notes to Financial Statements

31 March 2006

4. SEGMENT INFORMATION (continued)

Business segments

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

Group

	Building construction		Renovation, repairs and maintenance		Civil engineering work#		Property investment*		Property development**		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment revenue:												
Sales to external customers	**681,619**	1,107,957	**506,710**	276,155	**74,334**	120,619	**8,837**	1,304	**3,315**	–	**1,274,815**	1,506,035
Segment results	**33,214**	44,624	**21,286**	13,824	**(10,099)**	9,211	**65,133**	15,820	**(4,209)**	(4)	**105,325**	83,475
Interest and unallocated income and gains											**6,481**	3,220
Unallocated expenses											**(32,045)**	(35,687)
Finance costs											**(20,903)**	(980)
Share of profit and loss of a jointly-controlled entity											**-**	(11)
Profit before tax											**58,858**	50,017
Tax											**(17,041)**	(9,488)
Profit for the year											**41,817**	40,529

\# The segment results of the civil engineering works segment include the impairment loss on goodwill of HK$14,717,000 (2005: Nil).

* The segment results of the property investment segment include the net gain on changes in fair value of investment properties of HK$58,797,000 (2005: HK$14,950,000).

** The segment results of the property development segment include the impairment loss on properties held for development of HK$5,883,000 (2005: Nil) and the impairment loss on properties under development of HK$1,251,000 (2005: Nil).

Notes to Financial Statements

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4. SEGMENT INFORMATION (continued)

Business segments (continued)

Group

	Building construction		Renovation, repairs and maintenance		Civil engineering work		Property investment		Property development		Consolidated	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000 (Restated)	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000 (Restated)
Segment assets	139,910	183,192	61,089	28,520	17,009	33,171	519,602	231,061	177,288	42,386	914,898	518,330
Interest in a jointly-controlled entity											-	11
Unallocated assets											111,886	173,157
Total assets											1,026,784	691,498
Segment liabilities	145,596	202,939	92,229	40,121	7,261	13,259	3,553	273	1,108	25	249,747	256,617
Unallocated liabilities											505,785	205,446
Total liabilities											755,532	462,063
Other segment information:												
Capital expenditure							226,193	198,050			226,193	198,050
Unallocated capital expenditure											5,346	21,211
											231,539	219,261
Depreciation on unallocated assets											2,676	1,690
Impairment losses on unallocated assets – property, plant and equipment											-	5,121
Impairment of goodwill					14,717	–					14,717	–
Impairment of properties held for development									5,883	–	5,883	–
Impairment of properties under development									1,251	–	1,251	–
Gain on changes in fair value of investment properties, net							58,797	14,950			58,797	14,950
Unrealised loss on changes in fair value of derivative instruments											752	–

Notes to Financial Statements

31 March 2006

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the appropriate proportion of contract revenue from construction, renovation and other contracts, and the gross rental income received and receivable from properties.

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

		Group	
		2006	2005
	Notes	**HK$'000**	HK$'000
Revenue			
Contract revenue		**1,262,663**	1,504,731
Property gross rental income		**12,152**	1,304
		1,274,815	1,506,035
Other income			
Interest income		**3,276**	1,265
Sundry income		**2,212**	1,439
		5,488	2,704
Gains			
Gain on changes in fair value of investment properties, net	*16*	**58,797**	14,950
Gain on disposal of items of property, plant and equipment		**5**	–
Gain on disposal of subsidiaries	*34*	**–**	516
Exchange gains, net		**988**	–
		59,790	15,466
		65,278	18,170

Notes to Financial Statements

31 March 2006

6. PROFIT BEFORE TAX

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

		Group	
	Notes	2006 HK$'000	2005 HK$'000
Depreciation	14	**2,676**	1,690
Auditors' remuneration		**1,200**	970
Employee benefits expense (exclusive of directors' remuneration – note 8):			
Salaries and wages		**49,920**	63,012
Pension scheme contributions (defined contribution schemes)		**1,224**	2,436
Less: Forfeited contributions**		**(274)**	(283)
Net pension scheme contributions		**950**	2,153
		50,870	65,165
Minimum lease payments under operating leases:			
Land and buildings		**963**	1,022
Equipment		**7,843**	7,514
		8,806	8,536
Impairment loss on items of property, plant and equipment*	14	**–**	5,121
Impairment of goodwill*		**14,717**	–
Changes in fair value of investment properties, net	16	**(58,797)**	(14,950)
Loss/(gain) on disposal of items of property, plant and equipment		**(5)**	99
Impairment of properties held for development*		**5,883**	–
Impairment of properties under development*		**1,251**	–
Unrealised loss on changes in fair value of derivative financial instruments		**752**	–
Gain on disposal of subsidiaries	34	**–**	(516)
Write-off of interest in a jointly-controlled entity		**15**	–
Government subsidies***		**(77)**	(609)
Exchange losses/(gains), net		**(988)**	7
Net rental income		**(11,034)**	(1,127)
Interest income		**(3,276)**	(1,265)

Notes to Financial Statements

31 March 2006

6. PROFIT BEFORE TAX (continued)

* Impairment losses on items of property, plant and equipment, properties held for development, properties under development and goodwill are included in "Other expenses" on the face of the consolidated income statement.

** As at 31 March 2006, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in the future years (2005: Nil).

*** Subsidies have been received from the Hong Kong Vocational Training Council, an institution established by the Hong Kong SAR Government, for providing on-the-job training for graduate engineers. There are no unfulfilled conditions or contingencies relating to these subsidies.

7. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
Interest on bank loans and overdrafts	**21,798**	1,377
Interest on finance leases	**2**	6
Total interest	**21,800**	1,383
Less: Interest capitalised	**(897)**	(403)
	20,903	980

Notes to Financial Statements

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8. 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	
	2006	2005
	HK$'000	HK$'000
Fees	**450**	375
Other emoluments:		
Salaries, allowances and benefits in kind	**6,254**	5,619
Performance related bonuses	**5,393**	5,180
Pension scheme contributions (defined contribution schemes)	**84**	81
	11,731	10,880
	12,181	11,255

(a) Independent non-executive directors

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

	2006	2005
	HK$'000	HK$'000
Professor Ko Jan Ming	**150**	150
Mr. Ip Kwok Him, *GBS, JP*	**150**	150
Mr. Fung Pui Cheung Eugene	**150**	75
	450	375

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
2006				
Mr. Ngai Chun Hung	**1,903**	**2,000**	**12**	**3,915**
Mr. Yau Kwok Fai	**1,868**	**1,500**	**12**	**3,380**
Mr. Shek Yu Ming Joseph	**1,523**	**1,500**	**12**	**3,035**
Mr. Li Chi Pong	**960**	**393**	**48**	**1,401**
	6,254	**5,393**	**84**	**11,731**
2005				
Mr. Ngai Chun Hung	1,731	2,000	12	3,743
Mr. Yau Kwok Fai	1,544	1,000	12	2,556
Mr. Shek Yu Ming Joseph	1,384	2,000	12	3,396
Mr. Li Chi Pong	960	180	45	1,185
	5,619	5,180	81	10,880

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2005: Nil).

During the year, no share option of the Company was granted to the directors in respect of their services to the Group (2005: Nil).

Notes to Financial Statements

31 March 2006

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2005: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2005: one) non-director, highest paid employee for the year are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**840**	855
Performance related bonuses	**70**	238
Pension scheme contributions	**12**	9
	922	1,102

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

	Number of employee	
	2006	2005
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**–**	1
	1	1

During the year, no share option of the Company was granted to the non-director, highest paid employee in respect of his service to the Group (2005: Nil).

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10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2006 HK$'000	2005 HK$'000 (Restated)
Group		
Current – Hong Kong		
Charge for the year	**6,025**	7,262
Overprovision in prior years	**–**	(105)
Deferred (note 29)	**11,016**	2,331
Total tax charge for the year	**17,041**	9,488

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group			
	2006		2005	
	HK$'000	**%**	HK$'000 (Restated)	% (Restated)
Profit before tax	**58,858**		50,017	
Tax at Hong Kong statutory tax rate	**10,300**	**17.5**	8,753	17.5
Adjustments in respect of current tax of previous periods	**–**	**–**	(105)	(0.2)
Income not subject to tax	**(74)**	**(0.1)**	(387)	(0.8)
Expenses not deductible for tax	**4,325**	**7.4**	1,127	2.3
Tax losses not recognised	**657**	**1.1**	–	–
Others	**1,833**	**3.1**	100	0.2
Tax charge at the Group's effective rate	**17,041**	**29.0**	9,488	19.0

Notes to Financial Statements

31 March 2006

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net profit from ordinary activities attributable to equity holders of the parent for the year ended 31 March 2006 dealt with in the financial statements of the Company, was approximately HK$957,000 (2005: HK$5,277,000) (note 32(b)).

12. DIVIDENDS

	2006	2005
	HK$'000	HK$'000
Interim – Nil (2005: HK0.5 cent) per ordinary share	**–**	4,704

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the net profit for the year attributable to ordinary equity holders of the parent of approximately HK$41,817,000 (2005: HK$40,529,000 (as restated)), and the weighted average number of 940,758,000 (2005: 940,758,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2006 and 2005 have not been disclosed as the Company's outstanding share options did not have a dilutive effect for both years presented.

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and building HK$'000	Leasehold improve-ments HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2006						
At 31 March and 1 April 2005:						
Cost	15,309	1,989	3,521	9,663	2,651	33,133
Accumulated depreciation and impairment	(609)	(1,176)	(2,969)	(8,226)	(2,313)	(15,293)
Net carrying amount	14,700	813	552	1,437	338	17,840
At 1 April 2005, net of accumulated depreciation and impairment	14,700	813	552	1,437	338	17,840
Additions	102	1,655	15	1,168	2,406	5,346
Disposals	–	–	–	(6)	–	(6)
Depreciation provided during the year	(370)	(415)	(251)	(712)	(928)	(2,676)
At 31 March 2006, net of accumulated depreciation and impairment	14,432	2,053	316	1,887	1,816	20,504
At 31 March 2006:						
Cost	15,411	3,644	3,531	10,784	4,727	38,097
Accumulated depreciation and impairment	(979)	(1,591)	(3,215)	(8,897)	(2,911)	(17,593)
Net carrying amount	14,432	2,053	316	1,887	1,816	20,504

Notes to Financial Statements

31 March 2006

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2005						
At 1 April 2004:						
Cost	–	1,804	3,404	5,222	2,828	13,258
Accumulated depreciation	–	(806)	(2,689)	(3,319)	(2,326)	(9,140)
Net carrying amount	–	998	715	1,903	502	4,118
At 1 April 2004, net of accumulated depreciation	–	998	715	1,903	502	4,118
Additions	15,309	382	172	5,105	243	21,211
Disposals	–	–	(55)	(120)	(27)	(202)
Disposal of subsidiaries	–	(162)	–	(314)	–	(476)
Impairment	(609)	–	–	(4,512)	–	(5,121)
Depreciation provided during the year	–	(405)	(280)	(625)	(380)	(1,690)
At 31 March 2005, net of accumulated depreciation	14,700	813	552	1,437	338	17,840
At 31 March 2005:						
Cost	15,309	1,989	3,521	9,663	2,651	33,133
Accumulated depreciation and impairment	(609)	(1,176)	(2,969)	(8,226)	(2,313)	(15,293)
Net carrying amount	14,700	813	552	1,437	338	17,840

Notes to Financial Statements

31 March 2006

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of a motor vehicle of the Group held under a finance lease included in the total amount of motor vehicles at 31 March 2006, amounted to approximately HK$24,000 (2005: HK$97,000).

At 31 March 2006, the Group's leasehold land and building with a net book value of approximately HK$14,432,000 (2005: HK$14,700,000) were pledged to secure general banking facilities granted to the Group (note 27).

The Group's leasehold land and building are situated in the United Kingdom and the leasehold land is held under a long term lease.

15. PROPERTIES HELD FOR DEVELOPMENT

The leasehold land included in properties held for development is situated in Hong Kong and is held under long term leases.

As at 31 March 2006, all of the Group's properties held for development are pledged to secure certain bank loans and general banking facilities of the Group (2005: Nil).

16. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at beginning of year	**229,800**	16,800
Additions	**226,193**	198,050
Acquisition of subsidiary	**4,000**	–
Gain on fair value changes, net	**58,797**	14,950
Carrying amount at end of year	**518,790**	229,800

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16. INVESTMENT PROPERTIES (continued)

The Group's investment properties as at 31 March 2006 are situated in Hong Kong and are held under the following lease terms:

	HK$'000
Long term leases	260,000
Medium term leases	258,790
	518,790

The Group's investment properties were revalued on 31 March 2006 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$518,790,000 (2005: HK$229,800,000) on market value, existing use basis.

Certain of the Group's investment properties are leased to third parties under operating leases, further details of which are included in note 36(a) to the financial statements. The gross rental income received and receivable by the Group and related expenses in respect of these investment properties are summarised as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Gross rental income	**8,837**	1,304
Direct expenses	**(1,118)**	(177)
Net rental income	**7,719**	1,127

As at 31 March 2006, the Group's investment properties with an aggregate carrying value of HK$518,450,000 (2005: HK$229,500,000) were pledged to secure general banking facilities granted to the Group (note 27).

Further particulars of the Group's investment properties are included on pages 10 to 11 of the annual report.

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17. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of minority interests of certain subsidiaries after 1 April 2001 is as follows:

	2006 **HK$'000**	2005 HK$'000
At beginning of year:		
Cost and net carrying amount	**14,717**	14,717
Cost at beginning of year, net of accumulated impairment	**14,717**	14,717
Impairment during the year	**(14,717)**	–
Cost and net carrying amount at end of year	**–**	14,717
At end of year:		
Cost	**14,717**	14,717
Accumulated impairment	**(14,717)**	–
Net carrying amount	**–**	14,717

As further detailed in note 2.5 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against the consolidated reserves.

The amount of goodwill remaining in the consolidated goodwill reserve, arising from the acquisition of subsidiaries prior to 1 April 2001, was approximately HK$5,035,000 as at 1 April 2005 and 31 March 2006. Such amount of goodwill is stated at its cost.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the civil engineering works cash-generating unit, which is a reportable segment, for impairment testing.

Due to the fierce competition and significant drop in revenue of the civil engineering works cash-generating unit, the directors, by estimating the recoverable amount of the civil engineering works cash-generating unit, considered the goodwill of HK$14,717,000 was fully impaired.

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17. GOODWILL (continued)

Impairment testing of goodwill (continued)

The recoverable amount of the civil engineering works cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10% (2005: 10%).

The net carrying amount of goodwill allocated to the civil engineering works cash-generating unit is as follows:

	2006	2005
	HK$'000	HK$'000
Cost	**14,717**	14,717
Less: Accumulated impairment	**(14,717)**	–
Net carrying amount	**–**	14,717

Key assumptions were used in the value-in-use calculation of the civil engineering works cash-generating unit for 31 March 2006 and 2005. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

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18. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**64,147**	64,147
Due from subsidiaries	**98,797**	73,181
	162,944	137,328

The amounts due from the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Profit Chain Investments Limited	British Virgin Islands/ Hong Kong	US$70,000 Ordinary	100	–	Investment holding
Able Engineering Company Limited	Hong Kong	HK$3,789,000 Ordinary HK$11,211,000 Non-voting deferred (Note)	–	100	Building construction, maintenance and civil engineering works
Gold Vantage Limited	Hong Kong	HK$100 Ordinary	–	100	Property holding

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Excel Engineering Company Limited	Hong Kong	HK$13,000,000 Ordinary	–	100	Building construction, maintenance and civil engineering works
Gadelly Construction Company Limited	Hong Kong	HK$3,700,000 Ordinary	–	100	Construction and plant hiring
Able Contractors Limited	Hong Kong	HK$10,000 Ordinary	–	100	Building construction
Able Maintenance Company Limited	Hong Kong	HK$10,000 Ordinary	–	100	Building construction and maintenance works
Covalla Limited	Hong Kong	HK$10,000 Ordinary	–	100	Property development
Good Trader Limited ("Good Trader")	Hong Kong	HK$1 Ordinary	–	100	Property holding
Great Business Limited	Hong Kong	HK$1 Ordinary	–	100	Property holding
Jeva Limited	Hong Kong	HK$1 Ordinary	–	100	Property holding
Comfort Home Properties Limited*	Hong Kong	HK$1 Ordinary	–	100	Property development
Win Glories Limited ("Win Glories")*	Hong Kong	HK$9,600 Ordinary	–	100	Property holding

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31 March 2006

18. INTERESTS IN SUBSIDIARIES (continued)

Note: The non-voting deferred shares carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding-up.

* Subsidiary newly acquired during the year

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.

19. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**–**	5,186
Due to a jointly-controlled entity	**–**	(5,175)
	–	11

The amount due to a jointly-controlled entity was unsecured, interest-free and had no fixed terms of repayment.

Particulars of the jointly-controlled entity were as follows:

			Percentage of			
Name	**Business structure**	**Place of incorporation and operations**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activity**
AWG-JV Limited	Corporate	Hong Kong	50	50	50	Dormant

The jointly-controlled entity has applied for deregistration during the year.

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19. INTEREST IN A JOINTLY-CONTROLLED ENTITY (continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2006 **HK$'000**	2005 HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**–**	5,186
Non-current assets	**–**	–
Current liabilities	**–**	–
Non-current liabilities	**–**	–
Net assets	**–**	5,186
Share of the jointly-controlled entity's results:		
Revenue	**–**	–
Other income	**–**	–
Total revenue	**–**	–
Total expenses	**–**	(11)
Tax	**–**	–
Loss after tax	**–**	(11)

20. CONSTRUCTION, RENOVATION AND OTHER CONTRACTS

	Group	
	2006 **HK$'000**	2005 HK$'000
Gross amount due from customers for contract work	**35,055**	40,478
Gross amount due to customers for contract work	**(51,392)**	(28,772)
	(16,337)	11,706
Contract costs incurred plus recognised profits less recognised losses to date	**2,528,354**	3,175,383
Less: Progress billings	**(2,544,691)**	(3,163,677)
	(16,337)	11,706

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21. PROPERTIES UNDER DEVELOPMENT

The carrying amount of the properties under development included capitalised interest of HK$1,300,000 (2005: HK$403,000) as at the balance sheet date. As at 31 March 2006, certain of the Group's properties under development with a carrying amount of HK$44,730,000 (2005: HK$42,355,000) were pledged to secure certain bank loans of the Group (note 27) .

22. ACCOUNTS RECEIVABLE

Accounts receivable consists of receivables from contract works and rentals under operating leases. The payment terms of contract works are stipulated in the relevant contracts. Rentals are normally payable in advance.

An aged analysis of the accounts receivable as at the balance sheet date is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current – 3 months	**132,421**	157,026
4 – 6 months	**323**	1,744
Over 6 months	**5,491**	2,345
	138,235	161,115

As at 31 March 2006, retentions receivable included in accounts receivable amounted to approximately HK$45,762,000 (2005: HK$50,226,000).

As at 31 March 2006, accounts receivable with a carrying amount of approximately HK$90,000,000 (2005: HK$96,000,000) were assigned to banks to secure general banking facilities granted to the Group (note 27).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**16,550**	9,164	**–**	–
Deposits and other receivables	**33,792**	25,804	**–**	2
	50,342	34,968	**–**	2

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24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**27,703**	27,587	**222**	77
Time deposits	**57,487**	88,265	**4,020**	28,176
	85,190	115,852	**4,242**	28,253
Less: Pledged time deposits:				
Pledged for bank overdraft facilities	**(2,042)**	(4,063)	**–**	–
Pledged for bank loans and other banking facilities	**(6,138)**	(28,176)	**(4,020)**	(28,176)
Cash and cash equivalents	**77,010**	83,613	**222**	77

The time deposits pledged to banks were to secure general banking facilities granted to the Group (note 27).

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group earn interest at the respective short term time deposits rates.

The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

25. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current – 3 months	**167,901**	183,996
4 – 6 months	**2,860**	15,294
Over 6 months	**23,294**	28,438
	194,055	227,728

25. ACCOUNTS PAYABLE (continued)

As at 31 March 2006, retentions payable included in accounts payable under current liabilities amounted to approximately HK$37,385,000 (2005: HK$36,543,000).

Included in the accounts payable are trade payables due to related parties who are family members of a director of the Company of approximately HK$181,000 (2005: HK$181,000), which are unsecured, interest-free and have no fixed terms of repayment.

Accounts payable are non-interest-bearing. The payment terms are stipulated in the relevant contracts.

26. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into interest rate swap contracts to manage its interest rate exposures which did not meet the criteria for hedge accounting (2005: Nil). Changes in the fair value of the interest rate swap contracts amounting to HK$752,000 (2005: Nil) were charged to the income statement for the year.

Notes to Financial Statements

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27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2006 HK$'000	Group 2005 HK$'000
Current				
Finance lease payable (note 28)	2.90	2006-2007	**50**	50
Bank overdrafts – secured	4.25-8.25	On demand	**19,327**	–
Bank loans – secured	4.90-8.75	2006-2007	**93,458**	61,590
			112,835	61,640
Non-current				
Finance lease payable (note 28)	2.90	2007-2008	**29**	79
Bank loans – secured	4.90-5.90	2007-2025	**371,676**	133,322
			371,705	133,401
			484,540	195,041
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand			**112,785**	61,590
In the second year			**45,141**	4,705
In the third to fifth years, inclusive			**48,326**	15,076
Beyond five years			**278,209**	113,541
			484,461	194,912
Other borrowings repayable:				
Within one year			**50**	50
In the second year			**29**	50
In the third to fifth years, inclusive			**–**	29
			79	129
			484,540	195,041

Other interest rate information:

	Group 2006 Fixed rate HK$'000	Group 2006 Floating rate HK$'000	Group 2005 Fixed rate HK$'000	Group 2005 Floating rate HK$'000
Finance lease payable	**79**	**–**	129	–
Bank overdrafts	**–**	**19,327**	–	–
Bank loans – secured	**–**	**465,134**	–	194,912
	79	**484,461**	129	194,912

The interest rates of the Group's bank borrowings are reset as market rates change and are primarily repriced every month.

Notes to Financial Statements

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27. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The Group's secured bank loans, overdrafts and other banking facilities are secured by:

(i) legal charges over the Group's investment properties, which had an aggregate carrying value at the balance sheet date of HK$518,450,000 (2005: HK$229,500,000);

(ii) legal charges over the Group's leasehold land and building, which had an aggregate carrying value at the balance sheet date of approximately HK$14,432,000 (2005: HK$14,700,000);

(iii) legal charges over the Group's properties under development, which had an aggregate carrying value at the balance sheet date of approximately HK$44,730,000 (2005: HK$42,355,000);

(iv) legal charges over the Group's properties held for development, which had an aggregate carrying value at the balance sheet date of HK$115,500,000 (2005: Nil);

(v) the pledge of certain of the Group's time deposits amounting to HK$8,180,000 at the balance sheet date (2005: HK$32,239,000); and

(vi) the assignment of accounts receivable related to certain construction contracts of the Group.

In addition, the Company had provided corporate guarantees against certain of the Group's banking facilities to the extent of approximately HK$877,302,000 (2005: HK$571,240,000) as at 31 March 2006 (note 35(a)).

Except for a secured bank loan of approximately HK$11,762,000 (2005: HK$12,750,000) which is denominated in Great British Pounds, all of the above bank and other borrowings of the Group as at 31 March 2006 and 31 March 2005 are denominated in Hong Kong dollars.

The carrying amounts of the Group's bank and other borrowings approximate to their fair values.

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28. FINANCE LEASE PAYABLE

The Group leased a motor vehicle for its construction business. The lease is classified as a finance lease and has remaining lease term of two (2005: three) years as at 31 March 2006.

At 31 March 2006, the total future minimum lease payments under the finance lease and their present values were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Amounts payable:				
Within one year	**56**	56	**50**	50
In the second year	**32**	56	**29**	50
In the third to fifth years, inclusive	**–**	32	**–**	29
Total minimum finance lease payments	**88**	144	**79**	129
Future finance charges	**(9)**	(15)		
Total net finance lease payable	**79**	129		
Portion classified as current liabilities (note 27)	**(50)**	(50)		
Non-current portion (note 27)	**29**	79		

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29. DEFERRED TAX

The components of net deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax (assets)/liabilities

Group

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Losses available for offset against future taxable profit HK$'000	Total HK$'000
2006				
At 1 April 2005:				
As previously reported	**511**	**–**	**(202)**	**309**
Effect of adopting HK(SIC)-Int 21	**–**	**2,245**	**–**	**2,245**
As restated	**511**	**2,245**	**(202)**	**2,554**
Deferred tax charged/(credited) to the income statement during the year (note 10)	**561**	**11,163**	**(708)**	**11,016**
At 31 March 2006	**1,072**	**13,408**	**(910)**	**13,570**
2005				
At 1 April 2004	223	–	–	223
Deferred tax charged/(credited) to the income statement during the year (restated) (note 10)	288	2,245	(202)	2,331
At 31 March 2005 (restated)	511	2,245	(202)	2,554

There was no movement in the deferred tax assets and liabilities of the Company during the year (2005: Nil).

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31 March 2006

29. DEFERRED TAX (continued)

The Group has tax losses arising in Hong Kong of approximately HK$9,253,000 (2005: HK$1,318,000). Subject to the confirmation of the tax losses from the Hong Kong Inland Revenue Department, these tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have been recognised in respect of HK$5,200,000 (2005: HK$1,154,000) of such losses. Deferred tax assets have not been recognised in respect of the remaining amount of HK$4,053,000 (2005: HK$164,000) as it is uncertain that there would be sufficient future taxable profits to utilise these tax losses.

At 31 March 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint venture as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

Shares

	2006 **HK$'000**	2005 HK$'000
Authorised:		
4,000,000,000 (2005: 4,000,000,000) ordinary shares of HK$0.025 each	**100,000**	100,000
Issued and fully paid:		
940,758,000 (2005: 940,758,000) ordinary shares of HK$0.025 each	**23,519**	23,519

There was no movement in share capital during the years ended 31 March 2006 and 2005.

On 16 February 2004, Winhale, the ultimate holding company, sold 95,958,000 existing ordinary shares of the Company at a price of HK$0.5 per share to a number of independent investors (the "Placees"), pursuant to the placing agreement dated 10 February 2004 signed with a placing agent (the "Placing Agent"). On 24 February 2004, the Company allotted an aggregate of 95,958,000 new ordinary shares of the Company at HK$0.5 per share to Winhale pursuant to the top-up subscription agreement entered into between the Company and Winhale on the same date as the placing agreement. The resulting proceeds, before expenses, amounted to approximately HK$47,979,000.

30. SHARE CAPITAL (continued)

Shares (continued)

In relation to the above allotment of shares, the Company further entered into a deed of undertaking dated 10 February 2004, whereby the Company provided an undertaking to the Placing Agent that it will, subject to certain regulatory conditions, grant to each Placee an option to subscribe for one further new share of the Company for every placing share purchased from Winhale. During the year ended 31 March 2005, an aggregate of 95,958,000 share options were granted to the Placees. The share options are exercisable at an exercise price of HK$0.8 per share within 36 months commencing from the date of the relevant deed of the option. No aforesaid share options were exercised during both years presented.

There is no recognition in the income statement in relation to the aforesaid share options granted to the Placees. The share capital and share premium of the Company will be credited with the proceeds received upon such share options being exercised by the Placees.

Share options

Details of the Company's share option schemes (other than the share options granted to the Placees as mentioned above) are included in note 31 to the financial statements.

31. SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed on 5 August 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "2002 Share Option Scheme") and the termination of the share option scheme adopted on 17 August 2000 (the "2000 Share Option Scheme").

The purpose of the 2002 Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2002 Share Option Scheme include full-time employees, including any executive and non-executive directors of the Group. The 2002 Share Option Scheme became effective on 8 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the 2002 Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the total number of shares of the Company in issue as at the date when the 2002 Share Option Scheme was approved by the shareholders of the Company in a general meeting. The maximum number of shares issuable under share options to each eligible participant in the 2002 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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31. SHARE OPTION SCHEMES (continued)

Share options granted to a director, chief executive, officer or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within seven days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but should not be less than the higher of (i) the closing price of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") daily quotation sheet on the date of grant of the share options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange for the five trading days immediately preceding the date of the offer; or (iii) the nominal value of the shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No option has been granted, exercised, cancelled or lapsed under either the 2000 Share Option Scheme or 2002 Share Option Scheme.

32. 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.

The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

Certain amounts of goodwill arising on the acquisition of subsidiaries in prior years remains in the consolidated goodwill reserves as explained in note 17 to the financial statements.

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32. RESERVES (continued)

(b) Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2004		75,391	63,948	722	140,061
Net profit for the year		–	–	5,277	5,277
Interim 2005 dividend	*12*	–	–	(4,704)	(4,704)
At 31 March 2005 and 1 April 2005		75,391	63,948	1,295	140,634
Net profit for the year		–	–	957	957
At 31 March 2006		75,391	63,948	2,252	141,591

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus in certain circumstances.

33. BUSINESS COMBINATION

On 19 July 2005, the Group acquired a 100% interest in Win Glories, a property holding company, for a purchase consideration of approximately HK$2,480,000.

During the year ended 31 March 2005, pursuant to a deed dated 7 January 2005, the Group acquired from Mr. Yau Kwok Fai ("Mr. Yau"), a director of the Company, a 100% interest in Good Trader and the loans of HK$11,550,000 owed by Good Trader to Mr. Yau. The consideration for the acquisition was in the form of cash and was fully paid.

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33. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year as at the dates of acquisitions and the corresponding carrying amounts immediately before the acquisitions were as follows:

	2006		2005	
	Fair value recognised on acquisition HK$'000	**Carrying amount HK$'000**	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Net assets acquired:				
Investment properties	**4,000**	**3,515**	–	–
Deposits for purchase of properties	**–**	**–**	11,550	11,550
Bank balances	**16**	**16**	–	–
Other payables and accruals	**(16)**	**(16)**	–	–
Bank loans	**(1,520)**	**(1,520)**	–	–
Loans from Mr. Yau	**–**	**–**	(11,550)	(11,550)
	2,480	**1,995**	–	–
Acquisition of loans owed by Good Trader to Mr. Yau	**–**	**–**	11,550	11,550
	2,480	**1,995**	11,550	11,550
Satisfied by:				
Cash	**2,480**		11,550	

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33. BUSINESS COMBINATION (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries (including the loans owed by Good Trader to Mr. Yau) is as follows:

	2006 **HK$'000**	2005 HK$'000
Cash consideration	**2,480**	11,550
Bank balance acquired	**(16)**	–
Net outflow of cash and cash equivalents	**2,464**	11,550

The amounts of the revenue and profit or loss of the acquired subsidiaries since the acquisition date included in the Group's consolidated revenue and profit for the year in which the acquisitions took place were not significant.

Had the above acquisitions taken place at the beginning of the respective year in which the acquisitions took place, there would be no material changes in the Group's consolidated revenue and consolidated profit for the respective year.

34. DISPOSAL OF SUBSIDIARIES

	Notes	**2006** **HK$'000**	2005 HK$'000
Net assets disposed of:			
Property, plant and equipment	*14*	**–**	476
Cash and bank balances		**–**	5
Prepayments, deposits and other receivables		**–**	1,803
			2,284
Gain on disposal of subsidiaries	*5, 6*	**–**	516
		–	2,800
Satisfied by:			
Cash		**–**	2,800

Notes to Financial Statements

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34. DISPOSAL OF SUBSIDIARIES (continued)

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

	2006 HK$'000	2005 HK$'000
Cash consideration	–	2,800
Cash and bank balances disposed of	–	(5)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	2,795

The results of the subsidiaries disposed of in the year ended 31 March 2005 had no significant impact on the Group's consolidated revenue or profit for that year.

35. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Guarantees in respect of performance bonds in favour of contract customers	82,698	69,398	–	–
Guarantees given to banks in connection with banking facilities granted to subsidiaries	–	–	877,302	571,240
	82,698	69,398	877,302	571,240

As at 31 March 2006, the guarantees given to banks in connection with banking facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK$567,158,000 (2005: HK$266,016,000).

35. CONTINGENT LIABILITIES (continued)

(b) At the balance sheet date, the Group had the following material outstanding litigations:

(i) On 3 January 2003, a High Court action was brought by a subcontractor against the Group for a claim of subcontracting fee of approximately HK$2.6 million. As at the date of approval of these financial statements, the directors consider that, given the nature of the claim, it is not possible to estimate the eventual outcome of the claim with reasonable certainty at this stage. The directors are of the opinion that the Group has valid defences, and consider that any resulting liability would not have any material impact on the Group's financial statements.

(ii) On 2 April 2005, 15 June 2005, 3 August 2005, 7 November 2005 and 16 March 2006, two District Court actions and one High Court action were commenced by employees of the Group against the Group, and two District Court actions and one High Court action were brought by the employees of the Group's subcontractors against the Group and other respondents in respect of the claims for employees' compensation under the Employee's Compensation Ordinance and the common law for personal injuries sustained by the employees in six accidents respectively occurred in the course of their employment.

(iii) Subsequent to the balance sheet date, on 10 April 2006, 8 May 2006, 11 May 2006 and 18 May 2006, three District Court actions and a High Court action were commenced by four employees of the Group's subcontractors against the Group and other respondents in respect of the claims for employees' compensation under the Employees' Compensation Ordinance for personal injuries sustained by the employees in four accidents arising out of and in the course of their employment.

No settlement has been reached for the actions mentioned in (ii) and (iii) up to the date of approval of these financial statements and no judgement has been made against the Group in respect of the claims. The directors are of the opinion that the claims will be covered by insurance and would not have material adverse impact to the income statement of the Group.

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35. CONTINGENT LIABILITIES (continued)

(c) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK$1.4 million (2005: HK$1.7 million) as at 31 March 2006, as further explained under the heading "Employee benefits" in note 2.5 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that there will be a material future outflow of resources from the Group.

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

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay rental deposits.

As at 31 March 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**15,594**	93
In the second to fifth years, inclusive	**28,141**	–
	43,735	93

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36. OPERATING LEASE ARRANGEMENTS (continued)

(b) 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 three years.

As at 31 March 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**4,518**	882
In the second to fifth years, inclusive	**8,594**	904
	13,112	1,786

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2006	2005
	HK$'000	HK$'000
Contracted, but not provided for:		
Purchases of investment properties	**943**	313,267

At the balance sheet date, the Company had no significant commitments (2005: Nil).

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38. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

		Group	
		2006	2005
	Notes	**HK$'000**	HK$'000
Rental expense paid to Win Source Investment Limited ("Win Source")	*(i)*	**66**	66
Rental deposit placed with Frason Holdings Limited ("Frason")	*(ii)*	**900**	–

Notes:

(i) Mr. Ngai Chun Hung is a director of Win Source. The rental expense was determined at a rate mutually agreed between the Group and Win Source by reference to prevailing market rate.

(ii) On 28 February 2006, the Group entered into a tenancy agreement with Frason for the lease of office premises for a three-year term from 1 March 2006 to 28 February 2009 at a monthly rental of HK$300,000. Frason is wholly-owned by Mr. Ngai Chun Hung. The rental deposit was made pursuant to such tenancy agreement.

(b) During the year ended 31 March 2005, the Group acquired from Mr. Yau, a director of the Company, the entire issued share capital of Good Trader and the loans owed by Good Trader to Mr. Yau. The consideration paid by the Group to Mr. Yau for the acquisition of the entire issued share capital of Good Trader and the loans owed by Good Trader to Mr. Yau as at the completion date of the acquisition was equal to the par value of one share of Good Trader, which amounted to HK$1, and the face value of the aforesaid loans, which amounted to HK$11,550,000, respectively. Good Trader became a wholly-owned subsidiary of the Group thereafter. Details of the transaction are also included in note 33 to the financial statements.

Notes to Financial Statements

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38. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	Group	
	2006	2005
	HK$'000	HK$'000
Short term employee benefits	**16,137**	16,539
Post-employment benefits	**156**	184
Total compensation paid to key management personnel	**16,293**	16,723

Further details of directors' emoluments are included in note 8 to the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and bank balances, time deposits, receivables, payables, borrowings and derivative financial instruments. Details of these financial instruments are disclosed in the respective notes to the financial statements. The risks associated with these financial instruments and the Group's policy for mitigating these risks are discussed below.

Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables, and counter-party financial obligations in derivative financial instruments. The Group's maximum credit risk exposure at 31 March 2006 in the event of other parties failing to perform their obligations is represented by the carrying amount of each financial asset as stated in the consolidated balance sheet.

As the Group places deposits and enters into derivative contracts only with banks with high credit ratings, the credit risk in this regard is low.

The management monitors the credit worthiness and payment patterns of each debtor closely and on an on-going basis. The Group's receivables from contract works represent interim payments or retentions certified by the customers under terms as stipulated in the contracts. Whilst the Group's customers in respect of contract works primarily consist of government departments and developers or owners with strong financial backgrounds, the management considers that the risk of irrecoverable receivables from contract works is not significant. In respect of rentals receivable, to limit the credit risk exposure, deposits are required of each tenant upon inception of the leases and monthly rentals are received in advance. Payments from each tenant are monitored and collectibility is reviewed closely.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

At 31 March 2006, the Group had a certain concentration of credit risk as 39% (2005: 35%) and 87% (2005: 85%) of the total accounts receivables was due from one single external customer and five single external customers respectively within the building construction, maintenance and engineering works segments.

Liquidity risk

The Group's policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in short and long terms. In addition, banking facilities have been put in place for contingency purposes.

Cash flow interest rate risk

The Group's exposure to cash flow interest rate risk arises from floating rate bank borrowings (note 27). To mitigate the cash flow interest rate risk, the Group has entered into interest rate swaps, denominated in Hong Kong dollars, with a bank. Further details of the interest rate swaps are included in note 26 to the financial statements.

Foreign currency risk

The majority of the Group's assets by value and all of the Group's operations are located in Hong Kong. In addition, the Group's transactions are predominantly denominated in Hong Kong dollars. At 31 March 2006, except for a bank loan of £870,000 (equivalent to approximately HK$11,762,000) which is secured by a leasehold property in London with a carrying amount of approximately HK$14,432,000, all of the Group's borrowings are denominated in Hong Kong dollars. The Group's net exposure to foreign currency risk is not significant and the Group has not entered into any hedging arrangements. However, management monitors the foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

40. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of certain new HKFRSs during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated and reclassified to conform to the current year's presentation and accounting treatment.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 July 2006.