THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in **Chinney Investments, Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

建業實業有限公司

Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code 216)

MAJOR TRANSACTION

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES IN HON KWOK LAND INVESTMENT COMPANY, LIMITED

15th December, 2006

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:

"Announcement"	the joint announcement dated 16th November, 2006 issued by the Company and Hon Kwok in relation to the Placing and the Subscription
"Board"	the board of directors of the Company
"Chinney Alliance"	Chinney Alliance Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Chinney Holdings"	Chinney Holdings Limited, a company incorporated in Hong Kong with limited liability and which is the holding company of the Company holding approximately 55.67% of the issued share capital of the Company as at the Latest Practicable Date
"Company"	Chinney Investments, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and which is the holding company of Hon Kwok holding approximately 52.44% of the issued share capital of Hon Kwok as at the Latest Practicable Date
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hon Kwok"	Hon Kwok Land Investment Company, Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"Hon Kwok Group"	Hon Kwok and its subsidiaries
"Hon Kwok Shares"	ordinary shares of nominal value of HK$1.00 each in the share capital of Hon Kwok
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Latest Practicable Date"	8th December, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lucky Year"	Lucky Year Finance Limited, a company incorporated in the British Virgin Islands with limited liability
"Placing"	the placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
"Placing Agreement"	the placing, underwriting and subscription agreement entered into between the Company, Hon Kwok and HSBC dated 15th November, 2006
"Placing Price"	HK$4.05 per Placing Share
"Placing Shares"	80,047,700 Hon Kwok Shares to be placed under the Placing
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the conditional subscription by the Company for the Subscription Shares pursuant to the Placing Agreement
"Subscription Shares"	a total of 80,047,700 new Hon Kwok Shares to be subscribed for by the Company pursuant to the Placing Agreement

建業實業有限公司
Chinney Investments, Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code 216)

Directors:
James Sai-Wing Wong *(Chairman)*
Madeline May-Lung Wong
William Chung-Yue Fan
Herman Man-Hei Fung *(Managing Director)*
Clement Kwok-Hung Young*
Johnny Chung-Ah Wong*
Peter Man-Kong Wong*

** Independent Non-executive Directors*

Registered office:
23rd Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

15th December, 2006

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES IN HON KWOK LAND INVESTMENT COMPANY, LIMITED

1. INTRODUCTION

Reference is made to the Announcement in which the Board announced that on 15th November, 2006, the Placing Agreement was executed by the Company, Hon Kwok and HSBC, pursuant to which (i) the Company agreed to place, through HSBC as placing agent, 80,047,700 Hon Kwok Shares to independent investors at a price of HK$4.05 per Placing Share; and (ii) the Company conditionally agreed to subscribe for 80,047,700 new Hon Kwok Shares at the Placing Price.

Upon completion of the Placing, the shareholding of the Company in Hon Kwok will reduce from approximately 62.92% to approximately 42.92%. The Placing constitutes a major transaction for the Company, on the basis that the calculations of the consideration ratio and the profits ratio for the Company are within the range of 25% and 75%, and is therefore subject to the approval of the Shareholders. The Company has obtained from Chinney Holdings, which holds 55.67% of the issued share capital of the Company, written approval of the Placing. Pursuant to Rule 14.44 of the Listing Rules, the Placing which constitutes a major transaction for the Company has been approved by way of written Shareholders' approval in lieu of holding a general meeting of the Company.

In addition, following completion of the Subscription, the shareholding of the Company in Hon Kwok will increase from approximately 42.92% to approximately 52.44%. The Subscription constitutes a major transaction for the Company, on the basis that the calculation of the consideration ratio for the Company is within the range of 25% and 75%, and is therefore subject to the approval of the Shareholders. The Company has obtained from Chinney Holdings, which holds 55.67% of the issued share capital of the Company, written approval of the Subscription. Pursuant to Rule 14.44 of the Listing Rules, the Subscription, which constitutes a major transaction for the Company, has been approved by way of written Shareholders' approval in lieu of holding a general meeting of the Company.

The purpose of this circular is to provide you with further information regarding the Placing Agreement in compliance with the requirements of the Listing Rules.

2. PLACING AGREEMENT

2.1 Information about the Placing

Vendor: The Company

Number of Placing Shares: 80,047,700 Hon Kwok Shares to be placed, representing approximately 20% of the issued share capital of Hon Kwok as at the date of the Placing Agreement.

Underwriting: The Placing is fully underwritten by HSBC.

Placing price: HK$4.05 per Share, which was agreed after arm's length negotiations and represents:

(i) a discount of approximately 7.95% to the closing price of HK$4.40 per Share as quoted on the Stock Exchange on 15th November, 2006, being the last trading day of the Hon Kwok Shares immediately before the date of the Announcement; and

(ii) a discount of approximately 6.47% to the average closing price of HK$4.33 per Share as quoted on the Stock Exchange for the last five trading days of the Hon Kwok Shares immediately before the date of the Announcement.

Placing Agent: HSBC

Placees: The Placing Shares are to be placed to not less than six placees (which were individual, corporate or institutional investors or a combination of them).

As far as the Company is aware and having made reasonable enquiries, such placees and their respective ultimate owners are all:

(i) independent of, and not acting in concert with, the Company and parties acting in concert with it; and

(ii) independent third parties not connected with Hon Kwok or its subsidiaries or any of their respective associates, or any of the connected persons of Hon Kwok or its subsidiaries or any of their respective associates.

None of such placees is expected to become a substantial shareholder of Hon Kwok as a result of the Placing.

HSBC Bank plc will purchase in the Placing 922,700 Placing Shares (representing approximately 1.15% of the Placing Shares) at the Placing Price. HSBC Bank plc and HSBC (the placing agent) are both wholly-owned subsidiaries of HSBC Holdings plc.

Restrictions: Pursuant to the Placing Agreement, the Company has undertaken to HSBC that (except for the sale of the Hon Kwok Shares to be sold pursuant to the Placing Agreement), for a period of 90 days from the date of completion of the Placing, it will not, and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will, (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Hon Kwok Shares (including the Hon Kwok Shares which the Company will subscribe for under the Placing Agreement) or any interests therein beneficially owned or held by the Company or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Hon Kwok Shares or interests; or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Hon Kwok Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Hon Kwok Shares or such other securities in cash or otherwise; or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, without the prior written consent of HSBC.

Hon Kwok will not, during the period of 90 days from the date of completion of the Placing, except for the Hon Kwok Shares which the Company will subscribe for under the Placing Agreement and save pursuant to (i) the terms of any employee share option scheme of Hon Kwok; or (ii) any outstanding subscription warrants; or (iii) bonus or scrip dividend or similar arrangements which provide for the allotment of Hon Kwok Shares in lieu of the whole or part of a dividend on Hon Kwok Shares in accordance with its articles of association; or (iv) conversion of outstanding convertible bonds, (1) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Hon Kwok Shares or any interests in Hon Kwok Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Hon Kwok Shares or interest in Hon Kwok Shares or (2) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (1) above or (3) announce any intention to enter into or effect any such transaction described in (1) or (2) above without first having obtained the written consent of HSBC.

Use of Proceeds:	The proceeds from the Placing will be used by the Company to subscribe for the Subscription Shares.
Completion:	The placing is unconditional and completion took place on 21st November, 2006.

2.2 Information about the Subscription

Subscriber:	The Company
Number of Subscription Shares:	80,047,700 new Hon Kwok Shares, representing approximately 20% of the issued share capital of Hon Kwok as at the date of the Placing Agreement and approximately 16.67% of the issued share capital of Hon Kwok at the Latest Practicable Date as enlarged by the allotment and issue of the Subscription Shares.
Subscription price:	HK$4.05 per Share, which is the same as the Placing Price
Ranking of Subscription Shares:	The Subscription Shares will rank, upon issue, pari passu in all respects with the Hon Kwok Shares in issue on the date of allotment and issue of the Subscription Shares.
Use of Proceeds:	The net placing and subscription price will be HK$3.94 per Hon Kwok Share, which represents net proceeds from the Subscription of approximately HK$315,000,000. These proceeds will be used as general working capital of the Hon Kwok Group for operating activities including the acquisition of landbank. For the period prior to the identification of suitable properties for the landbank, Hon Kwok may use such proceeds to reduce existing borrowings.
Conditions:	The Subscription is conditional upon: (i) completion of the Placing; and (ii) listing of, and permission to deal in, the Subscription Shares being granted by the Listing Committee of the Stock Exchange.
Completion:	The Subscription took place on 29th November, 2006.

2.3 Costs and Expenses

In consideration of the services of the Placing Agent in relation to the Placing, HSBC is entitled to receive an underwriting commission of 2.5 per cent. of the aggregate Placing Price of the Placing Shares.

Hon Kwok shall be liable for all the costs and expenses in connection with the Placing and Subscription.

3. REASONS AND BENEFITS FOR THE PLACING AND SUBSCRIPTION

The Directors considered various ways of raising funds for Hon Kwok and consider that the Placing and the Subscription represent an opportunity to raise capital for Hon Kwok while at the same time broadening the shareholder base and the capital base of Hon Kwok.

The Directors consider the terms of the Placing Agreement to be fair and reasonable and in the interests of the Company, Hon Kwok and their respective shareholders as a whole.

4. FINANCIAL EFFECTS OF THE PLACING AND SUBSCRIPTION

The shareholdings in Hon Kwok before and after the Placing and the Subscription are summarised as follows:

	Before Placing and Subscription *(%)*	**After Placing but before Subscription** *(%)*	**After Placing and Subscription** *(%)*
The Company	62.92	42.92	52.44
DJE Investment S.A.	6.04	6.04	5.03
Placees[(1)]	–	20.00	16.67
Public	31.04	31.04	25.86
	100.00	100.00	100.00

Remark:

(1) Refers to Hon Kwok Shares purchased in the Placing only. Any existing holdings of such Hon Kwok Shares are included under "Public" below.

The beneficial interest of the Company and parties acting in concert with it in the issued share capital of Hon Kwok will be reduced from approximately 62.92% to approximately 42.92% immediately following completion of the Placing.

The beneficial interest of the Company and parties acting in concert with it in the issued share capital of Hon Kwok will increase to approximately 52.44% immediately following completion of the Subscription.

As disclosed in Hon Kwok's annual report for the financial year ended 31st March, 2006, the audited consolidated net assets of the Hon Kwok Group as at 31st March, 2006 was approximately HK$2,055 million. The audited net profit before and after taxation of the Hon Kwok Group for the financial year ended 31st March, 2006 amounted to approximately HK$747 million and HK$585 million respectively. The audited net profit before and after taxation of the Hon Kwok Group for the financial year ended 31st March, 2005 amounted to approximately HK$232 million and HK$230 million respectively.

Upon completion of the Placing and Subscription, the shareholding in Hon Kwok held by the Company will be reduced from approximately 62.92% to approximately 52.44%. Hon Kwok will continue to be accounted for as a subsidiary of the Company.

Based on the audited consolidated financial statements of Hon Kwok as at 31st March, 2006, it is expected that share of Hon Kwok's consolidated net assets by the Company will be decreased by about HK$45 million as a result of the disposal of the net 10.48% interest in the issued share capital of Hon Kwok as a result of the Placing and the Subscription. This expected decrease in the share of Hon Kwok's consolidated net assets by the Company represents the difference between the Company's 62.92% share of the audited consolidated net assets of Hon Kwok as at 31st March, 2006 as adjusted for the 2006 final dividend of Hon Kwok and the Company's 52.44% share of the audited consolidated net assets of Hon Kwok as enlarged by the net proceeds from the Subscription as adjusted for the 2006 final dividend of Hon Kwok. It is also expected that the share of the assets and the financial results of the Hon Kwok Group by the Company will be decreased from approximately 62.92% to approximately 52.44% in the consolidated accounts of the Company after completion of the Placing and Subscription.

5. FUND RAISING DURING THE PAST 12 MONTHS

No fund raising activity was conducted by the Company in the past 12 months immediately preceding the date of this circular.

The fund raising activity conducted by Hon Kwok in the past 12 months immediately preceding the date of this circular is set out below:

Date of announcement	Event	Amount of bonds/Number of Hon Kwok Shares issued	Net proceeds	Usage
20th June, 2006	Issue of HK$280M 3.5% Convertible Guaranteed Bonds due 2011	HK$280M	HK$273M	General working capital of the Hon Kwok Group. Intended/actual usage of the proceeds are the same
16th November, 2006	Issue of the Subscription Shares to the Company	80,047,700 Hon Kwok Shares at HK$4.05 per share	HK$315M	General working capital of the Hon Kwok Group

6. INFORMATION ON THE COMPANY AND HON KWOK

The Company is an investment holding company. Its subsidiaries (except the Hon Kwok Group) are mainly engaged in superstructure construction work, foundation piling, garment manufacturing and trading and general investment.

Hon Kwok is an investment holding company. Its subsidiaries are mainly engaged in property development, property investment and property related businesses.

7. PERMISSION FOR LISTING GRANTED

Application has been made by Hon Kwok to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, all the Subscription Shares.

Permission to deal in the Subscription Shares was granted by the Listing Committee of the Stock Exchange on 27th November, 2006, and the Subscription Shares were allotted to the Company on 29th November, 2006.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for Hon Kwok Shares.

8. WAIVER GRANTED UNDER THE LISTING RULES

On 30th November, 2006, the Company applied to the Listing Division of the Stock Exchange for a waiver from strict compliance with Rules 14.66(3) and 5.02 of the Listing Rules for the inclusion of a valuation report on the properties held by Hon Kwok in this circular. On 11th December, 2006, the Listing Division of the Stock Exchange agreed to grant a waiver to the Company from strict compliance with Rules 14.66(3) and 5.02 of the Listing Rules.

9. ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the appendix of this circular.

Yours faithfully,
By Order of the Board
James Sai-Wing Wong
Chairman

1. THREE YEAR FINANCIAL RESULTS OF THE GROUP

The following is a summary of the results and financial position of the Group for the three years ended 31st March, 2006, as extracted from the annual reports of the Company for the years ended 31st March, 2006 and 2005.

Results

	Year ended 31st March,		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	2,361,233	1,417,927	1,685,089
Cost of sales	(1,969,443)	(1,160,422)	(1,551,886)
Gross profit	391,790	257,505	133,203
Other income	24,353	23,439	24,813
Selling and distribution costs	(55,359)	(72,639)	(70,286)
Administrative expenses	(223,324)	(202,697)	(185,456)
Increase in fair value changes of investment properties	244,159	–	184,355
Recognition of fair value changes of completed properties upon transfer to investment properties	207,259	–	–
Write back of allowance of properties under development	–	–	9,345
Finance costs	(82,214)	(32,258)	(34,168)
Share of results of associates	837	3,702	(10,172)
Share of results of jointly-controlled entities	4,172	9,655	90,658
Write off of debts from a jointly-controlled entity	–	(3,873)	(84,488)
Gain on disposal of subsidiaries	44,818	233,662	1,394
Loss on deemed disposal of partial interests in a subsidiary	–	–	(56,242)
Loss on disposal of associates	(256)	–	–
Write off of goodwill arising from acquisition of a subsidiary	–	(2,463)	–
Discount on acquisition of additional interests in a subsidiary	9,626	–	–
Release of negative goodwill of subsidiaries	–	59,507	58,511
Profit before taxation	565,861	273,540	61,467
Taxation (charge) credit	(147,768)	1,403	(3,237)
Profit for the year	418,093	274,943	58,230
Attributable to:			
Equity holders of the parent	189,838	179,263	13,956
Minority interests	228,255	95,680	44,274
	418,093	274,943	58,230
Dividend	22,055	16,541	11,027
Earnings per share – Basic	34.4 cents	32.5 cents	2.5 cents

Assets, Liabilities and Minority Interests

	As at 31st March,		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
TOTAL ASSETS	5,918,577	4,452,814	3,934,594
TOTAL LIABILITIES	3,359,463	2,435,496	2,369,728
MINORITY INTERESTS	1,150,974	867,640	622,920
	1,408,140	1,149,678	941,946

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEARS ENDED 31ST MARCH, 2006 AND 2005

Set out below are the audited consolidated income statement of the Group, the audited consolidated balance sheet of the Group, the audited balance sheet of the Company, the audited condensed consolidated statement of changes in equity of the Group and the audited consolidated cash flow statement of the Group together with the relevant notes to the financial statements, as extracted from the annual report of the Company for the year ended 31st March, 2006.

Consolidated Income Statement
For the year ended 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Turnover	7	2,361,233	1,417,927
Cost of sales		(1,969,443)	(1,160,422)
Gross profit		391,790	257,505
Other income		24,353	23,439
Selling and distribution costs		(55,359)	(72,639)
Administrative expenses		(223,324)	(202,697)
Increase in fair value changes of investment properties		244,159	–
Recognition of fair value changes of completed properties upon transfer to investment properties		207,259	–
Finance costs	9	(82,214)	(32,258)
Share of results of associates		837	3,702
Share of results of jointly-controlled entities	10	4,172	9,655
Write off of debts from a jointly-controlled entity	10	–	(3,873)
Gain on disposal of subsidiaries		44,818	233,662
Loss on disposal of associates		(256)	–
Write off of goodwill arising from acquisition of a subsidiary		–	(2,463)
Discount on acquisition of additional interests in a subsidiary		9,626	–
Release of negative goodwill of subsidiaries		–	59,507
Profit before taxation	11	565,861	273,540
Taxation (charge) credit	14	(147,768)	1,403
Profit for the year		418,093	274,943
Attributable to:			
Equity holders of the parent		189,838	179,263
Minority interests		228,255	95,680
		418,093	274,943
Dividend	15	22,055	16,541
Earnings per share – Basic	16	34.4 cents	32.5 cents

Balance Sheets
At 31st March, 2006

		THE GROUP		THE COMPANY	
		2006	2005	2006	2005
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)		(Restated)
NON-CURRENT ASSETS					
Property, plant and equipment	*17*	222,461	262,760	–	1
Properties under development	*18*	1,209,884	582,586	–	–
Prepaid lease payments	*19*	15,035	15,030	–	–
Investment properties	*20*	1,987,092	1,329,400	–	–
Investments in subsidiaries	*21*	–	–	846,413	839,466
Amount due from subsidiaries	*34*	–	–	–	186,618
Interests in associates	*22*	45,841	51,123	–	–
Amount due from associates	*22*	–	8,701	–	–
Interests in jointly-controlled entities	*23*	43,934	46,397	–	–
Amount due from jointly-controlled entities	*23*	–	5,928	–	–
Negative goodwill	*25*	–	(69,426)	–	–
Deferred taxation assets	*26*	6,760	5,275	–	–
Investments in securities	*27*	–	53,015	–	–
Available-for-sale investments	*28*	1,300	–	–	–
Retention monies receivable		–	14,174	–	–
		3,532,307	2,304,963	846,413	1,026,085
CURRENT ASSETS					
Inventories	*30*	16,881	83,691	–	–
Properties held for sale	*31*	1,012,275	1,209,402	–	–
Prepaid lease payments	*19*	397	395	–	–
Investments in securities	*27*	–	635	–	–
Financial assets at fair value through profit and loss	*29*	733	–	–	–
Debtors and prepayments	*32*	326,755	259,701	16	519
Amounts due from customers for contract work	*33*	55,446	48,048	–	–
Retention monies receivable		61,255	30,736	–	–
Amounts due from subsidiaries	*34*	–	–	287,027	44,948
Amounts due from associates	*35*	–	12,601	–	–
Amounts due from jointly-controlled entities	*35*	129,483	1,133	146	–
Loans to minority shareholders of subsidiaries	*36*	86,114	39,747	–	–
Dividends receivable		–	–	–	15,000
Taxation recoverable		967	6,565	–	–
Pledged bank balances	*37*	65,948	78,600	–	–
Bank balances and cash	*38*	461,874	376,597	4,961	2,032
		2,218,128	2,147,851	292,150	62,499
Assets classified as held for sale	*39*	168,142	–	–	–
		2,386,270	2,147,851	292,150	62,499

Balance Sheets *(Continued)*
At 31st March, 2006

		THE GROUP		THE COMPANY	
		2006	2005	2006	2005
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)		(Restated)
CURRENT LIABILITIES					
Creditors and accrued charges	*40*	311,118	246,748	6,937	4,055
Customers' deposits		12,298	11,850	–	–
Sales deposits received		114,570	295,787	–	–
Amounts due to customers for contract work	*33*	63,172	32,076	–	–
Amounts due to subsidiaries	*34*	–	–	119,540	57,800
Amounts due to minority shareholders of subsidiaries	*41*	99,930	–	–	–
Taxation payable		51,938	5,858	–	–
Obligations under finance leases – amount due within one year	*42*	2,227	3,095	–	–
Bank borrowings – amount due within one year	*43*	570,589	400,364	31,000	64,500
		1,225,842	995,778	157,477	126,355
Liabilities associated with assets classified as held for sale	*39*	159,519	–	–	–
		1,385,361	995,778	157,477	126,355
NET CURRENT ASSETS (LIABILITIES)		1,000,909	1,152,073	134,673	(63,856)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,533,216	3,457,036	981,086	962,229
NON-CURRENT LIABILITIES					
Obligations under finance leases – amount due after one year	*42*	4,732	6,840	–	–
Bank borrowings – amount due after one year	*43*	1,841,807	1,302,788	–	–
Amounts due to minority shareholders of subsidiaries	*41*	–	76,976	–	–
Deferred taxation liabilities	*26*	127,563	53,114	–	–
		1,974,102	1,439,718	–	–
		2,559,114	2,017,318	981,086	962,229
CAPITAL AND RESERVES					
Share capital	*44*	137,842	137,842	137,842	137,842
Reserves	*45*	1,270,298	1,011,836	843,244	824,387
Equity attributable to equity holders of the parent		1,408,140	1,149,678	981,086	962,229
Minority interests		1,150,974	867,640	–	–
Total equity		2,559,114	2,017,318	981,086	962,229

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2006

	Attributable to equity holders of the parent									
	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Capital (goodwill) reserve *HK$'000*	Dividend reserve *HK$'000*	Investment property revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
THE GROUP										
At 1st April, 2004										
As originally stated	137,842	267,569	(35,893)	(6,580)	11,027	4,459	563,522	941,946	622,920	1,564,866
Effect of changes in accounting policies *(see notes 2 and 3)*	–	–	–	–	–	(2,942)	–	(2,942)	(2,146)	(5,088)
As restated	137,842	267,569	(35,893)	(6,580)	11,027	1,517	563,522	939,004	620,774	1,559,778
Exchange differences arising from translation of foreign operations	–	–	6,487	–	–	–	–	6,487	4,307	10,794
Share of reserves of associates	–	–	6	(98)	–	532	–	440	–	440
Surplus on revaluation of investment properties	–	–	–	–	–	34,190	–	34,190	24,423	58,613
Deferred taxation arising from revaluation of investment properties	–	–	–	–	–	2,062	–	2,062	1,504	3,566
Transfer	–	–	–	–	–	(699)	–	(699)	–	(699)
Net income recognised directly in equity	–	–	6,493	(98)	–	36,085	–	42,480	30,234	72,714
Write off of capital reserve	–	–	–	(42)	–	–	–	(42)	–	(42)
Profit for the year	–	–	–	–	–	–	179,263	179,263	95,680	274,943
Total recognised income and expenses for the year	–	–	6,493	(140)	–	36,085	179,263	221,701	125,914	347,615
Capital contributions by minority interests	–	–	–	–	–	–	–	–	131,080	131,080
Dividend paid to minority interests	–	–	–	–	–	–	–	–	(10,128)	(10,128)
Dividend paid	–	–	–	–	(11,027)	–	–	(11,027)	–	(11,027)
Proposed final dividend	–	–	–	–	16,541	–	(16,541)	–	–	–
At 31st March, 2005, as restated	137,842	267,569	(29,400)	(6,720)	16,541	37,602	726,244	1,149,678	867,640	2,017,318

Consolidated Statement of Changes in Equity *(Continued)*
For the year ended 31st March, 2006

	Attributable to equity holders of the parent									
	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Capital (goodwill) reserve *HK$'000*	Dividend reserve *HK$'000*	Investment property revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 31st March, 2005, as restated	137,842	267,569	(29,400)	(6,720)	16,541	37,602	726,244	1,149,678	867,640	2,017,318
Effect of changes in accounting policies *(see notes 2 and 3)*	–	–	–	6,720	–	(37,602)	99,776	68,894	–	68,894
At 1st April, 2005, as restated	137,842	267,569	(29,400)	–	16,541	–	826,020	1,218,572	867,640	2,086,212
Exchange differences arising from translation of foreign operations	–	–	16,517	–	–	–	–	16,517	15,543	32,060
Release of exchange reserve upon disposal of subsidiaries	–	–	(1,271)	–	–	–	–	(1,271)	(890)	(2,161)
Share of reserves of associates	–	–	(52)	–	–	–	1,077	1,025	–	1,025
Net income recognised directly in equity	–	–	15,194	–	–	–	1,077	16,271	14,653	30,924
Profit for the year	–	–	–	–	–	–	189,838	189,838	228,255	418,093
Total recognised income and expense for the year	–	–	15,194	–	–	–	190,915	206,109	242,908	449,017
Capital contributions by minority interests	–	–	–	–	–	–	–	–	50,000	50,000
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	(16,573)	(16,573)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	39,131	39,131
Dividend paid to minority interests	–	–	–	–	–	–	–	–	(32,132)	(32,132)
Dividend paid	–	–	–	–	(16,541)	–	–	(16,541)	–	(16,541)
Proposed final dividend	–	–	–	–	22,055	–	(22,055)	–	–	–
At 31st March, 2006	137,842	267,569	(14,206)	–	22,055	–	994,880	1,408,140	1,150,974	2,559,114

Consolidated Cash Flow Statement
For the year ended 31st March, 2006

	2006 HK$'000	2005 HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit before taxation	565,861	273,540
Adjustments for:		
Share of results of associates and jointly-controlled entities	(5,009)	(13,357)
Interest income	(3,857)	(2,832)
Interest expenses	82,214	32,258
Depreciation and amortisation of property, plant and equipment	39,277	41,789
Amortisation of prepaid lease payments	397	392
Release of negative goodwill of subsidiaries	–	(59,507)
Gain on disposals of subsidiaries	(44,818)	(233,662)
Loss on disposal of associates	256	–
Write off of goodwill arising from acquisitions of subsidiaries	–	2,463
Negative goodwill arising from acquisition of additional interests in a subsidiary	(9,626)	–
Write off of debt from a jointly-controlled entity	–	3,873
Increase in fair value change of investment properties	(244,159)	–
Recognition of fair value changes of completed properties upon transfer to investment properties	(207,259)	–
(Gain) loss on disposal of property, plant and equipment	(770)	466
Unrealised loss on investments in securities	–	127
Fair value gain on financial assets at fair value through profit and loss	(98)	–
Operating cash flows before movements in working capital	172,409	45,550
Increase in properties under development	(253,061)	(457,357)
Decrease in inventories	13,137	3,050
Decrease (increase) in properties held for sale	49,844	(213,870)
Increase in amounts due from customers for contract work	(2,914)	(153)
(Increase) decrease in retention monies receivable	(15,601)	4,160
(Increase) decrease in debtors and prepayments	(106,758)	57,021
Increase in creditors and accrued charges	71,524	26,604
Increase (decrease) in amounts due to customers for contract work	31,096	(53,858)
Increase (decrease) in customers' deposits	448	(369)
(Decrease) increase in sales deposits received	(181,970)	241,968
Cash used in operations	(221,846)	(347,254)
Hong Kong Profits Tax paid	(428)	(1,980)
Overseas taxes paid	(13,194)	(2,232)
NET CASH USED IN OPERATING ACTIVITIES	(235,468)	(351,466)

Consolidated Cash Flow Statement *(Continued)*
For the year ended 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000
INVESTING ACTIVITIES			
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)	46	(221,495)	–
Increase in loans to minority shareholders of subsidiaries		(46,367)	(39,747)
Purchase of property, plant and equipment		(19,976)	(21,204)
Acquisition of additional interest in subsidiaries		(39,519)	–
Purchase of investment properties		(6,745)	(3,212)
Advances to jointly-controlled entities		(2,161)	(5,414)
Capital injection to a jointly-controlled entity		(97)	–
Disposals of subsidiaries (net of cash and cash equivalents disposed of)	47	171,744	400,171
Repayment from associates		8,952	3,746
Capital repatriation of investments in securities		1,152	(942)
Interest received		3,857	2,832
Proceeds from disposal of property, plant and equipment		1,512	2,023
Purchase of investments		–	(50,563)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(149,143)	287,690
FINANCING ACTIVITIES			
Interest paid		(101,515)	(56,882)
Dividends paid to minority shareholders of a subsidiary		(32,132)	(10,128)
Dividend paid		(16,541)	(11,027)
Repayments of obligations under finance leases		(2,976)	(1,622)
New bank borrowings raised		1,218,315	860,114
Repayments of bank borrowings		(677,532)	(857,741)
Capital contributions from minority shareholders		50,000	131,080
Advances from minority shareholders of subsidiaries		20,998	6,499
Decrease in pledged bank balances		12,652	59,274
NET CASH FROM FINANCING ACTIVITIES		471,269	119,567
NET INCREASE IN CASH AND CASH EQUIVALENTS		86,658	55,791
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		341,765	287,913
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(1,983)	(1,939)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		426,440	341,765
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		463,207	376,597
Bank overdrafts		(36,767)	(34,832)
		426,440	341,765

Notes to the Financial Statements

For the year ended 31st March, 2006

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Lucky Year Finance Limited, an international business company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

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

The Company is an investment holding company. The principal activities of its principal subsidiaries, associates and jointly-controlled entities are set out in notes 21, 22 and 23, respectively.

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND 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 ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005 with the exception of Hong Kong Interpretation 3 "Revenue – pre-completion contracts for the sale of development properties" ("HK-INT 3") which was early adopted in the consolidated financial statements for the year ended 31st March, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates and jointly-controlled entities have been changed as required by HKAS 1 "Presentation of financial statements". 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 an effect on how the results for the current and prior accounting years are prepared and presented.

Business combinations

In the current year, the Group has applied HKFRS 3 "Business combinations" ("HKFRS 3") which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$6,720,000 has been transferred to the Group's retained profits on 1st April, 2005.

Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place.

In previous years, negative goodwill arising on acquisitions prior to 1st April, 2001 was held in goodwill reserves, and negative goodwill arising on acquisitions after 1st April, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised negative goodwill of HK$69,426,000 which was previously presented as a deduction from assets with a corresponding increase in the Group's retained profits as at 1st April, 2005 (see note 3 for the financial impact).

2. **APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND 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" ("HKAS 17"). 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. Comparative figures have been restated (see note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" ("HKAS 32") and HKAS 39 "Financial instruments: Recognition and Measurement" ("HKAS 39"). HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st 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.

By 31st March, 2005, the Group classified and measured its investments 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 1st April, 2005 onwards, the Group has classified and measured its investments or 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" or "loans assets and receivables". "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. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition. "Loans and receivables" are measured at amortised cost using the effective interest method after initial recognition.

On 1st April, 2005, the Group classified and measured its investments and equity securities in accordance with the transitional provisions of HKAS 39. As a result of the adoption of HKAS 39, the Group redesignated "investments in securities" amounting to HK$53,105,000 as "available-for-sale investments" and HK$635,000 as "financial assets at fair value through profit and loss" as at 1st April, 2005, respectively.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group has classified and measured 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 carried at amortised cost using the effective interest method after initial recognition. These requirements of HKAS 39 did not have any material financial impact to the Group.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfers of financial assets from 1st April, 2005 onwards. As a result, the Group's bill receivables discounted with full recourse which were derecognised prior to 1st April, 2005 have not been restated. As at 31st March, 2006, the Group's bills receivables discounted with full recourse have not been derecognised. Instead, the related borrowings of

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

HK$6,026,000 have been recognised on the balance sheet date. The relevant finance costs incurred in order to obtain such borrowings are included in the carrying amount of the borrowings on initial recognition and amortised over the terms of the borrowings using the effective interest method. This change in accounting policy has had no material effect on results for the current year.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment property" ("HKAS 40"). 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 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 1st April, 2005 onwards. The amount held in the investment property revaluation reserve of HK$37,602,000 at 1st April, 2005 has been transferred to the Group's retained profits (see note 3 for the financial impact).

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 Hong Kong Standing Interpretations Committee Interpretation 21 "Income taxes – recovery of revalued non-depreciable assets" ("HK(SIC) Interpretation 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 HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated (see note 3 for the financial impact).

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the consolidated financial statements of the Group, except that the Group is not yet in a position to determine the financial impact of HKAS 39 and HKFRS 4 (Amendments).

HKAS 1 (Amendment)	Capital disclosure[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 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
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 1st January, 2007.

[2] Effective for annual periods beginning on or after 1st January, 2006.

[3] Effective for annual periods beginning on or after 1st December, 2005.

[4] Effective for annual periods beginning on or after 1st March, 2006.

[5] Effective for annual periods beginning on or after 1st May, 2006.

[6] Effective for annual periods beginning on or after 1st June, 2006.

3. SUMMARY OF THE EFFECT 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 year are as follows:

	2006 *HK$'000*	2005 *HK$'000*
Increase in fair value changes of investment properties	244,159	–
Fair value gain on transfer of properties held for sales to investment properties	207,259	–
Decrease in release of negative goodwill of subsidiaries	(59,507)	–
Recognition of discount arising from acquisition of additional interest in a subsidiary	9,626	–
Increase in deferred taxation charge in respect of increase in fair value changes of investment properties	(87,579)	–
Increase in profit for the year	313,958	–
Attributable to:		
Equity holders of the parent	164,118	–
Minority interests	149,840	–
	313,958	–

3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

	At 31st March, 2005 (originally stated) HK$'000	Retrospective adjustments HK$'000	At 31st March, 2005 (restated) HK$'000	Prospective adjustments HK$'000	At 1st April, 2005 (restated) HK$'000
Balance sheet items					
Impact of HKAS 17:					
Property, plant and equipment	278,185	(15,425)	262,760	–	262,760
Prepaid lease payments	–	15,425	15,425	–	15,425
Impact of HKAS 40:					
Interests in associates	59,824	–	59,824	(532)	59,292
Impact of HKFRS 3:					
Negative goodwill	(69,426)	–	(69,426)	69,426	–
Impact of HKAS 39:					
Investments in securities – non-current	53,015	–	53,015	(53,015)	–
Available-for-sale investments	–	–	–	53,015	53,015
Investments in securities – current	635	–	635	(635)	–
Financial assets at fair value through profit and loss	–	–	–	635	635
Impact of HK(SIC)-INT 21:					
Deferred taxation liabilities	(50,488)	(2,626)	(53,114)	–	(53,114)
Other assets and liabilities	1,748,199	–	1,748,199	–	1,748,199
	2,019,944	(2,626)	2,017,318	68,894	2,086,212
Share capital and other reserves	392,552	–	392,552	–	392,552
Goodwill reserve	(6,720)	–	(6,720)	6,720	–
Investment property revaluation reserve	39,121	(1,519)	37,602	(37,602)	–
Retained profits	726,244	–	726,244	99,776	826,020
Minority interests	–	867,640	867,640	–	867,640
Total effects on equity	1,151,197	866,121	2,017,318	68,894	2,086,212
Minority interests	868,747	(868,747)	–	–	–
	2,019,944	(2,626)	2,017,318	68,894	2,086,212

3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

	As at 31st March, 2004 (originally stated) *HK$'000*	Reclassification *HK$'000*	As at 1st April, 2004 (restated) *HK$'000*	Adjustments *HK$'000*	As at 1st April, 2004 (restated) *HK$'000*
Share capital and other reserves	373,965	–	373,965	–	373,965
Investment property revaluation reserve	4,459	–	4,459	(2,942)	1,517
Retained profits	563,522	–	563,522	–	563,522
Equity attributable to equity holders of the parent	941,946	–	941,946	(2,942)	939,004
Minority interests	–	622,920	622,920	(2,146)	620,774
Total equity	941,946	622,920	1,564,866	(5,088)	1,559,778
Minority interests	622,920	(622,920)	–	–	–

4. SIGNIFICANT ACCOUNTING POLICIES

The 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 Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired and 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.

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

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.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary, associate and jointly-controlled entity at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after 1st April, 2001, the Group has discontinued amortisation from 1st April, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Additional interests in subsidiaries are measured at the aggregate of the carrying amounts of identified assets and liabilities of the subsidiaries and any excess of the consideration over the net assets acquired are accounted for as goodwill and any excess of an acquirer's interest in the net fair value of an acquirer's identifiable assets, liabilities and contingent liabilities over cost is accounted for as a discount on acquisition.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly-controlled entity for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate or jointly-controlled entity in the period in which the investment is acquired.

As explained in note 2, all negative goodwill as at 1st April, 2005 has been derecognised with a corresponding adjustment to the Group's retained profits.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment losses.

Interests in associates

Associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated 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, 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, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which 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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

in that 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly-controlled entities recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets (disposal groups) previous carrying amount and fair value less costs to sell.

Property, plant and equipment

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

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment other than leasehold improvements, over their estimated useful lives and after taking into account their estimate residual value, using the straight line method.

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of the relevant lease.

Depreciation on leasehold improvements is calculated to write off the cost of the leasehold improvements, over their expected useful lives or the unexpired duration of the leases, whichever is the shorter.

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 income statement in the year in which the item is derecognised.

Properties under development

Costs relating to the development of properties including the cost of land, construction, financing and other related expenses, are recognised using the specific identification method, and are capitalised and included as properties under development until such time they are transferred to properties for sale. Properties under development are stated at the lower of cost and net realisable value.

Investment properties

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 shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Properties held for sale

Properties held for sale, consisting of completed properties and properties under development in respect of which the Group has established pre-sale programmes (programmes in which the Group is entitled to contract

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

a buyer prior to completion of the construction of the property), are classified under current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions, on an individual property basis.

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 three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. 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 are mainly those 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 retention monies receivable, debtors, amounts due from associates, amount due from jointly-controlled entities, loans to minority shareholders of subsidiaries and dividend receivable) 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.

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 (set out above). 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 loss on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Bank balances, deposits and cash

Bank balances, deposits and cash comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liability 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.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including creditors and accrued charges, amounts due to jointly-controlled entities and amounts due to minority shareholders are subsequently measured at amortised cost, using the effective interest rate method.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Equity instruments

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 when, and only when, they are extinguished (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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and costs associated with the construction contract are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date.

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 and 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.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, or when each asset has been separately negotiated, or when the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

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 those 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, 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.

Assets held under finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charged on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(i) sales of goods are recognised when goods are delivered and title has passed;

(ii) revenue on construction contracts is recognised using the percentage of completion method by reference to the value of the construction work performed;

(iii) rental income from property letting under operating leases is recognised on a straight line basis over the term of the relevant lease;

(iv) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group, the costs incurred or to be incurred in respect of the transaction can be measured reliably;

(v) property management income, in the period in which services are rendered;

(vi) 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; and

(vii) dividend income is recognised when the shareholder's rights to receive payments have been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of these 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 borrowings costs are recognised as an expense in the period in which they are incurred.

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.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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.

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.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable and deductible.

Deferred taxation 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 base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation 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 differences arises from goodwill (or negative 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.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation 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 taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

For the purposes 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 dollars) 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 scheme contributions

The retirement benefit scheme contributions charged to the income statement represent the amount of contributions payable by the Group under defined contribution retirement benefit scheme and defined contribution mandatory provident fund scheme.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in note 4. Management has made the following judgement that has the most significant effect on the amounts recognised in the financial statements within the next financial year.

Deferred tax

Estimating the amount for deferred tax asset arising from tax losses requires a process that involves determining appropriate provisions for taxation, forecasting future years' taxable income and assessing the Group's ability to utilise tax benefits through future earnings. In case where the actual future profits generated are less than expected, a reversal of the deferred tax asset may arise, which would be recognised in the income statement for the period in which such a reversal takes place. The Group's deferred tax asset of HK$6,760,000 mainly arises from tax losses which are recognised to the extent that is probable that taxable profits will be available against which deductible temporary differences can be utilised. While the current financial models indicate that the tax losses can be utilised in future, any changes in assumptions, estimates and tax regulation can affect the recoverability of this deferred tax assets.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include retention monies receivable, debtors, amounts due from associates, amounts due from jointly-controlled entities, loans to minority shareholders of subsidiaries, dividends receivables, pledged bank balances, bank balances and cash, creditors and accrued charges, amounts due to jointly-controlled entities, amounts due to minority shareholders of subsidiaries 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 manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Price risk

The Group's financial assets at fair value through profit and loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. The Group currently does not have any policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Liquidity risk

The Group finances its operations by a combination of borrowings and equity. Adequate lines of credit are maintained to ensure the necessary liquidity is available when required. The management monitors the liquidity position of the Group on a periodical basis to ensure the availability of sufficient liquid funds to meet all obligations.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st 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, management 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, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

7. TURNOVER

Turnover for the year comprises:

	2006	**2005**
	HK$'000	*HK$'000*
Building construction and foundation piling	691,137	561,022
Sales of consumer goods	610,669	680,693
Sales of properties	970,198	99,827
Rental income	77,264	70,061
Others	11,965	6,324
	2,361,233	1,417,927

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

(i) Business segments

For management purposes, the Group is currently organised into five operating divisions including construction activities, garment activities, property development activities, property investment activities and others. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

(a) Construction activities : Building construction and foundation piling

(b) Garment activities : Garment manufacture and trading

(c) Property development activities : Properties for sale development

(d) Property investment activities : Property investment

(e) Others (unallocated) : Investment holding and provision of management services

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Segment information about these businesses is presented below:

Income statement

	Construction activities		Garment activities		Property development activities		Property investment activities		Others		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
												(Restated)
Turnover	691,137	561,022	610,669	680,693	970,198	99,827	77,264	70,061	11,965	6,324	2,361,233	1,417,927
Segment results	(66,026)	(10,904)	(24,136)	(3,314)	376,827	(20,697)	292,367	33,721	5,251	5,346	584,283	4,152
Net income from investments											7,603	2,886
Unallocated corporate expenses											(3,008)	(1,430)
Finance costs											(82,214)	(32,258)
Share of results of associates	–	–	(155)	1	–	–	–	–	992	3,701	837	3,702
Share of results of jointly-controlled entities	(95)	–	4,048	5,553	503	4,102	–	–	(284)	–	4,172	9,655
Write off of debts due from jointly-controlled entities	–	–	–	–	–	(3,873)	–	–	–	–	–	(3,873)
Gain on disposal of subsidiaries											44,818	233,662
Loss on disposal of associates											(256)	–
Write off of goodwill arising from acquisition of a subsidiary											–	(2,463)
Discount on acquisition of additional interests in a subsidiary											9,626	–
Release of negative goodwill of subsidiaries											–	59,507
Profit before taxation											565,861	273,540
Taxation (charge) credit											(147,768)	1,403
Profit for the year											418,093	274,943

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Balance sheet

	Construction activities		Garment activities		Property development activities		Property investment activities		Others		Elimination		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
														(Restated)
ASSETS														
Segment assets	367,845	402,283	276,031	343,151	2,509,337	2,183,162	1,990,630	1,343,201	2,274,929	2,534,471	(2,281,141)	(2,514,766)	5,137,631	4,291,502
Interests in associates	–	–	201	611	–	6,156	–	–	45,840	44,356	–	–	46,041	51,123
Interests in jointly-controlled entities	3	–	20,002	15,954	43,931	30,443	–	–	–	–	–	–	63,936	46,397
Unallocated corporate assets													670,969	63,792
Consolidated total assets													5,918,577	4,452,814
LIABILITIES														
Segment liabilities	188,649	307,035	134,283	111,401	1,598,837	1,448,630	985,338	1,066,924	148,577	212,713	(2,281,141)	(2,514,766)	774,543	631,937
Unallocated corporate liabilities													2,584,920	1,803,559
Consolidated total liabilities													3,359,463	2,435,496
OTHER INFORMATION														
Additions to property, plant and equipment														
– The Group	5,803	20,164	8,416	9,639	4,819	31	154	–	784	510	–	–	19,976	30,344
– Acquired on acquisitions of subsidiaries	–	–	–	182	159	–	–	–	–	–	–	–	159	182
Depreciation and amortisation of property, plant and equipment	35,165	37,964	7,109	7,237	919	630	130	115	353	331	–	–	43,676	46,277
Amortisation of prepaid lease payments	–	–	397	392	–	–	–	–	–	–	–	–	397	392
(Gain) loss on disposal of property, plant and equipment	(384)	793	(386)	(327)	–	–	–	–	–	–	–	–	(770)	466
Allowance for bad and doubtful debts	15,546	–	7,222	6,196	–	3,873	–	–	–	–	–	–	22,768	10,069
Allowance for inventories	–	–	16,180	516	–	–	–	–	–	–	–	–	16,180	516

(ii) Geographical segments

The following table provides an analysis of the Group's turnover by geographical market:

	Turnover	
	2006	**2005**
	HK$'000	*HK$'000*
Hong Kong	636,023	716,114
North America	350,491	419,273
Europe	238,896	250,322
The People's Republic of China (other than Hong Kong) (the "PRC")	926,792	11,820
Others	209,031	20,398
	2,361,233	1,417,927

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	2,249,404	1,792,311	12,518	21,309
PRC	2,192,605	1,564,317	6,747	1,334
North America	444,412	244,046	–	–
The Republic of Indonesia	108,203	143,924	699	7,701
Others	141,458	144,807	12	–
	5,136,082	3,889,405	19,976	30,344
Unallocated assets	782,495	563,409	–	–
	5,918,577	4,452,814	19,976	30,344

9. FINANCE COSTS

	2006	**2005**
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	98,007	53,500
Bank borrowings wholly repayable after five years	2,891	1,094
Other borrowings wholly repayable within five years	184	2,202
Finance leases	433	86
Total borrowing costs	101,515	56,882
Less: Amount capitalised under property development projects	(19,301)	(24,624)
	82,214	32,258

10. SHARE OF RESULTS OF JOINTLY-CONTROLLED ENTITIES

	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
Share of results	4,172	5,782
Waiver of debts	–	3,873
	4,172	9,655

11. PROFIT BEFORE TAXATION

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment		
Owned assets	42,327	45,781
Assets held under finance leases	1,349	496
	43,676	46,277
Less: Amount capitalised in contract costs	(4,399)	(4,488)
	39,277	41,789
Amortisation of prepaid lease payments	397	392
Staff costs (including directors' emoluments)	200,899	199,536
Less: Amount capitalised in contract costs	(59,456)	(65,957)
	141,443	133,579
Auditors' remuneration	3,814	2,814
Loss on disposal of property, plant and equipment	–	466
Minimum lease payment paid in respect of land and buildings	4,385	3,406
Unrealised loss on investments in securities	–	127
Share of tax of associates (included in share of results of associates)	1,071	1,170
Share of tax of jointly-controlled entities (included in share of results of jointly-controlled entities)	39	226
Allowance for bad and doubtful debts	22,768	10,069
Allowance for inventories	16,180	516
and after crediting:		
Bank interest income	3,787	2,787
Other interest income	70	45
Exchange gain	3,693	6,864
Fair value gain on financial assets at fair value through profit and loss	98	–
Gain on disposal of property, plant and equipment	770	–
Gain on disposal of permanent textile quota entitlements	–	352
Gross rental income from investment properties		
– included in turnover	77,264	70,061
– included in other operating income	9,276	4,342
	86,540	74,403
Less: Direct operating expenses from investment properties that generated rental income during the year	(34,859)	(22,667)
	51,681	51,736

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Information regarding directors' emoluments

The emoluments paid or payable to each of the seven (2005: seven) directors were as follows:

	2006					2005
		Other emoluments				
	Fees	Salaries and other benefits	Performance related incentive payments	Retirement benefits scheme contribution	Total	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*
James WONG Sai-Wing	–	2,500	–	–	2,500	3,500
Madeline WONG May-Lung	–	–	–	–	–	–
William FAN Chung-Yue	50	–	–	–	50	50
Herman FUNG Man-Mei	–	2,160	540	–	2,700	3,655
Clement YOUNG Kwok-Hung	50	–	–	–	50	50
Johnny WONG Chung-Ah	50	–	–	–	50	50
Peter WONG Man-Kong	50	–	–	–	50	38
	200	4,660	540	–	5,400	7,343

Note: The performance related incentive payments are determined with reference to the operating results, individual performance and comparable market statistics during both years.

(ii) Information regarding employees' emoluments

The five highest paid individuals of the Group in the year include two directors (2005: two directors) of the Company, details of whose emoluments are set out above. The emoluments of the remaining three highest paid individuals, who are not directors, are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries	3,436	3,445
Bonuses paid and payable	2,989	1,908
Retirement benefit scheme contributions	234	229
	6,659	5,582

The emoluments of these three individuals fall within the following bands:

	Number of employees	
	2006	2005
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	3	1
	3	3

13. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The Group operates defined contribution mandatory provident fund schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate. The MPF Schemes became effective on 1st December, 2000. Contributions made are based on a percentage, specific in the rule of relevant schemes, of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vested fully with the employees when contributed into the MPF Schemes except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully in accordance with the rules of the MPF Schemes.

As an alternative, certain subsidiaries of the Company also operated defined contribution provident fund schemes (the "Provident Funds") under the Occupational Retirement Schemes Ordinance for those employees who are eligible to participate. Provident Funds operated in a similar way to the MPF Schemes, except that when an employee left the Provident Funds prior to his/her interest in the Group's employer contributions being vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions.

	2006	**2005**
	HK$'000	*HK$'000*
Contributions payable to the Group's MPF Schemes	2,052	4,949
Contributions payable to the Group's Provident Funds	749	731
Contributions charged to the income statement	2,801	5,680

Note: There are no forfeited contributions for both years.

14. TAXATION CHARGE (CREDIT)

	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
The charge (credit) for the year comprises:		
Hong Kong Profits Tax		
Current year	1,425	1,032
Underprovision in prior years	488	3,261
Other jurisdictions	63,080	1,630
	64,993	5,923
Deferred taxation charge (credit) *(note 26)*	82,775	(7,326)
	147,768	(1,403)

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits of the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

14. TAXATION CHARGE (CREDIT) *(Continued)*

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

	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation	565,861	273,540
Tax charge at Hong Kong Profits Tax rate at 17.5% (2005: 17.5%)	99,026	47,870
Tax effect of share of results of associates	(147)	(648)
Tax effect of share of results of jointly-controlled entities	(730)	(1,690)
Tax effect of expenses not deductible for tax purpose	20,222	9,677
Tax effect of income not taxable for tax purpose	(27,456)	(69,168)
Underprovision in prior years	488	3,261
Tax effect of deferred taxation assets not recognised	7,310	16,522
Utilisation of tax losses previously not recognised	(4,187)	(740)
Effect of different tax rates of subsidiaries operating in other jurisdictions	53,111	(5,782)
Others	131	(705)
Taxation charge (credit) for the year	147,768	(1,403)

15. DIVIDEND

	2006	**2005**
	HK$'000	*HK$'000*
Proposed final dividend of 4 cents (2005: 3 cents) per ordinary share	22,055	16,541

The final dividend of 4 cents per ordinary share (2005: 3 cents) has been proposed by the directors and is subject to approval by the shareholders in the forth coming annual general meeting.

16. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the parent of HK$189,838,000 (2005: HK$179,263,000) and on 551,368,153 (2005: 551,368,153) shares in issue during the year.

There has been no dilutive effect on the basic earnings per share for the current year and prior year as the exercise prices of outstanding share options of an associate of the Group were higher than the average market price of its shares.

The following table summarises the impact of adoption of new HKFRSs on basic earnings per share:

	Impact on basic earnings per share	
	2006	**2005**
	HK cents	*HK cents*
Reported figures before adjustments	4.6	32.5
Adjustments arising from the adoption of new HKFRSs	29.8	–
Restated	34.4	32.5

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings					Furniture, fixtures	
	Hong Kong	Overseas	Leasehold improvements	Plant and machinery	Motor vehicles	and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
COST							
At 1st April, 2004							
As originally stated	80,997	69,920	12,781	417,507	9,598	33,508	624,311
Effect on adoption of HKAS 17	–	(18,936)	–	–	–	–	(18,936)
As restated	80,997	50,984	12,781	417,507	9,598	33,508	605,375
Currency realignment	–	29	5	5	1	2	42
Acquisition of a subsidiary	–	–	–	98	56	28	182
Additions	–	3,665	373	22,161	2,765	1,380	30,344
Disposals	–	(1,547)	(17)	(1,235)	(2,468)	(3,120)	(8,387)
At 31st March, 2005, as restated	80,997	53,131	13,142	438,536	9,952	31,798	627,556
Currency realignment	–	830	152	141	39	88	1,250
Transfer from properties held for sale	–	14,625	–	–	–	–	14,625
Acquisition of a subsidiary	–	–	–	–	40	119	159
Transfer to investment properties	(1,300)	–	–	–	–	–	(1,300)
Disposal of subsidiaries	–	–	–	–	–	(78)	(78)
Additions	–	5,931	3,754	4,963	1,957	3,371	19,976
Disposals	–	–	–	(3,957)	(1,482)	(6,901)	(12,340)
Transfer to assets classified as held for sale	(9,257)	(25,162)	(2,768)	(36,109)	(2,260)	(5,626)	(81,182)
At 31st March, 2006	70,440	49,355	14,280	403,574	8,246	22,771	568,666
DEPRECIATION AND AMORTISATION							
At 1st April, 2004							
As originally stated	13,409	20,465	11,873	247,473	7,693	26,624	327,537
Effect on adoption of HKAS 17	–	(3,135)	–	–	–	–	(3,135)
As restated	13,409	17,330	11,873	247,473	7,693	26,624	324,402
Currency realignment	–	5	4	4	1	1	15
Provided for the year	1,642	1,516	361	39,117	967	2,674	46,277
Eliminated on disposals	–	(390)	(7)	(404)	(2,175)	(2,922)	(5,898)
At 31st March, 2005, as restated	15,051	18,461	12,231	286,190	6,486	26,377	364,796
Currency realignment	–	164	130	119	16	63	492
Transfer to investment properties	(243)	–	–	–	–	–	(243)
Provided for the year	1,620	1,620	827	35,827	1,471	2,311	43,676
Eliminated on disposals	–	–	–	(3,436)	(1,417)	(6,745)	(11,598)
Transfer to assets classified as held for sale	(1,426)	(13,840)	(1,558)	(28,773)	(1,078)	(4,243)	(50,918)
At 31st March, 2006	15,002	6,405	11,630	289,927	5,478	17,763	346,205
NET BOOK VALUES							
At 31st March, 2006	55,438	42,950	2,650	113,647	2,768	5,008	222,461
At 31st March, 2005	65,946	34,670	911	152,346	3,466	5,421	262,760

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

Details of the leasehold land and buildings are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Medium-term leases:		
Hong Kong	55,438	65,946
Overseas	23,490	32,756
Long leases in the PRC	19,460	1,914
	98,388	100,616

Included in the net book value of property, plant and equipment of the Group at 31st March, 2006 is an amount of HK$11,193,000 (2005: HK$12,542,000) in respect of assets held under finance leases.

	Furniture, fixtures and equipment
	HK$'000
THE COMPANY	
COST	
At 1st April, 2004, 31st March, 2005 and 31st March, 2006	72
DEPRECIATION	
At 1st April, 2004	70
Provided for the year	1
At 31st March, 2005	71
Provided for the year	1
At 31st March, 2006	72
NET BOOK VALUES	
At 31st March, 2006	–
At 31st March, 2005	1

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold land	2% or over the unexpired terms of the leases, whichever is the shorter
Buildings	2% to 5%
Plant and machinery	10% to 30%
Motor vehicles	20% to 30%
Furniture, fixtures and equipment	20% to 33⅓%

18. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
At the beginning of the year	582,586	488,773
Currency realignment	17,662	3,031
Arising on acquisition of subsidiaries	594,754	–
Additions	258,550	459,184
Disposals	–	(37,687)
Eliminated on disposal of subsidiaries	(243,668)	(330,715)
At the end of the year	1,209,884	582,586

Details of the properties under development are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Medium-term leases in Hong Kong	3,582	3,582
Long leases in the PRC	1,206,302	579,004
	1,209,884	582,586

Properties under development included interest expenses and other borrowing costs of HK$489,000 (2005: HK$1,827,000) incurred and capitalised during the year.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent property interest in leasehold land in the PRC under medium-term leases.

Analysed for reporting purposes as:

	2006	**2005**
	HK$'000	*HK$'000*
Current	397	395
Non-current	15,035	15,030
	15,432	15,425

20. INVESTMENT PROPERTIES

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
FAIR VALUE		
At the beginning of the year	1,329,400	1,267,575
Additions	6,745	3,212
Arising on acquisition of subsidiaries	11,500	–
Transfer from properties held for sale	394,231	–
Transfer from property, plant and equipment	1,057	–
Increase in fair value recognised in the consolidated income statement	244,159	–
Surplus arising from revaluation	–	58,613
At the end of the year	1,987,092	1,329,400

The fair value of the Group's investment properties at 31st March, 2006 has been arrived at on the basis of a valuation carried out by Savills Valuation and Professional Services Limited, Knight Frank Hong Kong Limited and Chesterton Petty Limited, independent qualified professional valuers not connected with the Group, and except for the investment property located in Malaysia whose carrying amount at the balance sheet was stated by reference to its subsequent disposal value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

Details of the investment properties are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Freehold land in Malaysia	139,600	142,100
Medium-term leases in Hong Kong	503,260	402,300
Medium-term leases in PRC	394,232	–
Long lease in Hong Kong	950,000	785,000
	1,987,092	1,329,400

All the Group's investment properties are held for the purpose of rental under operating leases and/or capital appreciation.

21. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2006	**2005**
	HK$'000	*HK$'000*
Unlisted shares, at cost	846,413	839,466

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of the Company's principal subsidiaries at 31st March, 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued ordinary shares/ registered capital effectively held by the Company Directly %	Indirectly %	Principal activities
Apex Curtain Wall and Windows Company Limited	Hong Kong	Hong Kong	HK$10,000	–	86.05	Contracting of building aluminium works
Chinney Builders and Foundation Company Limited	Hong Kong	Hong Kong	HK$2	–	86.05	Building construction
Chinney Construction (BVI) Limited	British Virgin Islands	British Virgin Islands	US$10,000	–	86.05	Investment holding
Chinney Construction Company, Limited	Hong Kong	Hong Kong	HK$18,000,000	–	86.05	Building construction
Chinney Contractors Company Limited	British Virgin Islands	British Virgin Islands	US$18,961	86.05	–	Investment holding
Chinney Property Management Limited	Hong Kong	Hong Kong	HK$100	–	58.81	Property management
Chinney Treasury Limited	Hong Kong	Hong Kong	HK$1	100	–	Financing
Cosmos Wealth Development Limited	Hong Kong	Hong Kong	HK$1,000	–	58.81	Property development
CP Parking Limited (formerly CP Management Limited)	Hong Kong	Hong Kong	HK$2	–	58.81	Carpark management
Debest Development Limited	Hong Kong	Hong Kong	HK$2	–	58.81	Property development
Dongguan Chinney Garments Limited	PRC	PRC	HK$9,000,000*	–	100.00	Garment manufacture
Dongguan Marigold Industry City Developing Co., Ltd.	PRC	PRC	HK$50,000,000**	–	100.00	Property holding and development
DrilTech Geotechnical Engineering Limited	Hong Kong	Hong Kong	HK$10,000	–	86.05	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering Limited	Hong Kong	Hong Kong	HK$12,500,000	–	86.05	Drilling, site investigation and related ground engineering construction
Full Yip Development Limited	British Virgin Islands	Hong Kong	US$1	–	58.81	Property holding and letting
Gateway Group Holdings Limited	British Virgin Islands	British Virgin Islands	US$2,500,000	100.00	–	Investment holding
Gateway Trade and Development Company, Limited	Hong Kong	Hong Kong	HK$9,000,000	–	100.00	Garment trading
Guangzhou Honkwok Fuqiang Land Development Ltd.	PRC	PRC	RMB183,795,038	–	28.23	Property development
Guangzhou Honkwok Hengsheng Land Development Ltd	PRC	PRC	RMB220,000,000	–	35.29	Property development
Guangzhou Hua Yin Land Development Co., Ltd.	PRC	PRC	RMB8,000,000	–	52.93	Property development
Hon Cheong Limited	Hong Kong	Hong Kong	HK$2	–	58.81	Property holding and letting
Hon Kwok Land Investment (China) Limited	Hong Kong	Hong Kong	HK$2	–	58.81	Investment holding
Hon Kwok Land Investment Company, Limited	Hong Kong	Hong Kong	HK$400,238,501	58.81	–	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd.	PRC	PRC	HK$30,000,000*	–	58.81	Property development
Hon Kwok Project Management Limited	Hong Kong	Hong Kong	HK$2	–	58.81	Project management
Hon Kwok Treasury Limited	Hong Kong	Hong Kong	HK$2	–	58.81	Financing

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued ordinary shares/ registered capital effectively held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
Honour Well Development Limited	Hong Kong	Hong Kong	HK$2	–	58.81	Property holding and letting
Island Parking Limited	British Virgin Islands	Hong Kong	US$10	–	58.81	Property holding and letting
J.L. Chinney (Holdings) Company Limited	British Virgin Islands	British Virgin Islands	US$1,250,000	100.00	–	Investment holding
J.L. Group Company Limited	Hong Kong	Hong Kong	HK$8,000,000	–	100.00	Garment trading
J.L. Investment Company Limited	Hong Kong	Hong Kong	HK$10,000	–	100.00	Property holding
King Capital Development Limited	Hong Kong	Hong Kong	HK$2	–	58.81	Property holding and letting
King Champion Limited	Hong Kong	Hong Kong	HK$2	–	58.81	Property holding and letting
Kin Wing Chinney (BVI) Limited	British Virgin Islands	British Virgin Islands	US$208	–	86.05	Investment holding
Kin Wing Engineering Company Limited	Hong Kong	Hong Kong	HK$20,000,000	–	86.05	Foundation piling
Kin Wing Foundations Limited	Hong Kong	Hong Kong	HK$10,000	–	86.05	Foundation piling
Kin Wing Machinery & Transportation Limited	Hong Kong	Hong Kong	HK$100	–	86.05	Equipment and machinery leasing
Kin Wing Treasury Limited	Hong Kong	Hong Kong	HK$10,000	–	86.05	Financing
Lido Parking Limited	British Virgin Islands	Hong Kong	US$1	–	58.81	Property holding and letting
Multiway Apparel Limited	Hong Kong	Hong Kong	HK$5,000,000	–	100.00	Garment trading
One City Hall Place Limited	Canada	Canada	C$100	–	44.11***	Property development
PT. Prefash Wears Cemerlang	Republic of Indonesia	Republic of Indonesia	US$500,000	–	100.00	Garment manufacture and trading
Royal Treasure Limited	Hong Kong	Hong Kong	HK$2	100.00	–	Property holding
Shenzhen Guanghai Investment Co., Ltd.	PRC	PRC	RMB200,000,000	–	47.05***	Property development
Shenzhen Honkwok Huaye Development Co., Ltd.	PRC	PRC	RMB50,000,000*	–	47.05***	Property development
Spark Eagle Development Limited	Hong Kong	Malaysia	HK$2	–	58.81	Property holding and letting
Star World Property Limited	Hong Kong	Hong Kong	HK$2	–	58.81	Property development
Victory Venture Development Limited	Hong Kong	Hong Kong	HK$2	–	58.81	Property development
Wise Pacific Investment Limited	Hong Kong	Hong Kong	HK$10,000	–	35.30	Money lending

* These companies are registered as foreign owned enterprises.

** This company is a co-operative joint venture enterprise. Pursuant to an agreement entered into with the joint venture partner, the Group is:

- obliged to contribute 100% of the registered capital of the company
- entitled to 85% of the profit but has to bear all of the losses of the company
- entitled to 100% of the residual net assets of the company upon winding up

*** The Group held controlling indirect interest in these companies through a non-wholly owned subsidiary thus the Group has the power to direct the financial and operating policies of these companies and they are therefore accounted for as subsidiaries.

Certain shares in Hon Kwok were pledged to a bank to secure banking facilities granted.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group.

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Share of net assets	45,841	51,123
Amounts due from associates *(note)*	–	8,701

Note: The amounts were unsecured, non-interest bearing and had no fixed repayment terms.

The directors of the Company consider that the carrying amounts of amounts due from associates approximate to their fair values.

The fair value of an associate listed on the Stock Exchange held by the Group at 31st March are as follows:

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
46,158,319 (2005: 1,153,957,982) shares of Chinney Alliance Group Limited ("Chinney Alliance") at a closing price of HK$0.32 (2005: HK$0.025) each	14,771	28,849

Pursuant to a special resolution of Chinney Alliance passed on 6th June, 2005, every twenty-five shares of Chinney Alliance with a nominal value of HK$0.01 each were consolidated into one new share of nominal value of HK$0.25 each.

The Group has 29.10% equity interest in the issued share capital of its principal associate, Chinney Alliance, an investment holding company incorporated in Bermuda, with its subsidiaries engaged in trading and manufacture of industrial products in Hong Kong.

Chinney Alliance is a company listed on the Stock Exchange and has a 31st December financial year end date. For the purpose of accounting for the result of the associate in the Group's financial statements, the latest financial statements of the associate have been used.

The above lists the associate of the Group which, in the opinion of the directors of the Company, principally affected the results or form a substantial portion of the net assets of the Group.

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES *(Continued)*

The summarised financial information extracted from the most recently published audited financial statements of Chinney Alliance, the major associate of the Group, are set out as follows:

Chinney Alliance Group Limited

Consolidated income statement
For the year ended 31st December, 2005

	2005	**2004**
	HK$'000	*HK$'000*
		(Restated)
Turnover	1,015,001	1,044,491
Profit for the year	3,452	12,940

Consolidated balance sheet
At 31st December, 2005

	2005	**2004**
	HK$'000	*HK$'000*
		(Restated)
Other non-current assets	60,803	70,264
Current assets	377,770	448,902
Current liabilities	(279,222)	(358,708)
Non-current liabilities	(1,883)	(6,185)
Net assets	157,468	154,273

23. INTERESTS IN JOINTLY-CONTROLLED ENTITIES/AMOUNTS DUE FROM JOINTLY-CONTROLLED ENTITIES

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Share of net assets	27,648	46,397
Goodwill on acquisition	16,286	–
	43,934	46,397
Amounts due from jointly-controlled entities *(note)*	–	5,928

Note: The amounts were unsecured, non-interest bearing and had no fixed repayment terms.

The directors of the Company consider that the carrying amounts of amounts due from jointly-controlled entities approximate to their fair values.

23. INTERESTS IN JOINTLY-CONTROLLED ENTITIES/AMOUNTS DUE FROM JOINTLY-CONTROLLED ENTITIES *(Continued)*

Details of the Company's principal jointly-controlled entities at 31st March, 2006 are as follows:

Name of jointly-controlled entity	Place of incorporation/ operation	Proportion of nominal value of issued ordinary shares effectively held by the Company		Principal activity
		Directly	Indirectly	
		%	%	
2012829 Ontario Inc.	Canada	–	28.92	Property development
Foshan Nanhai XinDa Land Development Ltd.	PRC	–	29.41	Property development
Guangzhou Lian Cheng Real Estate Co., Ltd.	PRC	–	29.41	Property development
King Success Limited	Hong Kong	–	28.92	Property development
SGA Holdings Limited	British Virgin Islands/ Hong Kong	–	50.00	Garment trading

The above table lists the jointly-controlled entities of the Group, which in the opinion of the directors of the Company, principally affected the results or form a substantial portion of the net assets of the Group.

The summarised financial information in respect of the Group's principal jointly-controlled entities are as follows:

	2006	2005
	HK$'000	*HK$'000*
Financial position		
Non-current assets	217,002	6,419
Current assets	271,900	218,486
Non-current liabilities	295,584	39,808
Current liabilities	127,167	98,770
Results for the year		
Turnover	454,455	490,058
Profit for the year	8,345	19,310

24. GOODWILL

	THE GROUP
	2005
	HK$'000
COST	
Arising on acquisition of a subsidiary during the year ended 31st March, 2005 and balance at 31st March, 2005 and 2006	2,463
Arising on acquisition of additional interests in a subsidiary	32,572
Disposal of subsidiaries	(32,572)
At 31st March, 2006	2,463
IMPAIRMENT	
Recognised during the year ended 31st March, 2005 and balance at 31st March, 2005 and 2006	2,463
At 31st March, 2005 and 2006	–

In the prior year, the Group identified an indicator of impairment in the carrying amount of its goodwill. As a result, the goodwill of HK$2,463,000 was fully written off.

25. NEGATIVE GOODWILL

	THE GROUP
	HK$'000
GROSS AMOUNT	
At 1st April, 2004 and 31st March, 2005	178,523
Derecognised upon the application of HKFRS 3 at 31st March, 2005	(178,523)
At 31st March, 2006	–
RELEASED TO INCOME	
At 1st April, 2004	49,590
Released in the year	59,507
At 31st March, 2005	109,097
Derecognised upon the application of HKFRS 3 at 31st March, 2005	(109,097)
At 31st March, 2006	–
CARRYING AMOUNT	
At 31st March, 2006	–
At 31st March, 2005	69,426

Until 31st March, 2005, negative goodwill is released to income on a straight line basis of three year, representing the remaining weighted average useful life of the depreciable assets required.

As explained in note 2, all negative goodwill arising on acquisition prior to 1st April, 2005 was derecognised as a result of the application of HKFRS 3.

26. DEFERRED TAXATION

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

	Accelerated Tax depreciation *HK$'000*	Revaluation of properties *HK$'000*	Tax losses *HK$'000*	Others *HK$'000*	Total *HK$'000* (Restated)
THE GROUP					
At 1st April, 2004					
As originally stated	(30,675)	(31,921)	6,811	160	(55,625)
Effect of changes in accounting policies *(see note 3)*	–	(5,088)	–	–	(5,088)
At 1st April, 2004, as restated	(30,675)	(37,009)	6,811	160	(60,713)
Credit to income during the year	4,200	–	3,118	8	7,326
Credit to equity during the year	–	3,566	–	–	3,566
Release upon disposal of properties under development	–	1,982	–	–	1,982
At 31st March, 2005, as restated	(26,475)	(31,461)	9,929	168	(47,839)
Credit (charge) to income during the year	3,561	(87,579)	1,411	(168)	(82,775)
Disposal of subsidiaries	–	11,172	–	–	11,172
Transfer to assets (liabilities) classified as held for sale	2,068	–	(3,429)	–	(1,361)
At 31st March, 2006	(20,846)	(107,868)	7,911	–	(120,803)

The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2006 *HK$'000*	2005 *HK$'000* (Restated)
Deferred taxation assets	6,760	5,275
Deferred taxation liabilities	(127,563)	(53,114)
	(120,803)	(47,839)

At the balance sheet date, the Group and the Company had unused tax losses of HK$1,520,516,000 (2005: HK$1,502,108,000) and HK$56,603,000 (2005: HK$61,522,000), respectively available to offset against future profits. A deferred taxation has been recognised in respect of HK$65,200,000 (2005: HK$56,737,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining HK$1,455,316,000 (2005: HK$1,445,371,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

27. INVESTMENTS IN SECURITIES

Upon the application of HKAS 39 on 1st April, 2005, investment in securities were reclassified to appropriate categories under HKAS 39 (see note 2 for details). Investment in securities as at 31st March, 2005 are set out below.

	Investment securities *HK$'000*	Other investments *HK$'000*	Total *HK$'000*
THE GROUP			
Equity securities:			
Listed shares	–	635	635
Unlisted			
– at cost *(note 1)*	50,563	–	50,563
– capital contributions *(note 2)*	2,452	–	2,452
	53,015	635	53,650
Total:			
Listed – Hong Kong	–	635	635
Unlisted	53,015	–	53,015
	53,015	635	53,650
Market value of listed securities	–	635	635
Carrying amount analysed for reporting purposes as:			
Current	–	635	635
Non-current	53,015	–	53,015
	53,015	635	53,650

Notes:

1. In the prior year, a non-wholly owned subsidiary acquired a 90% equity interest in a company operating in Mainland China and the non-wholly owned subsidiary had intended to dispose of 45% equity interest of the company to an independent third party. The management of the non-wholly owned subsidiary considered that they exercised no control or significant influence on the company, and accordingly, the results of the company were not consolidated into that of the Group for the year ended 31st March, 2005.

2. Included in capital contributions which were stated at carrying value is the Group's 8% equity interest in the registered capital of Gansu Longhai Chinney Construction Engineering Co., Ltd., a company which is established in the PRC. During the year ended 31st March, 2005, HK$500,000 registered capital was repatriated to the Group.

28. AVAILABLE-FOR-SALE INVESTMENTS

Details of available-for-sale investments as at 31st March, 2006 are set out below:

	THE GROUP *HK$'000*
Unlisted equity securities	1,300

The unlisted investments represent investment in Yongfengli Fashion (Shenzhen) Co. Ltd., a company incorporated in the PRC and engaged in the garment manufacture and trading businesses. They are measured at cost less impairment at each balance sheet date since their fair values cannot be measured reliably.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss as at 31st March, 2006 are set out below:

	THE GROUP
	HK$'000
Listed equity investments in Hong Kong	733

The fair value of financial assets at fair value through profit and loss are determined based on the quoted market bid prices available on the Stock Exchange.

30. INVENTORIES

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Raw materials	2,411	36,422
Work in progress	14,470	42,533
Finished goods	–	4,736
	16,881	83,691

Cost of inventories recognised as expense for the year amounted to HK$496,275,000 (2005: HK$659,840,000).

31. PROPERTIES HELD FOR SALE

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
At the beginning of the year	1,209,402	960,378
Additions	735,114	361,705
Transfer to properties, plant and equipment	(14,625)	–
Transfer to investment properties	(186,972)	–
Currency realignment	35,502	12,357
Eliminated on sales of properties	(766,146)	(125,038)
At the end of the year	1,012,275	1,209,402

Properties held for sale included completed properties of HK$451,578,000 (2005: HK$149,062,000) and incomplete properties with established pre-sale programme of HK$560,697,000 (2005: HK$1,060,340,000).

Interest expense and other borrowing costs incurred and capitalised in respect of incomplete properties were HK$18,812,000 (2005: HK$22,797,000).

32. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK$255,059,000 (2005: HK$102,830,000). The aging analysis of trade debtors is as follows:

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Current to 30 days	217,385	75,785
31 to 60 days	8,791	13,379
61 to 90 days	10,554	6,136
Over 90 days	18,329	7,530
Total	255,059	102,830

The Group allows an average credit period of 30 days to its trade customers.

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements.

The directors consider the carrying amounts of the Group's debtors at 31st March, 2006 approximate to their fair values.

33. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Contracts in progress at the balance sheet date comprised:		
Contract costs incurred	5,339,458	4,965,708
Add: Recognised profits less recognised losses	475,940	506,130
	5,815,398	5,471,838
Less: Progress billings	(5,823,124)	(5,455,866)
	(7,726)	15,972
Represented by:		
Amounts due from customers shown under current assets	55,446	48,048
Amounts due to customers shown under current liabilities	(63,172)	(32,076)
	(7,726)	15,972

Staff costs, hiring charges for plant and machinery and depreciation charges of HK$59,456,000 (2005: HK$65,957,000), HK$37,590,000 (2005: HK$16,145,569) and HK$4,399,000 (2005: HK$4,488,000), respectively, were included in contract costs.

34. AMOUNTS DUE FROM/TO SUBSIDIARIES

THE COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand. The directors of the Company consider the carrying amounts of amounts due from/to subsidiaries approximate to their fair values.

35. AMOUNTS DUE FROM ASSOCIATES/JOINTLY-CONTROLLED ENTITIES

THE GROUP

The amounts are unsecured, non-interest bearing and repayable on demand. The directors of the Company consider the carrying amounts of the amounts due from associates/jointly-controlled entities approximate to their fair values.

36. LOANS TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

The amounts are unsecured, bear interest at 5% and are repayable on demand. The directors of the Company consider the carrying amounts of loans to minority shareholders of subsidiaries approximate to their fair values.

37. PLEDGED BANK BALANCES

THE GROUP

The amounts represent deposits pledged to bank to secure banking facilities granted to the Group and guarantees given on behalf of the Group. The deposits carried an average interest rate of 2.0% (2005: 2.0%). The directors of the Company consider the carrying amounts of the Group's pledged bank balances at 31st March, 2006 approximate to their fair values.

38. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity of three months or less, and carry interests ranging from 2% to 4% (2005: 1% to 3%) for annum.

The directors of the Company consider the carrying amount of the Group's bank balances, deposits and cash at 31st March, 2006 approximates to the fair value.

39. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 24th July, 2006, the Group resolved to dispose of certain subsidiaries and associates which are engaged in garment and manufacturing segment. The assets and liabilities attributable to these companies, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet. The net proceeds from the disposal are expected to be approximate to the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

	THE GROUP 2006 *HK$'000*
Property, plant and equipment	30,264
Interests in associates	200
Interests in jointly-controlled entities	20,002
Deferred taxation assets	1,761
Inventories	53,673
Debtors and prepayments	54,900
Amounts due from associates	3,649
Amounts due from jointly-controlled entities	1,552
Taxation recoverable	808
Cash and bank balances	1,333
Total assets classified as held for sale	168,142
Creditors and accrued charges	44,998
Taxation payable	501
Bank overdrafts	9,724
Bank borrowings – amount due within one year	103,896
Deferred taxation liabilities	400
Total liabilities associated with assets classified as held for sale	159,519

On 24th July, 2006, the Group entered into a sale and purchase agreement to dispose of the above companies. The disposal will be completed not later than 24th October, 2006 and the beneficial ownership will be passed to the acquirer once the disposal is completed. In the opinion of directors, the gain on disposal of those companies is minimal by reference to the carrying value of the net assets of the above companies as at 31st March, 2006.

40. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK$91,464,000 (2005: HK$99,359,000). The aging analysis of trade creditors is as follows:

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Current to 30 days	55,478	52,701
31 to 60 days	18,879	28,933
61 to 90 days	6,026	6,086
Over 90 days	11,081	11,639
Total	91,464	99,359

The director consider the carrying amounts of the Group's creditors and accrued charges at 31st March, 2006 approximate to their fair values.

41. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

At 31st March, 2006, the amounts are unsecured, non-interest bearing and repayable on demand.

The directors of the Company consider that the carrying amounts of amounts due to minority shareholders of subsidiaries approximate to their fair values.

At 31st March, 2005, the amounts were unsecured, non-interest bearing and had no fixed repayment terms. As agreed with minority shareholders of subsidiaries, the amounts due to minority shareholders were not be repaid within the next twelve months from the balance sheet date.

42. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum payments		Present value of minimum payments	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The maturity of the Group's obligations under finance leases is as follows:				
Within one year	2,625	3,379	2,227	3,095
Due after one year but within two years	5,107	2,472	4,732	2,278
Due after two years but within five years	–	4,722	–	4,562
	7,732	10,573	6,959	9,935
Less: Future finance charges	(773)	(638)	–	–
Present value of lease obligations	6,959	9,935	6,959	9,935
Less: Amount due within one year shown under current liabilities			(2,227)	(3,095)
Amount due after one year			4,732	6,840

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 4 years (2005: 4 years). For the year ended 31st March, 2006, the average effective borrowing rate was 4.25% (2005: 3.25%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

The carrying amount of the Group's finance lease obligations as at the balance sheet date is not expected to be significantly different from the fair value.

43. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts	27,043	34,832	–	–
Bank loans	2,385,353	1,668,320	31,000	64,500
	2,412,396	1,703,152	31,000	64,500
Secured	1,721,574	971,403	31,000	64,500
Unsecured	690,822	731,749	–	–
	2,412,396	1,703,152	31,000	64,500
Carrying amount repayable:				
Less than one year or on demand	570,589	400,364	31,000	64,500
More than one year but not more than two years	713,344	592,421	–	–
More than two years but not more than three years	1,018,417	280,417	–	–
More than three years but not more than four years	57,030	361,903	–	–
More than four years but not more than five years	2,316	25,030	–	–
More than five years	50,700	43,017	–	–
	2,412,396	1,703,152	31,000	64,500
Less: Amount due within one year or on demand and shown under current liabilities	(570,589)	(400,364)	(31,000)	(64,500)
Amount due after one year	1,841,807	1,302,788	–	–

The secured bank loans and overdrafts of the Group are secured by the following assets of the Group with carrying amounts as follows:

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Inventories		
Included in asset-held-for-sale	35,100	–
Not included in asset-held-for-sale	–	19,500
Investment properties *(note)*	1,299,300	1,327,000
Property, plant and equipment		
Included in asset-held-for-sale	23,993	–
Not included in asset-held-for-sale	11,343	128,494
Properties under development	716,334	–
Properties held for sale	795,895	385,762
Shares in associates, stated at the Group's share of the associates' net assets	45,841	44,355
Trade debtors		
Included in asset-held-for-sale	19,500	–
Not included in asset-held-for-sale	–	35,100
Bank balances	65,948	76,400
	3,013,254	2,016,611

43. BANK BORROWINGS *(Continued)*

Certain banking facilities of the Company and the Group are secured by certain shares in subsidiaries held by the Company with carrying value of HK$774,378,000 (2005: HK$767,426,000).

Note: Certain assignments for rental income that related to investment properties are also pledged for security of bank loans.

The directors consider the carrying value of the bank borrowings approximates to its fair value.

The average interest rate during the year was 6% (2005: 5%).

44. SHARE CAPITAL

	Number of shares 2006 & 2005	Amount 2006 & 2005 *HK$'000*
Ordinary shares of HK$0.25 each:		
Authorised:		
At the beginning and the end of the year	1,000,000,000	250,000
Issued and fully paid:		
At the beginning and the end of the year	551,368,153	137,842

45. RESERVES

THE GROUP

Details of changes in reserves of the Group are set out in the consolidated statements of changes in equity on pages 11 and 12.

At 31st March, 2006, the retained profits of the Group included accumulated losses of HK$46,793,000 (2005: accumulated losses of HK$51,698,000) retained by associates of the Group.

At 31st March, 2006, the retained profits of the Group included accumulated losses of HK$50,133,000 (2005: accumulated losses of HK$42,103,000) retained by jointly controlled entities.

	Share premium *HK$'000*	Dividend reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
THE COMPANY				
At 1st April, 2004	267,569	11,027	474,180	752,776
Profit for the year	–	–	82,638	82,638
Dividend paid	–	(11,027)	–	(11,027)
2005 Proposed final dividend	–	16,541	(16,541)	–
At 31st March, 2005	267,569	16,541	540,277	824,387
Profit for the year	–	–	35,398	35,398
Dividend paid	–	(16,541)	–	(16,541)
2006 Proposed final dividend	–	22,055	(22,055)	–
At 31st March, 2006	267,569	22,055	553,620	843,244

In addition to the retained profits of the Company which are distributable to shareholders, the share premium account of the Company can be applied under the Companies Ordinance to issue bonus shares issuable to shareholders of the Company.

46. ACQUISITIONS OF SUBSIDIARIES

a. On 11th October, 2005, a non-wholly owned subsidiary of the Group acquired a 47.05% effective interest in registered capital of Shenzhen Guanghai Investment Co., Ltd. for a consideration of HK$197,539,000. The acquisition has been accounted for by the purchase method of accounting.

b. In the prior year, a non-wholly owned subsidiary of the Group acquired a 90% equity interest in registered capital of Guangzhou Hua Yin Land Development Co., Ltd., a company operating in Mainland China, and the non-wholly owned subsidiary had intended to dispose of 45% equity interest of the company to an independent third party. The management considered they exercised no control or significant influence on the company and, accordingly, the results of the company were not consolidated into that of the Group for the year ended 31st March, 2005.

During the year ended 31st March, 2006, a debt assignment programme of the company was completed. The plan for a partial disposal of the company was abandoned and the management considered that full control on the company has now been obtained. Accordingly, the Group has consolidated the results of the company in the current year.

c. On 9th November, 2005, the Group acquired an effective 86.05% interest in Jackson Mercantile Trading Company Limited for a consideration of HK$7,800,000. The acquisition has been accounted for by the acquisition method of accounting.

	2006	**2005**
	HK$'000	*HK$'000*
Net assets (liabilities) acquired:		
Property, plant and equipment	159	182
Properties under development	594,754	–
Investment properties	11,500	–
Retention monies receivable	744	–
Debtors and prepayments	5,458	849
Amounts due from customers for contract work	85	–
Bank balances and cash	9,825	–
Creditors and accrued charges	(41,444)	(3,494)
Bank borrowings	(259,808)	–
Amounts due to minority shareholders	(259)	–
Minority interests	(39,131)	–
	281,883	(2,463)
Write off of goodwill arising from acquisitions	–	2,463
Consideration given	281,883	–
Satisfied by:		
Cash paid	231,320	–
Investment purchased in prior year	50,563	–
	281,883	–

Analysis of net outflow of cash and cash equivalents in connection with the acquisitions of subsidiaries:

	2006	**2005**
	HK$'000	*HK$'000*
Cash consideration paid	(231,320)	–
Bank balances and cash acquired	9,825	–
	(221,495)	–

46. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

The acquiree's carrying amount of net assets before combination approximates to its fair value. Accordingly, no fair value adjustments are required.

The subsidiaries acquired during the year ended 31st March, 2006 did not have any significant impact to the Group's operating results and cash flows.

If the acquisitions made during the year ended 31st March, 2006 had been completed on 1st April, 2005, the impact to total Group's revenue for the year and profit for the year would be minimal. The pro forma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1st April, 2005, nor is it intended to be a projection of future results.

47. DISPOSALS OF SUBSIDIARIES

On 28th October, 2005, the Group disposed of 50% of the issued share capital of Rich Central Limited and assigned related shareholder's loans amounting to HK$44,963,000, for a cash consideration of HK$45,658,000. In addition, the Group disposed of 50% of the issued share capital of Foralmist Holdings Ltd. on 28th February, 2006 and assigned related shareholder's loans amounting to HK$73,207,000 for a cash consideration of HK$128,532,000.

	2006	**2005**
	HK$'000	*HK$'000*
Net assets disposed of:		
Goodwill	32,572	–
Property, plant and equipment	78	–
Properties under development	243,668	330,715
Other receivables	119	–
Bank balances and cash	2,446	–
Creditors and accrued charges	(3,600)	–
Shareholders' loan of subsidiaries	(236,341)	–
Bank borrowings	–	(164,206)
Deferred taxation liabilities	(11,172)	–
	27,770	166,509
Release of exchange reserve	(2,161)	–
Gain on disposal of subsidiaries	44,818	233,662
	70,427	400,171
Satisfied by:		
Cash consideration received	174,190	400,171
Assignment of shareholders' loan	(118,170)	–
Interests in jointly-controlled entities	14,407	–
	70,427	400,171

Analysis of net cash inflow of cash and cash equivalents in connection with the disposals of subsidiaries:

	2006	**2005**
	HK$'000	*HK$'000*
Cash consideration	174,190	400,171
Bank balances and cash disposed of	(2,446)	–
	171,744	400,171

The subsidiaries disposed did not have any significant impact to the Group's operating results and cash flows.

48. MAJOR NON-CASH TRANSACTIONS

For the year ended 31st March, 2005, the Group entered into finance lease arrangements in respect of plant and machinery with a total capital value at the inception of the contracts of HK$9,140,000.

49. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(a) Extent of general banking facilities guaranteed by the Group/Company which were utilised at the balance sheet date by:				
– subsidiaries	–	–	538	53,032
– jointly-controlled entities	–	92,701	–	
Bills discounted with recourse	–	3,408	–	–
	–	96,109	538	53,032

(b) Certain subsidiaries of Chinney Contractors Company Limited were involved in legal proceedings or claims against them in the ordinary course of their respective business activities. The aggregate amount of claims, including estimated legal costs, resulting from such contingent liabilities was approximately HK$31,004,000 as at 31st March, 2006 (2005: HK$41,011,000). The directors of the Company consider that, after taking into account of the legal advices obtained, these proceedings and claims were made without valid grounds and accordingly, no provision for any potential liabilities is considered necessary.

(c) On 20th April, 1996, a writ was filed against a wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok"), Joint Peace Investment Limited ("Joint Peace"), regarding an alleged disparity between the pavement and the ground floor level of the building at 18-22 Percival Street, junction of Jaffe Road, Causeway Bay, Hong Kong. The amount claimed, excluding minor construction and related costs, was either HK$41,000,000 or HK$69,300,000, representing the claim for loss of rental income or loss of interest on the purchase price, over a period of 12 months. A defence to contest this claim was filed on 22nd July, 1996.

On 2nd December, 1997, the plaintiff of this claim was allowed to amend the Writ of Summons and the Statement of Claim dated 20th April, 1996. Under advice by Hon Kwok's solicitors, an Amended Defence in respect thereof was filed by Joint Peace on 30th December, 1997. On the same date, a Request for Further and Better Particulars of the Amended Statement of Claim was sent by Hon Kwok's solicitors to the plaintiff's solicitors.

Following consultation with Hon Kwok's legal advisers (in their capacity as the legal advisers of Joint Peace), the directors of the Company have formed the view that the amended claim was unlikely to succeed and were therefore of the opinion that no provision regarding this claim is necessary in the Group's financial statements. The plaintiff was dissolved on 5th November, 2004 pursuant to a court order.

(d) At 31st March, 2006, a subsidiary of Hon Kwok has given guarantees to a maximum extent of approximately HK$28,000,000 (2005: HK$11,269,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties. The entire guarantees were released subsequent to the balance sheet date.

50. OPERATING LEASE ARRANGEMENTS

Lessor

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with tenants in respect of investment properties fall due:

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year	33,688	30,444
In the second to fifth year inclusive	19,529	22,730
	53,217	53,174

The Company had no commitments under operating leases.

All of the properties held have committed tenants with lease terms ranging from one to five years.

Lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings fall due:

	THE GROUP	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year	4,185	4,221
In the second to fifth year inclusive	5,451	4,029
Beyond five years	1,256	1,472
	10,892	9,722

The Company had no operating lease commitments at the balance sheet date.

At 31st March, 2006, a jointly-controlled entity had annual commitments payable under non-cancellable operating leases for land and buildings falling due within one year and in the second to fifth year inclusive amounting to HK$1,073,000 (2005: HK$518,000) and HK$1,546,000 (2005: HK$792,000), respectively. The Group's share of these operating lease commitments amounted to HK$536,500 (2005: HK$259,000) and HK$773,000 (2005: HK$396,000), respectively.

Leases are negotiated for an average term of not more than two years.

51. CAPITAL COMMITMENTS

The Group had authorised and contracted capital commitments in respect of leasehold improvement and property development expenditure amounting to approximately HK$209,672,000 (2005: HK$545,543,000) at the balance sheet date.

The Company did not have any significant capital commitments at the balance sheet date.

52. RELATED PARTY TRANSACTIONS

Set out below are the significant transactions between the Group and other related parties during the year:

	2006	2005
	HK$'000	*HK$'000*
Rental income received from jointly-controlled entities	659	–
Management fee income received from an associate	2,000	2,000
Commissions paid to the ultimate holding company	2,625	2,625
Legal and professional fees paid to a firm to which a director of the Company is a consultant	349	527
Fee paid by a jointly-controlled entity for safes handled	–	1,547
Write off of debts from jointly-controlled entities	–	3,873

53. POST BALANCE SHEET EVENTS

(a) On 16th March, 2006, a wholly-owned subsidiary of Hon Kwok entered into a sale and purchase agreement with the minority shareholder of Shenzhen Honkwok Huaye Development Co., Ltd. ("Honkwok Huaye") for the acquisition of the remaining 20% equity interest in Honkwok Huaye for a cash consideration of RMB10,000,000 (equivalent to HK$9,662,000). This transaction was completed on 13th June, 2006.

(b) On 12th June, 2006, a wholly-owned subsidiary of Hon Kwok entered into a sale and purchase agreement with an independent third party to dispose of an investment property situated in Kuala Lumpur, Malaysia, for a consideration of RM70,000,000 (equivalent to HK$142,100,000). This transaction is scheduled to be completed on the expiry of six months from the date of the sale and purchase agreement or such an earlier date as the purchaser may elect by giving three-month prior notice in writing to the Group. In the opinion of the directors, no material gain or loss on disposal would be resulted.

(c) On 27th June, 2006, Hon Kwok, through its wholly-owned subsidiary, issued an aggregate principal amount of HK$280,000,000 at 3.5% per annum guaranteed convertible bonds due by 2011. The initial conversion price at which a share of Hon Kwok will be issued on conversion will be HK$4.00.

3. INDEBTEDNESS

At the close of business on 31st October, 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$2,635 million comprising:

(a) secured bank loans of approximately HK$1,783 million;

(b) unsecured bank loans of approximately HK$515 million;

(c) obligations under finance leases of approximately HK$6 million;

(d) unsecured amount due to a minority shareholder of a subsidiary of approximately HK$23 million;

(e) unsecured loans from minority interests of approximately HK$18 million;

(f) unsecured amount due to a related company of HK$10 million;

(g) convertible bond with a principal amount of HK$280 million.

Details of the Group's contingent liabilities of material importance are set out in Appendix III of this circular under the section headed "Litigation".

The Group's secured bank borrowings are secured by shares in an associate and a subsidiary, charges on certain inventories, trade debtors, bank balances and fixed charges on certain leasehold properties, properties under development, investment properties and property held for sale.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases, liabilities under acceptances or acceptance creditors or any guarantees or other material contingent liabilities outstanding at the close of business on 31st October, 2006.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing as at 31st October, 2006.

The Directors are not aware of any material adverse changes in the Group's indebtedness position or contingent liabilities since 31st October, 2006.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the Group's available credit facilities, cash on hand and the net proceeds from the Placing and Subscription, the Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirements.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March, 2006 (being the date to which the latest published audited accounts have been made up).

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at 31st March, 2006, being the date to which the Group's latest published audited consolidated financial statements were made up, the Group had a total shareholders' funds of approximately HK$1,408 million. The gearing ratio of the Group, as measured by the consolidated net borrowings of approximately HK$1,891 million over the total shareholders' fund plus minority interests of approximately HK$2,559 million, was 74% as at 31st March, 2006. The Group had a cash and bank balance of approximately HK$528 million as at 31st March, 2006. The Directors expect that the Group will continue to maintain a good financial position to support the business operations.

The Hon Kwok Group holds development land banks in Canada and Mainland China as well as investment properties in Hong Kong. The Hon Kwok Group will actively seek opportunities to replenish its development land banks in Mainland China and enlarge its investment property portfolio in Hong Kong, as and when appropriate. In view of the underlying strength of the economy, the directors of Hon Kwok are optimistic on the trading prospects of the Hon Kwok Group in the current financial year. The Directors share this optimistic view. As well as its property business conducted by the Hon Kwok Group, the Group also carries out construction, foundation piling, garment manufacturing and general trading activities. The Placing and Subscription has no impact on these activities and the Directors' view of the prospects for these activities in the current financial year is unchanged from that expressed in the Company's annual report for the year ended 31st March, 2006.

1. THREE YEAR FINANCIAL RESULTS OF HON KWOK GROUP

The following is a summary of the results and financial position of the Hon Kwok Group for the three years ended 31st March, 2006, as extracted from the annual reports of Hon Kwok for the years ended 31st March, 2006 and 2005.

Results

	Year ended 31st March, 2006	2005	2004
	HK$'000	*HK$'000* (Restated)	*HK$'000* (Restated)
REVENUE	1,059,427	176,212	330,727
Cost of sales	(736,109)	(129,277)	(335,929)
Gross profit/(loss)	323,318	46,935	(5,202)
Other income	12,814	8,747	9,663
Fair value gains on investment properties, net	243,657	–	184,155
Change in fair value of completed properties transferred to investment properties	220,661	–	–
Reversal of impairment of properties under development	–	–	11,427
Gain on disposal of subsidiaries	56,161	233,662	–
Administration expenses	(42,727)	(35,597)	(28,756)
Other operating expenses, net	(3,499)	(3,553)	(6,196)
Finance costs	(63,438)	(18,386)	(29,285)
Share of profits and losses of jointly-controlled entities	219	4,102	86,303
Write off of debts due from a jointly-controlled entity	–	(3,873)	(84,488)
PROFIT BEFORE TAX	747,166	232,037	137,621
Tax	(162,520)	(1,737)	(3,154)
PROFIT FOR THE YEAR	584,646	230,300	134,467
Attributable to:			
Equity holders of the parent	519,754	229,616	134,415
Minority interests	64,892	684	52
	584,646	230,300	134,467
DIVIDEND – proposed final	44,026	32,019	24,014
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	HK$1.30	HK$0.57	HK$0.43

Assets, Liabilities and Minority Interests

	As at 31st March, 2006	2005	2004
	HK$'000	*HK$'000* (Restated)	*HK$'000* (Restated)
TOTAL ASSETS	5,076,311	3,577,967	3,048,978
TOTAL LIABILITIES	(2,727,994)	(1,881,829)	(1,762,563)
MINORITY INTERESTS	(293,487)	(153,961)	(22,682)
	2,054,830	1,542,177	1,263,733

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE HON KWOK GROUP FOR THE YEARS ENDED 31ST MARCH, 2006 AND 2005

Set out below are the audited consolidated income statement of the Hon Kwok Group, the audited consolidated balance sheet of the Hon Kwok Group, the audited balance sheet of Hon Kwok, the audited condensed consolidated statement of changes in equity of the Hon Kwok Group and the audited consolidated cash flow statement of the Hon Kwok Group together with the relevant notes to the financial statements, as extracted from the annual report of Hon Kwok for the year ended 31st March, 2006.

Consolidated Income Statement
Year ended 31st March, 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000* (Restated)
REVENUE	*5*	1,059,427	176,212
Cost of sales		(736,109)	(129,277)
Gross profit		323,318	46,935
Other income	*5*	12,814	8,747
Fair value gains on investment properties, net	*5*	243,657	–
Change in fair value of completed properties transferred to investment properties	*5*	220,661	–
Gain on disposal of subsidiaries	*5*	56,161	233,662
Administration expenses		(42,727)	(35,597)
Other operating expenses, net		(3,499)	(3,553)
Finance costs	*6*	(63,438)	(18,386)
Share of profits and losses of jointly-controlled entities	*18*	219	4,102
Write off of debts due from a jointly-controlled entity		–	(3,873)
PROFIT BEFORE TAX	*7*	747,166	232,037
Tax	*10*	(162,520)	(1,737)
PROFIT FOR THE YEAR		584,646	230,300
Attributable to:			
Equity holders of the parent	*11*	519,754	229,616
Minority interests		64,892	684
		584,646	230,300
DIVIDEND – proposed final	*12*	44,026	32,019
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*13*	HK$1.30	HK$0.57

Balance Sheets
31st March, 2006

		Group		Company	
		2006	**2005**	**2006**	**2005**
	Notes	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	23,540	4,391	157	132
Properties under development	*15*	1,209,884	548,730	–	–
Investment properties	*16*	1,971,631	1,327,000	–	–
Interests in subsidiaries	*17*	–	–	8	1,196,813
Investments in jointly-controlled entities	*18*	29,357	27,210	–	–
Interest in an associate	*19*	–	14,857	–	–
Available-for-sale equity investment/ long term investment	*20*	–	50,563	–	–
Total non-current assets		3,234,412	1,972,751	165	1,196,945
CURRENT ASSETS					
Amounts due from subsidiaries	*17*	–	–	2,233,779	–
Amounts due from jointly-controlled entities	*18*	129,257	5,928	6	–
Tax recoverable		456	404	–	–
Properties held for sale	*21*	988,871	1,108,460	–	–
Trade receivables	*22*	127,346	7,540	–	–
Prepayments, deposits and other receivables		63,201	89,263	976	903
Loans to minority interests	*23*	86,114	39,747	–	–
Pledged deposits	*24*	40,200	62,800	–	25,000
Cash and cash equivalents	*24*	406,454	291,074	4,515	104,121
Total current assets		1,841,899	1,605,216	2,239,276	130,024
CURRENT LIABILITIES					
Amounts due to subsidiaries	*17*	–	–	896,130	–
Loans from minority interests	*23*	76,674	–	–	–
Trade payables and accrued liabilities	*25*	195,639	78,561	3,864	3,038
Interest-bearing bank borrowings	*26*	395,168	131,745	1,680	1,680
Amounts due to related companies	*36*	2,478	1,970	–	–
Customer deposits		126,868	307,637	–	–
Tax payable		51,914	1,833	–	–
Total current liabilities		848,741	521,746	901,674	4,718
NET CURRENT ASSETS		993,158	1,083,470	1,337,602	125,306
TOTAL ASSETS LESS CURRENT LIABILITIES		4,227,570	3,056,221	1,337,767	1,322,251

Balance Sheets *(Continued)*
31st March, 2006

		Group		Company	
		2006	**2005**	**2006**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)		
NON-CURRENT LIABILITIES					
Loans from minority interests	*23*	–	53,720	–	–
Interest-bearing bank borrowings	*26*	1,775,807	1,302,254	161,340	163,020
Deferred tax liabilities	*27*	103,446	4,109	–	–
Total non-current liabilities		1,879,253	1,360,083	161,340	163,020
Net assets		2,348,317	1,696,138	1,176,427	1,159,231
EQUITY					
Equity attributable to equity holders of the parent					
Issued capital	*28*	400,239	400,239	400,239	400,239
Reserves	*29*	1,610,565	1,109,919	732,162	726,973
Proposed final dividend	*12*	44,026	32,019	44,026	32,019
		2,054,830	1,542,177	1,176,427	1,159,231
Minority interests		293,487	153,961	–	–
Total equity		2,348,317	1,696,138	1,176,427	1,159,231

Consolidated Statement of Changes in Equity

Year ended 31st March, 2006

		Attributable to equity holders of the parent										
		Issued share capital	**Share premium account**	**Special capital reserve**	**Capital redemption reserve**	**Asset revaluation reserve**	**Exchange fluctuation reserve**	**Retained profits**	**Proposed final dividend**	**Total**	**Minority interests**	**Total equity**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2004:												
As previously reported		400,239	161,410	223,480	10	6,243	(70,749)	524,174	24,014	1,268,821	22,682	1,291,503
Prior year adjustments	*2.4(b)*	–	–	–	–	(5,088)	–	–	–	(5,088)	–	(5,088)
As restated		400,239	161,410	223,480	10	1,155	(70,749)	524,174	24,014	1,263,733	22,682	1,286,415
Revaluation surplus of investment properties	*16*	–	–	–	–	57,913	–	–	–	57,913	–	57,913
Deferred tax arising from deficit on revaluation	*27*	–	–	–	–	3,567	–	–	–	3,567	–	3,567
Exchange realignment		–	–	–	–	–	11,362	–	–	11,362	–	11,362
Total income and expense for the year recognised directly in equity		–	–	–	–	61,480	11,362	–	–	72,842	–	72,842
Profit for the year		–	–	–	–	–	–	229,616	–	229,616	684	230,300
Total income and expense for the year		–	–	–	–	61,480	11,362	229,616	–	302,458	684	303,142
Strike-off of subsidiaries		–	–	–	–	–	–	–	–	–	7,483	7,483
Capital injection by minority shareholders		–	–	–	–	–	–	–	–	–	123,112	123,112
Final 2004 dividend declared		–	–	–	–	–	–	–	(24,014)	(24,014)	–	(24,014)
Proposed final 2005 dividend	*12*	–	–	–	–	–	–	(32,019)	32,019	–	–	–
At 31st March, 2005		400,239	161,410*	223,480*	10*	62,635*	(59,387)*	721,771*	32,019	1,542,177	153,961	1,696,138
At 1st April, 2005:												
As previously reported		400,239	161,410	223,480	10	65,260	(59,387)	721,771	32,019	1,544,802	153,961	1,698,763
Prior year adjustments	*2.4(b)*	–	–	–	–	(2,625)	–	–	–	(2,625)	–	(2,625)
Opening adjustments	*2.4(b)*	–	–	–	–	(62,635)	–	62,635	–	–	–	–
As restated		400,239	161,410	223,480	10	–	(59,387)	784,406	32,019	1,542,177	153,961	1,696,138
Exchange realignment		–	–	–	–	–	24,918	–	–	24,918	4,131	29,049
Total income and expense for the year recognised directly in equity		–	–	–	–	–	24,918	–	–	24,918	4,131	29,049
Profit for the year		–	–	–	–	–	–	519,754	–	519,754	64,892	584,646
Total income and expense for the year		–	–	–	–	–	24,918	519,754	–	544,672	69,023	613,695
Acquisition of subsidiaries	*30*	–	–	–	–	–	–	–	–	–	39,131	39,131
Capital injection by minority shareholders		–	–	–	–	–	–	–	–	–	50,000	50,000
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	(18,628)	(18,628)
Final 2005 dividend declared	*12*	–	–	–	–	–	–	–	(32,019)	(32,019)	–	(32,019)
Proposed final 2006 dividend	*12*	–	–	–	–	–	–	(44,026)	44,026	–	–	–
At 31st March, 2006		400,239	161,410*	223,480*	10*	–*	(34,469)*	1,260,134*	44,026	2,054,830	293,487	2,348,317

* These reserve accounts comprise the consolidated reserves of HK$1,610,565,000 (2005: HK$1,109,919,000, as restated) in the consolidated balance sheet.

Consolidated Cash Flow Statement
Year ended 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		747,166	232,037
Adjustments for:			
Finance costs	6	63,438	18,386
Share of profits and losses of jointly-controlled entities		(219)	(4,102)
Write-off of debts due from a jointly-controlled entity	7	–	3,873
Interest income	5	(6,286)	(2,388)
Depreciation	7	1,401	1,076
Gain on disposal of items of property, plant and equipment	7	–	(40)
Gain on disposal of subsidiaries	5	(56,161)	(233,662)
Fair value gains on investment properties, net	5	(243,657)	–
Change in fair value of completed properties transferred to investment properties	5	(220,661)	–
Operating profit before working capital changes		285,021	15,180
Increase in properties under development		(234,964)	(457,353)
Increase in properties held for sale		(14,292)	(211,647)
Decrease/(increase) in trade receivables		(119,806)	101,454
Decrease/(increase) in prepayments, deposits and other receivables		44,575	(60,147)
Increase in trade payables and accrued liabilities		75,431	30,220
Increase in amounts due to related companies		508	1,169
Increase/(decrease) in customer deposits		(181,522)	235,934
Decrease in amounts due to fellow subsidiaries		–	(2,829)
Exchange differences		(681)	6,184
Cash used in operations		(145,730)	(341,835)
Hong Kong profits tax paid		–	(66)
Overseas taxes paid		(13,192)	(674)
Net cash outflow from operating activities		(158,922)	(342,575)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,661	2,388
Purchases of items of property, plant and equipment		(2,644)	(542)
Proceeds from disposal of items of property, plant and equipment		–	40
Additions to investment properties	16	(6,743)	(3,212)
Decrease in pledged deposits		22,600	49,297
Increase in/(repayment of) loans from jointly-controlled entities		(1,515)	3,259
Acquisition of subsidiaries	30	(214,434)	–
Disposal of subsidiaries	31	171,745	400,171
Acquisition of minority interests		(51,712)	–
Purchase of an available-for-sale equity investment/ a long term investment		–	(50,563)
Increase in loans to minority interests		(46,367)	(39,747)
Net cash inflow/(outflow) from investing activities		(126,409)	361,091

Consolidated Cash Flow Statement *(Continued)*
Year ended 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(81,471)	(43,428)
Increase in bank loans		708,835	442,873
Repayment of bank loans		(247,005)	(429,236)
Dividend paid		(32,019)	(24,014)
Capital injection from minority shareholders		50,000	123,112
Dividends paid to minority shareholders		(18,628)	–
Increase in loans from minority interests		20,999	10,800
Net cash inflow from financing activities		400,711	80,107
NET INCREASE IN CASH AND CASH EQUIVALENTS		115,380	98,623
Cash and cash equivalents at beginning of year		291,074	192,451
CASH AND CASH EQUIVALENTS AT END OF YEAR		406,454	291,074
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		404,424	190,897
Non-pledged time deposits with original maturity of less than three months when acquired		2,030	100,177
		406,454	291,074

Notes to the Financial Statements
31st March, 2006

1. CORPORATE INFORMATION

Hon Kwok Land Investment Company, Limited is a limited liability company incorporated in Hong Kong. The registered office and the principal place of business of the Company is located at 18th Floor, Hang Seng Building, 77 Des Voeux Road Central, Hong Kong.

During the year, the Group was involved mainly in property development and property investment activities.

The immediate holding company of the Group is Chinney Investments, Limited, a company incorporated and listed in Hong Kong.

In the opinion of the directors, the ultimate holding company of the Group is Lucky Year Finance Limited ("Lucky Year"), an international business company incorporated in the British Virgin Islands ("BVI").

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st March, 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates

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

HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 28, 31, 33, 37 and 38, HKFRSs 2 and 5 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

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

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1st January, 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1st January, 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

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

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

(a) HKAS 17 – Leases

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

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings should be separated into leasehold land and buildings and to be accounted for separately. Leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, while buildings continue to be classified as part of property, plant and equipment.

In accordance with HKAS 17, since the Group's lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

In prior years, leasehold land held for property development purpose was included as part of the Group's properties under development. With the adoption of HKAS 17, leasehold land included in the Group's properties under development and held under operating leases, are stated at cost. There is no amortisation on the operating leases because the amortisation charges would be capitalised as part of the development costs. The leasehold land continues to be classified as part of the Group's properties under development. The directors consider that this is a fairer presentation of the Group's investments in property development projects.

The adoption of HKAS 17 has no effect on the consolidated income statement for the years ended 31st March, 2006 and 2005 and the consolidated balance sheet as at those dates.

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

(b) HKASs 32 and 39 – Financial Instruments

In prior years, the Group classified its investment in unlisted equity securities as long term investment, which was held for non-trading purposes and was stated at cost less any impairment losses. Upon the adoption of HKAS 39, this investment held by the Group at 1st April, 2005 in the amount of HK$50,563,000 was designated as an available-for-sale investment under the transitional provisions of HKAS 39. The adoption of HKAS 39 has not resulted in any change in the measurement of the investment in unlisted equity securities. Comparative amount has been reclassified for presentation purposes.

(c) HKAS 40 – Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the asset revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained profits rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the financial statements.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill and negative goodwill arising on acquisitions prior to 1st January, 2001 was eliminated against the consolidated retained profits and credited to the consolidated capital reserve, respectively, in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1st January, 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st April, 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise at 1st April, 2005 the carrying amounts of negative goodwill (including that remaining in the consolidated capital reserve) against retained profits. Goodwill previously eliminated against the retained earnings remains eliminated against the retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The change in accounting policy has had no effect on the consolidated income statement, retained profits and the consolidated balance sheet since the Group has no remaining goodwill or negative goodwill as at 1st April, 2004 and 1st April, 2005.

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

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

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

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

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1st January, 2006:

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

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

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

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

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

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

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1st April, 2005

Effect of new policies (Increase/(decrease))	Effect of adopting: HKASs 32# and 39* Changes in classification of equity investments	Effect of adopting: HKAS 40* Surplus on revaluation of investment properties	Effect of adopting: HK(SIC)-Int 21# Deferred tax on revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Available-for-sale equity investment	50,563	–	–	50,563
Long term investment	(50,563)	–	–	(50,563)
				–
Liabilities/equity				
Deferred tax liabilities	–	–	2,625	2,625
Asset revaluation reserve	–	(62,635)	(2,625)	(65,260)
Retained profits	–	62,635	–	62,635
				–

At 31st March, 2006

Effect of new policies (Increase/(decrease))	Effect of adopting: HKASs 32# and 39* Changes in classification of equity investments	Effect of adopting: HKAS 40* Surplus on revaluation of investment properties	Effect of adopting: HK(SIC)-Int 21# Deferred tax on revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities/equity				
Deferred tax liabilities	–	–	101,836	101,836
Asset revaluation reserve	–	(306,292)	–	(306,292)
Retained profits	–	306,292	(101,836)	204,456
				–

* Adjustments taken effect prospectively from 1st April, 2005

\# Adjustments/presentation taken effect retrospectively

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

	Effect of adopting			
Effect of new policies (Increase/(decrease))	**HKASs 32# and 39* Changes in classification of equity investments**	**HKAS 40* Surplus on revaluation of investment properties**	**HK(SIC)-Int 21# Deferred tax on revaluation of properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1st April, 2004				
Asset revaluation reserve	–	–	(5,088)	(5,088)
1st April, 2005				
Asset revaluation reserve	–	(62,635)	(2,625)	(65,260)
Retained profits	–	62,635	–	62,635
				(2,625)

* Adjustments taken effect prospectively from 1st April, 2005

\# Adjustments/presentation taken effect retrospectively

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

	Effect of adopting			
Effect of new policies	**HKAS 1# Share of post-tax profits and losses of jointly-controlled entities** *HK$'000*	**HKAS 40* Surplus on revaluation of investment properties** *HK$'000*	**HK(SIC)-Int 21# Deferred tax on revaluation of properties** *HK$'000*	**Total** *HK$'000*
Year ended 31st March, 2006				
Increase in other income and gains	–	243,657	–	243,657
Increase in tax	–	–	(99,211)	(99,211)
Total increase/(decrease) in profit	–	243,657	(99,211)	144,446
Effect on basic earnings per share	–	HK$0.61	HK$(0.25)	HK$0.36
Effect on diluted earnings per share	N/A	N/A	N/A	N/A
Year ended 31st March, 2005				
Decrease in share of profits and losses of jointly-controlled entities	(165)	–	–	(165)
Decrease in tax	165	–	–	165
Total increase/(decrease) in profit	–	–	–	–
Effect on basic earnings per share	–	–	–	–
Effect on diluted earnings per share	N/A	N/A	N/A	N/A

* Adjustments taken effect prospectively from 1st April, 2005

Adjustments/presentation taken effect retrospectively

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

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

Joint ventures

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

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

A joint venture is treated as:

(a) a subsidiary, if the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors;

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

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

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

Jointly-controlled entities

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

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of jointly-controlled entities, is included as part of the Group's interests in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

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

The Company's interest in an associate are treated as non-current assets and are stated at cost less any impairment losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

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

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

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

Goodwill previously eliminated against the consolidated reserves

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

Excess over the cost of business combinations ***(applicable to business combinations for which the agreement date is on or after 1st January, 2005)***

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profit or loss in the period in which the investments are acquired.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

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

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

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

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, properties under development, investment properties and properties held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property, plant and equipment and depreciation

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

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

Leasehold land and buildings	5% or over the unexpired terms of the leases
Leasehold improvements	20%
Furniture and equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties under development

Properties under development are stated at cost and include the cost of land, construction, financing and other related expenses, less any impairment losses.

Investment properties

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

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

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

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

Properties held for sale

Properties held for sale, consisting of completed properties and properties under development in respect of which the Group has established pre-sale programmes, are classified under current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions, on an individual property basis.

Investments and other financial assets

Applicable to the year ended 31st March, 2005:

The Group classified its equity investments, other than subsidiaries, associates and jointly-controlled entities, as long term investments.

Long term investments

Long term investments in unlisted equity security is stated at cost less any impairment losses. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value are credited to the income statement to the extent of the amount previously charged.

Applicable to the year ended 31st March, 2006:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

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

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

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

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

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

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

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

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

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

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

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

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;

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

(c) property management income, on an accrual basis, in the period in which services are rendered; and

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

Leases

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

Employee benefits

Paid leave carried forward

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

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its eligible employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Income tax

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividends

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and jointly-controlled entities and an associate are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual lives of the property, plant and equipment of similar nature and functions. Management may change the depreciation rate where useful lives are different from the previous estimated lives.

Current income taxes and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination are is made.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

(a) the property development segment develops properties for sale;

(b) the property investment segment holds investment properties for the generation of rental income; and

(c) the "others" segment comprises miscellaneous rental income generated from properties held by the Group other than investment properties and property management service fee income.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

During the current and prior years, there were no intersegment transactions.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st March, 2006 and 2005.

	Property development		Property investment		Others		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)
Segment revenue:								
Sales to external customers	970,198	99,827	77,264	70,061	11,965	6,324	1,059,427	176,212
Segment results	484,758	(7,877)	294,671	46,839	1,738	4,541	781,167	43,503
Interest income							6,286	2,388
Unallocated gains							623	1,072
Unallocated expenses							(33,852)	(30,431)
Finance costs							(63,438)	(18,386)
Gain on disposal of subsidiaries							56,161	233,662
Share of profits and losses of jointly-controlled entities	502	4,175	–	–	(283)	(73)	219	4,102
Write-off of debts due from a jointly-controlled entity	–	(3,873)	–	–	–	–	–	(3,873)
Profit before tax							747,166	232,037
Tax							(162,520)	(1,737)
Profit for the year							584,646	230,300

	Property development		Property investment		Others		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
Assets and liabilities										
Segment assets	2,485,932	1,836,852	1,990,630	1,335,345	2,275,166	2,121,252	(2,281,141)	(2,117,755)	4,470,587	3,175,694
Investments in jointly-controlled entities	29,357	27,210	–	–	–	–	–	–	29,357	27,210
Amounts due from jointly-controlled entities	129,257	5,928	–	–	–	–	–	–	129,257	5,928
Interest in an associate	–	14,857	–	–	–	–	–	–	–	14,857
Unallocated assets									447,110	354,278
Total assets									5,076,311	3,577,967
Segment liabilities	1,578,929	1,429,520	1,005,243	1,066,924	21,954	9,478	(2,281,141)	(2,117,755)	324,985	388,167
Unallocated liabilities									2,403,009	1,493,662
Total liabilities									2,727,994	1,881,829
Other segment information:										
Depreciation	919	630	130	115	352	331	–	–	1,401	1,076
Fair value gains on investment properties, net recognised in the income statement	–	–	243,657	–	–	–	–	–	243,657	–
Change in fair value of completed properties transferred to investment properties	220,661	–	–	–	–	–	–	–	220,661	–
Capital expenditure	1,706	31	154	–	784	511	–	–	2,644	542
Revaluation surplus of investment properties recognised in asset revaluation reserve	–	–	–	(57,913)	–	–	–	–	–	(57,913)

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31st March, 2005 and 2006.

	Hong Kong		Mainland China		Malaysia		Canada		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:												
Sales to external customers	123,045	153,745	925,518	10,694	10,864	11,773	–	–	–	–	1,059,427	176,212
Other segment information:												
Segment assets	2,813,774	2,372,568	2,492,111	1,515,875	145,858	144,919	604,212	422,378	(979,644)	(877,773)	5,076,311	3,577,967
Capital expenditure	926	74	1,706	468	12	–	–	–	–	–	2,644	542

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents income from the sale of properties, gross rental income and property management income during the year.

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

	Notes	2006 HK$'000	2005 HK$'000
Revenue			
Sale of properties		970,198	99,827
Gross rental income	*7*	86,571	73,657
Property management income		2,658	2,728
		1,059,427	176,212
Other income			
Bank interest income	*7*	2,481	2,152
Interest income from mortgage loans receivable	*7*	180	232
Other interest income		3,625	4
Other property management income		3,542	4,152
Others		2,986	2,207
		12,814	8,747
Gains			
Fair value gains on investment properties, net	*7, 16*	243,657	–
Change in fair value of completed properties transferred to investment properties	*7*	220,661	–
Gain on disposal of subsidiaries	*7, 31*	56,161	233,662
		520,479	233,662
		533,293	242,409

6. FINANCE COSTS

	Group 2006	Group 2005
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	79,849	42,033
Interest on bank loans wholly repayable after five years	2,891	977
	82,740	43,010
Less: Amounts capitalised under property development projects	(19,302)	(24,624)
	63,438	18,386

7. PROFIT BEFORE TAX

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

	Note	2006	2005
		HK$'000	*HK$'000*
Cost of properties sold		701,317	106,610
Depreciation		1,401	1,076
Minimum lease payments under operating leases on land and buildings		1,367	1,692
Auditors' remuneration		1,533	1,142
Employee benefits expense (including directors' remuneration *(note 8)*):			
Wages, salaries, allowances and benefits in kind		16,864	14,283
Pension scheme contributions		841	654
		17,705	14,937
Write-off of debts due from a jointly-controlled entity		–	3,873
Gross rental income	*5*	(86,571)	(73,657)
Less: Outgoing expenses		34,792	22,667
		(51,779)	(50,990)
Bank interest income	*5*	(2,481)	(2,152)
Interest income from mortgage loans receivable	*5*	(180)	(232)
Gain on disposal of items of property, plant and equipment		–	(40)
Fair value gains on investment properties, net	*5*	(243,657)	–
Change in fair value of completed properties transferred to investment properties	*5*	(220,661)	–
Gain on disposal of subsidiaries	*5*	(56,161)	(233,662)
Foreign exchange differences, net		(152)	(450)

At the balance sheet date, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

8. DIRECTORS' REMUNERATION

Details of directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, are as follows:

	Group 2006 HK$'000	2005 HK$'000
Fees	150	138
Other emoluments:		
Salaries, allowances and benefits in kind	360	–
Discretionary performance related bonuses	500	–
Pension scheme contributions	27	–
	887	–
	1,037	138

(a) Independent non-executive directors

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

	2006 HK$'000	2005 HK$'000
Daniel Chi-Wai Tse	50	50
Patrick Yen-Tse Tsai	50	50
Kenneth Kin-Hing Lam	50	38
	150	138

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

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2006					
James Sai-Wing Wong*	–	–	–	–	–
Madeline May-Lung Wong	–	–	–	–	–
Herman Man-Hei Fung	–	–	–	–	–
Zuric Yuen-Keung Chan	–	–	–	–	–
Dennis Kwok-Wing Cheung* *(note (i))*	–	360	500	27	887
William Chung-Yue Fan	–	–	–	–	–
	–	360	500	27	887

8. DIRECTORS' REMUNERATION *(Continued)*

	Fees	Salaries, allowances and benefits in kind	Discretionary performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005					
James Sai-Wing Wong*	–	–	–	–	–
Madeline May-Lung Wong	–	–	–	–	–
Herman Man-Hei Fung	–	–	–	–	–
Zuric Yuen-Keung Chan	–	–	–	–	–
William Chung-Yue Fan	–	–	–	–	–
	–	–	–	–	–

* Executive director

Note:

(i) Prior to his appointment as director, his remuneration is included in note 9.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include a director (2005: Nil) who was appointed during the year and whose remuneration since his appointment as director is included in note 8. Details of the remuneration of the five highest paid employees are set out below:

	Group 2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	5,083	4,834
Pension scheme contributions	276	255
	5,359	5,089

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

	Number of employees 2006	2005
HK$1 to HK$1,000,000	2	3
HK$1,000,001 to HK$1,500,000	3	2
	5	5

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	**2005**
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	62	12
Current – Elsewhere	63,121	1,623
Deferred *(note 27)*	99,337	102
Total tax charge for the year	162,520	1,737

A reconciliation of the tax expense applicable to profit before tax using the statutory rates to the tax expense at the effective tax rates is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
Profit before tax	747,166	232,037
Tax at the statutory rate of 17.5% (2005: 17.5%)	130,754	40,606
Effect of different rates for companies operating in other jurisdictions	59,358	205
Income not subject to tax	(10,969)	(40,970)
Expenses not deductible for tax	5,543	2,160
Tax losses utilised from previous periods	(2,885)	(967)
Tax losses not recognised	4,074	1,363
Profits and losses attributable to jointly-controlled entities	(38)	(718)
Previously unrecognised tax losses now recognised as deferred tax assets	(22,324)	–
Others	(993)	58
	162,520	1,737

In the previous year, the share of tax attributable to a jointly-controlled entity amounting to HK$165,000 was included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The profit from ordinary activities attributable to equity holders of the parent for the year ended 31st March, 2006 dealt with in the financial statements of the Company was HK$49,215,000 (2005: HK$35,535,000) (note 29(b)).

12. DIVIDEND

	2006	**2005**
	HK$'000	*HK$'000*
Proposed final – 11 cents (2005: 8 cents) per ordinary share	44,026	32,019

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK$519,754,000 (2005: HK$229,616,000) and the 400,238,501 (2005: 400,238,501) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31st March, 2006 and 31st March, 2005 have not been disclosed, as no diluting events existed during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31st March, 2006					
At 31st March, 2005 and at 1st April, 2005:					
Cost	2,531	5,634	9,526	1,401	19,092
Accumulated depreciation	(617)	(5,629)	(8,144)	(311)	(14,701)
Net carrying amount	1,914	5	1,382	1,090	4,391
At 1st April, 2005, net of accumulated depreciation	1,914	5	1,382	1,090	4,391
Additions	17,738	215	1,473	956	20,382
Acquisition of subsidiaries *(note 30)*	–	–	119	40	159
Disposal of subsidiaries *(note 31)*	–	–	(79)	–	(79)
Depreciation provided during the year	(245)	(24)	(810)	(322)	(1,401)
Exchange realignment	53	–	16	19	88
At 31st March, 2006, net of accumulated depreciation	19,460	196	2,101	1,783	23,540
At 31st March, 2006:					
Cost	20,339	5,856	10,740	2,710	39,645
Accumulated depreciation	(879)	(5,660)	(8,639)	(927)	(16,105)
Net carrying amount	19,460	196	2,101	1,783	23,540
31st March, 2005					
At 1st April, 2004:					
Cost	2,531	5,634	9,422	964	18,551
Accumulated depreciation	(503)	(5,619)	(7,403)	(101)	(13,626)
Net carrying amount	2,028	15	2,019	863	4,925
At 1st April, 2004, net of accumulated depreciation	2,028	15	2,019	863	4,925
Additions	–	–	105	437	542
Depreciation provided during the year	(114)	(10)	(742)	(210)	(1,076)
At 31st March, 2005, net of accumulated depreciation	1,914	5	1,382	1,090	4,391
At 31st March, 2005:					
Cost	2,531	5,634	9,526	1,401	19,092
Accumulated depreciation	(617)	(5,629)	(8,144)	(311)	(14,701)
Net carrying amount	1,914	5	1,382	1,090	4,391

The leasehold land and buildings are situated in Mainland China and held under long term leases.

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

Company

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Total *HK$'000*
31st March, 2006			
At 31st March, 2005 and at 1st April, 2005:			
Cost	5,347	5,784	11,131
Accumulated depreciation	(5,343)	(5,656)	(10,999)
Net carrying amount	4	128	132
At 1st April, 2005, net of accumulated depreciation	4	128	132
Additions	–	82	82
Depreciation provided during the year	(4)	(53)	(57)
At 31st March, 2006, net of accumulated depreciation	–	157	157
At 31st March, 2006:			
Cost	5,347	5,866	11,213
Accumulated depreciation	(5,347)	(5,709)	(11,056)
Net carrying amount	–	157	157
31st March, 2005			
At 1st April, 2004:			
Cost	5,347	5,710	11,057
Accumulated depreciation	(5,339)	(5,514)	(10,853)
Net carrying amount	8	196	204
At 1st April, 2004, net of accumulated depreciation	8	196	204
Additions	–	74	74
Depreciation provided during the year	(4)	(142)	(146)
At 31st March, 2005, net of accumulated depreciation	4	128	132
At 31st March, 2005:			
Cost	5,347	5,784	11,131
Accumulated depreciation	(5,343)	(5,656)	(10,999)
Net carrying amount	4	128	132

15. PROPERTIES UNDER DEVELOPMENT

Group

	Cost *HK$'000*	**Development expenditure** *HK$'000*	**Total** *HK$'000*
At 1st April, 2005	540,570	8,160	548,730
Additions	162,432	96,118	258,550
Acquisition of subsidiaries *(note 30)*	505,321	89,433	594,754
Disposal of subsidiaries *(note 31)*	(207,547)	(2,265)	(209,812)
Exchange realignment	16,475	1,187	17,662
At 31st March, 2006	1,017,251	192,633	1,209,884

The additions to development expenditure included interest expense and other borrowing costs totalling HK$490,000 (2005: HK$1,827,000) that were incurred and capitalised during the year.

Details of the properties under development are as follows:

	2006 *HK$'000*	**2005** *HK$'000*
Medium term leases:		
Hong Kong	3,582	3,582
Long term leases:		
Mainland China	1,206,302	545,148
	1,209,884	548,730

Certain of the Group's properties under development with an aggregate carrying value of HK$716,334,000 (2005: Nil) at the balance sheet date were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 26(a)(ii) to the financial statements.

Further particulars of the Group's properties under development are included in "Particulars of Properties" on pages 107 to 110.

16. INVESTMENT PROPERTIES

Group

	2006	**2005**
	HK$'000	*HK$'000*
Carrying amount at 1st April	1,327,000	1,265,875
Additions, at cost	6,743	3,212
Transfer from completed properties	394,231	–
Net profit from a fair value adjustment *(note 5)*	243,657	–
Revaluation surplus arising during the year and credited to the asset revaluation reserve	–	57,913
Carrying amount at 31st March	1,971,631	1,327,000
Analysis by type and location:		
Long term leasehold land and buildings in Hong Kong	950,000	785,000
Medium term leasehold land and buildings in Hong Kong	487,800	399,900
Medium term leasehold land and buildings in Mainland China	394,231	–
Freehold land and buildings in Malaysia	139,600	142,100
	1,971,631	1,327,000

At the balance sheet date, all of the investment properties were revalued at open market value, based on their existing use, by Savills Valuation and Professional Services Limited except for the investment property located in Malaysia whose carrying amount at the balance sheet was stated by reference to its subsequent disposal value. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

Certain of the Group's investment properties with an aggregate carrying value of HK$1,832,031,000 (2005: HK$1,327,000,000) at the balance sheet date were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 26(a)(i) to the financial statements.

Further particulars of the Group's investment properties are included in "Particulars of Properties" on pages 107 to 110.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2006	**2005**
	HK$'000	*HK$'000*
Unlisted shares, at cost	8	8
Due from subsidiaries	2,945,999	2,863,265
Due to subsidiaries	(896,130)	(973,222)
	2,049,877	1,890,051
Less: Provision for impairment on amounts due from subsidiaries	(712,220)	(693,238)
	1,337,657	1,196,813

The balances with subsidiaries are unsecured, interest-free, and repayable on demand.

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chinney Property Management Limited	Hong Kong	HK$100	–	100	Property management
Cosmos Wealth Development Limited	Hong Kong	HK$1,000	–	100	Property development
CP Parking Limited (formerly CP Management Limited)	Hong Kong	HK$2	–	100	Carpark management
Debest Development Limited	Hong Kong	HK$2	–	100	Property development
Full Yip Development Limited	BVI/Hong Kong	US$1	–	100	Property holding and letting
Guangzhou Honkwok Fuqiang Land Development Ltd.*#	PRC/ Mainland China	RMB183,795,038	–	48^	Property development
Guangzhou Honkwok Hengsheng Land Development Ltd.*#	PRC/ Mainland China	RMB220,000,000	–	60	Property development
Guangzhou Hua Yin Land Development Co., Ltd.*#	PRC/ Mainland China	RMB8,000,000	–	90	Property development
Hon Cheong Limited	Hong Kong	HK$2	–	100	Property holding and letting
Hon Kwok Land Investment (China) Limited	Hong Kong	HK$2	100	–	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd.*#	PRC/ Mainland China	HK$30,000,000	–	100	Property development
Hon Kwok Project Management Limited	Hong Kong	HK$2	100	–	Project management
Hon Kwok Treasury Limited	Hong Kong	HK$2	–	100	Financing
Honour Well Development Limited	Hong Kong	HK$2	–	100	Property holding and letting
Island Parking Limited	BVI/Hong Kong	US$10	–	100	Property holding and letting
King Capital Development Limited	Hong Kong	HK$2	–	100	Property holding and letting
King Champion Limited	Hong Kong	HK$2	–	100	Property holding and letting

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Lido Parking Limited	BVI/ Hong Kong	US$1	–	100	Property holding and letting
One City Hall Place Limited*	Canada	C$100	–	75	Property development
Shenzhen Guanghai Investment Co., Ltd.*#	PRC/ Mainland China	RMB200,000,000	–	80	Property development
Shenzhen Honkwok Huaye Development Co., Ltd.*#	PRC/ Mainland China	RMB50,000,000	–	80	Property development
Spark Eagle Development Limited	Hong Kong/ Malaysia	HK$2	100	–	Property holding and letting
Star World Property Limited	Hong Kong	HK$2	–	100	Property development
Victory Venture Development Limited	Hong Kong	HK$2	–	100	Property development
Wise Pacific Investment Limited	Hong Kong	HK$10,000	–	60	Money lending

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

\# These subsidiaries are registered in the PRC as foreign enterprises with business duration between 15 to 50 years.

^ Guangzhou Honkwok Fuqiang Land Development Limited is a subsidiary of a wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary of the Group by virtue of the Company's control over its board of directors.

During the year, the Group acquired Shenzhen Guanghai Investment Co., Ltd. and Guangzhou Hua Yin Land Development Co., Ltd. from independent third parties (note 30(a) and (b), respectively).

During the year, the Group disposed of 50% of the issued share capital of Rich Central Limited and assigned related shareholder's loans amounting to HK$44,963,000, for a cash consideration of HK$45,659,000. In addition, the Group disposed of 50% of the issued share capital of Floralmist Holdings Ltd. during the year and assigned related shareholder's loans amounting to HK$73,207,000 for a cash consideration of HK$128,532,000. Further details of these disposals are included in note 31 to the financial statements.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore, the above list contains only the particulars of subsidiaries which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	–	–	–
Share of net assets	13,071	27,210	–	–
Goodwill on acquisition	16,286	–	–	–
	29,357	27,210	–	–
Amounts due from jointly-controlled entities	129,257	5,928	6	–
	158,614	33,138	6	–

The amounts due from jointly-controlled entities included in the Group's current assets of HK$129,257,000 (2005: HK$5,928,000) are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from jointly-controlled entities approximate to their fair values.

Particulars of the principal jointly-controlled entities are as follows:

		Percentage of			
Name	**Place of incorporation**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
2012829 Ontario Inc.	Canada	50	50	50	Property development
Hunnewell Limited	Hong Kong	50	50	50	Property development
King Success Limited	Hong Kong	50	50	50	Property development
Foshan Nanhai XinDa Land Development Ltd.	PRC	50	50	50	Property development
Guangzhou Lian Cheng Real Estate Co., Ltd.	PRC	50	50	50	Property development

All of the above interests in jointly-controlled entities are indirectly held by the Group.

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

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

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

	2006	2005
	HK$'000	*HK$'000*
Share of the jointly-controlled entities' assets and liabilities:		
Total non-current assets	107,983	2,795
Total current assets	52,880	44,319
Total current liabilities	(147,792)	(19,904)
Net assets	13,071	27,210
Share of the jointly-controlled entities' results:		
Total revenue	3,605	4,892
Total expenses	(3,386)	(790)
Profit	219	4,102

In prior year, the Group and its joint venture partner wrote off the debts which were non-recoverable from a jointly-controlled entity. The corresponding debit of HK$3,873,000 was recognised as write off of debts due from a jointly-controlled entity whilst the corresponding credit of HK$3,873,000 was recognised as share of profits of jointly-controlled entities.

19. INTEREST IN AN ASSOCIATE

	Group	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	–
Share of net assets	–	6,156
Due from an associate	–	8,701
	–	14,857

In prior year, the amount due from the associate was unsecured, interest-free, and had no fixed terms of repayment.

The total investment costs in the associate will be fully recovered from the relevant authority and are therefore classified as receivable under current assets.

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of registration and operations	Percentage of ownership interest attributable to the Group	Principal activity
Guangzhou Li Du Property Development Co., Ltd.	Registered capital of RMB52,000,000	PRC/ Mainland China	49	Dormant

20. AVAILABLE-FOR-SALE EQUITY INVESTMENT/LONG TERM INVESTMENT

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Unlisted equity investment, at cost	–	50,563

In the previous year, the Group acquired a 90% equity interest in Guangzhou Hua Yin Land Development Co., Ltd., a company operating in Mainland China, and the Group had intended to dispose of 45% equity interest of the company to an independent third party. The management considered they exercised no control or significant influence on the company and, accordingly, the results of the company were not consolidated into that of the Group for the year ended 31st March, 2005.

During the year ended 31st March, 2006, a debt assignment programme of the company was completed. The plan for a partial disposal of the company was abandoned and management considered that full control on the company has now been obtained. Accordingly, the Group has consolidated the results of the company in the current year.

In the opinion of the directors, the fair value of the unlisted available-for-sale equity investment could not be reliably measured because the probabilities of the various measures within the range could not be reasonably assessed in estimating the fair value, and hence this investment was stated at cost less any impairment losses.

21. PROPERTIES HELD FOR SALE

Included in the balances are completed properties amounted to HK$433,390,000 (2005: HK$149,062,000) and incomplete properties with established pre-sale programmes amounted to HK$555,481,000 (2005: HK$959,398,000).

Properties held for sale included interest expense and other borrowing costs totalling HK$18,812,000 (2005: HK$22,797,000) that were incurred and capitalised during the year.

Certain of the Group's properties held for sale with an aggregate carrying value of HK$984,559,000 (2005: HK$380,546,000) at the balance sheet date were pledged to secure the Group's bank borrowings, as further detailed in note 26(a)(iii) to the financial statements.

22. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on invoice/contract date, is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Current to 30 days	126,529	5,800
31 to 60 days	570	677
61 to 90 days	228	481
Over 90 days	19	582
	127,346	7,540

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are followed up closely by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The Company had no trade receivables at the balance sheet date (2005: Nil).

The carrying amounts of trade receivables approximated to their fair values at the balance sheet date.

23. BALANCES WITH MINORITY INTERESTS

The balances with the minority shareholders of subsidiaries are unsecured, have no fixed terms of repayment and are interest-free, except for the loans to the minority shareholders of subsidiaries totalling HK$86,114,000 (2005: HK$39,747,000) at the balance sheet date which bear interest at normal commercial rates.

The carrying amounts of the balances with minority interests approximated to their fair values at the balance sheet date.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	404,424	190,897	4,515	3,944
Time deposits	42,230	162,977	–	125,177
	446,654	353,874	4,515	129,121
Less: Pledged time deposits pledged for bank loans *(note 26(a)(iv))*	(40,200)	(62,800)	–	(25,000)
Cash and cash equivalents	406,454	291,074	4,515	104,121

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of less than 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

25. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities are trade payables of HK$3,703,000 (2005: HK$3,304,000). An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Current to 30 days	3,703	3,304

The Company had no trade payables included in trade payables and accrued liabilities at the balance sheet date (2005: Nil).

The trade payables are non-interest-bearing and are normally settled on 30-day terms. The carrying amounts of trade payables and accrued liabilities approximate to their fair values at the balance sheet date.

26. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2006 HK$'000	Group 2005 HK$'000	Company 2006 HK$'000	Company 2005 HK$'000
Current						
Bank loans – unsecured	5.8	2007	290,500	33,750	–	–
Bank loans – secured	5.0–5.8	2007	104,668	97,995	1,680	1,680
			395,168	131,745	1,680	1,680
Non-current						
Bank loans – unsecured	4.6–5.8	2007–2009	204,000	618,780	150,000	150,000
Bank loans – secured	4.6–5.8	2007–2011	1,571,807	683,474	11,340	13,020
			1,775,807	1,302,254	161,340	163,020
			2,170,975	1,433,999	163,020	164,700

	Group 2006 HK$'000	Group 2005 HK$'000	Company 2006 HK$'000	Company 2005 HK$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	395,168	131,745	1,680	1,680
In the second year	673,744	591,887	1,680	151,680
In the third to fifth years, inclusive	1,051,363	667,352	159,660	11,340
Beyond five years	50,700	43,015	–	–
	2,170,975	1,433,999	163,020	164,700

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the balance sheet date of HK$1,832,031,000 (2005: HK$1,327,000,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying value at the balance sheet date of HK$716,334,000 (2005: Nil);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying value at the balance sheet date of HK$984,559,000 (2005: HK$380,546,000);

(iv) the pledge of certain of the Group's time deposits amounting to HK$40,200,000 (2005: HK$62,800,000) and cash deposits equivalent to HK$150,000,000 (2005: HK$150,000,000) provided by the ultimate holding company of the Group; and

(v) assignments of rental income.

(b) Irrevocable and unconditional guarantees have been given by the Company in respect of borrowings of certain subsidiaries. In addition, the Company has subordinated its loans to certain subsidiaries in favour of the relevant lending banks.

(c) Except for a bank loan denominated in Canadian dollar equivalent to HK$291,432,000 and certain bank loans denominated in RMB equivalent to HK$562,500,000, all other bank borrowings at the balance sheet date were in Hong Kong dollar.

26. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Other interest rate information:

	Group			
	2006		2005	
	Fixed rate	Floating rate	Fixed rate	Floating rate
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans – unsecured	250,000	244,500	374,280	278,250
Bank loans – secured	312,500	1,363,975	23,393	758,076

	Company			
	2006		2005	
	Fixed rate	Floating rate	Fixed rate	Floating rate
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans – unsecured	–	150,000	–	150,000
Bank loans – secured	–	13,020	–	14,700

The carrying amounts of the Group's and the Company's current and non-current bank borrowings approximated to their fair values at the balance sheet date.

27. DEFERRED TAX

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

Group

	2006		
	Accelerated tax depreciation	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st April, 2005:			
As previously reported	1,484	–	1,484
Prior year adjustment	–	2,625	2,625
As restated	1,484	2,625	4,109
Deferred tax charged to the income statement during the year *(note 10)*	126	99,211	99,337
At 31st March, 2006	1,610	101,836	103,446

27. DEFERRED TAX *(Continued)*

Group

		2005	
	Accelerated tax depreciation	**Revaluation of properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1st April, 2004:			
As previously reported	1,382	1,104	2,486
Prior year adjustment	–	5,088	5,088
As restated	1,382	6,192	7,574
Deferred tax charged to the income statement during the year *(note 10)*	102	–	102
Deferred tax credited to equity during the year	–	(3,567)	(3,567)
At 31st March, 2005 (restated)	1,484	2,625	4,109

At the balance sheet date, the Group had unrecognised taxable temporary difference of HK$28,686,000 (2005: HK$114,324,000) and unrecognised tax losses of HK$923,316,000 (2006: HK$1,277,773,000) available to offset against future profits. The taxable temporary difference and tax losses have not been recognised as it is uncertain that there will be sufficient future taxable profit available against the utilisation of these temporary differences.

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

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

28. SHARE CAPITAL

	2006	**2005**
	HK$'000	*HK$'000*
Authorised:		
1,750,000,000 shares of HK$1.00 each	1,750,000	1,750,000
Issued and fully paid:		
400,238,501 shares of HK$1.00 each	400,239	400,239

Pursuant to a court order dated 17th October, 2000, the nominal value of the shares of the Company was adjusted from HK$0.50 to HK$0.10 by way of a capital reduction. The authorised share capital of the Company was restored to its original amount of HK$1,750,000,000 by the creation of an additional 14,000,000,000 new shares of HK$0.10 each at the same time.

As a result of the capital reduction, a credit of HK$533,658,876 based on the 1,334,147,191 shares of the Company then in issue was transferred from the share capital account to a special capital reserve account. The Company has undertaken that the special capital reserve:

(a) shall not be treated as a realised profit; and

(b) shall, for so long as the Company remains a listed company (as defined in the Companies Ordinance), be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof,

provided always that the amount standing to the credit of the special capital reserve may be reduced by (i) the aggregate of any increase in the issued share capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration; or (ii) upon a capitalisation of distributable reserves after the capital reduction.

In the prior year, new shares were issued upon a rights issue and a share placement. Resulting from the issue of shares, HK$310,179,000, representing the amount of shares issued together with the corresponding premium, was released from the special capital reserve and credited to retained profits.

29. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 34 of the financial statements.

(b) Company

	Note	**Share premium account** *HK$'000*	**Special capital reserve** *HK$'000*	**Capital reserve** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total equity** *HK$'000*
At 1st April, 2004		161,410	223,480	647	10	337,910	723,457
Profit for the year		–	–	–	–	35,535	35,535
Proposed final 2005 dividend	*12*	–	–	–	–	(32,019)	(32,019)
At 31st March, 2005		161,410	223,480	647	10	341,426	726,973
Profit for the year		–	–	–	–	49,215	49,215
Proposed final 2006 dividend	*12*	–	–	–	–	(44,026)	(44,026)
At 31st March, 2006		161,410	223,480	647	10	346,615	732,162

30. BUSINESS COMBINATION

(a) During the current year, the Group acquired a 80% interest in Shenzhen Guanghai Investment Co., Ltd. from an independent third party. Shenzhen Guanghai Investment Co., Ltd. engages in property development in Mainland China. The purchase consideration for the acquisition was in the form of cash, with HK$197,539,000 paid for the acquisition.

The fair values of the identifiable assets and liabilities of Shenzhen Guanghai Investment Co., Ltd. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*	**Carrying amount** *HK$'000*
Property, plant and equipment	*14*	101	101
Properties under development	*15*	480,530	480,530
Cash and bank balances		5,644	5,644
Prepayments and other receivables		4,811	4,811
Trade payables and accrued liabilities		(18)	(18)
Bank loan		(254,808)	(254,808)
Minority interests		(38,462)	(38,462)
Loans from minority interests		(259)	(259)
		197,539	197,539
Satisfied by cash		197,539	

Since its acquisition, Shenzhen Guanghai Investment Co., Ltd. had no contribution to the Group's turnover and consolidated profit for the year ended 31st March, 2006.

30. BUSINESS COMBINATION *(Continued)*

Had the combination taken place at the beginning of the year, there would have been no material change to the revenue and the profit of the Group for the year.

(b) In the previous year, the Group acquired a 90% equity interest in Guangzhou Hua Yin Land Development Co., Ltd., a company operating in Mainland China, and the Group had intended to dispose of 45% equity interest of the company to an independent third party. The management considered they exercised no control or significant influence on the company and, accordingly, the results of the company were not consolidated into that of the Group for the year ended 31st March, 2005.

During the year ended 31st March, 2006, a debt assignment programme of the company was completed. The plan for a partial disposal of the company was abandoned and management considered that full control on the company has now been obtained. Accordingly, the Group has consolidated the results of the company in the current year.

The fair values of the identifiable assets and liabilities of Guangzhou Hua Yin Land Development Co., Ltd. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*	**Carrying amount** *HK$'000*
Property, plant and equipment	*14*	58	58
Properties under development	*15*	114,224	114,224
Cash and bank balances		3,444	3,444
Prepayments and other receivables		338	338
Trade payables and accrued liabilities		(40,849)	(40,849)
Minority interests		(669)	(669)
		76,546	76,546
Available-for-sale equity investment/ long term investment		(50,563)	
		25,983	
Satisfied by cash		25,983	

Since its acquisition, Guangzhou Hua Yin Land Development Co., Ltd. had no contribution to the Group's turnover and consolidated profit for the year ended 31st March, 2006.

Had the combination taken place at the beginning of the year, there would have been no material change to the revenue and the profit of the Group for the year.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	223,522
Cash and bank balances acquired	(9,088)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	214,434

31. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of 50% of the issued share capital of Rich Central Limited and assigned related shareholder's loans amounting to HK$44,963,000, for a cash consideration of HK$45,659,000. In addition, the Group disposed of 50% of the issued share capital of Floralmist Holdings Ltd. during the year and assigned related shareholder's loans amounting to HK$73,207,000 for a cash consideration of HK$128,532,000.

		2006	**2005**
	Notes	*HK$'000*	*HK$'000*
Net assets disposed of:			
Goodwill		32,572	–
Property, plant and equipment	*14*	79	–
Properties under development	*15*	209,812	330,715
Cash and bank balances		2,446	–
Prepayments and other receivables		119	–
Bank loan and other liabilities		(3,600)	(164,206)
Shareholders' loans		(236,341)	–
		5,087	166,509
Reclassification of the remaining 50% equity interest in subsidiaries to interests in jointly-controlled entities		(2,543)	–
Release of exchange reserve		(2,684)	–
Gain on disposal of subsidiaries	*5*	56,161	233,662
		56,021	400,171
Assignment of shareholders' loans	*17*	118,170	–
		174,191	400,171
Satisfied by cash		174,191	400,171

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

	2006	**2005**
	HK$'000	*HK$'000*
Cash consideration	174,191	400,171
Cash and bank balances disposed of	(2,446)	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	171,745	400,171

The results of the subsidiaries disposed of in the year ended 31st March, 2006 and 31st March, 2005 had no significant impact on the Group's consolidated turnover or profit after tax for these years.

32. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 26 to the financial statements.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year	33,671	30,444
In the second to fifth years, inclusive	19,523	22,730
	53,194	53,174

At the balance sheet date, the Company had no operating lease arrangement as lessor.

(b) As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31st March, 2006, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,140	2,010	851	1,703
In the second to fifth years, inclusive	32	1,003	–	851
	1,172	3,013	851	2,554

The above annual commitments under non-cancellable operating leases in respect of land and buildings involving jointly-controlled entities amounted to approximately HK$82,000 (2005: Nil).

34. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties amounting to approximately HK$209,672,000 (2005: HK$545,543,000) at the balance sheet date.

There are no authorised and contracted capital commitments in respect of property development expenditure relating to jointly-controlled entities (2005: Nil).

35. CONTINGENT LIABILITIES

(a)

	Group		Company	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees given to banks in connection with facilities granted to its subsidiaries	–	–	1,404,023	1,269,299

As at 31st March, 2006, the bank facilities granted to the subsidiaries, subject to guarantees given to the banks by the Company, were utilised to the extent of approximately HK$1,404,023,000 (2005: HK$1,269,299,000).

(b) On 20th April, 1996, a writ was filed against a wholly-owned subsidiary of the Group, Joint Peace Investment Limited ("Joint Peace"), regarding an alleged disparity between the pavement and the ground floor level of the building at 18-22 Percival Street, junction of Jaffe Road, Causeway Bay, Hong Kong. The amount claimed, excluding minor construction and related costs, was either HK$41,000,000 or HK$69,300,000, representing the claim for a loss of rental income or a loss of interest on the purchase price, respectively, over a period of 12 months. A defence to contest this claim was filed on 22nd July, 1996.

On 2nd December, 1997, the plaintiff of this claim was allowed to amend the Writ of Summons and the Statement of Claim dated 20th April, 1996. As advised by its solicitors, Joint Peace filed an Amended Defence in respect thereof on 30th December, 1997. On the same day, a Request for Further and Better Particulars of the Amended Statement of Claim was sent by Joint Peace's solicitors to the plaintiff's solicitors.

Following consultation with legal advisers (in their capacity as the legal advisers of Joint Peace), the directors formed the view that the amended claim was unlikely to succeed and were therefore of the opinion that no provision regarding this claim is necessary in the Group's financial statements.

The plaintiff was dissolved on 5th November, 2004 pursuant to a court order.

(c) At 31st March, 2006, the Group has given guarantees to a maximum extent of approximately HK$28,000,000 (2005: HK$11,269,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties. The entire guarantees were released subsequent to the balance sheet date.

36. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances disclosed elsewhere in the financial statements, the Group had the following related party transactions during the year.

(a) During the year, the Group had transactions with companies in which James Sai-Wing Wong, Madeline May-Lung Wong and William Chung-Yue Fan, directors of the Company, have beneficial interests. The significant transactions are summarised below:

		Group	
		2006	2005
	Notes	*HK$'000*	*HK$'000*
Commission paid to the ultimate holding company	*(i)*	2,625	2,625
Management fees paid to the immediate holding company	*(ii)*	6,000	6,000
Legal and professional fees paid to a firm of solicitors to which a director of the Company is a consultant	*(iii)*	349	463

Notes:

(i) Commission was paid to the ultimate holding company for the provision of cash security for certain bank loans granted to the Company and was charged at a rate mutually agreed upon by both parties based on the average borrowing cost of the Group. Further details of which are included in paragraph (b) below.

36. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Management fees were charged based on the underlying costs incurred by the immediate holding company.

(iii) The directors consider that the provision of legal and professional services was made according to the standard prices and conditions similar to those offered to other clients of the firm.

(b) In December 2003, Lucky Year extended the cash security arrangement in favour of the Company for a further period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to the bank loans of HK$150 million granted by the banks to the Company. In consideration for the provision of cash security, the Group agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. The Group provides no security to Lucky Year or other connected persons in connection with the arrangement. The above facilities have been extended for a further period of 30 months upon maturity in July 2006. Please refer to paragraph (a)(i) above for the commission paid during the year.

(c) During the year ended 31st March, 2005, the Group and its joint venture partner each wrote off the debts amounting to HK$3,873,000 which were non-recoverable from a jointly-controlled entity.

(d) The balances with the related companies are unsecured, interest-free, and have no fixed terms of repayment.

(e) Compensation of key management personnel of the Group:

	2006	**2005**
	HK$'000	*HK$'000*
Short term employee benefits	9,264	7,578
Post-employment benefits	470	425
	9,734	8,003

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 26 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in RMB and Canadian dollars, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk profile. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

Credit risk

The Group trades only with recognised and creditworthy third parties with diversified range, except for the sales of properties, for which no credit is given to the customers. It is the Group's policy that all customers

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group's credit risk exposure spread over a number of counterparties and customers, thus no significant concentration of credit risk.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and other fund raising exercises. The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements.

38. POST BALANCE SHEET EVENTS

(a) On 16th March, 2006, the Group entered into a sale and purchase agreement with the minority shareholder of Shenzhen Honkwok Huaye Development Co., Ltd. ("Honkwok Huaye") for the acquisition of the remaining 20% equity interest in Honkwok Huaye for a cash consideration of RMB10,000,000 (equivalent to HK$9,662,000). This transaction was completed on 13th June, 2006.

(b) On 12th June, 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property situated in Kuala Lumpur, Malaysia, for a cash consideration of RM70,000,000 (equivalent to HK$142,100,000). This transaction is scheduled to be completed on the expiry of six months from the date of the sale and purchase agreement or such an earlier date as the purchaser may elect by giving three-month prior notice in writing to the Group. In the opinion of the directors, no material gain or loss on disposal would be resulted.

(c) On 27th June, 2006, the Group, through a wholly-owned subsidiary, issued an aggregate principal amount of HK$280,000,000 3.5% per annum guaranteed convertible bonds due by 2011. The initial conversion price at which a share of the Company will be issued on conversion will be HK$4.00.

39. COMPARATIVE AMOUNTS

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

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24th July, 2006.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

2.1 Directors' interests and short positions in the shares and underlying shares of the Company

As at the Latest Practicable Date, the interests and short positions held by the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered into the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the ordinary shares of the Company

Name of director	*Note*	**Nature of interest**	**Number of ordinary shares held**	**Approximate percentage of shareholding**
James Sai-Wing Wong	*1*	Corporate	306,959,324	55.67
Madeline May-Lung Wong	*1*	Corporate	306,959,324	55.67
William Chung-Yue Fan		Personal	1,882,285	0.34

(b) Long positions in the ordinary shares of associated corporations of the Company

Name of director	*Notes*	**Name of associated corporation**	**Nature of interest**	**Number of ordinary shares held**	**Approximate percentage of shareholding**
James Sai-Wing Wong	*2*	Hon Kwok	Corporate	251,848,553	52.44
	3	Chinney Alliance	Corporate	218,138,283	55.00
	4	Chinney Holdings	Corporate	9,900,000	99.00
		Chinney Holdings	Personal	100,000	1.00
		Lucky Year	Personal	10,000	50.00

Name of director	*Notes*	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Madeline May-Lung Wong	*2*	Hon Kwok	Corporate	251,848,553	52.44
	2	Chinney Alliance	Corporate	115,395,797	29.10
	4	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	50.00
William Chung-Yue Fan	*5*	Wise Pacific Investment Limited	Corporate	2,000	20.00

(c) Interests in the underlying shares of associated corporation of the Company

Pursuant to the share option scheme of Chinney Alliance, Mr. Herman Man-Hei Fung has options to subscribe for 800,000 shares in Chinney Alliance at an exercise price of HK$0.70 per share, subject to adjustment. The options were granted on 13th July, 1999 and can be exercised up to 12th July, 2009.

Notes:

1. These shares are beneficially held by Chinney Holdings which is a subsidiary of Lucky Year. Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are directors and beneficially own more than one third of the equity capital of Lucky Year.

2. These shares are beneficially held by the Company or its wholly-owned subsidiary. By virtue of note 1, Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are deemed to be interested in these shares.

3. Out of the 218,138,283 shares, 115,395,797 shares are held by a wholly-owned subsidiary of the Company and the remaining 102,742,486 shares are held by Enhancement Investments Limited, a company controlled by Mr. James Sai-Wing Wong. By virtue of note 1 and the interest in Enhancement Investments Limited, Mr. James Sai-Wing Wong is deemed to be interested in these shares.

4. These shares are beneficially held by Lucky Year. By virtue of note 1, Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are deemed to be interested in these shares.

5. These shares are held by Gold Sound Enterprises Limited, of which Mr. William Chung-Yue Fan is both a director and shareholder.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

2.2 Other persons' interests and short positions in shares and underlying shares of the Company and other members of the Group

As at the Latest Practicable Date and so far as is known to the Directors, the following persons (not being the Directors) had or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of ordinary shares held	Approximate percentage of shareholding
Chinney Holdings	306,959,324	55.67
Lucky Year	306,959,324	55.67

All the interests stated above represent long positions. Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.

As at the Latest Practicable Date and so far as is known to the Directors, the following persons (not being the Directors) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of Shareholder	Name of member of the Group in which interest held	Approximate percentage of equity interested
Zuric Yuen-Keung Chan	Chinney Contractors Company Limited	13.95
Shenzhen Yujianye Development Co., Ltd. (深圳市御建業實業發展有限公司)	Guangzhou Honkwok Fuqiang Land Development Limited	30
Sharp Billion Development Limited	Guangzhou Honkwok Fuqiang Land Development Limited	10
Guangzhou Hengsheng Group Co., Ltd. (廣州市恒生集團有限公司)	Guangzhou Honkwok Hengsheng Land Development Limited	25
Guangdong Guangkong Group Co., Ltd. (廣州廣控集團有限公司)	Shenzhen Guanghai Investment Co., Ltd.	20
Gold Sound Enterprises Limited	Wise Pacific Investment Limited	20
Lee Nam	Wise Pacific Investment Limited	20

Save as disclosed herein and as at the Latest Practicable Date, none of the Directors was aware of any person (not being the Directors) had or was deemed or taken to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

3. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND IN COMPETING BUSINESSES

The Hon Kwok Group has obtained bank loan facilities of HK$150 million with the support of cash collateral provided by Lucky Year. In consideration of Lucky Year's provision of the cash security, Hon Kwok Group agreed to indemnify and pay Lucky Year a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the term of the bank loans. Unless prepaid or extended, the bank loans will mature in January 2009. Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are directors and shareholders of Lucky Year. Mr. Herman Man-Hei Fung is also a director of Lucky Year.

The Company has entered into a management contract with Hon Kwok for the provision of general corporate management services. The contract is for an unspecified duration and may be terminated by either party by giving two months' written notice. A management fee of HK$6,000,000 was received from Hon Kwok for the year ended 31st March, 2006. Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are directors of and have beneficial interests in Hon Kwok through their interests in the Company. Mr. Herman Man-Hei Fung is also a director of Hon Kwok.

The Company, through providing administration and general services, received a management fee of HK$2,000,000 from Chinney Alliance for the year ended 31st March, 2006. Mr. James Sai-Wing Wong and Mr. Herman Man-Hei Fung are directors of Chinney Alliance. Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong have beneficial interests in Chinney Alliance through their interests in the Company.

Mr. William Chung-Yue Fan is the consultant of Messrs. Fan & Fan which provides legal and professional services to the Group and receive normal professional fees for such services. Total fees paid by the Group during the year ended 31st March, 2006 was approximately HK$349,000.

The Company entered into an agreement on 24th July, 2006 to sell the entire issued share capital of Gateway Group Holdings Limited and Royal Treasure Limited and to assign related shareholder's loan to Grow Ahead Enterprises Limited for a cash consideration of HK$8,600,000. Mr. James Sai-Wing Wong is a director of and beneficially owns the entire issued share capital of Grow Ahead Enterprises Limited. The transaction constituted a connected and discloseable transaction to the Company, but was exempted from independent shareholders' approval. The transaction was completed on 24th October, 2006.

Madam Madeline May-Lung Wong is a director of HKR International Limited. HKR International Limited carries out property development, property investment, property management services, healthcare services, treasury investment and manufacturing. Madam Madeline May-Lung Wong is therefore regarded as being interested in a competing business of the Group.

So far as the Directors are aware and, save as disclosed as aforesaid, as at the Latest Practicable Date:

(a) none of the Directors or their associates had any direct or indirect interest in any assets which have been, since 31st March, 2006 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group;

(b) none of the Directors or their associates was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the date of this circular which was significant in relation to the business of the Group; and

(c) none of the Directors or their associates have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

Certain subsidiaries of Chinney Contractors Company Limited (a 86.05% owned subsidiary of the Company) were involved in legal proceedings or claims against them in the ordinary course of their respective business activities. The aggregate amount of claims, including estimated legal costs, resulting from such contingent liabilities was approximately HK$31,004,000 as at the Latest Practicable Date. The Directors consider that, after taking into account the legal advice obtained, these proceedings and claims were made without valid grounds and accordingly, no provision for any potential liabilities is considered necessary.

Save as disclosed aforesaid, as at the Latest Practicable Date, the Directors are not aware that any of the respective members of the Group were engaged in any litigation or arbitration of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened by or against any respective members of the Group.

6. MATERIAL CONTRACTS

Within the two years immediately preceding the issue of this circular, the following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group and are or may be material:

(a) the Placing Agreement.

(b) Deed of Assignment dated 24th October, 2006, entered into between the Company, Grow Ahead Enterprises Limited and Gateway Group Holdings Limited in relation to the assignment of the shareholder's loan owing by Gateway Group Holdings Limited.

(c) Sale and Purchase Agreement dated 30th September, 2006 entered into between High Able Group Limited, SGM Golem Investment Limited and Hon Kwok Land Investment (China) Limited in relation to the disposal of 50% of the issued share capital of Join Ally Limited and the assignment of related shareholder's loan at an aggregate consideration of RMB245,215,100.

(d) Agreement dated 24th July, 2006 entered into between the Company and Grow Ahead Enterprises Limited in relation to the disposal of the entire issued share capital in Gateway Group Holdings Limited and Royal Treasure Limited and the assignment of the related shareholder's loan for a cash consideration of HK$8,600,000.

(e) Trust Deed dated 27th June, 2006 entered into between Hon Kwok, Hon Kwok Land Treasury IV Limited and J.P. Morgan Corporate Trustee Services Limited in connection with the issue of HK$280,000,000 3.5% Convertible Bonds.

(f) Paying, Conversion and Transfer Agency Agreement dated 27th June, 2006 entered into between Hon Kwok, Hon Kwok Land Treasury IV Limited and various parties in connection with the issue of HK$280,000,000 3.5% Convertible Bonds.

(g) Subscription Agreement dated 19th June, 2006 entered into between Hon Kwok, Hon Kwok Land Treasury IV Limited and various purchasers in connection with the issue of HK$280,000,000 3.5% Convertible Bonds.

(h) Sale and Purchase Agreement dated 12th June, 2006 entered into between Spark Eagle Development Limited and Capitol Hotel Sdn. Bhd. in relation to the sale of Plaza Ampang for a cash consideration of RM70,000,000.

(i) Agreement dated 16th March, 2006 entered into between Hopmate International Development Limited and Neimenggu Huaye Property Co., Ltd. in relation to the acquisition of the remaining 20% equity interest in Shenzhen Honkwok Huaye Development Co., Ltd. for a cash consideration of RMB10,000,000.

(j) Deed of Assignment dated 28th February, 2006 entered into between High Able Group Limited, MSR Asia Acquisitions VII, Inc. and Floralmist Holdings Ltd. in relation to the assignment of the shareholder's loan owing by Floralmist Holdings Ltd.

(k) Agreement dated 24th January, 2006 entered into between Orient States Limited and Shenzhen Yujianye Development Co., Ltd. in relation to the acquisition of the remaining 20% equity interest in Foshan Nanhai XinDa Land Development Ltd. for a cash consideration of RMB53,568,000.

(l) Shareholders' Agreement dated 17th December, 2005 entered into between High Able Group Limited, MSR Asia Acquisitions VII, Inc. and Floralmist Holdings Ltd. in relation to the joint development of the landed property through Floralmist Holdings Ltd.

(m) Sale and Purchase Agreement dated 17th December, 2005 entered into between High Able Group Limited, Hon Kwok Land Investment (China) Limited and MSR Asia Acquisitions VII, Inc. in relation to the disposal of 50% of the issued share capital of Floralmist Holdings Ltd. and the assignment of related shareholder's loan at an aggregate consideration of RMB133,920,000.

(n) Deed of Assignment dated 28th October, 2005 entered into between Hon Kwok Land Investment (China) Limited, Gateway China Fund I and Rich Central Limited in relation to the assignment of the shareholder's loan owing by Rich Central Limited.

(o) Agreement for Sale and Purchase dated 26th October, 2005 entered into between Best Treasure Limited, Chinney Construction (BVI) Limited (a 86.05% owned subsidiary of the Company) and Chinney Alliance in relation to the acquisition of the entire issued share capital of Jackson Mercantile Trading Company Limited at an aggregate consideration of HK$7,800,000.

(p) Joint Venture Agreement dated 21st October, 2005 entered into between Hon Kwok Land Investment (China) Limited and Gateway China Fund I in relation to the joint development of the landed property through Rich Central Limited.

(q) Sale and Purchase Agreement dated 21st October, 2005 entered into between Hon Kwok Land Investment (China) Limited and Gateway China Fund I in relation to the disposal of 50% of the issued share capital of Rich Central Limited and the assignment of related shareholder's loan at an aggregate consideration of HK$45,658,619.46.

7. GENERAL

(a) The company secretary of the Company is Ms. Wendy Yuk-Ying Chan. She is a fellow of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The qualified accountant of the Company is Ms. Louisa Kai-Nor Siu. She is a fellow of the Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.

(c) The registered office of the Company is at 23rd Floor, Wing On Centre, 111 Connaught Road, Hong Kong.

(d) The Company's share registrar is Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(e) The English language text of this circular shall prevail over the Chinese language text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong from the date of this circular up to and including 31st December, 2006:

(a) the memorandum and articles of association of the Company;

(b) the audited consolidated financial statements of the Company and its subsidiaries for each of the two years ended 31st March, 2006;

(c) the material contracts referred to under the section headed "Material Contracts" in this Appendix III;

(d) the circular of the Company dated 15th August, 2006 in relation to the disposal of property – Plaza Ampang in Malaysia;

(e) the circular of the Company dated 15th August, 2006 in relation to the disposal of the entire interests in Gateway Group Holdings Limited and Royal Treasure Limited (together with the assignment of related shareholder's loan);

(f) the circular of the Company dated 27th November, 2006 in relation to the disposal of 50% of the issued share capital of Join Ally Limited (together with associated shareholder's loan); and

(g) this circular.