1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section of Corporate Information of the annual report.

The consolidated financial statements are presented in Hong Kong dollar, which is the same as the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and property investment. Details of the principal subsidiaries are set out in note 41.

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have effects on how the results for the current and/or prior accounting years are prepared and presented:

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies continued

Share-based Payment

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions. Because all the share options granted were fully vested prior to 1 April 2005 and no share option was granted on or after 1 April 2005, this change has had no effect on the results for both the current and prior year.

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of the financial instruments in the consolidated financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecogniton or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies continued

Financial Instruments continued

Classification and measurement of financial assets and financial liabilities continued

By 31 March 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 April 2005 onwards, the Group has classified and measured its investments in debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1 April 2005, the Group classified and measured its investments in debt and equity securities in accordance with the transitional provisions of HKAS 39. Adjustments to the Group's previous carrying amounts of assets were made on 1 April 2005 (see note 3 for the financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. However, there has been no significant financial impact on the adoption of the new accounting policy.

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies continued

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact). However, for those leasehold land and buildings held by the Group where the allocation between land and buildings elements cannot be made reliably, such leasehold interests in land continue to be accounted for as property, plant and equipment.

Investment Properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 April 2005 onwards. The amount held in the investment property revaluation reserve at 1 April 2005 has been transferred to the Group's retained earnings (see note 3 for the financial impact).

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies continued

Deferred Taxes related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HKAS Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" ("HKAS – Int 21") which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS – Int 21, this change in accounting policy has been applied retrospectively. Comparative figures for 2005 have been restated (see note 3 for the financial impact).

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards, amendments and interpretations. Other than the adoption of HKAS 39 and HKFRS 4 (Amendments) "Financial guarantee contracts" which may have potential impact to the financial statements, the directors of the Company so far concluded that the application of these new standards, amendments or interpretations will have no material impact on the financial statements of the Group. HKAS 39 and HKFRS 4 (Amendments) "Financial guarantee contracts" requires financial guarantee contracts which are within the scope of HKAS 39 to be measured at fair value upon initial recognition, the Group is still not in the position to reasonably estimate the impact that may arise from the HKAS 39 and HKFRS 4 (Amendments).

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies continued

HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[6]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2006
3 Effective for annual periods beginning on or after 1 December 2005
4 Effective for annual periods beginning on or after 1 March 2006
5 Effective for annual periods beginning on or after 1 May 2006
6 Effective for annual periods beginning on or after 1 June 2006

3. Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2006 HK$'000	2005 HK$'000
Increase in fair value of investment properties included in other income	**10,154**	–
Increase in deferred taxes relating to investment properties included in taxation	**(47)**	–
Decrease in share of results of jointly controlled entities	**(7,346)**	(5,808)
Decrease in taxation	**7,346**	5,808
Increase in profit for the year	**10,107**	–

3. Summary of the effects of the changes in accounting policies continued

The cumulative effects of the application of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 (originally stated)	Effect on adoption of HKAS 1	Effect on adoption of HKAS 17	Effect on adoption of HKAS – Int 21	As at 31 March 2005 (restated)	Adjustments on adoption of HKAS 39	Adjustments on adoption of HKAS 40	As at 1 April 2005 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance sheet items								
Property, plant and equipment	234,882	–	(30,009)	–	204,873	–	–	204,873
Properties under development	1,090,184	–	(52,526)	–	1,037,658	–	–	1,037,658
Prepaid lease payments	–	–	82,535	–	82,535	–	–	82,535
Available-for-sale investments	–	–	–	–	–	1,502	–	1,502
Investments held for trading	–	–	–	–	–	6,172	–	6,172
Investments								
Non-current	1,002	–	–	–	1,002	(1,002)	–	–
Current	6,672	–	–	–	6,672	(6,672)	–	–
Deferred tax liabilities	(13,208)	–	–	(7,687)	(20,895)	–	–	(20,895)
Total effects on assets and liabilities	1,319,532	–	–	(7,687)	1,311,845	–	–	1,311,845
Retained profits	381,543	–	–	–	381,543	–	40,642	422,185
Investment property revaluation reserve	48,329	–	–	(7,687)	40,642	–	(40,642)	–
Minority interests	–	2,722	–	–	2,722	–	–	2,722
Total effects on equity	429,872	2,722	–	(7,687)	424,907	–	–	424,907
Minority interests	2,722	(2,722)	–	–	–	–	–	–

3. Summary of the effects of the changes in accounting policies continued

The financial effects of the application of new HKFRSs to the Group's equity on 1 April 2004 are summarised below:

	As originally stated	Adjustments on adoption of HKAS 1	Adjustments on adoption of HKAS – Int 21	As restated
	HK$'000	HK$'000	HK$'000	HK$'000
Minority interests	–	2,787	–	2,787
Investment property revaluation reserve	38,099	–	(6,812)	31,287
Total effects on equity	38,099	2,787	(6,812)	34,074

4. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

4. Significant Accounting Policies continued

Basis of consolidation continued

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contract is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

Income from properties is recognised on the execution of a binding sales agreement or when the relevant completion certificates are issued by the respective government authorities, whichever is the later. Payments received from the purchasers prior to completion of the development are recorded as customer's deposits received on sale of properties and presented as current liabilities.

Service income is recognised when services are provided.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

4. Significant Accounting Policies continued

Investments in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of the losses is recognised.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which the venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

4. Significant Accounting Policies continued

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under debtors, deposits and prepayments.

Investment properties

Investment properties are held to earn rentals and for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

4. Significant Accounting Policies continued

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. Significant Accounting Policies continued

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. 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.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Prepaid lease payments for leasehold land

Prepaid lease payments for leasehold land are amortised over the lease term on a straight-line basis.

Properties under development held for investment

Properties under development held for investment purposes are classified under non-current assets and stated at cost less any impairment loss. Cost comprises amortisation charge of the leasehold land and development costs including attributable borrowing costs and charges capitalised during the development period.

Properties under development held for sale

Properties under development which are developed for sale are classified under current assets and stated at the lower of cost and estimated net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised.

4. Significant Accounting Policies continued

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories, including financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, amounts due from associates and jointly controlled entities, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. Significant Accounting Policies *continued*

Financial instruments *continued*

Financial assets *continued*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. Significant Accounting Policies continued

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. Significant Accounting Policies continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollar) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to the Group's state-managed retirement plans and other retirement benefit schemes are charged as an expense as they fall due.

5. Key sources of 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.

Construction contracts

For the year ended 31 March 2006, the Group recognised profits from construction contracts of HK$44,396,000, which were derived from the latest available budgets of the construction contracts based on the overall performance of each construction contract and management's best estimates and judgements. Estimated construction income is determined in accordance with the terms set out in the relevant contracts. Estimated construction costs which mainly comprise sub-contracting charges and costs of materials are proposed by the management on the basis of quotation from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue and profit.

For the year ended 31 March 2006, the Group shared profits of its jointly controlled entities of HK$21,219,000, which were principally derived from the construction contracts carrying out by the jointly controlled entities. These figures were also derived from the latest available budgets of the construction contracts which were prepared by the management of respective jointly controlled entity and the Group based on the overall performance of each construction contract.

Income tax

As at 31 March 2006, a deferred tax asset of HK$14,481,000 in relation to unused tax losses and other deductible temporary differences has not been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax asset may arise, which would be recognised in the income statement for the period in which such a reversal or recognition takes place.

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include debtors, amounts due from associates and jointly controlled entities, investments held for trading, pledged bank deposits, bank balances and cash, creditors, amounts due to jointly controlled entities and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debtor to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high-credit-ratings assigned by international credit rating agencies.

The Group has exposed to concentration of credit risk, however, management considers that the risk is not significant as the major customers of the Group mainly comprise various government authorities and several reputable property developers.

6. Financial Risk Management Objectives and Policies continued

(ii) Market risk

Interest rate risk

The Group has exposures to cash flow interest rate risk as its bank borrowings and obligations under finance leases are subject to floating interest rate. Currently, interest rate risk is not hedged. However, from time to time, if interest rate fluctuates significantly, appropriate measures will be taken to manage interest rate exposure. The Group's bank balances and deposits are short term in nature, any future variations in interest rate will not have a significant impact on the results of the Group.

Other price risk

The Group's exposure to other price risk mainly relates to its investment in listed funds and listed equity securities. However, management closely reviews the performance of these investments so as to monitor the price risk.

Foreign currency risk

The Group's transactions were mainly conducted in Hong Kong dollar, i.e. the functional currency of the Company and its major receivables, payables and borrowings are denominated in Hong Kong dollar, hence the exposure to foreign currency risk is minimal. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(iii) Liquidity risk

The objective of the Group is to maintain a balance between the continuity of funding and the flexibility through the use of bank borrowings. In addition, sufficient banking facilities have been put in place for general funding purposes.

7. Business and Geographical segments

Business segments

For management purposes, the Group's operation is currently organised into construction works, property development, property investment and other activities. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31 March 2006

INCOME STATEMENT

	Construction works HK$'000	Property development HK$'000	Property investment HK$'000	Other activities HK$'000	Consolidated HK$'000
TURNOVER					
External sales	2,529,356	–	25,475	1,741	2,556,572
RESULT					
Segment result	44,396	(79)	33,607	(3,707)	74,217
Interest income					1,361
Unallocated corporate expenses					(19,558)
Finance costs					(15,002)
Share of results of jointly controlled entities	21,219	–	–	–	21,219
Profit before taxation					62,237
Taxation					(6,967)
Profit for the year					55,270

7. Business and Geographical segments continued

Business segments continued

At 31 March 2006

BALANCE SHEET

	Construction works HK$'000	Property development HK$'000	Property investment HK$'000	Other activities HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	993,782	1,333,147	422,514	17,474	2,766,917
Interests in jointly controlled entities	87,487	–	–	–	87,487
Interests in associates	–	42,783	–	–	42,783
Amounts due from associates	–	–	77,108	–	77,108
Unallocated corporate assets					377,254
Consolidated total assets					3,351,549
LIABILITIES					
Segment liabilities	711,896	1,036,547	71,547	708	1,820,698
Amounts due to jointly controlled entities	80,297	–	–	–	80,297
Unallocated corporate liabilities					654,812
Consolidated total liabilities					2,555,807

OTHER INFORMATION

	Construction works HK$'000	Property development HK$'000	Property investment HK$'000	Other activities HK$'000	Unallocated HK$000	Consolidated HK$'000
Capital expenditure	10,022	49,762	–	11	–	59,795
Depreciation and amortisation	32,257	–	–	174	–	32,431
Loss on disposal of property, plant and equipment	360	–	451	–	–	811

7. Business and Geographical segments continued

Business segments continued

For the year ended 31 March 2005

INCOME STATEMENT

	Construction works HK$'000 (restated)	Property development HK$'000	Property investment HK$'000	Other activities HK$'000	Consolidated HK$'000 (restated)
TURNOVER					
External sales	2,468,450	23,767	28,734	3,557	2,524,508
RESULT					
Segment result	41,455	1,702	19,352	(527)	61,982
Interest income					907
Unallocated corporate expenses					(21,669)
Finance costs					(3,279)
Gain on disposal of a subsidiary	5,430	–	–	–	5,430
Share of results of jointly controlled entities	16,430	–	–	–	16,430
Profit before taxation					59,801
Taxation					(8,321)
Profit for the year					51,480

7. Business and Geographical segments continued

Business segments continued

At 31 March 2005

BALANCE SHEET

	Construction works HK$'000	Property development HK$'000 (restated)	Property investment HK$'000 (restated)	Other activities HK$'000	Consolidated HK$'000 (restated)
ASSETS					
Segment assets	932,568	1,011,113	332,146	23,992	2,299,819
Interests in jointly controlled entities	29,426	–	–	–	29,426
Interests in associates	–	42,783	–	–	42,783
Amounts due from associates	–	–	80,768	–	80,768
Unallocated corporate assets					285,034
Consolidated total assets					2,737,830
LIABILITIES					
Segment liabilities	600,901	773,335	80,611	1,185	1,456,032
Amounts due to jointly controlled entities	93,016	–	–	–	93,016
Unallocated corporate liabilities					436,929
Consolidated total liabilities					1,985,977

OTHER INFORMATION

	Construction works HK$'000 (restated)	Property development HK$'000 (restated)	Property investment HK$'000	Other activities HK$'000	Unallocated HK$000	Consolidated HK$'000 (restated)
Capital expenditure	11,345	55,788	–	12	–	67,145
Depreciation and amortisation	37,178	–	–	164	–	37,342
Loss on disposal of property, plant and equipment	1,700	–	–	–	–	1,700
Loss on disposal of an investment property	–	–	2,033	–	–	2,033
Unrealised holding loss on other investments	–	–	–	–	285	285

7. Business and Geographical segments continued

Geographical segments

The Group's operations are mainly located in Hong Kong and elsewhere in the PRC.

No analysis of turnover for the year by geographical market has been presented as more than 90% of the Group's activities were carried out in Hong Kong.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and properties under development, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and properties under development	
			Year ended	Year ended
	31 March 2006	31 March 2005	**31 March 2006**	31 March 2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**2,901,299**	2,349,524	**59,577**	67,145
Elsewhere in the PRC	**450,250**	388,306	**218**	–
	3,351,549	2,737,830	**59,795**	67,145

8. Finance Costs

	2006 HK$'000	2005 HK$'000
Interest payable on:		
Bank borrowings wholly repayable within five years	**58,234**	18,380
Finance leases	**282**	424
	58,516	18,804
Less: Amount attributable to contract work	**(12,025)**	(6,492)
Amount attributable to properties under development	**(31,489)**	(9,033)
	15,002	3,279

9. Profit before Taxation

	2006 HK$'000	2005 HK$'000 (restated)
Profit before taxation has been arrived at after charging:		
Auditors' remuneration	**1,839**	1,580
Depreciation and amortisation on:		
Owned assets	**30,695**	33,637
Assets held under finance leases	**1,736**	3,705
	32,431	37,342
Less: Amount attributable to contract work	**(29,419)**	(17,017)
	3,012	20,325
Release of prepaid lease payments	**1,809**	1,809
Less: Amount attributable to properties under development	**(1,127)**	(1,127)
	682	682
Loss on disposal of property, plant and equipment	**811**	1,700
Loss on disposal of an investment property	**–**	2,033
Unrealised holding loss on other investments	**–**	285
Operating lease rentals for:		
Rental properties	**5,784**	5,118
Plant and machinery	**22,761**	31,233
	28,545	36,351
Less: Amount attributable to contract work	**(24,487)**	(33,086)
	4,058	3,265
Staff costs, including Directors' emoluments	**506,853**	430,750
Less: Amount attributable to contract work	**(407,659)**	(349,461)
Amount attributable to properties under development	**(3,043)**	(2,028)
	96,151	79,261
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**7,346**	5,808
and after crediting:		
Interest income	**1,361**	907
Dividend income from investments held for trading	**146**	–
Dividend income from other investments	**–**	61
Gain on disposal of available-for-sale investments	**400**	–
Gain on disposal of investment properties	**6,948**	–
Increase in fair value of investments held for trading	**1,379**	–
Increase in fair value of investments properties	**10,154**	–
Net gain on cessation of a jointly controlled entity	**6,899**	–
Rental income from investment properties, net of direct operating expenses from investment properties that generated rental income during the year of HK$2,547,000 (2005: HK$1,352,000)	**22,928**	27,382

10. Directors' and Employees' emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the 11 (2005: 9) Directors were as follows:

2006

		Other emoluments		
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Pang Kam Chun	–	6,160	135	6,295
Kwok Yuk Chiu, Clement	–	3,600	113	3,713
Li Wai Hang, Christina	–	1,640	63	1,703
Nip Yun Wing	–	2,266	101	2,367
Chen Po Sum	60	–	–	60
Au Son Yiu	150	–	–	150
Wong Sai Wing, James	40	–	–	40
Woo Kam Wai	45	–	–	45
Chan Chiu Ying	150	–	–	150
Hui Chiu Chung	37	–	–	37
Lee Shing See	37	–	–	37
	519	13,666	412	14,597

2005

		Other emoluments		
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Pang Kam Chun	–	6,160	135	6,295
Kwok Yuk Chiu, Clement	–	2,900	113	3,013
Li Wai Hang, Christina	–	2,540	63	2,603
Nip Yun Wing	–	840	42	882
Chen Po Sum	150	–	–	150
Au Son Yiu	150	–	–	150
Wong Sai Wing, James	100	–	–	100
Woo Kam Wai	60	–	–	60
Chan Chiu Ying	76	–	–	76
	536	12,440	353	13,329

10. Directors' and Employees' emoluments continued

(b) Employees' emoluments

During the year, the five highest paid individuals included three (2005: three) Executive Directors, details of whose emoluments are included above. The emoluments of the remaining two (2005: two) individuals are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**3,920**	4,611
Retirement benefit scheme contributions	**151**	117
	4,071	4,728

The employees' emoluments were within the following bands:

	2006	2005
	Number of employees	
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	2

During both years, no remunerations were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No Director has waived any remuneration during both years.

11. Taxation

	2006 HK$'000	2005 HK$'000 (restated)
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax		
– current year	**21,600**	16,513
– (over)underprovision in prior years	**(4,564)**	593
	17,036	17,106
– Foreign Enterprise Income Tax in the PRC	**279**	693
	17,315	17,799
Deferred tax (Note 30)	**(10,348)**	(9,478)
	6,967	8,321

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

Foreign Enterprise Income Tax in the PRC is calculated at the rates prevailing in the PRC.

Details of the deferred tax are set out in note 30.

11. Taxation continued

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2006 HK$'000	2005 HK$'000 (restated)
Profit before taxation	**62,237**	59,801
Tax at the Hong Kong Profits Tax rate of 17.5%	**10,892**	10,465
Tax effect of share of results of jointly controlled entities	**(3,713)**	(2,875)
Tax effect of expenses not deductible for tax purpose	**5,408**	996
Tax effect of income not taxable for tax purpose	**(3,177)**	(399)
(Over)underprovision in prior years	**(4,564)**	593
Tax effect of tax losses and other deductible temporary differences for current year not recognised	**751**	1,086
Utilisation of tax losses and other deductible temporary differences for prior years previously not recognised	**(6,756)**	(5,374)
Effect of different tax rates of operations in other jurisdictions	**5,582**	1,905
Others	**2,544**	1,924
Tax charge for the year	**6,967**	8,321

12. Dividends Paid

	2006 HK$'000	2005 HK$'000
Interim dividend paid in respect of 2006 of HK1.00 cent (2005: HK1.25 cents) per share	**7,446**	9,307
Final dividend paid in respect of 2005 of HK1.25 cents (2004: HK2.65 cents) per share	**9,307**	19,446
	16,753	28,753

The final dividend of HK1.75 cents (2005: HK1.25 cents) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

13. Earnings per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	2006 HK$'000	2005 HK$'000
Earnings for the purposes of basic and diluted earnings per share – Profit attributable to equity holders of the parent	**56,525**	51,630

	Number of shares	
Weighted average number of shares for the purpose of basic earnings per share	744,565,896	736,211,770
Effect of dilutive potential shares in respect of share options (note)	–	5,688,459
Weighted average number of shares for the purpose of diluted earnings per share	744,565,896	741,900,229

Note: The computation of diluted earnings per share for 2006 does not assume the exercise of the outstanding share options as the exercise prices of the Company's outstanding share options were higher than the average market price for the shares for the year ended 31 March 2006.

The following table summarises the impact on basic and diluted earnings per share as a result of:

	2006 HK cents	2005 HK cents
Figures before adjustments	**6.2**	7.0
Adjustments arising from changes in accounting policies (note 3)	**1.4**	–
As restated	**7.6**	7.0

14. Investment Properties

	2006	2005
	HK$'000	HK$'000
VALUATION		
At beginning of the year	**232,819**	231,393
Transfer from properties held for sales	**–**	14,194
Disposals	**(13,503)**	(22,000)
Increase in fair value	**10,154**	9,232
At end of the year	**229,470**	232,819

The fair value of the Group's investment properties at 31 March 2006 has been arrived at on the basis of a valuation carried out on that date by Centaline Surveyors Limited, Savills Valuation and Professional Services Limited, RHL Apparisal Limited and Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group. All of these valuers are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. The revaluation gave rise to a net gain arising from changes in fair value of HK$10,154,000 which has been credited to the consolidated income statement.

All the investment properties of the Group held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model.

The investment properties are held under medium-term lease and are situated in the following locations:

	2006	2005
	HK$'000	HK$'000
Hong Kong	**180,000**	186,000
Elsewhere in the PRC	**49,470**	46,819
	229,470	232,819

15. Property, Plant and Equipment

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
COST					
At 1 April 2004 as originally stated	66,265	496,642	47,152	30,993	641,052
Effects of changes in accounting policies	(34,144)	–	–	–	(34,144)
At 1 April 2004 as restated	32,121	496,642	47,152	30,993	606,908
Additions	–	6,251	3,778	1,328	11,357
Disposals	–	(6,815)	(173)	(684)	(7,672)
At 31 March 2005	32,121	496,078	50,757	31,637	610,593
Exchange realignment	–	–	20	35	55
Additions	–	5,142	1,647	3,244	10,033
Disposals	(1,121)	(2,715)	(1,328)	(28)	(5,192)
At 31 March 2006	31,000	498,505	51,096	34,888	615,489
DEPRECIATION AND AMORTISATION					
At 1 April 2004 as originally stated	12,004	312,807	29,965	19,911	374,687
Effects of changes in accounting policies	(3,453)	–	–	–	(3,453)
At 1 April 2004 as restated	8,551	312,807	29,965	19,911	371,234
Provided for the year	931	30,033	4,659	1,719	37,342
Eliminated on disposals	–	(2,316)	(120)	(420)	(2,856)
At 31 March 2005	9,482	340,524	34,504	21,210	405,720
Exchange realignment	–	–	8	19	27
Provided for the year	923	25,595	4,096	1,817	32,431
Eliminated on disposals	(181)	(1,993)	(1,188)	(25)	(3,387)
At 31 March 2006	10,224	364,126	37,420	23,021	434,791
CARRYING VALUES					
At 31 March 2006	20,776	134,379	13,676	11,867	180,698
At 31 March 2005 (restated)	22,639	155,554	16,253	10,427	204,873

The above items of property, plant and equipment are depreciated at the following rates per annum:

The leasehold land and buildings are depreciated over their estimated useful lives of twenty-five years or, where shorter, the terms of the relevant leases using the straight-line method.

15. Property, Plant and Equipment continued

Depreciation is provided to write off the cost of other items of property, plant and equipment over their estimated useful lives using the reducing balance method.

Plant and machinery	15% – 25%
Motor vehicles	25%
Furniture, fixtures and equipment	15%

The carrying value of leasehold land and buildings held by the Group at the balance sheet date comprises the following:

	2006	2005
	HK$'000	HK$'000
Properties in Hong Kong held under medium-term lease	**18,550**	19,382
Properties in the PRC held under:		
Long lease	**–**	940
Medium-term lease	**2,226**	2,317
	20,776	22,639

The carrying value of the Group's property, plant and equipment includes an amount of HK$4,963,000 (2005: HK$7,499,000) and HK$2,123,000 (2005: HK$6,351,000) in respect of plant and machinery and motor vehicles held under finance leases, respectively.

16. Prepaid Lease Payments

	2006	2005
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in Hong Kong	**80,726**	82,535
Analysed for reporting purposes as:		
Non-current asset	**78,917**	80,726
Current asset	**1,809**	1,809
	80,726	82,535

17. Properties under Development

Properties under development held for investment

	2006 HK$'000	2005 HK$'000
COST		
At beginning of the year	**83,215**	25,073
Additions	**49,762**	55,788
Capitalisation of amortisation of prepaid lease payments	**1,127**	1,127
Capitalisation of finance costs	**2,555**	1,227
At end of the year	**136,659**	83,215

The properties under development held for investment are under medium-term leases and located in Hong Kong.

Properties under development held for sale

Included in the amount are properties under development held for sale of HK$398,554,000 (2005: HK$954,443,000) expected to be completed after the next twelve months from the balance sheet date.

Properties under development as at 31 March 2005 have been reclassified between current and non-current portion in order to present a more comparable and consistent presentation of the consolidated financial statements in accordance with the development intention of the management for the property projects on hand.

18. Interests in Associates

	2006 & 2005 HK$'000
Cost of unlisted investments in associates	42,783

Particulars of the Group's principal associates as at 31 March 2006 are set out in note 42.

18. Interests in Associates continued

The summarised financial information in respect of the Group's associates is set out below:

	2006 HK$'000	2005 HK$'000
Total assets	**507,572**	515,122
Total liabilities	**(312,175)**	(310,648)
	195,397	204,474
Group's share of net assets of associates	**42,783**	42,783

	2006 HK$'000	2005 HK$'000
Revenue	**12,238**	7,237
Profit for the year	**1,540**	2,193
Group's share of results of associates for the year (note)	**–**	–

Note: The Group's share of results of associates have not been accounted for in the consolidated income statement as, in the opinion of the Directors, the results of the associates attributable to the Group are insignificant.

19. Interests in Jointly Controlled Entities

	2006 HK$'000	2005 HK$'000
Cost of unlisted investment in jointly controlled entities	**4,655**	–
Share of post-acquisition profits, net of dividend received (note)	**82,832**	29,426
	87,487	29,426

Note: During the year, share of losses amounted to HK$30,872,000 of a jointly controlled entity has been reversed upon cessation of the jointly controlled entity.

Particulars of the jointly controlled entities as at 31 March 2006 are set out in note 43.

19. Interests in Jointly Controlled Entities continued

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	2006	2005
	HK$'000	HK$'000
Total revenue	**420,743**	746,423
Total expenses	**378,042**	764,462
Non-current assets	**15,506**	20,373
Current assets	**292,792**	572,455
Current liabilities	**(179,362)**	(629,324)
Non-current liabilities	**(337)**	(175)
Net assets (liabilities)	**128,599**	(36,671)

20. Available-for-sale Investments/Investments held for Trading/Investments

	2006 HK$'000	2005 HK$'000
Available-for-sale investments – debt securities		
Listed guaranteed fund in Hong Kong at fair value	**1,002**	–
Investments held for trading		
Listed equity securities in Hong Kong at fair value	**6,333**	–
Other investments:		
– Equity securities:		
Listed – Hong Kong	–	6,172
– Guaranteed fund:		
Listed – Hong Kong	–	1,002
	–	7,174
Investment securities:		
– Equity securities:		
Unlisted	–	500
	–	7,674
Total securities:		
Unlisted	–	500
Listed – Hong Kong	–	7,174
	–	7,674
Market value of listed securities		7,236
Carrying amount analysed for reporting purposes as:		
Non-current		1,002
Current		6,672
		7,674

Upon the application of HKAS 39 on 1 April 2005, investments in securities were reclassified to appropriate categories under HKAS 39 (see notes 2 and 3 for details).

20. Available-for-sale Investments/Investments held for Trading/ Investments continued

The fair values of the available-for-sale investments and investments held for trading are determined based on the quoted market bid prices available on the relevant exchanges or the prevailing market price available in the market.

21. Amount due from an associate

The amount due from an associate is unsecured, interest free and will not be repayable within the next twelve months.

The fair value of the amount as at balance sheet date, determined based on the present value of the estimated future cash inflows discounted using prevailing market rate at the balance sheet date approximates its carrying value.

22. Amounts due from (to) customers for contract work

	2006	2005
	HK$'000	HK$'000
Costs incurred to date plus recognised profits less recognised losses	**11,928,264**	7,669,823
Less: Progress billings	**(11,837,915)**	(7,564,459)
	90,349	105,364
Represented by:		
Due from customers included in current assets	**326,602**	321,253
Due to customers included in current liabilities	**(236,253)**	(215,889)
	90,349	105,364

23. Debtors, Deposits and Prepayments

Interim applications for progress payments in construction contracts are normally submitted on a monthly basis and are settled within one month. The ageing analysis of trade debtors of HK$240,070,000 (2005: HK$158,367,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

	2006 **HK$'000**	2005 HK$'000
Not yet due	**234,466**	155,285
0 to 30 days	**4,518**	2,945
31 to 90 days	**888**	102
91 to 180 days	**198**	35
	240,070	158,367

At the balance sheet date, retentions held by customers for contract work included in debtors, deposits and prepayments were HK$200,309,000 (2005: HK$160,868,000).

The Directors consider that the fair value of trade debtors at 31 March 2006 approximates to the carrying amount.

24. Amounts due from associates/jointly controlled entities

The amounts are unsecured, interest free and repayable on demand. The fair values of amounts due from associates/jointly controlled entities approximate to their carrying amounts.

25. Pledged bank deposits and bank balances and cash

The pledged deposits have been placed in designated banks as part of the securities provided for general banking facilities granted to the Group. The bank deposits carry interest at rates ranging from 1.5% to 1.7% (2005: 0.01% to 0.04%) per annum.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

The fair values of pledged bank deposits, and bank balances and cash approximate to their carrying amounts.

26. Creditors, Deposits and Accrued Charges

The ageing analysis of trade creditors of HK$382,194,000 (2005: HK$267,659,000), which are included in the Group's creditors, deposits and accrued charges, are as follows:

	2006 HK$'000	2005 HK$'000
Not yet due	**292,640**	197,447
0 to 30 days	**57,649**	33,313
31 to 90 days	**23,646**	25,557
91 to 180 days	**3,412**	3,640
Over 180 days	**4,847**	7,702
	382,194	267,659

The Directors consider that the fair value of trade creditors at 31 March 2006 approximate to the carrying amount.

27. Amounts due to jointly controlled entities

The amounts are unsecured, interest free and repayable on demand. The Directors consider that the fair values of the amounts due to jointly controlled entities approximates to their carrying amounts.

28. Obligations under finance leases

	Minimum payments		Present value of minimum payments	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,282**	6,062	**2,187**	5,833
More than one year, but not exceeding two years	**617**	2,085	**594**	2,031
More than two years, but not exceeding five years	**103**	442	**101**	434
	3,002	8,589	**2,882**	8,298
Less: Future finance charges	**(120)**	(291)	**–**	–
Present value of lease obligations	**2,882**	8,298	**2,882**	8,298
Less: Amount due within one year shown under current liabilities			**(2,187)**	(5,833)
Amount due after one year			**695**	2,465

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease terms range from two to three years. For the year ended 31 March 2006, the effective borrowing rates range from 4.8% to 5.3% (2005: 2.3% to 3.2%). All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The fair value of the Group's finance lease obligations, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date approximates to the carrying amount.

29. Borrowings

	2006 HK$'000	2005 HK$'000
Borrowings comprise:		
Trust receipt loans (note a)	**88,551**	145,500
Bank loans (note b)	**1,245,621**	931,390
Mortgage loans (note c)	**3,649**	7,637
	1,337,821	1,084,527
Analysed as:		
Secured	**773,655**	778,727
Unsecured	**564,166**	305,800
	1,337,821	1,084,527
The borrowings are repayable as follows:		
Within one year or on demand	**892,739**	685,731
More than one year, but not exceeding two years	**417,466**	34,264
More than two years, but not exceeding five years	**27,616**	364,532
	1,337,821	1,084,527
Less: Amount due within one year shown under current liabilities	**(892,739)**	(685,731)
Amount due after one year	**445,082**	398,796

Notes:

(a) The trust receipt loans are unsecured and carry interests at floating rates with average effective interest rate of 7.4% (2005: 4.5%).

(b) Bank loans carry interests at floating rates with average effective interest rates ranging from 3.8% to 5.2% (2005: 1.2% to 2.1%). The balance comprises secured bank loans and unsecured bank loans of HK$770,006,000 (2005: HK$771,090,000) and HK$475,615,000 (2005: HK$160,300,000), respectively.

29. Borrowings continued

(c) Mortgage loans are secured and carry interests at floating rates with average effective interest rate ranging from 6.5% to 7.3% (2005: 4.1% to 4.9%).

(d) Nearly all of the Group's borrowings are denominated in Hong Kong dollar. The fair values of the Group's borrowings approximate to their carrying amounts.

30. Deferred Tax

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Other temporary difference HK$'000 (note)	Fair value gain/loss of investment properties HK$'000 (restated)	Total HK$'000 (restated)
At 1 April 2004 as originally stated	(35,292)	4,558	8,568	–	(22,166)
Effect of change in accounting policies	–	–	–	(6,812)	(6,812)
At 1 April 2004 as restated	(35,292)	4,558	8,568	(6,812)	(28,978)
Credit (charge) to consolidated income statement for the year	3,977	(3,097)	8,598	–	9,478
Charge to equity for the year	–	–	–	(1,395)	(1,395)
At 31 March 2005	(31,315)	1,461	17,166	(8,207)	(20,895)
Credit (charge) to consolidated income statement for the year	2,346	(1,115)	10,356	(1,239)	10,348
At 31 March 2006	(28,969)	346	27,522	(9,446)	(10,547)

Note: Other temporary difference mainly arises from unrealised profits on the Group's construction contracts.

At 31 March 2006, the Group has unused tax losses of HK$69,315,000 (2005: HK$112,833,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$1,977,000 (2005: HK$8,349,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$67,338,000 (2005: HK$104,484,000) losses due to the unpredictability of future profit streams. Included in unrecognised tax losses as at 31 March 2005 are losses of HK$4,139,000. Other losses may be carried forward indefinitely.

30. Deferred Tax continued

At 31 March 2006, the Group has other deductible temporary differences of HK$8,173,000 (2005: HK$5,342,000). No deferred tax asset has been recognised in respect of such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

31. Share Capital

	Number of shares	Amount HK$'000
Shares of HK$0.1 each		
Authorised:		
At beginning and at end of the years 2005 and 2006	1,500,000,000	150,000
Issued and fully paid:		
At beginning of the year 2005	724,545,896	72,455
Exercise of share options	20,020,000	2,002
At end of the year 2005 and 2006	744,565,896	74,457

32. Share Option Schemes

(a) Chun Wo Scheme

On 28 August 2002, a new share option scheme was adopted by the Company (the "Chun Wo Scheme") for the primary purpose of providing the Directors and employees of, as well as technical, financial or corporate managerial advisers and consultants to, the Company and its subsidiaries (the "Eligible Personnel") with the opportunity to acquire proprietary interests in the Company, which will encourage the grantees of such options to work towards enhancing the value of the Company and its shares for the benefit of the Company and the Shareholders as a whole. The Board will set out in the offer the terms on which the option is to be granted. Such terms may include (i) minimum performance targets that must be reached before the option can be exercised in whole or in part; and/or (ii) such other terms (including the vesting period) as may be imposed at the discretion of the Board either on a case-by-case basis or generally.

32. Share Option Schemes continued

(a) Chun Wo Scheme continued

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Chun Wo Scheme and other share option schemes of the Company must not exceed 30% of the shares in issue from time to time (the "Scheme Limit"). No options will be granted under the Chun Wo Scheme at any time if such grant will result in the Scheme Limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Chun Wo Scheme and all other share option schemes of the Company shall not exceed 10% of the shares in issue on the adoption date (the "Scheme Mandate Limit"), subject to refresher of the Scheme Mandate Limit. Options lapsed in accordance with the terms of the Chun Wo Scheme or any other share option schemes of the Company shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of shares issued and to be issued upon exercise of the options granted to any Eligible Personnel (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue without prior approval from the Shareholders. An offer of the options shall be deemed to have accepted by way of consideration of HK$1 payable by the Eligible Personnel within 30 days from the date of offer.

Where any grant of options to a substantial Shareholder or an Independent Non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the relevant date of grant, in excess of HK$5 million,

such further grant of options must be approved (voting by way of poll) by the Shareholders.

32. Share Option Schemes continued

(a) Chun Wo Scheme continued

The subscription price shall be such price determined by the Board in its absolute discretion and will be notified to the Eligible Personnel in the offer and shall be no less than the highest of:

(i) the closing price of a share as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;

(ii) the average closing price of a share as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and

(iii) the nominal value of a share on the date of grant.

The Chun Wo Scheme is valid and effective for a period of 10 years commencing on the adoption date, i.e. 28 August 2002.

32. Share Option Schemes continued

(a) Chun Wo Scheme continued

Details of the movements in share options is as follows:

For the year ended 31 March 2006

Category	Date of grant	Exercise price per share HK$	Exercisable period	Number of share options: Outstanding at 1 April 2005	Transferred from other category during the year	Transferred to other category during the year	Cancelled/ lapsed during the year	Outstanding at 31 March 2006
Directors	13 August 2004	0.904	21 August 2004 to 12 August 2014	10,986,000	–	(2,196,000)	–	8,790,000
	15 November 2004	1.162	15 November 2004 to 14 November 2009	3,200,000	–	–	–	3,200,000
Consultants	3 September 2004	0.950	4 October 2004 to 30 September 2009	400,000	–	–	–	400,000
Employees	13 August 2004	0.904	21 August 2004 to 12 August 2014	7,326,000	–	–	–	7,326,000
	3 September 2004	0.950	4 October 2004 to 30 September 2009	6,118,000	–	–	(480,000)	5,638,000
Others (Note)	13 August 2004	0.904	21 August 2004 to 12 August 2014	–	2,196,000	–	–	2,196,000
				28,030,000	2,196,000	(2,196,000)	(480,000)	27,550,000

Note: These outstanding share options were held by the former Independent Non-executive Directors, who had either retired or resigned during the year. The Board has approved that these outstanding share options can be exercised on or before 12 August 2014.

32. Share Option Schemes continued

(a) Chun Wo Scheme continued

For the year ended 31 March 2005

Category	Date of grant	Exercise price per share HK$	Exercisable period	Number of share options: Outstanding at 1 April 2004	Granted during the year	Exercised during the year	Outstanding at 31 March 2005
Directors	13 August 2004	0.904	21 August 2004 to 12 August 2014	–	10,986,000	–	10,986,000
	15 November 2004	1.162	15 November 2004 to 14 November 2009	–	3,200,000	–	3,200,000
Consultants	24 October 2003	0.290	24 October 2003 to 23 October 2004	14,488,000	–	(14,488,000)	–
	3 September 2004	0.950	4 October 2004 to 30 September 2009	–	400,000	–	400,000
Employees	13 August 2004	0.904	21 August 2004 to 12 August 2014	–	7,326,000	–	7,326,000
	3 September 2004	0.950	4 October 2004 to 30 September 2009	–	11,650,000	(5,532,000)	6,118,000
				14,488,000	33,562,000	(20,020,000)	28,030,000

The Group received HK$54 from the grantees as consideration during the year ended 31 March 2005 for taking up the options granted.

No options have been granted under the Chun Wo Scheme during the year.

The outstanding share options at the balance sheet date are not subject to any vesting period and can be exercised to subscribe 27,550,000 (2005: 28,030,000) shares in the Company.

32. Share Option Schemes continued

(b) Foundations Scheme

On 28 August 2002, a new share option scheme of Chun Wo Foundations Limited ("CWF"), an indirect wholly-owned subsidiary of the Company, (the "Foundations Scheme") was approved by the Company for the primary purpose of providing the Directors and employees of, as well as technical, financial or corporate managerial advisers and consultants (the "Eligible Participants") to, CWF, the Company and their respective subsidiaries with the opportunity to acquire proprietary interests in CWF, which will encourage the grantees of such options to work towards enhancing the value of CWF and its shares for the benefit of CWF and its shareholders as a whole. The directors of CWF (the "Board of CWF") will set out in the offer the terms on which the option is to be granted. Such terms may include (i) minimum performance targets that must be reached before the option can be exercised in whole or in part; and/or (ii) such other terms (including the vesting period) as may be imposed at the discretion of the Board of CWF either on a case-by-case basis or generally.

The overall limit on the number of shares in CWF which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Foundations Scheme and other share option schemes of CWF must not exceed 30% of the shares of CWF in issue from time to time ("Chun Wo Foundations Scheme Limit"). No options will be granted under the Foundations New Scheme at any time if such grant will result in the Chun Wo Foundations Scheme Limit being exceeded.

The total number of shares in CWF which may be issued upon exercise of all options to be granted under the Foundations Scheme and all other share option schemes of CWF shall not exceed 10% of the shares in CWF in issue on the adoption date (the "Chun Wo Foundations Scheme Mandate Limit"), subject to refresher of the Chun Wo Foundations Scheme Mandate Limit. Options lapsed in accordance with the terms of the Foundations Scheme or any other share option schemes of CWF shall not be counted for the purpose of calculating the Chun Wo Foundations Scheme Mandate Limit.

The total number of shares in CWF issued and to be issued upon exercise of the options granted to any Eligible Participants (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in CWF in issue without prior approval from the shareholders of CWF and for so long as CWF remains a subsidiary of the Company, the prior approval by the shareholders of the Company in general meeting (voting by way of poll). An offer of the options shall be deemed to have accepted by way of consideration of HK$1 payable by the Eligible Participants within 30 days from the date of offer.

32. Share Option Schemes continued

(b) Foundations Scheme continued

Where any grant of options to a substantial shareholder or an independent non-executive director of CWF or the Company, or any of their respective associates, would result in the shares in CWF issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant:

(a) representing in aggregate over 0.1% of the shares in CWF in issue; and

(b) having an aggregate value, assuming such option were exercised and based on the net asset value per share by reference to the latest audited accounts of CWF, in excess of HK$5 million,

such further grant of options must be approved by the shareholders of CWF and for so long as CWF remains a subsidiary of the Company, the prior approval by the shareholders of the Company in general meeting (voting by way of poll).

The Foundations Scheme subscription price shall be such price determined by the Board of CWF in its absolute discretion and notified to the Eligible Participant in the offer and shall be no less than the higher of:

(a) the net asset value per share of CWF as calculated by dividing (a) the audited net asset value of CWF as set out in the audited financial statements immediately preceding the offer date by (b) the number of shares of CWF in issue and credited as fully paid as at the offer date; and

(b) the nominal value of a share of CWF on the offer date.

The Foundations Scheme is valid and effective for a period for 10 years commencing on the adoption date, i.e. 28 August 2002.

No option has been granted under the Foundations Scheme since its adoption.

33. Major Non-cash Transactions

During the year ended 31 March 2006, the Group enters into finance lease arrangement in respect of a motor vehicle with a capital value at the inception of the lease of HK$459,000 (2005: nil).

During the year ended 31 March 2005, properties held for sale of HK$14,194,000 were transferred to investment properties.

34. Disposal of a Subsidiary

During the year ended 31 March 2005, the Group entered into a sale and purchase agreement to dispose of its beneficial interest in Bright Wealth Profits Limited, a wholly-owned subsidiary of the Group, to a company which is wholly and beneficially owned by Mr. Pang Kam Chun, a director and shareholder of the Company, at a net consideration of HK$7,427,000 (consideration of HK$7,830,000 less administrative expenses of HK$403,000).

	HK$'000
NET ASSETS DISPOSED OF	
Debtors, deposits and prepayments	2,000
Bank balances and cash	4
Creditors, deposits and accrued charges	(7)
	1,997
Gain on disposal	5,430
	7,427
Satisfied by:	
Net cash consideration	7,427
Net cash inflow arising on disposal:	
Bank balances and cash disposed of	(4)
Net cash consideration	7,427
Net inflow of cash and cash equivalents in respect of disposal of the subsidiary	7,423

The subsidiary disposed of during that year did not have any material effect on the turnover and the profit of the Group.

35. Retirement Benefit Scheme

Hong Kong

The Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made retirement benefits scheme contributions of HK$11,975,000 (2005: HK$14,825,000) after forfeited contributions utilised of HK$940,000 (2005: HK$486,000).

At the balance sheet date, the Group did not have any significant forfeited contributions which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specified percentage of the payroll of their employees to the retirement benefits schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the respective schemes.

36. Operating lease arrangements

The Group as lessee:

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**2,626**	3,774
In the second to fifth year inclusive	**478**	401
	3,104	4,175

Operating leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

The Group as lessor:

Property rental income earned during the year was HK$25,475,000 (2005: HK$28,734,000). The properties held have committed tenants for an average term of two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**15,992**	19,134
In the second to fifth year inclusive	**16,477**	18,033
After five years	**4,000**	3,249
	36,469	40,416

37. Capital Commitments

	2006 HK$'000	2005 HK$'000
Capital expenditure relating to property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,000**	101

38. Contingent Liabilities

	2006 HK$'000	2005 HK$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	**348,908**	147,685
– an associate	**22,400**	22,400
– jointly controlled entities	**26,817**	134,417
	398,125	304,502
Extent of guarantee issued to financial institution to secure a credit facility granted to an associate	**48,000**	48,000
Extent of guarantee issued to a customer to indemnify contract work of a subsidiary	**115,900**	115,900

39. Pledge of Assets

(a) At 31 March 2006, the Group's leasehold land and buildings in Hong Kong with carrying values of HK$14,535,000 (2005: HK$29,269,000) have been pledged to banks as securities for credit facilities granted to the Group. At 31 March 2005, bank deposits of HK$5,866,000 have also been pledged for a credit facility granted to the Group.

(b) At 31 March 2006, all the Group's interests in the properties under development in Hong Kong with carrying values of HK$1,068,516,000 (2005: HK$749,802,000) and bank deposit of HK$3,349,000 (2005: HK$23,381,000) have been pledged to certain banks as securities for bank loans amounting to HK$1,300,000,000 (2005: HK$1,300,000,000) granted to subsidiaries.

39. Pledge of Assets continued

(c) At 31 March 2006, the Group's investment properties with carrying values of HK$180,000,000 (2005: HK$175,000,000) and bank deposit of HK$6,903,000 (2005: HK$9,458,000) have been pledged to certain banks as securities for a bank loan amounting to HK$95,000,000 (2005: HK$95,000,000) granted to a subsidiary.

40. Related Party Transactions

(i) During the year, the Group had the following related party transactions:

	Associates		Jointly controlled entities		Related company	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000** (Note)	HK$'000
Transactions during the year:						
Contract revenue recognised	**–**	–	**55,207**	125,668	**–**	–
Project management fee received	**–**	–	**2,182**	2,684	**–**	–
Rental income received	**–**	–	**1,054**	50	**–**	–
Security guard services income received	**–**	–	**860**	1,332	**–**	–
Sub-contracting fee paid	**–**	–	**–**	–	**2,419**	–
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties	**22,400**	22,400	**26,817**	134,417	**–**	–
Extent of guarantee issued to a financial institution to secure a credit facility granted to a related party	**48,000**	48,000	**–**	–	**–**	–

Note: The related company is a company in which a director of the Company has a beneficial interest.

40. Related Party Transactions continued

(i) During the year, the Group had the following related party transactions: continued

In addition to the above, the Group had the following related party transactions:

(a) As at 31 March 2005, a subsidiary of the Company acted as one of the co-borrowers to a financial institution for credit facilities of HK$20,000,000 granted to a jointly controlled entity.

(b) During the year ended 31 March 2005, the Group entered into a sale and purchase agreement to dispose of its beneficial interest in Bright Wealth Profits Limited, a wholly-owned subsidiary of the Group, to a company which is wholly and beneficially owned by Mr. Pang Kam Chun, a director and shareholder of the Company, at a net consideration of HK$7,427,000.

(ii) Compensation of key management personnel

The Group's key management personnel are all directors, details of their remuneration are disclosed in note 10.

(iii) Details of the balances with related parties at the balance sheet date are set out in the consolidated balance sheet and notes 21, 24 and 27.

41. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2006 are as follows:

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company/ subsidiaries %	Percentage of issued share capital/ registered capital attributable to the Group %	Principal activities
Caine Developments Limited	Hong Kong	HK$2 ordinary shares	100	100	Investment holding
Chun Wo Building Construction Limited	Hong Kong	HK$200,000 ordinary shares	100	100	Construction
Chun Wo (China) Limited	Hong Kong	HK$2 ordinary shares	100	100	Investment holding and construction
Chun Wo Civil Engineering Limited	Hong Kong	HK$18,000,000 ordinary shares	100	100	Construction
Chun Wo Construction and Engineering Company Limited ("CWCE")	Hong Kong	HK$4,100,000 ordinary shares	100	100	Construction
		HK$9,000,000 non-voting deferred shares	(note a)		
Chun Wo Contractors Limited	Hong Kong	HK$2 ordinary shares	100	100	Construction
Chun Wo E & M Engineering Limited	Hong Kong	HK$5,000,000 ordinary shares	100	100	Electrical and mechanical contract works
Chun Wo Elegant Decoration Engineering Company Limited	Hong Kong	HK$2 ordinary shares	100	100	Interior design and decoration

41. Particulars of Principal Subsidiaries continued

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company/ subsidiaries %	Percentage of issued share capital/ registered capital attributable to the Group %	Principal activities
Chun Wo Foundations Limited	Hong Kong	HK$9,000,000 ordinary shares	100	100	Construction
City Security Company Limited	Hong Kong	HK$1,000,000 ordinary shares	100	100	Security guard services
Guangzhou Wah Chun Construction and Engineering Company Limited ("Guangzhou Wah Chun")	PRC	RMB13,750,000 registered capital	(note b)		Construction
Kamlight Construction Company Limited	Hong Kong	HK$8,000,000 ordinary shares	100	100	Securities investment
Racing Way Group Limited	British Virgin Islands ("BVI")	US$1 ordinary	100	100	Investment holding
Rich Resource Development Limited	Hong Kong	HK$2 ordinary shares	100	100	Property development
Rich Score Development Limited	Hong Kong	HK$2 ordinary shares	100	100	Property investment
Shanghai Jin Chun Wo Construction Engineering Co., Ltd. (note c)	PRC	US$3,000,000 registered capital	99	99	Construction
Smart Rise Investment Limited	Hong Kong	HK$2 ordinary shares	100	100	Securities investment

41. Particulars of Principal Subsidiaries continued

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company/ subsidiaries %	Percentage of issued share capital/ registered capital attributable to the Group %	Principal activities
石家莊俊景房地產開發有限公司 (note d)	PRC	HK$150,000,000 registered capital	100	100	Property development
揚州俊杰房地產開發有限公司 (note d)	PRC	HK$45,000,000 registered capital	100	100	Property development
宜興龍譽房地產開發有限公司 (note d)	PRC	US$20,000,000 registered capital	100	100	Property development

Notes:

(a) The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of CWCE or to participate in any distribution on winding up. Chun Wo Hong Kong Limited, a subsidiary of the Company, has been granted an option by the holders of the non-voting deferred shares to acquire these shares at a nominal amount.

(b) Pursuant to an agreement with the joint venture partner of Guangzhou Wah Chun, the Group is responsible for contributing all of the equity capital totalling RMB13,750,000 to Guangzhou Wah Chun. The Group is only entitled to 60% of the results of the subsidiary. The subsidiary is registered as a sino-foreign cooperative joint venture company.

(c) The subsidiary is registered as a sino-foreign equity joint venture company.

(d) The subsidiaries are wholly foreign owned enterprise.

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

None of the subsidiaries had any debt securities outstanding at 31 March 2006 or at any time during the year.

42. Particulars of Principal Associates

Particulars of the Group's principal associates as at 31 March 2006 are as follows:

Name of associate	Form of business structure	Place of incorporation and operations	Nominal value of issued capital	Percentage of issued capital held by the Group %	Principal activities
Grand View Properties Limited	Incorporated	Hong Kong	HK$10 ordinary shares	40	Property investment
Vietnam Land (HK) Limited	Incorporated	BVI	US$25,000,000 ordinary shares	20	Investment holding

The above table lists the associates of the Group which, in the opinion of the Directors, principally formed a substantial portion of the share of net assets of the associates of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

43. Particulars of principal jointly controlled entities

Particulars of the Group's principal jointly controlled entities as at 31 March 2006 are as follows:

Name of jointly controlled entity	Form of business structure	Place of registration/ operation	Attributable interest to the Group %	Principal activities
Maeda-Chun Wo Joint Venture (Viaducts)	Unincorporated	Hong Kong	45	Construction
Chun Wo-Fujita-Henryvicy Joint Venture	Unincorporated	Hong Kong	50	Construction
Chun Wo-Henryvicy-China Railway Construction Corporation Joint Venture	Unincorporated	Hong Kong	50	Construction
Chun Wo-Henryvicy-China Railway Construction Corporation-Queensland Rail Joint Venture	Unincorporated	Hong Kong	45	Construction
Cheng Long-Chan Chun – Chun Wo Joint Venture	Unincorporated	Taiwan	33	Construction

The above table lists the jointly controlled entities of the Group which, in the opinion of the Directors, principally affect the results of the year or constitute a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

44. Company's Balance Sheet

	2006 HK$'000	2005 HK$'000 (restated)
Non-current assets		
Property, plant and equipment	**18,126**	18,957
Prepaid lease payments	**17,647**	18,071
Interests in subsidiaries	**101,136**	77,192
Amounts due from subsidiaries	**196,882**	910,660
	333,791	1,024,880
Current assets		
Debtors, deposits and prepayments	**142**	588
Prepaid lease payments	**424**	424
Amounts due from subsidiaries	**799,894**	–
Taxation recoverable	**–**	45
Bank balances and cash	**595**	272
	801,055	1,329
Current liabilities		
Accrued charges	**1,153**	1,105
Amounts due to subsidiaries	**733,753**	–
Taxation payable	**497**	–
Borrowings – due within one year	**1,072**	1,749
	736,475	2,854
Net current assets (liabilities)	**64,580**	(1,525)
Total assets less current liabilities	**398,371**	1,023,355
Non-current liabilities		
Borrowings – due after one year	**1,777**	2,833
Amounts due to subsidiaries	**–**	636,369
	1,777	639,202
Net assets	**396,594**	384,153
Captial and reserves		
Share capital	**74,457**	74,457
Reserves	**322,137**	309,696
Total equity	**396,594**	384,153