Notes to the Financial Statements

1. GENERAL INFORMATION

Yau Lee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") is principally engaged in the contracting of building construction, plumbing, maintenance and fitting-out projects, building materials trading, property leasing and the operation of a hotel in Hong Kong. The Group is also engaged in other activities which mainly include computer software development and provision for website hosting services.

The Company is a limited liability company incorporated in Bermuda on 25th June 1991. The address of its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK").

These financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 17th July 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(b) Changes in accounting policies

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

HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 40	Investment Property
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Changes in accounting policies *(Continued)*

For the financial year ended 31st March 2006, the Group adopted all remaining new/revised standards and interpretations of HKFRSs below, which are relevant to its operations.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 18	Revenues
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provision, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 27	Evaluating the Substance of Transactions in the Legal Form of a Lease
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 11, 12, 14, 18, 19, 21, 23, 24, 27, 28, 31, 33, 36, 37, 38, HK(SIC)-Ints 15, 27 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary, HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associated companies, jointly controlled entity and other disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Changes in accounting policies *(Continued)*

(i) HKAS 32 and HKAS 39

The adoption of HKAS 32 and HKAS 39 has resulted in change in accounting policies for recognition, measurement, derecognition and disclosures of financial instruments.

Investment securities

By 31st March 2005, investments in equity securities are classified as short-term investments. From 1st April 2005, the investments in securities were re-designated as financial assets at fair value through profit or loss.

Loans and receivables

Prior to 31st March 2005, loans and receivables were carried at cost less impairment losses. From 1st April 2005 onwards, loans and receivables are carried at amortised cost using the effective interest method. HKAS 39 does not permit to recognise and measure financial assets and liabilities in accordance with the standard on a retrospective basis. Hence, HKAS 39 is applied on a prospective basis.

The effect of the adoption of HKASs 32 and 39 are as follows:

	HK$'000
Decrease in long-term retention receivables as at 1st April 2005	**3,370**
Decrease in retained earnings as at 1st April 2005	**3,370**
Increase in profit for the year ended 31st March 2006	**823**
Increase in earnings per share (HK cents)	**0.19**

(ii) HKFRS 2

The adoption of the HKFRS 2 has resulted in a change in the accounting policy for share-based payment. Until 31st March 2005, cost in respect of provision for share options to employees was not recognised in the income statement. Effective on 1st April 2005, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. There is no impact on the Group's financial statements as no share option have been granted under the share option scheme as at 31st March 2006. The Group had no unvest share options outstanding as at 1st April 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Changes in accounting policies *(Continued)*

(iii) Standards, amendments and interpretations to published standards that are not yet effective

The following new standards, amendments and interpretations to existing standards have been published that are mandatory and relevant to the Group's accounting periods beginning on or after 1st January 2006 or later periods:

	Effective for accounting periods beginning on or after
HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease"	1st January 2006
Amendments to HKAS 39 "Financial Instruments: Recognition and Measurement":	
– The fair value option	1st January 2006
– Financial guarantee contracts	1st January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:	
– HKAS 1 "Presentation of Financial Statements"	1st January 2006
– HKAS 27 "Consolidated and Separate Financial Statements"	1st January 2006
– HKFRS 3 "Business Combinations"	1st January 2006
HKFRS 7 "Financial Instruments: Disclosures"	1st January 2007
Amendments to HKAS 1 "Presentation of Financial Statements: Capital Disclosures"	1st January 2007

The Group has not early adopted any of the above standards, amendments and interpretations in the financial statements for the year ended 31st March 2006. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to ascertain the impact of these changes to its financial statements.

(c) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Consolidation *(Continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets.

In the Company's balance sheet, the interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income received and receivable.

(d) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(e) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Jointly controlled entity

A jointly controlled entity is an entity which operates under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entity is accounted for in the consolidated financial statements using equity method of accounting and is initially recognised at cost. The Group's share of the post-acquisition, post-tax results of the jointly controlled entity for the year, including any impairment loss on goodwill relating to the investment in a jointly controlled entity recognised for the year, is recognised in the consolidated income statement, and its share of post-acquisition movements is recognised in reserves.

(g) Investment properties

A property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value, representing market value determined by external valuers. The fair value of investment property reflects rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recognised in the income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

(i) Construction in progress

Construction in progress included construction and development expenditure incurred and other direct costs attributable to the construction and development. On completion, the construction is transferred to appropriate categories of other property, plant and equipment. No depreciation is provided for construction in progress.

(ii) Other property, plant and equipment and depreciation

Buildings comprise mainly factories and offices. Other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	20 – 50 years
Leasehold improvements	4 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	4 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(m)).

(iii) Gain or loss on disposal of property, plant and equipment

The gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(i) Leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in the long-term liabilities. The finance charges are charged to the income statement over the lease periods. Assets held under finance leases are depreciated over their estimated useful lives.

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessors are charged to the income statement on a straight-line basis over the lease periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial assets

From 1st April 2005 onwards:

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) *Financial assets at fair value through profit or loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified under 'Other non-current assets', 'Trade debtors, net' and 'Prepayments, deposits and other receivables' in the balance sheet.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category including interest and dividend income, are presented in the income statement within 'other operating income/(expenses)', in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little s possible on entity-specific inputs.

Prior to 31st March 2005, the Group classified its investment in securities, other than subsidiaries, associated companies and a jointly controlled entity, as short-term investments which were carried at fair value in the balance sheet. Any unrealised holding gain or loss on short-term investments was recognised in the income statement in the period when it arose. Upon disposal or transfer of short-term investments, any profit or loss thereon was accounted for in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Research and development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than four years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Research costs are expensed as incurred.

Where there is an indication of impairment, the carrying amount of research and development costs is assessed and written down immediately to their recoverable amount.

(l) Inventories

Inventories comprise building materials and equipment for sale and are stated at the lower of cost and net realisable value.

Cost, calculated on the first-in, first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(m) Impairment of assets

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

(n) Construction contracts in progress

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are probable of recovery. Contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period; the stage of completion is measured by reference to contract revenue certified to date as a percentage of total contract value. When it is probable total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the balance sheet date. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contracts, under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction contracts, under current liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Trade debtors and other receivables

Trade debtors and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debtors and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debtors is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within administrative expenses.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown in current liabilities on the balance sheet.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

(r) Deferred income tax

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and a jointly controlled entity, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(t) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit obligations

The Group operates defined contribution schemes which are available to all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the income statement as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) Bonus entitlements

The Group recognises a liability and an expense for bonus when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue/income is recognised as follows:

(i) Contract revenue

To the extent that the outcome of the contract can be estimated reliably, revenue from construction contracts is recognised using the percentage of completion method, measured by reference to the percentage of revenue certified to date to estimated total contract value. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

(ii) Sale of building materials

Sale of building materials is recognised when significant risks and rewards of ownership of the goods have been transferred to customers.

(iii) Operating lease rental income

Operating lease rental income is recognised on a straight-line basis over the terms of the respective lease.

(iv) Interest income

Interest income from bank deposits is recognised on a time proportion basis using the effective interest method.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

(x) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Foreign currency translation *(Continued)*

(iii) Group companies

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

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

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

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

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

(y) Segment reporting

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

In accordance with the Group's internal financial reporting, the Group has determined that business segment be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of investment properties, intangible assets, property, plant and equipment, inventories, receivables and operating cash, and exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets, property, plant and equipment and investment properties.

(z) Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends become legal and constructive obligations of the Company.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

(a) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from Renminbi with respect to Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The Group continuously monitors its foreign currency positions and does not consider that it has a significant exposure to risk arising from Renminbi.

(b) Price risk

The Group is exposed to equity securities price risk because of its investments in financial assets. The Group is not exposed to commodity price risk.

(ii) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that provision of services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market position. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets other than bank balances and cash, the Group's income and operating cash flows are substantially independent of changes in markets interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The management closely monitors the interest rate fluctuation and will consider the use of financial instruments such as interest rate swap to manage its interest rate risk, if necessary.

(b) Fair value estimation

There were no material differences between the carrying amounts and estimated fair values of the Company and the Group's significant financial assets and liabilities as at 31st March 2005 and 2006.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

The Group is mainly subject to income taxes in Hong Kong and Mainland China. Significant judgement is required in determining the provision for income taxes in Hong Kong and Mainland China. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Investment properties

The fair values of investment properties are determined by independent valuers on an open market value basis. In making the judgements, consideration has been given to assumptions that are mainly based on market condition existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(iii) Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for the related depreciation charges for its property, plant and equipment. Management will revise the depreciation charge where useful lives and residual values are different to previous estimate, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of completion of the individual contract of construction works. The Group's management estimates the percentage of completion of construction works based on total amount of workdone certified by customers over total estimated contract sum. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

(v) Estimation of foreseeable losses in respect of construction works

The Group's management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

5. TURNOVER AND SEGMENT INFORMATION

	2006 HK$'000	2005 HK$'000
Turnover		
Contracting of building construction, plumbing, maintenance and fitting-out projects	**1,372,317**	1,291,309
Building materials trading	**29,588**	52,484
Property leasing	**10,934**	7,903
Hotel operation	**30,467**	–
Others	**8,902**	3,887
	1,452,208	1,355,583

Primary reporting format – business segments

The Group is principally engaged in contracting of building construction, plumbing, maintenance and fitting-out projects, building materials trading, property leasing and the operation of a hotel in Hong Kong. The Group is organised into four main business segments:

- Construction – Contracting of building construction, plumbing, maintenance and fitting-out projects in Hong Kong
- Building materials trading – Trading of construction and building materials
- Property leasing – Property leasing in Hong Kong
- Hotel operation – Operating a hotel in Hong Kong

Other operations of the Group mainly comprise of computer software development and provision for website hosting services which is not of a sufficient size to be reported separately.

Secondary reporting format – geographical segments

The Group's operation is primarily conducted in Hong Kong and over 90% of the Group's assets are located in Hong Kong. Therefore, no geographical segment information is presented.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments

	Construction HK$'000	Building materials trading HK$'000	Property leasing HK$'000	Hotel operation HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Year ended 31st March 2006							
External sales	1,372,317	29,588	10,934	30,467	8,902	–	1,452,208
Inter-segment sales	–	48,073	–	–	4,312	(52,385)	–
Total sales	1,372,317	77,661	10,934	30,467	13,214	(52,385)	1,452,208
Segment results	12,721	(6,711)	16,203	5,910	(8,647)	(139)	19,337
Unallocated income							7,707
Operating profit							27,044
Finance costs	(13,855)	(61)	(7,519)	–	–		(21,435)
Share of loss of a jointly controlled entity	(510)	–	–	–	–		(510)
Profit before income tax							5,099
Income tax expense							(3,079)
Profit for the year							2,020
Segment assets	775,338	99,428	621,715	225,546	56,919		1,778,946
Interests in an associated company	–	–	–	–	9,769		9,769
Unallocated assets							16,982
Total assets							1,805,697
Segment liabilities	(450,606)	(16,197)	(450,884)	(7,133)	(2,305)		(927,125)
Unallocated liabilities							(64,240)
Total liabilities							(991,365)
Capital expenditure	9,735	9,059	–	8,690	9,289		36,773
Depreciation	11,467	6,404	–	4,966	1,262		24,099
Amortisation of leasehold land	145	–	356	–	748		1,249
Other non-cash income	(12)	–	(8,992)	(350)	(302)		(9,656)

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Construction HK$'000	Building materials trading HK$'000	Property leasing HK$'000	Hotel operation HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Year ended 31st March 2005							
External sales	1,291,309	52,484	7,903	–	3,887	–	1,355,583
Inter-segment sales	45,742	58,116	–	–	14,137	(117,995)	–
Total sales	1,337,051	110,600	7,903	–	18,024	(117,995)	1,355,583
Segment results	22,198	10,405	54,062	–	(7,394)	(9,657)	69,614
Unallocated expenses							(547)
Operating profit							69,067
Finance costs	(6,416)	(157)	(2,128)	–	–		(8,701)
Share of loss of associated companies	–	–	–	–	(2,384)		(2,384)
Profit before income tax							57,982
Income tax expense							(12,281)
Profit for the year							45,701
Segment assets	639,572	108,671	600,667	199,899	64,156		1,612,965
Interests in associated companies	–	–	–	–	15,860		15,860
Unallocated assets							15,460
Total assets							1,644,285
Segment liabilities	(390,738)	(21,355)	(353,129)	(1,257)	(2,507)		(768,986)
Unallocated liabilities							(57,036)
Total liabilities							(826,022)
Capital expenditure	3,087	8,053	143	51,113	274		62,670
Depreciation	11,835	6,546	–	19	2,906		21,306
Amortisation of leasehold land	117	–	204	–	747		1,068
Amortisation of development costs	–	–	–	–	606		606
Other non-cash expenses/(income)	2	(659)	(54,857)	–	1,017		(54,497)

6. OTHER INCOME

	2006 HK$'000	2005 HK$'000
Dividend income from listed investments	**110**	4
Bank interest income	**5,792**	2,518
Interest income from subcontractors	**1,811**	117
	7,713	2,639

7. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	2006 HK$'000	2005 HK$'000
Charging:		
Depreciation		
Owned property, plant and equipment	**23,300**	20,695
Leased property, plant and equipment	**799**	611
	24,099	21,306
Operating lease rentals of		
Land and buildings	**3,372**	4,063
Other equipment	**24,929**	13,226
	28,301	17,289
Cost of inventories sold	**61,281**	86,023
Staff costs (excluding Directors' emoluments) *(Note 14)*	**207,717**	186,619
Amortisation of leasehold land	**1,249**	1,068
Amortisation of development costs	**–**	606
Impairment for development costs	**–**	1,211
Write-off of doubtful debts	**63**	463
Loss on liquidation of subsidiaries	**–**	264
Auditors' remuneration – audit services	**1,323**	1,030
Loss on disposal of an associated company	**–**	840
Unrealised loss on short-term investments	**–**	529
Outgoings in respect of investment properties	**3,373**	5,029
Crediting:		
Rental income from investment properties	**10,934**	5,815
Gain on disposal of property, plant and equipment, net	**4**	34
Write back of provision for impairment of trade debtors	**–**	319
Unrealised gain on financial assets at fair value through profit or loss	**99**	–
Realised gain on financial assets at fair value through profit or loss	**356**	–
Exchange gains, net	**652**	498

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of the Directors for the year ended 31st March 2006 and 31st March 2005 are set out below:

Name	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006					
Mr. Wong Ip Kuen	**–**	**4,641**	**290**	**214**	**5,145**
Mr. Wong Tin Cheung	**–**	**1,658**	**286**	**77**	**2,021**
Mr. So Yau Chi	**–**	**1,581**	**180**	**61**	**1,822**
Mr. Sun Chun Wai	**–**	**702**	**200**	**32**	**934**
Dr. Yeung Tsun Man, Eric	**250**	**–**	**–**	**–**	**250**
Mr. Wu King Cheong	**250**	**–**	**–**	**–**	**250**
Mr. Chan, Bernard Charnwut	**250**	**–**	**–**	**–**	**250**
	750	**8,582**	**956**	**384**	**10,672**
2005					
Mr. Wong Ip Kuen	–	4,641	255	214	5,110
Mr. Wong Tin Cheung	–	1,658	250	77	1,985
Mr. So Yau Chi	–	1,586	165	61	1,812
Mr. Sun Chun Wai	–	702	170	32	904
Dr. Yeung Tsun Man, Eric	250	–	–	–	250
Mr. Wu King Cheong	250	–	–	–	250
Mr. Chan, Bernard Charnwut	250	–	–	–	250
	750	8,587	840	384	10,561

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2005: three) Directors whose emoluments are reflected in the analysis above. The emoluments paid to the remaining two (2005: two) highest paid individuals during the year were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries	**1,708**	1,708
Bonus	**1,155**	520
Retirement benefits	**79**	83
	2,942	2,311

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2006**	2005
HK$1,000,001 – HK$1,500,000	**1**	2
HK$1,500,001 – HK$2,000,000	**1**	–

(c) During the year, no emoluments have been paid by the Group to the Directors or the five highest-paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors waived or has agreed to waive any emoluments.

9. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on overdrafts and short-term bank loans	**15,556**	6,538
Interest on long-term bank loans repayable within five years	**13,890**	5,693
Interest element of finance lease contract payments	**27**	53
Total borrowing costs incurred	**29,473**	12,284
Less:		
Interest capitalised as cost of construction in progress	**(8,038)**	(3,565)
Classified under contract cost	**–**	(18)
	21,435	8,701

The capitalisation rate applied to funds borrowed and used for the construction in progress is between 1.675% to 5.175% (2005: 1.425% to 1.938%) per annum.

10. INCOME TAX EXPENSE

	2006 HK$'000	2005 HK$'000
Current income tax		
Hong Kong profits tax	**1,801**	3,798
Under/(over) provisions in prior years	**3**	(107)
Deferred income tax relating to the origination and reversal of temporary differences *(Note 30)*	**1,275**	8,590
	3,079	12,281

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The tax charge on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

	2006 HK$'000	2005 HK$'000
Profit before income tax	**5,099**	57,982
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**892**	10,147
Effect of different tax rates in other countries	**(303)**	(1,307)
Income not subject to taxation	**(204)**	(8)
Expenses not deductible for taxation purposes	**37**	1,532
Temporary differences not recognised	**(779)**	84
Tax losses not recognised	**4,501**	6,925
Utilisation of previously unrecognised tax losses	**(969)**	(4,956)
Recognition of previously unrecognised tax losses	**(99)**	(29)
Under/(over) provisions in prior years	**3**	(107)
Income tax expense	**3,079**	12,281

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$2,559,000 (2005: loss of HK$1,896,000).

12. DIVIDENDS

	2006 HK$'000	2005 HK$'000
Interim dividend paid of Nil (2005: HK$0.0035) per share	–	1,544
Final dividend proposed of Nil (2005: HK$0.0075) per share	–	3,307
	–	4,851

The dividends paid during the year ended 31st March 2006 and 2005 were HK$3,307,000 (HK$0.0075 per share) and HK$5,953,000 (HK$0.0135 per share) respectively.

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to equity holders of the Company of HK$1,967,000 (2005: HK$47,085,000) and on the 440,949,600 (2005: 440,949,600) shares in issue during the year.

Diluted earnings per share for the years ended 31st March 2006 and 2005 are not presented as there are no potential dilutive shares during the years.

14. STAFF COSTS EXCLUDING DIRECTORS' EMOLUMENTS

	2006 HK$'000	2005 HK$'000
Salaries, wages and bonus	**197,748**	176,239
Unutilised annual leave	–	1,576
Long service payments	–	331
Termination benefits	**1,771**	811
Pension costs – defined contribution scheme	**8,198**	7,662
	207,717	186,619

The Group contributes to the Mandatory Provident Fund Scheme (the "MPF Scheme") which is provided to all the employees in Hong Kong. The Group and each of the employees make monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Employees' contributions are subject to a cap of monthly earnings of HK$20,000. For those employees with monthly earnings less than HK$5,000, the employees' contributions are voluntary. In addition to the mandatory contributions, the Group makes monthly voluntary contributions to the MPF scheme at 5% of certain employees' earnings in excess of HK$20,000. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Leasehold improve-ments	Plant and machinery	Furniture fixtures and office equipment	Motor vehicles	Motor launch	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group								
At 1st April 2004								
Cost	–	41,300	5,216	139,142	41,184	19,483	1,685	248,010
Accumulated depreciation	–	(8,574)	(4,885)	(81,877)	(31,664)	(16,994)	(1,685)	(145,679)
Net book amount	–	32,726	331	57,265	9,520	2,489	–	102,331
Year ended 31st March 2005								
Opening net book amount	–	32,726	331	57,265	9,520	2,489	–	102,331
Additions	50,906	391	–	7,167	1,817	2,227	–	62,508
Transfer from investment property	148,600	–	–	–	–	–	–	148,600
Disposals	–	–	–	(65)	(124)	(55)	–	(244)
Depreciation	–	(1,422)	(217)	(13,098)	(4,921)	(1,648)	–	(21,306)
Closing net book amount	199,506	31,695	114	51,269	6,292	3,013	–	291,889
At 31st March 2005								
Cost	199,506	41,691	5,216	145,721	40,407	20,497	–	453,038
Accumulated depreciation	–	(9,996)	(5,102)	(94,452)	(34,115)	(17,484)	–	(161,149)
Net book amount	199,506	31,695	114	51,269	6,292	3,013	–	291,889
Year ended 31st March 2006								
Opening net book amount	199,506	31,695	114	51,269	6,292	3,013	–	291,889
Exchange differences	–	177	–	251	9	3	–	440
Additions	17,321	1,896	399	11,015	3,693	2,449	–	36,773
Transfer	(216,827)	153,323	–	47,674	15,830	–	–	–
Disposals	–	–	–	(1,201)	(186)	(73)	–	(1,460)
Depreciation	–	(2,603)	(215)	(14,585)	(4,798)	(1,898)	–	(24,099)
Closing net book amount	–	184,488	298	94,423	20,840	3,494	–	303,543
At 31st March 2006								
Cost	–	197,136	5,615	202,655	58,643	21,939	–	485,988
Accumulated depreciation	–	(12,648)	(5,317)	(108,232)	(37,803)	(18,445)	–	(182,445)
Net book amount	–	184,488	298	94,423	20,840	3,494	–	303,543

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) The net book value of property, plant and equipment held under finance lease contracts comprises:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Motor vehicles	**3,049**	2,068

(b) The net book value of property, plant and equipment pledged as security for the Group's bank loans amounted to HK$205 million (2005: HK$204 million) (Notes 29 and 35(e)).

16. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Beginning of year	**290,000**	690,000
Change in fair value	**9,000**	54,857
Additions	**–**	143
Transfer to construction in progress	**–**	(148,600)
Transfer to leasehold land	**–**	(306,400)
End of year	**299,000**	290,000

Investment properties are held under long-term leases and situated in Hong Kong. The investment properties were revalued as at 31st March 2006 by Savills Valuation and Professional Services Limited, an independent firm of qualified property valuers. Valuation reflects rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The investment properties are pledged as security for the bank loans of the Group (Notes 29 and 35(e)).

17. LEASEHOLD LAND

	Group 2006 HK$'000	2005 HK$'000
Opening	**342,189**	36,857
Transfer from investment property	**–**	306,400
Additions	**12,381**	–
Amortisation	**(1,249)**	(1,068)
	353,321	342,189
In Hong Kong, held on		
Lease of over 50 years	**315,823**	306,196
Leases of between 10 to 50 years	**35,128**	35,993
	350,951	342,189
Outside Hong Kong, held on		
Lease of less than 10 years	**2,370**	–
	353,321	342,189

The Group's interests in leasehold land represented prepaid operating lease payments. Leasehold land with a net book value of approximately HK$317,988,000 (2005: HK$308,427,000) was pledged as securities for the Group's bank loans (Notes 29 and 35(e)).

18. SUBSIDIARIES

	Company 2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**276,075**	276,075
Advance to a subsidiary	**85,000**	85,000
	361,075	361,075
Due from subsidiaries	**373,287**	383,077
Due to subsidiaries	**101,753**	110,339

The advance to a subsidiary is unsecured, interest bearing at Hong Kong dollar prime rate less two per cent (2005: Hong Kong dollar prime rate less two per cent) per annum and not repayable within next twelve months from the balance sheet date. The amounts due from and to subsidiaries are unsecured, interest free, and have no fixed terms of repayment.

18. SUBSIDIARIES *(Continued)*

The following is a list of the principal subsidiaries at 31st March 2006:

Name	Place of incorporation/ operation	Particulars of registered/ issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
Australian Development Holdings Pty. Limited	Australia	A$2	Investment holding	–	100%	100%
Bellaglade Company Limited	Hong Kong	HK$2	Property holding	–	100%	100%
Century Score Limited	Hong Kong	HK$2	Property leasing and investment	–	100%	100%
Chapman Engineering Consultant Company Limited	Hong Kong	HK$100	Building services engineering consultant	–	60%	60%
Koshen Engineering Limited	Hong Kong	HK$10,000	Provision of design, consulting and project management services	–	100%	60%
Ming Hop Company Limited	Hong Kong	HK$500,000	Sourcing of construction materials and execution of plumbing work	–	100%	100%
Nanjing Autocon Technology Company Limited *(Note a)*	Mainland China	US$500,000	Development and sale of construction equipment and computer software	–	100%	100%
Nanjing Nanda VH Software Intelligence Company Limited *(Note b)*	Mainland China	RMB1,500,000	Development and sale of computer software	–	70%	70%
Right Motive Limited	Hong Kong	HK$6,000	Property holding	–	100%	100%
Solid Star Company Limited	Hong Kong	HK$2	Property holding	–	100%	100%

18. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Particulars of registered/ issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
SPS Company Limited	Hong Kong	HK$2	Manufacturing and trading of office partition	–	100%	100%
Trendplot Investments Limited	Hong Kong	HK$2	Provision of management services	–	100%	100%
VHBuild Company Limited	Hong Kong	HK$2	Provision of website hosting services	–	100%	100%
VHCOME Company Limited	Hong Kong	HK$2	Business to business sale of construction materials	–	100%	100%
VHSoft Company Limited	Hong Kong	HK$5,000,000	Computer software development	–	100%	100%
VHSoft I.P. Company Limited	Hong Kong	HK$2	Patent holding	–	100%	100%
VHSoft Technologies Company Limited	Hong Kong	HK$2	Computer software development	–	100%	100%
VHSoft Technologies (SZ) Company Limited *(Note a)*	Mainland China	HK$3,000,000	Computer software development	–	100%	100%
Yau Lee Building Construction and Decoration Company Limited	Hong Kong	HK$100,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Company Limited	Hong Kong	HK$100,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Materials & Technology Limited	Hong Kong	HK$2	Sale of building materials and precast products	–	100%	100%

18. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Particulars of registered/ issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
Yau Lee Construction Materials & Technology (B.V.I.) Limited	The British Virgin Islands/ Hong Kong	US$2	Sale of precast products	–	100%	100%
Yau Lee Construction (Macau) Company Limited	Macau	MOP1,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Hotel Management Limited	Hong Kong	HK$2	Provision of hotel and property management services	–	100%	100%
Yau Lee Investment Limited	The Cook Islands/ Hong Kong	US$100	Investment holding	100%	–	100%
Yau Lee Property Management Limited	Hong Kong	HK$2	Provision of property management services	–	100%	100%
Yau Lee Technology Limited	The British Virgin Islands/ Hong Kong	US$1	Investment holding and trading of construction equipment and development of computer control software	–	100%	100%
Yau Lee Wah Concrete Precast Products Company Limited	Hong Kong	HK$10,000,000	Sale of precast products	–	100%	100%
Yau Lee Wah Concrete Precast Products (Shenzhen) Company Limited *(Note a)*	Mainland China	RMB39,076,066	Manufacture of precast products	–	100%	100%

18. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Particulars of registered/ issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
Yau Lee Wah Concrete Precast Products (Macau) Company Limited	Macau	MOP200,000	Sale of precast products	–	100%	100%
Yau Sing Building Materials Company Limited	Hong Kong	HK$500,000	Investment holding	–	63%	63%

(a) These subsidiaries are wholly foreign-owned enterprises established in Mainland China.

(b) The subsidiary is a contractual joint venture established in Mainland China.

19. ASSOCIATED COMPANIES

	2006		2005	
	Group	**Company**	Group	Company
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Share of net assets				
Beginning of year	**39**	**–**	7,412	–
Share of loss	**–**	**–**	(2,384)	–
Disposal of an associated company	**–**	**–**	(7,546)	–
Offset of amount due from an associated company	**–**	**–**	2,557	–
End of year	**39**	**–**	39	–
Amounts due from associated companies, net	**9,730**	**1,179**	15,821	1,030

19. ASSOCIATED COMPANIES *(Continued)*

(a) The following is the principal associated company at 31st March 2006:

Name	Particulars of issued share capital	Place of incorporation	Assets *HK$'000*	Liabilities *HK$'000*	Revenues *HK$'000*	Loss *HK$'000*	Interest Held
2005							
Yau Lee Development Company Limited ("YLDC") *(Note b)*	100 ordinary shares of $1 each	Hong Kong	30,130	53,243	598	(11,078)	50%
2006							
Yau Lee Development Company Limited ("YLDC") *(Note b)*	100 ordinary shares of $1 each	Hong Kong	29,949	53,402	7,827	(340)	50%

(b) YLDC is engaged in a 50:50 joint venture with a Chinese party in the development of Fuli Building, a residential and commercial property project in Shunde, Mainland China.

(c) The amounts due from associated companies are unsecured, interest free and have no fixed repayment terms.

20. JOINTLY CONTROLLED ENTITY

	Group **2006** *HK$'000*	2005 *HK$'000*
Investment in a jointly controlled entity	**510**	–
Share of loss	**(510)**	–
Share of net assets	**–**	–
Amount due to a jointly controlled entity	**9,207**	–

20. JOINTLY CONTROLLED ENTITY *(Continued)*

(a) The Group has a 51% interest in a joint venture, Yau Lee Formglas Limited, incorporated in Hong Kong. The following amounts represented the Group's proportionate share of the turnover, expenses, results, assets and liabilities of its jointly controlled entity, which are prepared based on their unaudited management accounts, after making appropriate adjustments by the directors of the Company to conform to the Group's significant accounting policies:

	2006
	HK$'000
Results for the year:	
Turnover	**3,747**
Operating expenses	**(4,387)**
Loss before income tax	**(640)**
Income tax expense	**–**
Loss for the year	**(640)**

(b)

	2006
	HK$'000
Assets	
Non-current assets	**531**
Current assets	**16,069**
	16,600
Liabilities	
Current liabilities	**(16,730)**
Net liabilities	**(130)**

There were no contingent liabilities relating to the Group's interests in the jointly controlled entity.

21. OTHER NON-CURRENT ASSETS

	Group 2006 HK$'000	2005 HK$'000
Retention receivables *(Note 27)*	**61,887**	65,375
Loans to employees *(Note 22)*	**1,259**	1,468
Others	**22**	143
	63,168	66,986
Less: Current portion of retention receivables *(Note 25(a))*	**(33,389)**	(29,977)
	29,779	37,009

Prior to 31st March 2005, long-term retention receivables were carried at cost less impairment losses. On 1st April 2005, fair value of long-term retention receivables have been reassessed and subsequently carried at amortised cost using effective interest method required by HKAS 39. In this regard, both long-term retention receivables and retained earnings as at 1st April 2006 have been reduced by HK$3,370,000 (Note 2(b)(i)).

22. LOANS TO EMPLOYEES

The Group provides housing loans to certain employees and the loans are secured by second mortgages of the related properties of the employees. The repayment period ranges from two to twelve years with interest at one per cent below prime rate. Amounts receivable within one year of HK$412,000 (2005: HK$240,000) are included in prepayments, deposits and other receivables. Carrying value of loans to employees approximate its fair value.

23. DEVELOPMENT COSTS

	Group 2006 HK$'000	2005 HK$'000
Cost		
Beginning of year	**2,416**	2,397
Additions	**–**	19
End of year	**2,416**	2,416
Accumulated amortisation and impairment losses		
Beginning of year	**2,416**	599
Amortisation for the year	**–**	606
Impairment charge	**–**	1,211
End of year	**2,416**	2,416
Net book value		
End of year	**–**	–
Beginning of year	**–**	1,798

24. CASH AND BANK BALANCES

	2006		2005	
	Group	**Company**	Group	Company
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Cash and bank balances	**86,576**	**295**	30,638	358
Time deposits	**3,607**	**2,049**	4,610	2,035
Restricted deposits *(Note a)*	**167,513**	**10,557**	160,065	4,540
	257,696	**12,901**	195,313	6,933

(a) Restricted deposits are funds which are pledged to secure the bank overdrafts and short-term bank loans (Notes 29 and 35(a)).

(b) The Group's cash and bank balances are mainly denominated in Hong Kong dollar.

(c) Interest rate of time deposits and restricted deposits ranged from 1.4% to 5.5% (2005: 1.0% to 3.1%)

25. TRADE AND OTHER RECEIVABLES

(a) Trade debtors, net

	Group	
	2006	2005
	HK$'000	*HK$'000*
Trade debtors	**139,202**	152,607
Retention receivables *(Note 21)*	**33,389**	29,977
Provision for impairment	**(1,356)**	(1,356)
	171,235	181,228

The Group's trade debtors are mainly denominated in Hong Kong dollars. The trade debtors are due 21 days to one year after invoicing depending on the nature of services or products.

The aging analysis of the trade debtors of the Group (stated net of provision) is as follows:

	2006	2005
	HK$'000	*HK$'000*
Not yet due	**138,003**	156,500
Overdue by:		
1-30 days	**16,998**	13,145
31-90 days	**3,788**	4,254
91-180 days	**3,045**	905
over 180 days	**9,401**	6,424
	171,235	181,228

25. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Prepayments, deposits and other receivables

	Group 2006 HK$'000	2005 HK$'000
Advances to subcontractors	**56,493**	34,633
Prepayments and deposits paid	**6,881**	6,263
Other receivables	**142**	3,252
	63,516	44,148

Included in advances to subcontractors are amounts of HK$32,220,000 (2005: HK$14,521,000), which bear interest ranging from 7.25% to 11% (2005: 7% to 7.25%). All other advances to subcontractors are interest free.

26. INVENTORIES

	Group 2006 HK$'000	2005 HK$'000
Raw materials, at cost	**5,997**	6,419
Finished goods, at cost	**5,602**	4,489
	11,599	10,908

27. CONSTRUCTION CONTRACTS IN PROGRESS

	Group 2006 HK$'000	2005 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	**10,600,031**	7,370,726
Progress billings to date	**(10,303,087)**	(7,161,574)
	296,944	209,152
Included in current assets/(liabilities) under the following captions:		
Due from customers on construction contracts	**299,423**	224,928
Due to customers on construction contracts	**(2,479)**	(15,776)
	296,944	209,152

27. CONSTRUCTION CONTRACTS IN PROGRESS *(Continued)*

Retention receivables from customers in respective of construction contracts in progress of HK$61,887,000 (2005: HK$65,375,000) are classified under other non-current assets and trade debtors (Note 21).

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/SHORT-TERM INVESTMENTS

	2006		2005	
	Group	**Company**	Group	Company
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Equity securities at fair value				
– listed in Hong Kong	**303**	**–**	263	–
Money market fund, at fair value				
– unlisted in Hong Kong	**4,670**	**–**	10,072	5,461
	4,973	**–**	10,335	5,461

29. BORROWINGS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Non-current		
Obligations under finance lease contracts	**485**	491
Long-term bank loans – secured	**426,800**	339,800
	427,285	340,291
Current		
Bank overdrafts – secured	**1,549**	29,715
Short-term bank loans – secured	**283,954**	195,856
Current portions of non-current borrowings	**21,655**	11,179
	307,158	236,750
Total borrowings	**734,443**	577,041

29. BORROWINGS *(Continued)*

(a) The maturity of borrowings are as follows:

	Group			
	Bank borrowings and overdrafts		Obligations under finance lease contracts	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year	**305,503**	235,571	**1,655**	1,179
Between 1 and 2 years	**20,000**	10,000	**485**	491
Between 2 and 5 years	**406,800**	329,800	**–**	–
Wholly repayable within 5 years	**732,303**	575,371	**2,140**	1,670

(b) The effective interest rates at the balance sheet date are as follows:

	2006	2005
	%	*%*
Bank overdrafts	**7.3**	3.9
Short-term bank loans	**5.5**	3.6
Long-term bank loans	**5.1**	3.4
Obligation under finance lease contracts	**4.2**	2.1

(c) The carrying amounts of borrowings approximate their fair values.

(d) The carrying amounts of the borrowings are denominated in the following currencies:

	2006	2005
	HK$'000	*HK$'000*
Hong Kong dollar	**731,558**	574,211
Renminbi	**2,885**	2,830
	734,443	577,041

(e) The bank borrowings are secured by the Group's investment properties, certain property, plant and equipment and leasehold land (Notes 15, 16 and 17).

29. BORROWINGS *(Continued)*

(f) The Group's finance lease obligations are as follows:

	Group 2006 HK$'000	2005 HK$'000
Within one year	**1,739**	1,219
In the second year	**495**	504
	2,234	1,723
Future finance charges on finance leases	**(94)**	(53)
Present value of finance lease obligations	**2,140**	1,670

30. DEFERRED INCOME TAX

	Group 2006 HK$'000	2005 HK$'000
Beginning of year	**51,797**	43,207
Charged to income statement *(Note 10)*	**1,275**	8,590
End of year	**53,072**	51,797

30. DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits are probable. The Group has unrecognised tax losses of approximately HK$76.4 million (2005: HK$79.4 million) to carry forward against future taxable income. These unrecognised tax losses are analysed according to their expiry dates as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
With no expiry date	**34,995**	57,435
Expiring not later than one year	**3,937**	2,946
Expiring later than one year and not later than five years	**37,474**	18,998
	76,406	79,379

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax assets:

	Tax losses		Provisions		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of year	**5,902**	5,848	**–**	56	**5,902**	5,904
Credited/(charged) to income statement	**4,999**	54	**–**	(56)	**4,999**	(2)
End of year	**10,901**	5,902	**–**	–	**10,901**	5,902

Deferred income tax liabilities:

	Change in fair value of investment property		Accelerated taxation depreciation		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of year	**47,678**	38,078	**10,021**	11,033	**57,699**	49,111
Charged/(credited) to income statement	**1,575**	9,600	**4,699**	(1,012)	**6,274**	8,588
End of year	**49,253**	47,678	**14,720**	10,021	**63,973**	57,699

30. DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2006	2005
	HK$'000	*HK$'000*
Deferred income tax assets	**(30)**	(46)
Deferred income tax liabilities	**53,102**	51,843
	53,072	51,797

31. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

The aging analysis of the payables to suppliers and subcontractors is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Not yet due	**102,133**	98,359
Overdue by:		
1-30 days	**313**	1,623
31-90 days	**24**	–
91-180 days	**3**	–
Over 180 days	**329**	179
	102,802	100,161

The amounts payable to suppliers and subcontractors are mainly denominated in Hong Kong dollar.

32. SHARE CAPITAL

	2006 HK$'000	2005 HK$'000
Authorised:		
1,000,000,000 shares of HK$0.2 each	**200,000**	200,000
Issued and fully paid:		
440,949,600 shares of HK$0.2 each	**88,190**	88,190

Share option scheme

Since 17th October 2000, the Company has operated a share option scheme (the "Share Option Scheme") under which the Board of Directors (the "Directors") of the Company may, at their absolute discretion, offer to any Director or employee of the Company or any of its subsidiaries options to subscribe for shares in the Company.

Subject to adjustment as a result of any alteration in the capital structure of the Company, the subscription price per share payable on the exercise of an option is as follows:

(a) granted before 1st September 2001 was determined by the Directors as being in no event less than the higher of:

   (i) the nominal value of the shares; and

   (ii) 80% of the average of the closing price of the shares as stated in the SEHK's daily quotation sheets for the 5 business days immediately preceding the date of offer of an option.

(b) granted on or after 1st September 2001 is determined by the Directors, in compliance with the requirements of Chapter 17 of the Listing Rules, as being at least the higher of:

   (i) the closing price of the shares as stated in the SEHK's daily quotations sheet on the date of grant, which must be a business day; and

   (ii) the average closing price of the shares as stated in the SEHK's daily quotations sheets for the 5 business days immediately preceding the date of grant.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme is such number of shares, which, when aggregated with shares subject to any other similar scheme of the Company, represents 10% of the issued share capital of the Company from time to time. The Share Option Scheme remains in force for a period of 10 years. At 31st March 2006, no share options have been granted under the Share Option Scheme.

In addition, VHSoft Technologies Company Limited ("VHSoft"), a wholly-owned subsidiary of the Group, adopted a share option scheme on 17th October 2000 (the "VHSoft Share Option Scheme"). Under the VHSoft Share Option Scheme, the Board of Directors of the VHSoft may, at their absolute discretion, offer to any Director or employee of VHSoft options to subscribe for shares in VHSoft in accordance with the terms of the VHSoft Share Option Scheme. The maximum number of shares in respect of which options may be granted under the VHSoft Share Option Scheme is such number of shares, which, when aggregated with shares subject to any other similar scheme of VHSoft, represents 10% of the issued share capital of VHSoft from time to time. No share options have been granted under the VHSoft Share Option Scheme, which expired on 16th October 2005.

33. OTHER RESERVES AND RETAINED PROFITS

	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
Group					
At 1st April 2005, as previously reported	415,430	359	–	313,528	729,317
Opening adjustment for HKAS 39 *(Note 2(b)(i))*	–	–	–	(3,370)	(3,370)
At 1st April 2005, as restated	415,430	359	–	310,158	725,947
Currency translation differences	–	–	726	–	726
Dividends paid	–	–	–	(3,307)	(3,307)
Profit attributable to equity holders of the Company	–	–	–	1,967	1,967
At 31st March 2006	**415,430**	**359**	**726**	**308,818**	**725,333**
Representing:					
2006 final dividend proposed				–	
Others				308,818	
At 31st March 2006				**308,818**	
At 1st April 2004	415,430	359	–	272,396	688,185
Dividends paid	–	–	–	(5,953)	(5,953)
Profit attributable to equity holders of the Company	–	–	–	47,085	47,085
At 31st March 2005	415,430	359	–	313,528	729,317
Representing:					
2005 final dividend proposed				3,307	
Others				310,221	
At 31st March 2005				313,528	

33. OTHER RESERVES AND RETAINED PROFITS *(Continued)*

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
Company				
At 1st April 2005	415,430	359	143,641	559,430
Dividends paid	–	–	(3,307)	(3,307)
Profit attributable to equity holders of the Company	–	–	2,559	2,559
At 31st March 2006	**415,430**	**359**	**142,893**	**558,682**
Representing:				
2006 final dividend proposed			–	
Others			142,893	
At 31st March 2006			**142,893**	
At 1st April 2004	415,430	359	151,490	567,279
Dividends paid	–	–	(5,953)	(5,953)
Loss attributable to equity holders of the Company	–	–	(1,896)	(1,896)
At 31st March 2005	415,430	359	143,641	559,430
Representing:				
2005 final dividend proposed			3,307	
Others			140,334	
At 31st March 2005			143,641	

The entire amounts of retained profits of the Company at 31st March 2006 are distributable.

34. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash (used in)/generated from operations

	Note	2006 HK$'000	2005 HK$'000
Operating profit		**27,044**	69,067
Interest income		**(7,603)**	(2,635)
Dividend income		**(110)**	(4)
Gain on disposal of property, plant and equipment, net		**(4)**	(34)
Loss on disposal of an associated company		**–**	840
Change in fair value of investment properties		**(9,000)**	(54,857)
Interest element of finance lease payments		**–**	18
Amortisation of development costs		**–**	606
Amortisation of prepaid operating lease payment		**1,249**	1,068
Depreciation		**24,099**	21,306
Loss on liquidation of subsidiaries	*34(b)*	**–**	264
Unrealised (gain)/loss on financial assets at fair value through profit or loss		**(99)**	529
Realised gain on financial assets at fair value through profit or loss		**(356)**	–
Impairment for development costs		**–**	1,211
Operating profit before working capital changes		**35,220**	37,379
Decrease in long-term trade debtors		**3,530**	7,293
Decrease in loans to employees		**209**	917
Decrease/(increase) in trade debtors, net		**10,279**	(21,540)
(Increase)/decrease in inventories		**(691)**	1,190
Increase in prepayments, deposits and other receivables		**(19,368)**	(23,974)
(Increase)/decrease in due from customers on construction contracts		**(74,495)**	91,291
Decrease/(increase) in due from associated companies		**6,091**	(121)
Increase in due to jointly controlled entity		**8,697**	–
Increase/(decrease) in payables to suppliers and subcontractors		**2,641**	(1,495)
Increase in accruals, retention payables and other liabilities		**9,129**	8,190
(Decrease)/Increase in due to customers on construction contracts		**(13,297)**	3,791
Decrease in due to related parties		**(529)**	(575)
Net cash (used in)/generated from operations		**(32,584)**	102,346

(b) Liquidation of subsidiaries

	Note	2006 HK$'000	2005 HK$'000
Disposal of accruals and other liabilities		**–**	47
Minority interests		**–**	(311)
		–	(264)
Loss on liquidation of subsidiaries	*34(a)*	**–**	(264)

34. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Analysis of changes in financing during the year

	Share capital	Share premium	Minority interests	Finance lease obligations	Long-term bank loans	Short-term bank loans	Restricted deposits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2005	88,190	415,430	756	1,670	349,800	195,856	(160,065)	891,637
Net cash (outflow)/inflow from financing activities	–	–	–	(1,862)	97,000	88,098	(7,448)	175,788
Share of profit by minority shareholders	–	–	53	–	–	–	–	53
Inception of finance leases obligations *(Note d)*	–	–	–	2,332	–	–	–	2,332
At 31st March 2006	**88,190**	**415,430**	**809**	**2,140**	**446,800**	**283,954**	**(167,513)**	**1,069,810**
At 1st April 2004	88,190	415,430	2,140	999	307,800	229,370	(164,514)	879,415
Net cash (outflow)/inflow from financing activities	–	–	–	(939)	42,000	(33,514)	4,449	11,996
Share of loss by minority shareholders	–	–	(1,384)	–	–	–	–	(1,384)
Inception of finance leases obligations *(Note d)*	–	–	–	1,610	–	–	–	1,610
At 31st March 2005	88,190	415,430	756	1,670	349,800	195,856	(160,065)	891,637

(d) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the lease of approximately HK$2,332,000 (2005: HK$1,610,000).

35. BANKING FACILITIES

As at 31st March 2006, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of approximately HK$951 million (2005: HK$758 million), of which HK$747 million (2005: HK$593 million) had been utilised. These banking facilities are secured by the following:

(a) Time deposits of approximately HK$167 million (2005: HK$160 million).

(b) Guarantees of approximately HK$1,009 million (2005: HK$764 million) given by the Company.

(c) Investment in the guaranteed unit trust fund and securities of approximately HK$5 million (2005: HK$10 million).

(d) Trade debtors of certain construction contracts.

(e) Property, plant and equipment of approximately HK$205 million (2005: HK$204 million), investment properties of HK$299 million (2005: HK$290 million) and leasehold land of approximately HK$318 million (2005: HK$308 million) (Notes 15, 16 and 17).

36. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

(a) In the normal course of its business, the Group is subject to various claims under its construction contracts. At 31st March 2006, the Group had various liquidated damages claims on certain contracts for which the Group has filed extension of time claims with the customers. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

(b) During the year ended 31st March 2005, the Group received a writ of summon claiming for an aggregate amount of approximately HK$15.0 million for alleged breach of contract and uncertified workdone in connection with contract works from a subcontractor. The Group will defend vigorously against the claim and a counter claim has been submitted. Based on legal advice, the Directors are of the opinion that the Group has valid defences against the claims.

(c) During the year, the Group received a statement of claims for an aggregate amount of approximately HK$4.2 million for alleged breach of contract and uncertified workdone in connection with a design work contract. Financial exposures arising from the claims have been assessed by the Directors with reference to legal advice. Based on this advice, the Directors do not consider that any significant adverse financial impact will crystallise in respect of the claims and accordingly, no provision was made as at 31st March 2006.

(d) In 2004, the Group initiated a mediation process with one of its customers in an attempt to reach a satisfactory commercial settlement on outstanding claims made by the Group relating to one of its completed construction contracts. In current year, the Group has elevated the case to arbitration. Based on an external consultant's evaluation, the likely recoverable amount has been included in "Due from customers on construction contracts".

(e) Guarantees in respect of performance bonds that amount to approximately HK$80 million (2005: HK$15 million) in favour of the Group's customers.

36. COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(f) The future aggregate minimum lease rental payable under non-cancellable operating lease is as follows:

	Group 2006 HK$'000	2005 HK$'000
Land and buildings		
– Within one year	**2,763**	2,884
– One year to five years	**7,643**	8,197
– More than five years	**42,758**	44,012
	53,164	55,093
Other equipment		
– Within one year	**9**	18
– One year to five years	**–**	10
	9	28
	53,173	55,121

37. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment properties as follows:

	Group 2006 HK$'000	2005 HK$'000
– Within one year	**11,844**	9,278
– One year to five years	**6,494**	12,623
	18,338	21,901

38. RELATED PARTY BALANCES

(i) Key management compensation

	Group 2006 HK$'000	2005 HK$'000
Salaries and other short-term employee benefits	**8,582**	8,587
Discretionary bonus	**956**	840
Pension costs – defined contribution scheme	**384**	384
	9,922	9,811

(ii) The balances due from and to related parties are unsecured, interest free and have no fixed repayment terms.