Notes to Financial Statements

31 March 2005

1. CORPORATE INFORMATION

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

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

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

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKASs"), herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has resolved to early adopt 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 major effects of the adoption of these HKFRSs are summarised as follows:

(a) HKFRS 3 prescribes the accounting for business combinations. The early adoption of HKFRS 3 requires the early adoption of HKAS 36 and HKAS 38. The early adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill.

Prior to the adoption:

- goodwill arising from acquisitions after 1 April 2001 was recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years;
- goodwill arising on acquisitions before 1 April 2001 was accounted for directly in the consolidated reserves in the year of acquisition;

Notes to Financial Statements

31 March 2005

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(a) *(continued)*

- goodwill was assessed for impairment at each balance sheet date; and

- on disposal of subsidiaries, the gain or loss on disposal was calculated by reference to the net assets of the subsidiaries at the date of disposal, including the attributable amount of goodwill which remained unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously accounted for directly in the consolidated reserves at the time of acquisition was written back and included in the calculation of the gain or loss on disposal of the subsidiaries.

Upon adoption:

- the Group ceased the amortisation of goodwill from 1 April 2004;

- the accumulated amortisation of goodwill arising on the acquisitions of subsidiaries and minority interests as at 1 April 2004 has been eliminated with a corresponding decrease in the respective cost of goodwill at that date;

- from the year ended 31 March 2005 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment;

- goodwill previously accounted for directly in consolidated reserves is not recognised in profit and loss when a cash-generating unit to which the goodwill relates becomes impaired;

- on disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously accounted for directly in the consolidated reserves at the time of acquisition is transferred to the consolidated retained profits as a movement in reserves and is not included in the calculation of the gain or loss on disposal.

HKFRS 3, HKAS 36 and HKAS 38 do not require retrospective application and have had no impact on the opening retained earnings as at 1 January 2004.

The adoption of HKFRS 3 has resulted in an increase in the Group's net profit from ordinary activities attributable to shareholders of HK$862,000 for the year ended 31 March 2005.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) The adoption of HKAS 40 has resulted in a change in accounting policy for the Group's investment properties.

Changes in the values of the investment properties were previously dealt with in the investment property revaluation reserve, on a portfolio basis. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. Following the adoption of HKAS 40, investment properties are measured at fair value after initial recognition and a gain or loss arising from a change in the fair value of investment properties is recognised in the profit and loss account.

There is no impact on the amounts reported for the year ended 31 March 2004 or prior periods as a result of this change in accounting policy because the Group's investment properties had a net revaluation deficit position as at 31 March 2004, 2003 and 2002 and the changes in valuation of the Group's investment properties would be recognised in the profit and loss account irrespective of whether the old policy or the new policy was applied. The effect of the change in this accounting policy on the consolidated financial statements in respect of the year ended 31 March 2005 is that the Group's net profit for the year has been increased by HK$13,088,000.

The Group has not early adopted other new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of other HKFRSs but is not yet in a position to state whether other new HKFRSs would have a significant impact on its results of operations and financial position.

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties that are measured at fair value, as further explained below.

Basis of consolidation

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

Subsidiaries

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

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

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company 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 company'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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint venture companies *(continued)*

A joint venture company is treated as:

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

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which 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 jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries is initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition. Goodwill arising on acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset.

Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions after 1 April 2004 is not amortised. Goodwill already carried in the consolidated balance sheet as at 1 April 2004 is not amortised after that date and the carrying amount of the accumulated amortisation of goodwill was eliminated with a corresponding decrease in the cost of related goodwill as at that date. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets of the subsidiaries at the date of disposal, including the attributable amount of goodwill except as further explained below in respect of the attributable goodwill previously accounted for directly in the consolidated reserves at the time of acquisition.

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Goodwill arising on acquisitions before 1 April 2001 was accounted for directly in the consolidated reserves at the time of acquisition. When the Group disposes of all or part of the business to which that goodwill relates, such goodwill is transferred from the consolidated goodwill reserve to the consolidated retained profits and is not included in the calculation of gain or loss on disposal. When the cash-generating unit to which the goodwill relates becomes impaired, the impairment loss in respect of the goodwill is transferred from the consolidated goodwill reserve to the consolidated retained profits and is not recognised in the consolidated profit and loss account.

Related parties

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

Impairment of assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss of the asset other than goodwill accounted for directly in the consolidated reserves, the treatment of which is included in the accounting policy for goodwill above, is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset. Any impairment losses made against goodwill are not reversed.

Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation

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

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

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

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

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are owned by the Group or held by the Group under finance leases to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including all transaction costs and, after initial recognition, carried at fair values, being their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the fair values of investment properties are recognised in the profit and loss account in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the retirement or disposal of the investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the investment property, is recognised in the profit and loss account in the period of the retirement or disposal.

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties under redevelopment

Property under redevelopment for re-sale is included under current assets and stated at the lower of cost and net realisable value. Cost comprises acquisition cost, construction costs, interest and other direct attributable costs. Net realisable value is determined by reference to estimated selling prices less estimated total costs of the redevelopment and estimated costs necessary to make the sale of the property.

Leased assets

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

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account 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 profit and loss account on the straight-line basis over the lease terms.

Construction, renovation and other contracts

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

Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction, renovation and other contracts *(continued)*

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.

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, and assets similar in nature to cash, which are not restricted as to use.

Income tax

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries and 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 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.

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.

Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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) 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) work orders from 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 a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves 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 currency transactions

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

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 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Paid leave carried forward

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

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 Hong Kong 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 Hong Kong 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.

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 profit and loss account 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 ORSO retirement benefits scheme for those employees who are eligible to participate in the 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share option schemes

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. The financial impact of share options granted under share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical 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 work 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 of public housing and Government and other institutional buildings;

Notes to Financial Statements

31 March 2005

4. SEGMENT INFORMATION *(continued)*

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

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

There were no inter-segment sales and transfers during the year (2004: Nil).

Business segments

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

Group	Building construction		Civil engineering works		Renovation, repairs and maintenance		Property investment*		Property development		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	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)				(Restated)
Segment revenue:												
Sales to external customers	**1,107,957**	908,768	**120,619**	152,153	**276,155**	346,961	**1,304**	–	**-**	–	**1,506,035**	1,407,882
Segment results	**44,624**	38,841	**9,211**	10,091	**13,824**	15,529	**15,820**	4,418	**(4)**	–	**83,475**	68,879
Interest and unallocated revenue and gains											**3,220**	3,924
Unallocated expenses, net											**(35,687)**	(24,820)
Profit from operating activities											**51,008**	47,983
Finance costs											**(980)**	(1,872)
Share of profit and loss of a jointly-controlled entity											**(11)**	258
Profit before tax											**50,017**	46,369
Tax											**(7,243)**	(7,349)
Net profit from ordinary activities attributable to shareholders											**42,774**	39,020

* The segment results of the property investment segment include gain on revaluation of investment properties of HK$14,950,000 (2004: HK$4,540,000).

Notes to Financial Statements

31 March 2005

4. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

Group	Building construction 2005 HK$'000	Building construction 2004 HK$'000	Civil engineering works 2005 HK$'000	Civil engineering works 2004 HK$'000	Renovation, repairs and maintenance 2005 HK$'000	Renovation, repairs and maintenance 2004 HK$'000	Property investment 2005 HK$'000	Property investment 2004 HK$'000 (Restated)	Property development 2005 HK$'000	Property development 2004 HK$'000	Consolidated 2005 HK$'000	Consolidated 2004 HK$'000 (Restated)
Segment assets	**183,192**	257,178	**18,454**	33,626	**28,520**	17,512	**231,061**	16,500	**42,386**	–	**503,613**	324,816
Interest in a jointly-controlled entity											**11**	22
Unallocated assets											**187,874**	157,816
Total assets											**691,498**	482,654
Segment liabilities	**202,939**	220,376	**13,259**	27,101	**40,121**	26,139	**273**	–	**25**	–	**256,617**	273,616
Unallocated liabilities											**203,201**	10,724
Total liabilities											**459,818**	284,340
Other segment information:												
Capital expenditure							**198,050**	–			**198,050**	–
Unallocated capital expenditure											**21,211**	2,466
											219,261	2,466
Depreciation and amortisation on unallocated assets											**1,690**	2,771
Impairment loss on unallocated assets											**5,121**	–
Gain on revaluation of investment properties							**14,950**	4,540			**14,950**	4,540

Notes to Financial Statements

31 March 2005

5. TURNOVER, REVENUE AND GAINS

Turnover represents the appropriate proportion of contract revenue from construction, renovation and other contracts, and the gross rental income received and receivable from investment properties.

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

		Group	
		2005	2004
	Note	**HK$'000**	HK$'000
Turnover			
Contract revenue		**1,504,731**	1,407,882
Property gross rental income		**1,304**	–
		1,506,035	1,407,882
Other revenue			
Interest income		**1,265**	2,709
Sundry income		**1,439**	471
		2,704	3,180
Gains			
Gain on disposal of fixed assets		**–**	4
Exchange gains, net		**–**	740
Gain on disposal of subsidiaries	*31(b)*	**516**	–
		516	744
		3,220	3,924

Notes to Financial Statements

31 March 2005

6. PROFIT FROM OPERATING ACTIVITIES

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

		Group	
		2005	2004
	Notes	**HK$'000**	HK$'000
Auditors' remuneration		**970**	728
Depreciation	*14*	**1,690**	1,909
Goodwill amortisation	*15*	**–**	862
Staff costs (exclusive of directors' remuneration – *note 8*):			
Salaries and wages		**63,012**	59,513
Pension scheme contributions		**2,436**	2,244
Less: Forfeited contributions**		**(283)**	(189)
Net pension contributions		**2,153**	2,055
		65,165	61,568
Minimum lease payments under operating leases:			
Land and buildings		**1,022**	823
Equipment		**7,514**	7,659
Impairment loss on fixed assets*	*14*	**5,121**	–
Gain on revaluation of investment properties	*14*	**(14,950)**	(4,540)
Loss/(gain) on disposal of fixed assets		**99**	(4)
Gain on disposal of subsidiaries	*31(b)*	**(516)**	–
Government subsidies***		**(609)**	(435)
Exchange losses/(gains), net		**7**	(740)
Net rental income		**(1,127)**	–
Interest income		**(1,265)**	(2,709)

* Impairment loss on fixed assets for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

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

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

Notes to Financial Statements

31 March 2005

7. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	HK$'000
Interest on bank loans and overdrafts	**1,377**	1,870
Interest on finance leases	**6**	2
Total interest	**1,383**	1,872
Less: Interest capitalised	**(403)**	–
	980	1,872

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	
	2005	2004
	HK$'000	HK$'000
Fees:		
Independent non-executive directors	**375**	300
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**5,619**	4,090
Performance related bonuses	**5,180**	1,500
Pension scheme contributions	**81**	36
	10,880	5,626
	11,255	5,926

Notes to Financial Statements

31 March 2005

8. DIRECTORS' REMUNERATION *(continued)*

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

	Number of directors	
	2005	2004
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
	7	5

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

During the year, no share option of the Company was granted to the directors in respect of their services to the Group.

9. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2005	2004
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**855**	1,820
Performance related bonuses	**238**	–
Pension scheme contributions	**9**	30
	1,102	1,850

Notes to Financial Statements

31 March 2005

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

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

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**1**	–
	1	2

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2005	2004
	HK$'000	HK$'000
Current – Hong Kong:		
Charge for the year	**7,262**	7,384
Overprovision in prior years	**(105)**	(138)
Deferred *(note 27)*	**86**	103
Total tax charge for the year	**7,243**	7,349

Notes to Financial Statements

10. TAX *(continued)*

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			
	2005		2004	
	HK$'000	**%**	HK$'000	%
Profit before tax	**50,017**		46,369	
Tax at the statutory tax rate	**8,753**	**17.5**	8,115	17.5
Adjustments in respect of current tax of previous periods	**(105)**	**(0.2)**	(138)	(0.3)
Income not subject to tax	**(2,632)**	**(5.3)**	(964)	(2.1)
Expenses not deductible for tax	**1,127**	**2.3**	204	0.4
Effect on opening deferred tax of increase in rate	**–**	**–**	11	0.0
Others	**100**	**0.2**	121	0.3
Tax charge at the Group's effective rate	**7,243**	**14.5**	7,349	15.8

Notes to Financial Statements

31 March 2005

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company, was approximately HK$5,277,000 (2004: HK$9,278,000) (note 30(b)).

12. DIVIDENDS

	2005	2004
	HK$'000	HK$'000
Interim – HK0.5 cent (2004: HK0.5 cent) per ordinary share	**4,704**	4,224
Proposed final – Nil (2004: HK0.5 cent) per ordinary share	**–**	4,704
	4,704	8,928

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of approximately HK$42,774,000 (2004: HK$39,020,000), and the weighted average of 940,758,000 (2004: 854,500,672) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31 March 2005 has not been calculated as the Company's outstanding share options did not have a dilutive effect for the year.

Diluted earnings per share for the year ended 31 March 2004 has not been calculated as the Company had no dilutive potential ordinary shares during that year.

Notes to Financial Statements

31 March 2005

14. FIXED ASSETS

Group	Investment properties HK$'000	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:							
At 1 April 2004	16,800	–	1,804	3,404	5,222	2,828	30,058
Additions	198,050	15,309	382	172	5,105	243	219,261
Disposals	–	–	–	(55)	(324)	(420)	(799)
Disposal of subsidiaries *(note 31(b))*	–	–	(197)	–	(340)	–	(537)
Gain on revaluation	14,950	–	–	–	–	–	14,950
At 31 March 2005	229,800	15,309	1,989	3,521	9,663	2,651	262,933
Accumulated depreciation and impairment:							
At 1 April 2004	–	–	806	2,689	3,319	2,326	9,140
Provided during the year	–	–	405	280	625	380	1,690
Impairment during the year recognised in the profit and loss account	–	609	–	–	4,512	–	5,121
Disposals	–	–	–	–	(204)	(393)	(597)
Disposal of subsidiaries *(note 31(b))*	–	–	(35)	–	(26)	–	(61)
At 31 March 2005	–	609	1,176	2,969	8,226	2,313	15,293
Net book value:							
At 31 March 2005	229,800	14,700	813	552	1,437	338	247,640
At 31 March 2004	16,800	–	998	715	1,903	502	20,918
Analysis of cost or valuation:							
At cost	–	14,700	813	552	1,437	338	17,840
At 31 March 2005 valuation	229,800	–	–	–	–	–	229,800
	229,800	14,700	813	552	1,437	338	247,640

Notes to Financial Statements

31 March 2005

14. FIXED ASSETS *(continued)*

(a) Investment properties of the Group as at 31 March 2005 are situated in Hong Kong and held under the following lease terms:

	HK$'000
Long term leases	195,300
Medium term leases	34,500
	229,800

(b) At 31 March 2005, the investment properties were revalued by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$229,800,000 (2004: HK$16,800,000) on market value basis.

(c) Certain of the Group's investment properties are leased to third parties under operating leases, further details of which are included in note 33(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	
	2005	2004
	HK$'000	HK$'000
Gross rental income	**1,304**	–
Direct expenses	**(177)**	–
Net rental income	**1,127**	–

(d) As at 31 March 2005, the investment properties and leasehold land and building of the Group with an aggregate carrying value of HK$229,500,000 (2004: HK$16,500,000) and HK$14,700,000 (2004: Nil), respectively, were pledged to secure general banking facilities granted to the Group (note 25).

(e) The Group's leasehold land and building is situated in United Kingdom and held under long term lease.

14. FIXED ASSETS *(continued)*

(f) The net book value of the motor vehicle of the Group held under a finance lease included in the total amount of fixed assets at 31 March 2005, amounted to HK$97,000 (2004: HK$170,000).

(g) During the year, certain furniture and fixtures and the leasehold land and building of the Group were written down to their recoverable amount. The recoverable amounts were based on their fair value less costs to sell.

15. GOODWILL

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

Group

	HK$'000
Cost:	
At 1 April 2004	17,230
Elimination of amortisation accumulated prior to the adoption of HKFRS 3 *(note 2(a))*	(2,513)
At 31 March 2005	14,717
Accumulated amortisation:	
At 1 April 2004	2,513
Elimination of amortisation accumulated prior to the adoption of HKFRS 3 *(note 2(a))*	(2,513)
At 31 March 2005	–
Net amount:	
At 31 March 2005	14,717
At 31 March 2004	14,717

Notes to Financial Statements

15. GOODWILL *(continued)*

As detailed in note 2(a) to the financial statements, on the adoption of HKFRS 3, HKAS 36 and HKAS 38 during the year:

- the Group ceased amortisation of goodwill from 1 April 2004 which resulted in an increase in net profit from ordinary activities attributable to shareholders of HK$862,000 for the year ended 31 March 2005;

- the accumulated amortisation of goodwill arising on acquisition of minority interests of subsidiaries prior to 1 April 2004 but after 1 April 2001 of approximately HK$2,513,000 has been eliminated with a corresponding decrease in the cost of goodwill as at that date; and

- from the year ended 31 March 2005 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

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 2004 and 31 March 2005. Such amount of goodwill is stated at its cost.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**64,147**	64,147
Due from subsidiaries	**73,181**	80,495
Due to subsidiaries	**–**	(230)
	137,328	144,412

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

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
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
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

Notes to Financial Statements

31 March 2005

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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

Note: The 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.

During the year, the Group acquired Good Trader from Mr. Yau Kwok Fai ("Mr. Yau"), a director of the Company. Further details of this acquisition are included in notes 31(a) and 35(b) to the financial statements.

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

17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	**5,186**	3,597
Due to a jointly-controlled entity	**(5,175)**	(3,575)
	11	22

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

Particulars of the jointly-controlled entity are as follows:

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

The above investment in a jointly-controlled entity is indirectly held by the Company.

Notes to Financial Statements

31 March 2005

18. CONSTRUCTION, RENOVATION AND OTHER CONTRACTS

	Group	
	2005	2004
	HK$'000	HK$'000
Gross amount due from customers for contract work	**40,478**	104,607
Gross amount due to customers for contract work	**(28,772)**	(59,227)
	11,706	45,380
Contract costs incurred plus recognised profits less recognised losses to date	**3,175,383**	2,231,020
Less: Progress billings	**(3,163,677)**	(2,185,640)
	11,706	45,380

19. PROPERTY UNDER REDEVELOPMENT

The carrying amount of the property under redevelopment included capitalised interest of HK$403,000 (2004: Nil) as at the balance sheet date. As at 31 March 2005, the Group's property under redevelopment pledged to secure certain bank loans of the Group amounted to HK$42,355,000 (2004: Nil).

20. ACCOUNTS RECEIVABLE

The payment terms of contract works are stipulated in the relevant construction contracts.

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

	Group	
	2005	2004
	HK$'000	HK$'000
1 – 3 months	**157,026**	160,125
4 – 6 months	**1,744**	373
Over 6 months	**2,345**	8,162
	161,115	168,660

As at 31 March 2005, retentions receivable included in accounts receivable amounted to approximately HK$50,226,000 (2004: HK$25,915,000).

As at 31 March 2005, accounts receivable of approximately HK$96,000,000 (2004: HK$72,000,000) were assigned to banks to secure banking facilities granted to the Group.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**9,164**	20,647	**–**	–
Deposits and other debtors	**25,804**	28,735	**2**	7
	34,968	49,382	**2**	7

Notes to Financial Statements

31 March 2005

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**27,587**	49,526	**77**	6,401
Time deposits	**88,265**	74,754	**28,176**	17,702
	115,852	124,280	**28,253**	24,103
Less: Pledged time deposits:				
Pledged for bank overdraft facilities	**(4,063)**	(2,000)	**–**	–
Pledged for other banking facilities	**(28,176)**	(19,758)	**(28,176)**	(17,702)
	83,613	102,522	**77**	6,401

The time deposits pledged to banks were to secure general banking facilities granted to the Group *(note 25)*.

23. ACCOUNTS PAYABLE

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

	Group	
	2005	2004
	HK$'000	HK$'000
1 – 3 months	**183,996**	200,751
4 – 6 months	**15,294**	5,881
Over 6 months	**28,438**	8,079
	227,728	214,711

As at 31 March 2005, retentions payable included in accounts payable under current liabilities amounted to approximately HK$36,543,000 (2004: HK$30,996,000).

Included in the accounts payable are trade payables to related parties of approximately HK$181,000 (2004: HK$21,000), which are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
		2005	2004
	Notes	**HK$'000**	HK$'000
Current portion of bank loans	*25*	**61,590**	80
Current portion of a finance lease payable	*26*	**50**	50
		61,640	130

25. INTEREST-BEARING BANK LOANS

	Group	
	2005	2004
	HK$'000	HK$'000
Secured bank loans repayable:		
Within one year or on demand	**61,590**	80
In the second year	**4,705**	–
In the third to fifth years, inclusive	**15,076**	–
Beyond five years	**113,541**	–
	194,912	80
Portion classified as current liabilities *(note 24)*	**(61,590)**	(80)
Long term portion	**133,322**	–

Notes to Financial Statements

31 March 2005

25. INTEREST-BEARING BANK LOANS *(continued)*

The banking facilities granted to the Group by certain banks as at 31 March 2005 were secured by:

(a) charges over the Group's time deposits of approximately HK$32,239,000 (2004: HK$21,758,000);

(b) legal charge over investment properties and leasehold land and building of the Group with an aggregate carrying value at the balance sheet date of approximately HK$229,500,000 (2004: HK$16,500,000) and HK$14,700,000 (2004: Nil) respectively;

(c) legal charge over property under redevelopment of the Group of approximately HK$42,355,000 (2004: Nil); and

(d) 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$571,240,000 (2004: HK$117,164,000) as at 31 March 2005 (note 32(a)).

Notes to Financial Statements

31 March 2005

26. FINANCE LEASE PAYABLE

The Group leased a motor vehicle for its construction business. The lease is classified as finance lease and has remaining lease term of three (2004: four) years as at 31 March 2005.

At 31 March 2005, the total future minimum lease payments under a finance lease and their present values were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**56**	56	**50**	50
In the second year	**56**	56	**50**	50
In the third to fifth years, inclusive	**32**	88	**29**	79
Total minimum finance lease payments	**144**	200	**129**	179
Future finance charges	**(15)**	(21)		
Total net finance lease payable	**129**	179		
Portion classified as current liabilities *(note 24)*	**(50)**	(50)		
Long term portion	**79**	129		

Notes to Financial Statements

31 March 2005

27. DEFERRED TAX

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

Deferred tax liabilities

Group

	Accelerated tax depreciation	
	2005	2004
	HK$'000	HK$'000
At beginning of year	**223**	120
Deferred tax charged to the profit and loss account *(note 10)*	**288**	103
Deferred tax liabilities at end of year	**511**	223

Deferred tax assets

Group

	Losses available for offset against future taxable profit	
	2005	2004
	HK$'000	HK$'000
At beginning of year	**–**	–
Deferred tax credited to the profit and loss account *(note 10)*	**202**	–
Deferred tax assets at end of year	**202**	–
Net deferred tax liabilities at end of year	**309**	223

27. DEFERRED TAX *(continued)*

There was no movement in the deferred tax assets and liabilities of the Company during the year (2004: Nil).

The Group has tax losses arising in Hong Kong of approximately HK$1,318,000 (2004: HK$175,000). Subject to the confirmation of the tax losses from the tax authority, these tax losses are available indefinitely for offsetting against future taxable profits of the Group in which the losses arose. A deferred tax asset has been recognised in respect of HK$1,154,000 (2004: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining amount of HK$164,000 (2004: HK$175,000) due to the uncertain recoverability of those losses by sufficient future taxable profits.

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

28. SHARE CAPITAL

Shares

	2005	2004
	HK$'000	HK$'000
Authorised:		
4,000,000,000 (2004: 4,000,000,000) ordinary shares of HK$0.025 each	**100,000**	100,000
Issued and fully paid:		
940,758,000 (2004: 940,758,000) ordinary shares of HK$0.025 each	**23,519**	23,519

Notes to Financial Statements

31 March 2005

28. SHARE CAPITAL *(continued)*

Shares *(continued)*

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.

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 the year.

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 29 to the financial statements.

29. 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.

Notes to Financial Statements

29. SHARE OPTION SCHEMES *(continued)*

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.

Share options granted to a director, chief executive 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 ten 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 was granted, exercised, cancelled or lapsed under either the 2000 Share Option Scheme or 2002 Share Option Scheme at any time.

Notes to Financial Statements

31 March 2005

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 33 of the financial statements.

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 Group's shares, over the nominal value of the Company's shares issued in exchange therefor.

The amount of goodwill arising on the acquisition of subsidiaries remains in the consolidated goodwill reserve as explained in note 15 to the financial statements.

(b) Company

	Notes	**Share premium account** HK$'000	**Contributed surplus** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 2003		31,603	63,948	372	95,923
Issue of shares	*28*	45,580	–	–	45,580
Share issue expenses	*28*	(1,792)	–	–	(1,792)
Net profit for the year		–	–	9,278	9,278
Interim 2004 dividend declared	*12*	–	–	(4,224)	(4,224)
Proposed final 2004 dividend	*12*	–	–	(4,704)	(4,704)
At 31 March 2004		75,391	63,948	722	140,061
Net profit for the year		–	–	5,277	5,277
Interim 2005 dividend declared	*12*	–	–	(4,704)	(4,704)
At 31 March 2005		75,391	63,948	1,295	140,634

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 (as amended), the Company may make distributions to its members out of the contributed surplus in certain circumstances.

Notes to Financial Statements

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

	2005 HK$'000	2004 HK$'000
Net assets acquired:		
Deposits for purchase of properties	11,550	–
Loans from Mr. Yau	(11,550)	–
	–	–
Acquisition of loans owed by Good Trader to Mr. Yau	11,550	–
	11,550	–
Satisfied by:		
Cash	11,550	–

An analysis of the net outflow of cash and cash equivalent in respect of the acquisition of a subsidiary is as follows:

	2005 HK$'000	2004 HK$'000
Cash consideration for the acquisition of the entire share capital of Good Trader	–	–
Cash consideration for the acquisition of loans owed by Good Trader to Mr. Yau	11,550	–
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	11,550	–

Notes to Financial Statements

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(a) Acquisition of a subsidiary *(continued)*

Pursuant to a deed dated 7 January 2005, during the year, the Group acquired from 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 during the year. Further details of the transaction are included in note 35(b) to the financial statements.

Since its acquisition, the subsidiary had no significant impact on the Group's consolidated turnover or profit after tax for the year. There would be no material changes in the Group's consolidated turnover and consolidated net profit for the year should the above acquisition has been taken place on 1 April 2004.

(b) Disposal of subsidiaries

	Notes	**2005 HK$'000**	2004 HK$'000
Net assets disposed of:			
Fixed assets	*14*	**476**	–
Cash and bank balances		**5**	–
Prepayments, deposits and other debtors		**1,803**	–
		2,284	–
Gain on disposal of subsidiaries	*5, 6*	**516**	–
		2,800	–
Satisfied by:			
Cash		**2,800**	–

Notes to Financial Statements

31 March 2005

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) 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:

	2005	2004
	HK$'000	HK$'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 subsidiaries disposed of during the year had no impact on the Group's consolidated turnover for the year. The net loss of the subsidiaries disposed of during the year as dealt with in the consolidated financial statements for the year ended 31 March 2005 amounted to approximately HK$426,000.

(c) Major non-cash transaction

During the year ended 31 March 2004, the Group entered into finance lease arrangement in respect of a motor vehicle with a capital value at the inception of the lease of HK$242,000.

32. CONTINGENT LIABILITIES

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

	Group		**Company**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees in respect of performance bonds in favour of contract customers	**69,398**	24,102	**–**	–
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**–**	–	**571,240**	117,164
	69,398	24,102	**571,240**	117,164

Notes to Financial Statements

31 March 2005

32. CONTINGENT LIABILITIES *(continued)*

(a) *(continued)*

As at 31 March 2005, the guarantees given to banks in connection with banking facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK$266,016,000 (2004: HK$24,431,000).

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

(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 claims 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 4 September 2004, 11 January 2005, 26 January 2005, 4 March 2005, one District Court action was commenced by an employee of the Group against the Group, and three District Court actions 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 for personal injuries sustained by the employees in four accidents respectively occurred in the course of their employment.

(iii) Subsequent to the balance sheet date, on 2 April 2005, a District Court action was commenced by an employee of the Group against the Group in respect of a claim for employees' compensation under the Employees' Compensation Ordinance for personal injury sustained by the employee in an accident arising out of and in the course of his employment.

(iv) Subsequent to the balance sheet date, on 15 June 2005, a High Court action was commenced by an employee of the Group's subcontractor against the Group and another respondent in respect of a claim for employees' compensation under the common law for personal injury sustained by the employee in an accident arising out of and in the course of his employment.

No settlement has been reached for the actions mentioned in (ii) to (iv) up to the date of approval of these financial statements and no judgment 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 on the Group's financial statements.

Notes to Financial Statements

32. 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$1.7 million (2004: HK$1.5 million) as at 31 March 2005, as further explained under the heading "Employee benefits" in note 3 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 2005, the Company and the Group had no material contingent liabilities.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms within one year. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 March 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**93**	–

Notes to Financial Statements

31 March 2005

33. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

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

At 31 March 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**882**	779
In the second to fifth years, inclusive	**904**	1,397
	1,786	2,176

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2005	2004
	HK$'000	HK$'000
Contracted, but not provided for:		
Purchases of investment properties	**313,267**	8,174
Investments in joint ventures	**–**	6,212
	313,267	14,386

At the balance sheet date, the Company did not have any significant commitments (2004: Nil).

Notes to Financial Statements

35. 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	
		2005	2004
	Notes	**HK$'000**	HK$'000
Subcontracting fees paid to close family members of Mr. Ngai Chun Hung	*(i)*	**2**	9,177
Rental expense paid to Win Source Investment Limited ("Win Source")	*(ii)*	**66**	–

Notes:

(i) The terms for the subcontracting construction fees were determined in accordance with the relevant agreements entered into between the Group and the relevant related parties, with reference to the Group's estimated costs.

(ii) 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 rates.

(b) During the year, 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 31(a) to the financial statements.

Notes to Financial Statements

31 March 2005

36. POST BALANCE SHEET EVENTS

In addition to those investment properties acquired during the year as disclosed in note 14 to the financial statements, the Group had also entered into several provisional sales and purchase agreements during the year, whereby the Group agreed to acquire certain properties situated in Hong Kong from certain third parties. The aggregate consideration for these acquisitions amounted to approximately HK$331 million. Subsequent to the balance sheet date, all these acquisitions were completed before the date of approval of these financial statements. The Group drew new mortgage loans of approximately HK$232 million in aggregate to finance these acquisitions. These acquisitions have constituted Notifiable Transactions (as defined under the Listing Rules) and relevant reporting procedures have been made in accordance with Chapter 14 of the Listing Rules.

37. COMPARATIVE AMOUNTS

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

Due to the addition of reportable segments identified during the year, certain comparative amounts in the segment information note have been restated.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 July 2005.