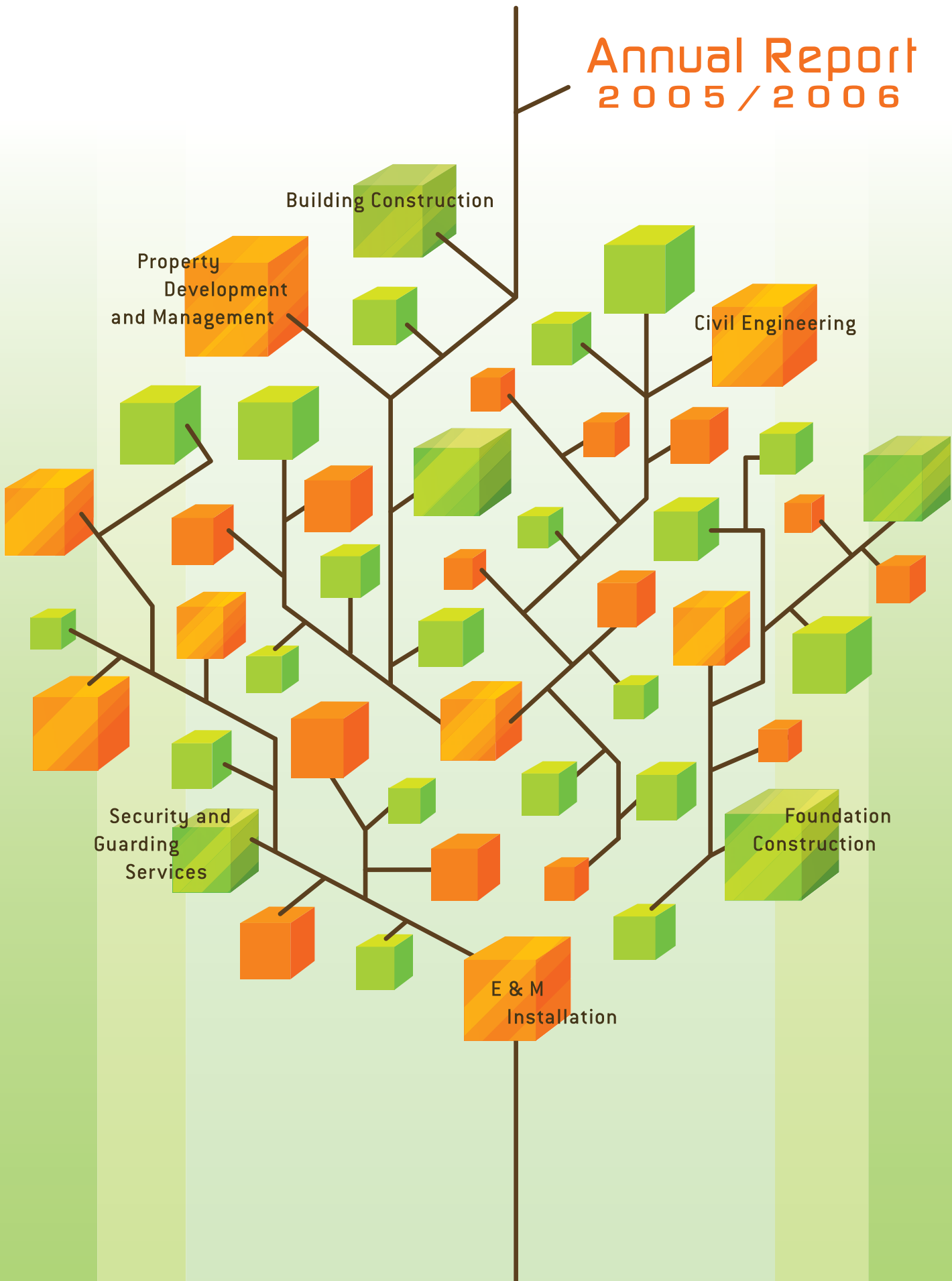




CHUN WO HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Annual Report 2005 / 2006



Company Culture

We aspire to excel in all aspects of our performance. In our business dealings, we are responsive to the needs of our clients and ensure that these needs are fully satisfied. We manage our projects with competent and experienced staff, whose clear priorities are to thoroughly plan, execute and follow through the works and to fulfil our obligations responsibly. Our staff always face up to challenges and proactively tackle problems in a positive way, with practicality and perseverance.

We have followed this culture for the last three decades, and believe that it has been the key to Chun Wo's success. Chun Wo's continuing success serves to reinforce the culture which has been with us from the outset.

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Corporate Information

Board of Directors

Executive Directors

Pang Kam Chun (*Chairman*)

Kwok Yuk Chiu, Clement (*Managing Director*)

Li Wai Hang, Christina

Nip Yun Wing

Independent Non-executive Directors

Au Son Yiu

Chan Chiu Ying

Lee Shing See

Hui Chiu Chung

Audit Committee

Chan Chiu Ying (*Chairman*)

Au Son Yiu

Hui Chiu Chung

Management Committee

Pang Kam Chun (*Chairman*)

Kwok Yuk Chiu, Clement

Li Wai Hang, Christina

Nip Yun Wing

Nomination Committee

Lee Shing See (*Chairman*)

Au Son Yiu

Kwok Yuk Chiu, Clement

Remuneration Committee

Au Son Yiu (*Chairman*)

Chan Chiu Ying

Kwok Yuk Chiu, Clement

Secretary

Kwok Man Fai

Qualified Accountant

Kwok Man Fai

Solicitors

Richards Butler

Conyers Dill & Pearman

Auditors

Deloitte Touche Tohmatsu

Principal Bankers

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai

Banking Corporation Limited

Hang Seng Bank Limited

Bank of China (Hong Kong) Limited

Registered Office

Clarendon House, Church Street

Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

C2, 5th Floor

Hong Kong Spinners Industrial Building

601-603 Tai Nan West Street

Cheung Sha Wan Road

Kowloon, Hong Kong

Principal Registrar

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke, Bermuda

Hong Kong Branch Registrar

Secretaries Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Hong Kong

Website

<http://www.chunwo.com>

Share Listing

The Stock Exchange of

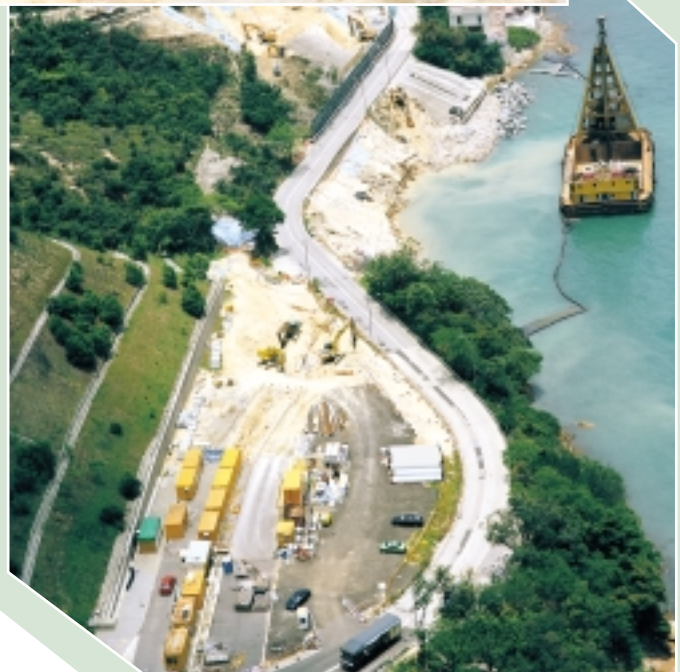
Hong Kong Limited

Stock Code : 711

Civil Engineering Projects



SkyPlaza and Associated Works at
Hong Kong International Airport



Castle Peak Road Improvement

Chairman's Statement

On behalf of the directors (the "Directors") of Chun Wo Holdings Limited (the "Company"), I am pleased to present to the shareholders of the Company (the "Shareholder") the results and operations of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2006.

Results

For the year ended 31 March 2006, the audited consolidated profit after taxation and minority interests of the Group increased to approximately HK\$56.5 million as compared to last year's profit of approximately HK\$51.6 million, representing an increase of 9.5%. Turnover of the Group for the year ended 31 March 2006 increased to approximately HK\$2,556.6 million, as compared to last year's HK\$2,524 million. Earnings per share for the year under review is HK7.6 cents.

Dividends

The board of Directors (the "Board") has recommended the payment of a final dividend of HK1.75 cents (2005: HK1.25 cents) per share for the year ended 31 March 2006 to Shareholders whose names appear on the Register of Members of the Company on Thursday, 21 September 2006. The proposed final dividend together with the interim dividend of HK1.00 cent (2005: HK1.25 cents) per share paid during the year under review makes a total dividend of HK2.75 cents (2005: HK2.50 cents) per share for the year ended 31 March 2006. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on 21 September 2006, the proposed final dividend will be distributed to Shareholders on or about Friday, 20 October 2006.

Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 15 September 2006 to Thursday, 21 September 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Registrar of the Company, Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 14 September 2006.

Civil Engineering Projects



Improvements to
San Tin Interchange

KCRC East Rail Extensions -
Permanent Way for Lok Ma Chau



Business Review

There was marked economic growth in Hong Kong during the year under review which had exceeded expectation to 8.2%. The Hong Kong economy had also benefited from the economic growth in Mainland China. There was a general positive sentiment supported by the favourable land sale in September 2005 and the improvement in unemployment rate of 5.1%, a 4-year low. However, the continual lack of large scale infra-structure and residential projects had resulted in slowing down of the construction activities in Hong Kong. Despite that, the Group's diversification strategy had eased this undesirable impact.

At the time of writing this report, the Group's estimated value of contracts in hand stands at approximately HK\$7.2 billion, with about HK\$4.0 billion outstanding.

Construction

During the year under review, the Group was awarded new contracts including the South Cargo Apron Extension Works at Hong Kong International Airport, Permanent Way of Kowloon Southern Link of Kowloon Canton Railway Corporation ("KCRC"), Castle Peak Road Improvement Work, the fitting out work for "The Legend" at Tai Hang and the construction works for the detached houses at Shouson Hill Road.

Local building projects which included Cyberport Phase II, "No. 8 Clear Water Bay Road" and Eu Yan Sang renovation work had been completed. Construction of the prestigious "Skyplaza" project was near its final stage with electrical and mechanical ("E&M") and finishing works progressing in full swing. The construction for the superstructure of "The Legend" continued to progress well and its fitting out work had been progressing on schedule towards completion. In Mainland China, the superstructure work of the property above Huangsha Metro Station, Guangzhou was progressing steadily. Further, the work for the Event and Congress Centres of "The Venetian" in Macau were underway.

For civil work projects in Hong Kong, the Group has successfully completed the remaining three contracts for the Hong Kong Disneyland Resort and the specialised project on the Investigation of Sewers & Drains for the Drainage Services Department. Tracklaying works for Permanent Way for KCRC Lok Ma Chau Spur Line had achieved a completion stage and was progressing smoothly. The construction work of the Highways Department "design and construct" San Tin Interchange project was ahead of programme while the Castle Peak Road project was progressing as planned. Two term contracts with Water Supplies Department and Architectural Services Department were substantially completed and other three term contracts were in smooth progress.

Building Projects



No. 8 Clear Water Bay Road Development
above Choi Hung MTR Station



Cyberport Phase II Residential Development

Construction continued

Apart from supporting the foundation work of the Group's construction projects, the Group's foundation subsidiary had completed the site formation and foundation contract for Victoria Shanghai Academy at Shum Wan Road and the foundation contract for a secondary-cum-primary school at Shatin. The contract awarded for Tin Shui Wai Area 104 by the Housing Authority during the year under review had commenced. In Vietnam, the Group's joint venture contract for the construction of the basement of a multi-purpose property development project in Ho Chi Minh City had commenced. In Macau, following the completion of the piling contract for "The Venetian", the subsidiary was awarded a foundation contract for "City of Dreams" (an entertainment resort).

For the E&M work of the Group, its E&M subsidiary continued to be awarded further public and private E&M contracts during the year under review. The E&M works for "SkyPlaza" and various works contracts were all progressing well.

Property Development & Investment

The Group's property development project, "No. 8 Clear Water Bay Road", a distinguished residential and public transport interchange development with shopping arcade, "Infinity 8" in the Choi Hung district, had a substantial number of residential flats presold. The sales of the remaining residential units continued and were satisfactory. The Group anticipated a considerable revenue subsequent to the issuance of the Certificate of Compliance for the development in April 2006.

As reported in the last interim report of the Company that the Group would focus its property development in Mainland China, the two current projects at Shijiazhuang and Yangzhou comprising residential and commercial developments were moving into pre-construction stage. The planning for the project at Yixing was completed. The large-scale luxurious residential-commercial joint venture development in Ho Chi Minh City, Vietnam was in the construction stage. The result from its presale was encouraging.

The rental income from the Group's shopping complex at "Grandeur Terrace" in Tin Shui Wai and properties at Zhongshan, Mainland China continued to generate recurring revenue for the Group. The letting of the shops at "Infinity 8" at Choi Hung had commenced to meet the opening of the associated public transport interchange in the latter part of 2006.

Building Projects

The Legend at Tai Hang



Congress Centre Superstructure
Construction at the Venetian, Macau



Event Centre Superstructure
Construction at the Venetian, Macau

Other Business

The Group's security subsidiary, City Security Company Limited promoted its enhanced service packages for the Group's various construction sites and clients. Valuable contracts awarded included crowd management for "Chinese Dinosaur Fossils Exhibition" at Cityplaza which had attracted 180,000 man-count per day on average, security services for the prestigious properties of MTR Corporation, like "The HarbourSide", "Sorrento" and "The WaterFront". The Group's property management subsidiary, City Professional Management Limited continued to provide their expertise and management to the Group's properties and also to other clients' facilities.

Regarding the intended investment in the cardiovascular drug business in Hebei Province, Mainland China as reported in the last interim report of the Company, the Group had just terminated that cooperation agreement since conditions precedent for our investment were not fulfilled. No money had been invested in this intended joint venture. The Group continues to explore opportunities in the bioscience business sector.

Awards and Recognition

In addition to the Bronze Medal of the 2005 Hong Kong Management Association Quality Award received in July 2005, the Group was further awarded the Outstanding Enterprises 2005 by Economic Digest in November 2005.

In recognition to the Group's effort in environmental performance, the Group was awarded the 2005 HKCA Environmental Merit Award and Gold Award of the 2005 Eco-Business Awards Green Construction Contractor Award.

Corporate Social Responsibility

The Group continues to assume its social responsibility through making contributions to the community including charity and volunteer services. Recent examples were participation in the MTR Chairman Walking Competition, Oxfam Trailwalker, donation to the Polytechnic University of Hong Kong and a joint programme with the Tung Wah Group of Hospitals in rendering regular voluntary services in maintenance work and caring to the seniors. In recognition to the Group's contributions, the Group was awarded the Caring Company Logo 2005/2006 by the Hong Kong Council of Social Service.

Minor Works & Foundation Projects



Foundation for Tin Shui Wai Area 104

Site Formation and Foundation Works
for School at Shum Wan Road



Minor Works for
Architectural Services Department

Outlook and Prospects

Following a robust economic growth in the year under review, there are some uncertainties ahead, like hiking oil prices, high interest rate, unknown impact of avian-flu etc. However, there is a general belief that the interest rate will level out later this year. In addition, with the support of the Chinese Central Government, Hong Kong will share the momentum of the remarkable growth of the Chinese economy. Among those policy objectives of the Chinese Central Government's 11th Five-Year Plan, there is an emphasis on upgrading its infrastructure. Coupling with the implementation of CEPA, there are ample opportunities for the Hong Kong construction industry to expand their business in Mainland China.

In the 2006-2007 Hong Kong's Government Budget, the Hong Kong Government has earmarked \$29 billion a year on average over the next five years for infrastructure projects. Further to the Chief Executive's Policy Address on various major infrastructure projects opportunities, like the draft feasibility study report for Hong Kong – Zhuhai – Macau Bridge, the KCRC's feasibility report on Guangzhou – Shenzhen – Hong Kong Express Rail Link, feasibility assessment of the KCRC Northern Link and the MTRC South Hong Kong Island Line and planning for the Shatin to Central Link and West Hong Kong Island Line, the Financial Secretary has reserved budget for various infrastructure projects. With an improved fiscal position, the Hong Kong Government is planning for early commencement of these infrastructure projects.

With the designation of 2006 as Discover Hong Kong Year by The Hong Kong Tourism Board, the tourism industry is expected to flourish. There will be construction opportunities arising from the redevelopment programme of Ocean Park, Concept Plan for Lantau etc. The Hong Kong Airport Authority also has enhancement plans for its facilities. Moreover, the Government has received proposals on the construction of a new cruise terminal which will give further works to the construction industry.

There are some large-scale projects from Hong Kong Government including Kai Tak Development and the Central Wan Chai By-pass. Apart from the major projects, there are also urban renewal and building maintenance projects, term contracts for waterworks, and contracts for replacement and rehabilitation of water mains.

The Hong Kong Government is determined in helping the construction industry through the in-depth review of the land lease and planning procedures by a newly set up Business Facilitation Advisory Committee. The Hong Kong Government believes in market demand for land sales and the Application List System for Land Sales continues. Given a steady rise in income and an improved consumer confidence, private sector developers expressed optimism about Hong Kong's economy and its property market. These developers have plans in replenishing their land banks for development purposes in both medium and long term. There are also planning for building projects atop the railways stations.

With the completion of "No. 8 Clear Water Bay Road", the Group has plans for sales at better prices of the remaining unsold units at higher levels with better views. The commercial properties will give stable income to the Group for further investment opportunities in this revitalizing economy.

Outlook and Prospects continued

The economy of Hong Kong has shifted to a knowledge based economy. The Group is keen on not only providing full-scale training to university graduates through our elite scheme, but also encouraging staff on continuing professional training to meet the challenge of knowledge based economy.

The Group has been actively seeking to expand business into Thailand where, political developments permitting, substantial design and construction work for railway and transportation infrastructure will be undertaken. The Group is also exploring other construction opportunities in an attempt to win further work in Macau where infrastructure and building construction continues to take place.

Sustainable economic growth in Mainland China is expected. The property market in Mainland China remains active and becomes more stable along continual macro-economic control measures imposed by the Chinese Central Government. Feasible development opportunities are also extending to second tier cities.

The Group continues to prudently seek diversification opportunities, in business types and in geographical areas, for better overall results.

Acknowledgment

I would like to thank the Board and our management, as well as all our staff, for their whole-hearted dedication and hard working. I would also like to thank our shareholders, financiers, business partners and clients for their valuable support.

Pang Kam Chun
Chairman

Hong Kong, 21 July 2006

Biographical Details of Directors and Senior Management

Executive Directors

Pang Kam Chun *Chairman*

Aged 63. Founder of the Group and has over 38 years' experience in civil engineering and building construction including construction management, supervision, planning and progress monitoring. Appointed as Chairman of the Company in July 1992. Spouse of Madam Li Wai Hang, Christina.

Kwok Yuk Chiu, Clement *BSc (CEng), MICE, MHKIE, RSE, RPE Managing Director*

Aged 54. Graduated from the University of Hong Kong in 1974 with a bachelor of science degree in civil engineering. A member of the Hong Kong Institution of Engineers and is a Registered Structural Engineer. Joined the Group in 1981 and has over 32 years' experience in the construction industry. Appointed as Executive Director of the Company in July 1992 and Managing Director in February 1999.

Li Wai Hang, Christina

Aged 55. Joined the Group in 1975 and has over 27 years' experience in the construction industry. Appointed as Executive Director of the Company in July 1992. Spouse of Mr. Pang Kam Chun.

Nip Yun Wing *MBA, FCCA, FCPA*

Aged 52. A MBA graduate of The Chinese University of Hong Kong. A fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Has extensive experience in corporate finance, investment and management and had served as an executive director of several listed companies in Hong Kong for many years. Currently is an independent non-executive director of Shenzhen International Holdings Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Appointed as an Executive Director of the Company in November 2004.

Independent Non-executive Directors

Au Son Yiu

Aged 61. Has extensive experience in the securities industry. A director of The Association of Former Council Members of the Stock Exchange and The Institute of Securities Dealers Limited, a consultant to Dao Heng Securities Limited and a member of the Election Committee for the financial services subsector election for the 1998 Legislative Council. He is also an independent non-executive director for several public companies listed on the Stock Exchange. In addition, he is the Ex-Deputy Chairman of the Hong Kong Securities Clearing Company Limited (1992-1994) and Ex-Council member of the Stock Exchange (1988-1994). Appointed as an Independent Non-executive Director of the Company in July 1992, Chairman of the Remuneration Committee in April 2005, a member of the Audit Committee and Nomination Committee in December 1998 and August 2005 respectively.

Independent Non-executive Directors continued

Chan Chiu Ying *MBA, FCPA, ACMA, MHKSI*

Aged 48. Has over 21 years' experience in the fields of accounting, securities and corporate finance spanning from regulatory to investment advisory and management of listed companies in Hong Kong. Holds a master degree in business administration from the University of Bradford, the United Kingdom and is a consultant providing corporate and strategic advisory services in Hong Kong and China. He is a fellow of the Hong Kong Institute of Certified Public Accountants, an associate of the Chartered Institute of Management Accountants, the United Kingdom and an associate of the Hong Kong Securities Institute. Appointed as an Independent Non-executive Director of the Company in September 2004, a member of the Remuneration Committee in August 2005 and the Chairman of the Audit Committee in January 2006.

Hui Chiu Chung *JP*

Aged 59. Currently the Group Managing Director of OSK Asia Holdings Limited. Has 35 years of experience in the securities and investment industry. He had for years been serving as Council Member and Vice Chairman of the Stock Exchange, member of the Advisory Committee of the Hong Kong Securities and Futures Commission, and was also a director of the Hong Kong Securities Clearing Company Limited. Mr. Hui was appointed by the Government of the HKSAR a Justice of the Peace in 2004 and was also appointed a member of the Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference in 2006. He is at present a member of the Listing Committee of the Hong Kong Exchange & Clearing Company Limited, an appointed member of the Securities and Futures Appeals Tribunal and a member of the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission. Mr. Hui is also a member of the Standing Committee on Company Law Reform, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A and a vice chairman of the Committee of the Hong Kong Stockbrokers Association. Mr. Hui also serves as independent non-executive director of Luk Fook Holdings (International) Limited, Jiuzhou Development Company Limited, Lifestyle International Holdings Limited, New World Mobile Holdings Limited and Frasers Property (China) Limited whose shares are listed on the Stock Exchange of Hong Kong. Appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in January 2006.

Lee Shing See *GBS, OBE, JP*

Aged 64. Graduated from the University of Hong Kong in 1964. A Fellow of both The Hong Kong Institution of Engineers and the Institution of Civil Engineers (UK). He joined the Hong Kong Government since he graduated from the University. He was the Director of Territory Development from the period of August 1994 to August 1999 and the Secretary for Works from the period of August 1999 to August 2002 (including two months as a Permanent Secretary). He was appointed by the Hong Kong Government as a director of the Hong Kong Science and Technology Parks Corporation and a member of the Provisional Construction Industry Co-ordination Board. Has over 38 years' experience in engineering and construction. He is also an independent non-executive director of China State Construction International Holdings Limited, the shares of which are listed on the Stock Exchange. Appointed as an Independent Non-executive Director and Chairman of the Nomination Committee of the Company in January 2006.

Senior Management

Chan Kwan Sang *BSc, CEng, FHKIE, MICE, MCIArb, RPE*

Aged 54. Graduated from the University of Hong Kong in 1974 with a bachelor of science degree in civil engineering. A Fellow of the Hong Kong Institution of Engineers, a member of each of the Institution of Civil Engineers and the Chartered Institute of Arbitrators, and a Chartered Engineer, United Kingdom and Registered Professional Engineer, Hong Kong. Joined the Group in 1999 and has over 32 years' experience in the construction industry including design and project management of civil engineering and building construction projects in Hong Kong, and project management of industrial development projects in Mainland China. Appointed as a director of Chun Wo Building Construction Limited in October 1999.

Kwan Chuen Kin *BSc.(Hons), FCIOB, MHKIE, FHKICM, RPE*

Aged 54. Graduated from the South Bank University, UK in 1980 with a Bachelor of Science degree (Honors) in Building. A Chartered Builder and Registered Professional Engineer, a Fellow member of the Chartered Institute of Building, UK, a member of the Hong Kong Institution of Engineer. Joined the Group in 1998 and has over 28 years' experience in project management of large scale building construction projects in Hong Kong. Appointed as a managing director of Chun Wo Elegant Decoration Eng. Co. Ltd. in April 2006.

Kwok Man Fai

Aged 45. Graduated from Macquarie University in 1984 with a bachelor degree in economics and obtained a Master of Commerce degree in information systems in 1991 from University of New South Wales. A member of CPA Australia and Hong Kong Institute of Certified Public Accountants. He has over 21 years of experience in accounting, finance and management. Joined the Group in November 1994 and was appointed as a director of Chun Wo Foundations Limited in January 1998.

Lai Kam Hung, Joseph

Aged 48. Graduated from the Hong Kong Polytechnic University in 1980. An associate member of the Hong Kong Institution of Engineers. He has over 30 years' experience in the building and civil engineering works including construction supervision, project management and subletting. Joined the Group during 1984-1987 and re-joined the Group in 1989. Appointed as a director of Chun Long Construction Limited in April 2003 and a director of Chun Wo Construction and Engineering Company Limited in April 2006.

Lam Chi Wing, Eric *BSc, MICE, CEng, MHKIE, RPE*

Aged 52. Graduated from University of Calgary, Canada in 1980 with a Bachelor Degree in Civil Engineering. A member of the Institute of Civil Engineers and Hong Kong Institution of Engineers. Has more than 25 years of experience in construction industry including project and construction management and tendering of different types of large-scale civil engineering projects. Joined the Group in 2005 and appointed as General Manager (Construction) of Chun Wo & Engineering Co. Ltd.

Senior Management continued

Robert Hoskins Lloyd *BSc, CEng, MHKIE, FICE*

Aged 63. Graduated from Hatfield Polytechnic in 1969 with a Bachelor of Science degree in Civil Engineering. A Fellow of the Institution of Civil Engineers, United Kingdom since October 1997 and a member of the Hong Kong Institution of Engineers since 1973. He has over 36 years' experience in the construction industry, 33 years of which have been in Hong Kong. He retired from the Highways Department of the Government of the Hong Kong SAR in May 2003 after a 30-year career involved with the procurement of much of Hong Kong's major transport infrastructure. Joined the Group in July 2004 and was appointed as a Director (Business Development and Technical) in Chun Wo Construction and Engineering Company Limited.

Lui Kam Wai *M.C.I.O.B.*

Aged 46. A chartered builder and obtained an Associateship in Building Technology and Management from the Hong Kong Polytechnic University. He has over 23 years of experience in working for the government sector, contractors and developers in Hong Kong, Australia, Singapore and the Mainland. He has been a visiting lecturer, adjunct professor of various universities in Hong Kong and the Mainland. Appointed as a director of Chun Wo (China) Limited in August 2002.

Pang Yat Bond, Derrick *BSc, MEng, MICE, PE(US)*

Aged 31. Graduated from the University of California, Berkeley in 1997 with a Bachelor of Science degree in civil and environmental engineering and obtained a Master of Engineering degree in geotechnical engineering in 1998 from Massachusetts Institute of Technology. A member of the Institution of Civil Engineers, United Kingdom. Registered Professional Engineer for the state of California, U.S.A. He has over three years of geotechnical design experience in the U.S. and five years of construction experience in Hong Kong. Joined the Group in 2001 and was appointed as a director of Chun Wo Civil Engineering Limited in July 2002, a director of Chun Wo Building Construction Limited in January 2006 and a director of Chun Wo Construction and Engineering Company Limited in April 2006. Son of Mr. Pang Kam Chun and Madam Li Wai Hang, Christina.

To Kai Yin

Aged 45. Graduated from the Hong Kong Polytechnic University in 1983. Obtained an associateship in building technology and management from the Hong Kong Polytechnic University in 1987. He has over 22 years' experience in the construction industry including construction supervision, management, quantity surveying and tendering. Joined the Group in 1991 and was appointed as a director of Chun Wo Building Construction Limited in March 1999.

Senior Management continued

Wong Chi Kwong *BEng(Hons), MIEE, MHKIE, MCIBSE, MAPM, CEng, RPE(EL,BS)*

Aged 46. Graduated from Brighton Polytechnic University of United Kingdom in 1990 with a Bachelor degree in Electrical & Electronic Engineering. A member of each of the Institution of Electrical Engineers, Chartered Institution of Building Services Engineers, Hong Kong Institution of Engineers and Association for Project Management and also a Chartered Engineer and Registered Professional Engineer in both electrical and building services disciplines. He has over 24 years of experience in the building services industry including tendering, project administration, organizational management, sales and marketing and business development. Joined the Group in August 2004 as a director of Chun Wo E & M Engineering Limited and was appointed as managing director of Chun Wo E & M Engineering Limited in February 2006.

Wong Wing Tong, Michael *MISC, MIPSC*

Age 51. Has more than 10 years' experience in the managerial level of security industry. A member of International Professional Security Association. He was the Chief Training Instructor of the Hong Kong Military Service Corp in the former British Garrison with various professional military qualifications and skills. Joined the Group in 1997. Appointed as Managing Director of City Security Company Limited in June 2006.

Yeung Shiu Kin, Eddie *BSc(Eng.), ACGI, MSc, DIC, PhD, MICE, MHKIE, MINZPE, MIEAust, MASCE, CEng, RPE*
Aged 47. Graduated from Imperial College of Science & Technology, University of London in 1981 with a Bachelor of Science degree in civil engineering, and in 1982 with a Master degree in soil mechanics. Obtained his Doctoral degree in geotechnical engineering from University of Sydney in 1989. A member of each of the Institution of Civil Engineers, United Kingdom, the Hong Kong Institution of Engineers, the Institution of Professional Engineers, New Zealand, the Institution of Engineers of Australia and also the American Society of Civil Engineers. Registered Professional Engineer in Civil & Geotechnical discipline in Hong Kong. Joined the Group in 2002 and has more than 24 years of experience in the construction industry including design and project management of civil and foundation engineering projects in Australia and Hong Kong. Appointed as a director of Chun Wo Foundations Limited in January 2003 and managing director of Chun Wo Foundations Limited in February 2006.

Yiu Chi Sang, Andy *Dip (Eng), LLB (Hons), MA (ArbDR), MSc (C.Mgt), MRICS, MICE, MHKIE, MASCE, MIEAust, FCIArb, FHKIArb, CEng*

Aged 51. Graduated from Hong Kong Baptist University in 1981 and with a Diploma award in Civil Engineering. Obtained his two Master degree in Arbitration & Dispute Resolution in 1995 and in Construction Management in 1988 from City University of Hong Kong. Obtained a Bachelor degree in Laws in 2004 from University of Wolverhampton. Chartered Engineer. Member of the Royal Institution of Chartered Surveyors (UK), Institution of Civil Engineers (UK), Hong Kong Institution of Engineers, American Society of Civil Engineers and Institution of Engineers of Australia. A fellow member of Chartered Institute of Arbitrators (UK) and Hong Kong Institute of Arbitrators. He has over 25 years of experience in the construction industry including project management, tendering, contract administration and business development. Joined the Group in September 2004 and was appointed as a Director of Chun Wo Building Construction Limited and Chun Wo Contractors Limited in August 2005 and Chun Wo E & M Engineering Limited in February 2006.

Corporate Governance Report

The Company has made continued efforts to incorporate the key elements of sound corporate governance in its management structures and internal control procedures. The Company is committed to high standards of ethics and integrity in all aspects of its business, and to ensuring its affairs are conducted in accordance with applicable laws and regulations.

Corporate Governance Practices

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of The Listing Rules Governing Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 March 2006, save for the following deviations:

Code Provision A.4.2

Under provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. The Bye-laws 87(1) of the Company provides that the chairman of the Board and/or the managing director of the Company ("Managing Director") shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. The Board considers that the chairman of the Board and the Managing Director are not subject to retirement by rotation in order to maintain the stability and continuity. Nevertheless, the amendment to the Bye-laws of the Company will be proposed at the forthcoming annual general meeting to ensure one-third of the Directors (other than the Chairman and Managing Director) shall retire from office by rotation at least once every three years.

Code Provision A.5.4

Under provision A.5.4 of the Code, the Board should establish written guidelines on no less exacting terms than the Model Code set out in Appendix 10 of the Listing Rules ("Model Code") for relevant employees in respect of their dealings in the securities of the Company. To comply with this code provision, the Board has issued the written guidelines to the relevant employees in March 2006.

Directors' Securities Transactions

The Company has adopted the Model Code regarding securities transactions by Directors. All Directors, after specific enquiry by the Company, confirmed they have complied with the required standard set out in the Model Code during the year.

Board of Directors

The Board is responsible for the management of the Company on behalf of the Shareholders. Key responsibilities include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The Board confines itself to making broad policy decisions and also exercising a number of reserved powers as mentioned below, delegating responsibility for more detailed considerations to the Management Committee under the leadership of the Chairman:

- those functions and matters as set out in the terms of reference of various committees (as amended from time to time), in which Board approval must be sought from time to time;
- those functions and matters in which Board approval must be sought in accordance with the Group's internal policy as amended from time to time;
- consideration and approval of financial statements in interim reports and annual reports, announcements and press releases of interim and final results;
- focus its attention on matters affecting the Company's overall strategic policies, finances and Shareholders;
- consideration of dividend policy and dividend amount; and
- monitoring the corporate governance of the Group in compliance with the relevant rules and regulations.

The Board comprises a total of eight Directors including four executive Directors, namely, Mr. Pang Kam Chun (Chairman), Mr. Kwok Yuk Chiu, Clement (Managing Director), Madam Li Wai Hang, Christina, and Mr. Nip Yun Wing; and four Independent Non-executive Directors, namely, Mr. Au Son Yiu, Mr. Lee Shing See, Mr. Hui Chiu Chung and Mr. Chan Chiu Ying who has appropriate professional qualifications, accounting and financial management expertise. Madam Li Wai Hang, Christina is the spouse of Mr. Pang Kam Chun.

Half of the Board are Independent Non-executive Directors which exceeds the minimum number required under the Listing Rules. The Company has received an annual written confirmation from each Independent Non-executive Director to confirm his independence under the Listing Rules to the Company and accordingly, the Company considers all of the Independent Non-executive Directors to be independent under the Listing Rules.

Board of Directors continued

Each of the Independent Non-executive Directors has a service agreement for a term of one year. The agreement is renewable subject to consent given by the Company and the respective Directors. The Independent Non-executive Directors are also subject to retirement by rotation in accordance with the Bye-laws.

All Directors have full and timely access to all relevant information, including regular reports from the Board Committees and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors may take independent professional advice, which will be paid for by the Company.

During the year under review, 6 meetings were held by the Board. The attendance of individual members of the Board and other Board Committees meetings during the year under review is set out in the following table:

Directors	Meetings attended/Eligible to attend			
	Board	Audit Committee	Nomination Committee	Remuneration Committee
<i>Executive Directors</i>				
Mr. Pang Kam Chun (Chairman of the Board)	6/6	–	–	–
Mr. Kwok Yuk Chiu, Clement (Managing Director)	6/6	–	1/1	0/0
Madam Li Wai Hang, Christina	6/6	–	–	–
Mr. Nip Yun Wing	6/6	–	–	–
<i>Independent Non-Executive Directors</i>				
Mr. Au Son Yiu	5/6	2/2	1/1	0/0
Mr. Chan Chiu Ying	6/6	2/2	–	0/0
Mr. Lee Shing See	2/2	0/0	–	–
Mr. Hui Chiu Chung	2/2	–	0/0	–

Chairman and Managing Director

The chairman of the Board is Mr. Pang Kam Chun and Managing Director is Mr. Kwok Yuk Chiu, Clement. The role of the Chairman is separated from that of Managing Director. The Chairman is responsible for overseeing the functioning of the Board while Managing Director is responsible for managing the Group's business.

Board Committees

The Board has established the following committees with defined terms of reference. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are of no less exacting terms than those set out in the Code. All committees are provided with sufficient resources to discharge their duties.

Management Committee

The Management Committee operates as a general management committee with overall delegated authority from the Board. The Management Committee manages the daily operation of the Company and reports through the chairman to the Board.

Members of the Management Committee are:

Mr. Pang Kam Chun (*Chairman*)
Mr. Kwok Yuk Chiu, Clement (*Managing Director*)
Madam Li Wai Hang, Christina
Mr. Nip Yun Wing

Remuneration Committee

The Remuneration Committee was formed in 6 April 2005. Its primary objective is to ensure the Company is able to attract, retain and motivate high-calibre employees who will underpin the success of the Company and enhance the value of the Company to its shareholders. The Remuneration Committee performs its functions, which primarily include assisting the Board in the overall management of the remuneration practices of the Group to ensure that effective policies, processes and practices are implemented in respect of the incentives for the Directors and senior management, in accordance with provision B.1.3 of the Code.

The Remuneration Committee comprises three members, a majority of whom are Independent Non-executive Directors.

Remuneration Committee continued

Members of the Remuneration Committee are:

Mr. Au Son Yiu (*Chairman*)
Mr. Chan Chiu Ying
Mr. Kwok Yuk Chiu, Clement

During the year under review, no meeting was held by the Remuneration Committee.

Nomination Committee

The Nomination Committee was formed in 6 April 2005 to make recommendations to the Board on the appointment and re-appointment of Directors, structure, size and composition of the Board and to ensure fair and transparent procedures for the appointment and re-appointment of Directors.

The Nomination Committee comprises three members, a majority of whom are Independent Non-executive Directors.

Members of the Nomination Committee are:

Mr. Lee Shing See (*Chairman*)
Mr. Au Son Yiu
Mr. Kwok Yuk Chiu, Clement

The Nomination Committee will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his/her qualifications, experience and background. The decision of appointing a director must be approved by the Board.

During the year under review, the Nomination Committee convened one meeting, in which the appointment of Mr. Lee Shing See and Mr. Hui Chiu Chung as the Independent Non-executive Directors were considered and recommended to the Board for approval. The attendance of individual Directors at the committee meeting is set out in the table on page 22.

Audit Committee

The Company established an audit committee on 17 December 1998 with written terms of reference in compliance with the Code. The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. The primary duties of the Audit Committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of both the external audit and of internal controls and risk evaluation.

The Audit Committee comprises three Independent Non-executive Directors, one of whom possesses appropriate professional qualification, accounting or related financial management expertise as required under the Listing Rules.

Members of the Audit Committee are:

Mr. Chan Chiu Ying (*Chairman*)

Mr. Au Son Yiu

Mr. Hui Chiu Chung

During the year under review, two meetings were held by the Audit Committee. The attendance of individual Directors at the Committee meetings is set out in the table on page 22.

The following is a summary of work performed by the Audit Committee during the year under review:

- (i) review of the annual report and final results announcement for the year ended 31 March 2005, with a recommendation to the Board for approval;
- (ii) review of the external auditors' independence and report, with recommendation to the Board for the re-appointment of the external auditors at the 2005 annual general meeting of the Company; and
- (iii) review of the interim report and the interim results announcement for the six months ended 30 September 2005, with a recommendation to the Board for approval.

Auditors' Remuneration

For the year ended 31 March 2006, the auditors of the Company and its subsidiaries received approximately HK\$1.64 million for audit services (2005: approximately HK\$1.58 million) and approximately HK\$0.39 million for non-audit services (2005: approximately HK\$0.15 million).

The significant non-audit services covered by these fees include the following:

Nature of non-audit services	Fees paid (HK\$million)
Tax services	0.19
General offers	0.20

Directors' and auditors' responsibilities for accounts

Statements of the Directors' responsibilities for preparing the financial statements and the auditors of the Company about their reporting responsibilities are set out in the Auditors' Report of this annual report.

Internal Control

The Directors have revised and are satisfied with the effectiveness of internal controls system in the Group, including, in particular, financial, operational and compliance controls and risk management functions.

Investor Relations and Communication with Shareholders

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports of the Company are printed and sent to all Shareholders. Moreover, announcements, circulars and press releases of the Company are posted on the Company's corporate website www.chunwo.com. The Company's website provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company's Board. Constantly being updated in a timely manner, the website also contains a wide range of additional information on the Group's business activities. The Company acknowledges that general meetings are good communication channel that members of the Board and committees are encouraged to attend the meetings.

Directors' Report

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

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.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 37.

An interim dividend of HK1.00 cent per share amounting to HK\$7,446,000 was paid to the Shareholders during the year under review. The Directors now recommend the payment of a final dividend of HK1.75 cents per share amounting to HK\$13,030,000 to the Shareholders whose names appear on the register of members on 21 September 2006.

FINANCIAL SUMMARY

A financial summary of the Group is set out on page 106.

INVESTMENT PROPERTIES

During the year under review, the Group disposed of certain investment properties with aggregate carrying value of approximately HK\$13.5 million and revalued all of its investment properties at 31 March 2006. The net increase in fair value of approximately HK\$10.1 million has been credited to the consolidated income statement.

Details of these and other movements during the year under review in the investment properties of the Group are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group acquired property, plant and equipment at a cost of approximately HK\$10 million for the purpose of expanding the Group's business.

Details of these and other movements during the year under review in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 31 to the consolidated financial statements.

BORROWINGS AND INTEREST CAPITALISED

Details of the Group's borrowings are set out in notes 28 and 29 to the consolidated financial statements.

Interest capitalised by the Group during the year under review is set out in note 8 to the consolidated financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's principal subsidiaries and the Group's principal associates and jointly controlled entities as at 31 March 2006 are set out in notes 41, 42 and 43 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 March 2006 were as follows:

	HK\$'000
Contributed surplus	52,552
Retained earnings	19,559
	<hr/>
	72,111

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon internally generated funds as well as bank and other borrowings to finance its operations and expansion, which is supplemented by equity funding when it is required.

At 31 March 2006, the total net debts of the Group amounted to approximately HK\$1,000.7 million, representing total debts of approximately HK\$1,340.7 million less bank balances and cash of approximately HK\$340.0 million. The debt maturity profile of the Group at 31 March 2006 is analysed as follows:

	2006 HK\$ million	2005 HK\$ million
Repayable within one year or on demand	894.9	691.5
Repayable after 1 year, but within 2 years	418.1	36.3
Repayable after 2 years, but within 5 years	27.7	365.0
Total	1,340.7	1,092.8

At 31 March 2006, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 1.26 (2005: 1.14 (restated)).

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars. The Group has no significant exposure to foreign exchange rate fluctuation. Besides, the Group's borrowings have not been hedged by any interest rate financial instruments.

The Group's financial position is sound and strong. With available bank balances and cash at 31 March 2006 and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

EMPLOYEE AND REMUNERATION POLICIES

The Group has approximately 2,240 employees at 31 March 2006. Total remuneration of employees for the year ended 31 March 2006 amounted to approximately HK\$506.9 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective companies and the employees concerned. The Group also provides in-house and external training programmes which are complementary to certain job functions.

SHARE OPTION SCHEMES

Particulars of the share option schemes and the details of the movements in share options which were granted under the share option scheme of the Company ("Chun Wo Scheme") are set out in note 32 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

A brief biographical details of Directors and senior management are set out on pages 15 to 19.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

Executive directors:

Mr. Pang Kam Chun
Mr. Kwok Yuk Chiu, Clement
Madam Li Wai Hang, Christina
Mr. Nip Yun Wing

Independent non-executive directors:

Mr. Au Son Yiu	
Mr. Chan Chiu Ying	
Mr. Hui Chiu Chung <i>JP</i>	(appointed on 1 January 2006)
Mr. Lee Shing See <i>GBS, OBE, JP</i>	(appointed on 1 January 2006)
Madam Chen Po Sum	(retired on 24 August 2005)
Dr. Wong Sai Wing, James	(retired on 24 August 2005)
Mr. Woo Kam Wai	(resigned on 1 January 2006)

In accordance with the Company's bye-laws ("Bye-laws") 86(2), 87 and 169(2), Mr. Lee Shing See, Mr. Hui Chiu Chung and Madam Li Wai Hang, Christina will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. The remaining Directors will continue in office.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals in the Group are set out in note 10 to the consolidated financial statements.

EMOLUMENT POLICY FOR DIRECTORS

The Directors are paid fees in line with market practice. The Group adopted the following main principles of determining the Directors' remuneration:

- No individual should determine his or her own remuneration
- Remuneration should be broadly aligned with companies with whom the Group competes for human resources
- Remuneration should reflect performance and responsibility with a view to motivating and retaining high performing individuals and enhancing of the value of the Company to its shareholders

In addition to the basic salaries, a share option scheme is adopted for rewarding and retaining Directors for the continual operation and development of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2006, the interests and short positions of the Directors, chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Number of shares held in the Company (Long Positions)			Percentage of the Company's issued share capital as at 31 March 2006	Outstanding option shares (Note 2)
	Personal interests	Family interests (Note 1)	Total		
Mr. Pang Kam Chun	265,096,950	10,148,875	275,245,825	36.97%	732,000
Madam Li Wai Hang, Christina	10,148,875	265,096,950	275,245,825	36.97%	–
Mr. Kwok Yuk Chiu, Clement	2,983,540	–	2,983,540	0.40%	7,326,000
Mr. Nip Yun Wing	–	–	–	–	3,200,000
Mr. Au Son Yiu	866,000	–	866,000	0.12%	732,000

Notes:

1. Madam Li Wai Hang, Christina is the spouse of Mr. Pang Kam Chun and is deemed to be interested in those shares of the Company in which Mr. Pang Kam Chun has an interest. Similarly, Mr. Pang Kam Chun is also deemed to be interested in those shares of the Company in which Madam Li Wai Hang, Christina has an interest.
2. Details of the share options granted to the Directors are stated under the heading "Directors' and Chief Executives' Rights to Acquire Shares or Debentures" below.

In addition, Mr. Pang Kam Chun and Madam Li Wai Hang, Christina hold 8,347,500 and 90,000 non-voting deferred shares respectively in Chun Wo Construction and Engineering Company Limited, which are subject to an option granted to Chun Wo Hong Kong Limited, a wholly-owned subsidiary of the Company, to purchase the said non-voting deferred shares.

Save as disclosed above and under the heading "Directors' and Chief Executive's Rights to Acquire Shares or Debentures" below and other than certain nominee shares in the subsidiaries held by certain Directors in trust for the Group, as at 31 March 2006, none of the Directors, chief executive of the Company and any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the movements in share options granted under the Chun Wo Scheme to Directors and chief executive of the Company during the year ended 31 March 2006 are as follows:

Name of Director	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
Mr. Pang Kam Chun	13 August 2004	0.904	21 August 2004 to 12 August 2014	732,000	-	-	-	732,000
Mr. Kwok Yuk Chiu, Clement	13 August 2004	0.904	21 August 2004 to 12 August 2014	7,326,000	-	-	-	7,326,000
Mr. Au Son Yiu	13 August 2004	0.904	21 August 2004 to 12 August 2014	732,000	-	-	-	732,000
Mr. Nip Yun Wing	15 November 2004	1.162	15 November 2004 to 14 November 2009	3,200,000	-	-	-	3,200,000
Madam Chen Po Sum	13 August 2004	0.904	21 August 2004 to 12 August 2014	732,000	-	(732,000)	-	-
Mr. Wong Sai Wing, James	13 August 2004	0.904	21 August 2004 to 12 August 2014	732,000	-	(732,000)	-	-
Mr. Woo Kam Wai	13 August 2004	0.904	21 August 2004 to 12 August 2014	732,000	-	(732,000)	-	-
Others (Note)	13 August 2004	0.904	21 August 2004 to 12 August 2014	-	2,196,000	-	-	2,196,000
				<u>14,186,000</u>	<u>2,196,000</u>	<u>(2,196,000)</u>	<u>-</u>	<u>14,186,000</u>

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

As at the date of this Directors' Report, the total number of shares available for issue under the Chun Wo Scheme is 27,550,000 shares, representing 3.70% of the issued share capital of the Company at that date.

Save as disclosed above and other than the Foundations Scheme as set out in note 32, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors and chief executive of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year under review.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of certain Directors disclosed under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, as at 31 March 2006, the register required to be kept by the Company under Section 336 of the SFO ("Register of Substantial Shareholders") shows that the following entity had, or was deemed or taken to have, an interest as a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange:

Name	Capacity	Number of shares held (Long Position)	Percentage of the Company's issued shares capital as at 31 March 2006
Midland Realty (Holdings) Limited	Beneficial Owner	52,748,000	7.08%

Save as disclosed above, the Register of Substantial Shareholders discloses no other person as having a interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange as at 31 March 2006.

CONDITIONAL VOLUNTARY CASH OFFERS

On 22 February 2006, GT Winners Limited (the "Offeror"), a company wholly and beneficially owned by Mr. Pang Kam Chun, chairman and controlling Shareholder of the Company, made the cash offers (the "Offers") to acquire all of the issued shares in the capital of, and for cancellation of all the outstanding options of, the Company (other than those already owned by the Offeror or parties acting in concert with it) at HK\$0.74 per share and HK\$0.001 per option respectively. On 9 May 2006, the Offeror increased the share offer price from HK\$0.74 to HK\$0.84 per share.

The Offers were closed on 12 June 2006. The Offeror received valid acceptances in respect of 121,348,294 shares of the Company under the share offer as revised by the revised offers and 250,000 options under the options offer. As a result, Mr. Pang Kam Chun's interests in the shares of the Company were increased from 36.97% to 53.27%.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year under review.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Directors' Report, the Company has maintained sufficient public float throughout the year ended 31 March 2006 as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2006, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 96% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 49% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

None of the Directors, their associates or any Shareholders (which to the knowledge the Directors own more than 5% of the Company's share capital) has any interest in any of the Group's five largest customers or suppliers.

DONATIONS

During the year under review, the Group made charitable and other donations totalling approximately HK\$1.4 million.

AUDITORS

A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

PANG KAM CHUN

Chairman

Hong Kong, 21 July 2006

Deloitte.

德勤

TO THE SHAREHOLDERS OF CHUN WO HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chun Wo Holdings Limited (the "Company") and its subsidiaries (the "Group") from pages 37 to 105 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and Auditors

The directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those consolidated financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2006 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 July 2006

Consolidated Income Statement

for the year ended 31 March 2006

	Notes	2006 HK\$'000	2005 HK\$'000 (restated)
Turnover	7	2,556,572	2,524,508
Cost of sales		(2,419,821)	(2,405,599)
Gross profit		136,751	118,909
Other income		74,817	97,934
General and administrative expenses		(155,548)	(175,623)
Finance costs	8	(15,002)	(3,279)
Gain on disposal of a subsidiary		–	5,430
Share of results of jointly controlled entities		21,219	16,430
Profit before taxation	9	62,237	59,801
Taxation	11	(6,967)	(8,321)
Profit for the year		55,270	51,480
Attributable to:			
Equity holders of the parent		56,525	51,630
Minority interests		(1,255)	(150)
		55,270	51,480
Dividends paid	12	16,753	28,753
Earnings per share			
– basic	13	7.6 cents	7.0 cents
– diluted		7.6 cents	7.0 cents

Consolidated Balance Sheet

At 31 March 2006

	Notes	2006 HK\$'000	2005 HK\$'000 (restated)
Non-current assets			
Investment properties	14	229,470	232,819
Property, plant and equipment	15	180,698	204,873
Prepaid lease payments	16	78,917	80,726
Properties under development	17	136,659	83,215
Interests in associates	18	42,783	42,783
Interests in jointly controlled entities	19	87,487	29,426
Available-for-sale investments	20	1,002	–
Investments	20	–	1,002
Amount due from an associate	21	75,926	79,741
		832,942	754,585
Current assets			
Amounts due from customers for contract work	22	326,602	321,253
Debtors, deposits and prepayments	23	524,293	380,026
Properties under development	17	1,279,012	954,443
Prepaid lease payments	16	1,809	1,809
Amounts due from associates	24	1,182	1,027
Amounts due from jointly controlled entities	24	38,459	71,021
Investments held for trading	20	6,333	–
Investments	20	–	6,672
Taxation recoverable		935	4,834
Pledged bank deposits	25	10,252	38,705
Bank balances and cash	25	329,730	203,455
		2,518,607	1,983,245
Current liabilities			
Amounts due to customers for contract work	22	236,253	215,889
Creditors, deposits and accrued charges	26	497,779	413,651
Deposits received from pre-sales of properties under development		376,814	138,590
Amounts due to jointly controlled entities	27	80,297	93,016
Taxation payable		13,414	11,111
Obligations under finance leases			
– due within one year	28	2,187	5,833
Borrowings – due within one year	29	892,739	685,731
		2,099,483	1,563,821
Net current assets		419,124	419,424
Total assets less current liabilities		1,252,066	1,174,009

Consolidated Balance Sheet / continued

At 31 March 2006

	Notes	2006 HK\$'000	2005 HK\$'000 (restated)
Non-current liabilities			
Obligations under finance leases			
– due after one year	28	695	2,465
Borrowings – due after one year	29	445,082	398,796
Deferred tax liabilities	30	10,547	20,895
		456,324	422,156
Net assets		795,742	751,853
Capital and reserves			
Share capital	31	74,457	74,457
Reserves		719,809	674,674
Equity attributable to equity holders of the parent		794,266	749,131
Minority interests		1,476	2,722
Total equity		795,742	751,853

The financial statements on pages 37 to 105 were approved and authorised for issue by the Board of Directors on 21 July 2006 and are signed on its behalf by:

Kwok Yuk Chiu, Clement
Director

Li Wai Hang, Christina
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

	Attributable to equity holders of the parent									
	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2004										
As originally stated	72,455	242,572	38,099	(7,340)	8,531	676	358,666	713,659	2,787	716,446
Effect of changes in accounting policies (see note 2 and 3)	-	-	(6,812)	-	-	-	-	(6,812)	-	(6,812)
As restated	72,455	242,572	31,287	(7,340)	8,531	676	358,666	706,847	2,787	709,634
Exchange differences arising on translation of foreign operations	-	-	-	-	-	596	-	596	-	596
Surplus on revaluation of investment properties	-	-	9,232	-	-	-	-	9,232	-	9,232
Deferred tax liability arising on revaluation of an investment property	-	-	(1,395)	-	-	-	-	(1,395)	-	(1,395)
Net income recognised directly in equity	-	-	7,837	-	-	596	-	8,433	-	8,433
Realised to consolidated income statement on disposal of an investment property	-	-	1,518	-	-	-	-	1,518	-	1,518
Profit (loss) for the year	-	-	-	-	-	-	51,630	51,630	(150)	51,480
Total recognised income and expense for the year	-	-	9,355	-	-	596	51,630	61,581	(150)	61,431
Shares issued on exercise of share options at premium	2,002	7,454	-	-	-	-	-	9,456	-	9,456
Capital contributed by minority shareholders	-	-	-	-	-	-	-	-	85	85
Dividends paid	-	-	-	-	-	-	(28,753)	(28,753)	-	(28,753)
At 31 March 2005	74,457	250,026	40,642	(7,340)	8,531	1,272	381,543	749,131	2,722	751,853
Effect of changes in accounting policies (see note 2 and 3)	-	-	(40,642)	-	-	-	40,642	-	-	-
At 1 April 2005 (as restated)	74,457	250,026	-	(7,340)	8,531	1,272	422,185	749,131	2,722	751,853
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	5,363	-	5,363	9	5,372
Profit (loss) for the year	-	-	-	-	-	-	56,525	56,525	(1,255)	55,270
Total recognised income and expense for the year	-	-	-	-	-	5,363	56,525	61,888	(1,246)	60,642
Dividends paid	-	-	-	-	-	-	(16,753)	(16,753)	-	(16,753)
At 31 March 2006	74,457	250,026	-	(7,340)	8,531	6,635	461,957	794,266	1,476	795,742

The special reserve of the Group represents the aggregate amount of the non-voting deferred share capital of Chun Wo Construction and Engineering Company Limited and the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal amount of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1993.

The capital reserve of the Group mainly represents the amount of profit capitalisation upon allotment of share capital of Chun Wo Foundations Limited during the year ended 31 March 1997.

Consolidated Cash Flow Statement

For the year ended 31 March 2006

	2006 HK\$'000	2005 HK\$'000 (restated)
Operating activities		
Profit before taxation	62,237	59,801
Adjustments for:		
Finance costs	15,002	3,279
Share of results of jointly controlled entities	(21,219)	(16,430)
Interest income	(1,361)	(907)
Dividend income from investments held for trading	(146)	–
Dividend income from other investments	–	(61)
Depreciation and amortisation	3,012	20,325
Release of prepaid lease payments	682	682
Increase in fair value of investment properties	(10,154)	–
Increase in fair value of investments held for trading	(1,379)	–
Loss on disposal of property, plant and equipment	811	1,700
(Gain) loss on disposal of investment properties	(6,948)	2,033
Gain on disposal of available-for-sale investments	(400)	–
Unrealised holding loss on other investments	–	285
Net gain on cessation of a jointly controlled entity	(6,899)	–
Gain on disposal of a subsidiary	–	(5,430)
Operating cash flows before movements in working capital	33,238	65,277
Decrease (increase) in amounts due from (to) customers for contract work	56,459	(61,985)
(Increase) decrease in debtors, deposits and prepayments	(144,267)	150,870
Increase in properties under development	(289,129)	(578,056)
Decrease in properties held for sale	–	15,493
Increase in amounts due from associates	(155)	(540)
Decrease (increase) in amounts due from jointly controlled entities	8,589	(29,193)
Increase (decrease) in creditors, deposits and accrued charges	84,128	(100,353)
Increase in deposits received from pre-sales of properties under development	238,224	138,590
(Decrease) increase in amounts due to jointly controlled entities	(12,719)	14,270
Cash used in operations	(25,632)	(385,627)
Hong Kong Profits Tax paid	(10,834)	(12,234)
Foreign Enterprise Income Tax in the People's Republic of China ("PRC") paid	(279)	(693)
Net cash used in operating activities	(36,745)	(398,554)

Consolidated Cash Flow Statement / continued

For the year ended 31 March 2006

	Note	2006 HK\$'000	2005 HK\$'000 (restated)
Investing activities			
Costs incurred in properties under development		(49,762)	(55,788)
Purchase of property, plant and equipment		(9,574)	(11,357)
Capital injected to a jointly controlled entity		(4,655)	–
Decrease in pledged bank deposits		28,453	24,259
Proceeds from disposal of investment properties		20,451	21,485
Dividends received from jointly controlled entities		2,500	21,750
Interest received		1,361	907
Proceeds from disposal of investments held for trading		1,218	–
Proceeds from disposal of property, plant and equipment		994	3,116
Proceeds from disposal of available-for-sale investments		900	–
Dividend received from investments held for trading		146	–
Acquisition of investments in associates		–	(42,782)
Increase in other investments		–	(3,410)
Disposal of a subsidiary	34	–	7,423
Redemption of other investment		–	5,000
Proceeds from disposal of investment securities		–	501
Dividend received from other investments		–	61
Net cash used in investing activities		(7,968)	(28,835)
Financing activities			
New bank loans raised		580,314	561,698
Repayment of bank loans		(266,083)	(224,617)
Interest paid		(58,516)	(18,804)
(Decrease) increase in trust receipt loans		(56,949)	66,352
Dividends paid		(16,753)	(28,753)
Repayment of principal portion of obligations under finance leases		(5,875)	(14,877)
Repayment of mortgage loans		(3,988)	(3,132)
Proceeds from issue of shares		–	9,456
Capital contributed by minority shareholders		–	85
Net cash from financing activities		172,150	347,408
Net increase (decrease) in cash and cash equivalents		127,437	(79,981)
Cash and cash equivalents at beginning of the year		203,455	282,840
Effect of foreign exchange rate change		(1,162)	596
Cash and cash equivalents at end of the year, represented by bank balances and cash		329,730	203,455

Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

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, derecognition 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

For the year ended 31 March 2006

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	–

For the year ended 31 March 2006

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) HK\$'000	Effect on adoption of			As at 31 March 2005 (restated) HK\$'000	Adjustments on adoption of		As at 1 April 2005 (restated) HK\$'000
		HKAS 1 HK\$'000	HKAS 17 HK\$'000	HKAS – Int 21 HK\$'000		HKAS 39 HK\$'000	HKAS 40 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 HK\$'000	Adjustments on adoption of		As restated HK\$'000
		HKAS 1 HK\$'000	HKAS – Int 21 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.

For the year ended 31 March 2006

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	<u>2,529,356</u>	<u>–</u>	<u>25,475</u>	<u>1,741</u>	<u>2,556,572</u>
RESULT					
Segment result	<u>44,396</u>	<u>(79)</u>	<u>33,607</u>	<u>(3,707)</u>	<u>74,217</u>
Interest income					1,361
Unallocated corporate expenses					(19,558)
Finance costs					(15,002)
Share of results of jointly controlled entities	<u>21,219</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>21,219</u>
Profit before taxation					62,237
Taxation					<u>(6,967)</u>
Profit for the year					<u>55,270</u>

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					<u>3,351,549</u>
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					<u>2,555,807</u>

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

For the year ended 31 March 2006

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	<u>2,468,450</u>	<u>23,767</u>	<u>28,734</u>	<u>3,557</u>	<u>2,524,508</u>
RESULT					
Segment result	<u>41,455</u>	<u>1,702</u>	<u>19,352</u>	<u>(527)</u>	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	–	–	–	<u>16,430</u>
Profit before taxation					59,801
Taxation					<u>(8,321)</u>
Profit for the year					<u>51,480</u>

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					<u>2,737,830</u>
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					<u>1,985,977</u>

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

For the year ended 31 March 2006

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	
	31 March 2006 HK\$'000	31 March 2005 HK\$'000	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2005 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

For the year ended 31 March 2006

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		
		Salaries and other benefits	Retirement benefits scheme contribution	Total
	Fees HK\$'000	HK\$'000	HK\$'000	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		
		Salaries and other benefits	Retirement benefits scheme contribution	Total
	Fees HK\$'000	HK\$'000	HK\$'000	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
	<u>4,071</u>	<u>4,728</u>

The employees' emoluments were within the following bands:

	2006 Number of employees	2005
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.

For the year ended 31 March 2006

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	<u>56,525</u>	<u>51,630</u>
	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)	<u>–</u>	<u>5,688,459</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>744,565,896</u>	<u>741,900,229</u>

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)	<u>1.4</u>	<u>–</u>
As restated	<u>7.6</u>	<u>7.0</u>

14. Investment Properties

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

For the year ended 31 March 2006

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 HK\$'000	2005 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 HK\$'000	2005 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

For the year ended 31 March 2006

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)
	<u>195,397</u>	<u>204,474</u>
Group's share of net assets of associates	<u>42,783</u>	<u>42,783</u>
	2006 HK\$'000	2005 HK\$'000
Revenue	<u>12,238</u>	<u>7,237</u>
Profit for the year	<u>1,540</u>	<u>2,193</u>
Group's share of results of associates for the year (note)	<u>–</u>	<u>–</u>

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)	<u>82,832</u>	<u>29,426</u>
	<u>87,487</u>	<u>29,426</u>

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

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 HK\$'000	2005 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)
	<u>90,349</u>	<u>105,364</u>
Represented by:		
Due from customers included in current assets	326,602	321,253
Due to customers included in current liabilities	(236,253)	(215,889)
	<u>90,349</u>	<u>105,364</u>

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
	<u>240,070</u>	<u>158,367</u>

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.

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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.

For the year ended 31 March 2006

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.

For the year ended 31 March 2006

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	Outstanding at 1 April 2005	Number of share options			Outstanding at 31 March 2006
					Transferred from other category during the year	Transferred to other category during the year	Cancelled/ lapsed during the year	
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
				<u>28,030,000</u>	<u>2,196,000</u>	<u>(2,196,000)</u>	<u>(480,000)</u>	<u>27,550,000</u>

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.

For the year ended 31 March 2006

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
				<u>14,488,000</u>	<u>33,562,000</u>	<u>(20,020,000)</u>	<u>28,030,000</u>

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
	<u>7,427</u>
Satisfied by:	
Net cash consideration	<u>7,427</u>
Net cash inflow arising on disposal:	
Bank balances and cash disposed of	(4)
Net cash consideration	<u>7,427</u>
Net inflow of cash and cash equivalents in respect of disposal of the subsidiary	<u>7,423</u>

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 HK\$'000	2005 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 HK\$'000	2005 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

For the year ended 31 March 2006

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	HK\$'000
	(Note)					
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 %	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 HK\$9,000,000 non-voting deferred shares	100	100 (note a)	Construction
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

For the year ended 31 March 2006

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		Principal activities
			held by the Company/ subsidiaries %	attributable to the Group %	
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		Principal activities
			held by the Company/ subsidiaries %	attributable to the Group %	
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.

For the year ended 31 March 2006

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
	<u>333,791</u>	<u>1,024,880</u>
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
	<u>801,055</u>	<u>1,329</u>
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
	<u>736,475</u>	<u>2,854</u>
Net current assets (liabilities)	<u>64,580</u>	<u>(1,525)</u>
Total assets less current liabilities	<u>398,371</u>	<u>1,023,355</u>
Non-current liabilities		
Borrowings – due after one year	1,777	2,833
Amounts due to subsidiaries	–	636,369
	<u>1,777</u>	<u>639,202</u>
Net assets	<u>396,594</u>	<u>384,153</u>
Capital and reserves		
Share capital	74,457	74,457
Reserves	322,137	309,696
Total equity	<u>396,594</u>	<u>384,153</u>

Financial Summary

	Year ended 31 March				
	2002	2003	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(restated)	(restated)	(restated)	(restated)	
Results					
Turnover	2,310,152	2,450,101	3,158,818	2,524,508	2,556,572
Profit before taxation	56,569	22,083	91,820	59,801	62,237
Taxation	(15,720)	(16,303)	(20,434)	(8,321)	(6,967)
Profit for the year	40,849	5,780	71,386	51,480	55,270
Attributable to:					
Equity holders of the parent	41,330	5,595	71,368	51,630	56,525
Minority interests	(481)	185	18	(150)	(1,255)
	40,849	5,780	71,386	51,480	55,270
At 31 March					
	2002	2003	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(restated)	(restated)	(restated)	(restated)	
Assets and Liabilities					
Total assets	3,053,398	3,851,353	2,283,032	2,737,830	3,351,549
Total liabilities	(2,432,957)	(3,235,739)	(1,573,398)	(1,985,977)	(2,555,807)
	620,441	615,614	709,634	751,853	795,742
Equity attributable to:					
Equity holders of the parent	620,334	613,249	706,847	749,131	794,266
Minority interests	107	2,365	2,787	2,722	1,476
	620,441	615,614	709,634	751,853	795,742

Prior periods' figures have been adjusted to reflect the change in accounting policies as described in note 2 to the consolidated financial statements.

Particulars of Properties

At 31 March 2006

PROPERTIES HELD FOR DEVELOPMENT/SALE

Location	Stage of completion	Expected date of completion	Usage	Total estimated site area (square metres)	Total estimated gross floor area (square metres)	Group's interest
New Kowloon Inland Lot No. 6179 Clear Water Bay Road Kowloon Hong Kong	Superstructure work in progress	April 2006	Residential, commercial and carpark	3,197	32,504	100%
A parcel of land located at southern portion of Jiunan Road, Henan Village Huanke Garden, Yixing Jiangsu Province The People's Republic of China	Pre-construction work in progress	December 2007	Commercial and carpark	22,417	26,900	100%
A parcel of land located between northern portion of He Ping Road and southern portion of Guang Hua Road, Shijiazhuang Hebei Province The People's Republic of China	Pre-construction work in progress	December 2009	Residential, commercial and carpark	111,554	381,000	100%
A parcel of land located at the western portion of Yangzijiang Road Central Yangzhou, Jiangsu Province The People's Republic of China	Pre-construction work in progress	June 2007	Residential, commercial and carpark	17,505	29,759	100%

At 31 March 2006

PROPERTIES HELD FOR INVESTMENT

Location	Usage	Lease term
Commercial Shops Grandeur Terrace 88 Tin Shui Road, Yuen Long New Territories Hong Kong	Commercial	Medium
The junction of Qi Guan Xi Road and Ti Yu Road Zhongshan City, Guangdong Province The People's Republic of China	Commercial	Medium
Unit 101 of Level 1 and Level 23, Wing Kin Square No. 31 Jiansheliu Road Dongshan District, Guangzhou City The People's Republic of China	Commercial	Medium
Unit B, Level 11, Tower 1 Onward Science & Trade Centre No. 2 Dong Huan South Road Chao Yang District, Beijing The People's Republic of China	Commercial	Medium