**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

# DISPOSAL OF PROPERTY
# PLAZA AMPANG IN MALAYSIA

15th August, 2006

# CONTENTS

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

| | |
|---|---|
| "Agreement" | the sale and purchase agreement dated 12th June, 2006 entered into between Spark Eagle and the Purchaser in relation to the sale of Plaza Ampang at a cash consideration of RM70,000,000 |
| "Announcement" | the joint announcement dated 12th June, 2006 issued by the Company and Hon Kwok in relation to the disposal of Plaza Ampang |
| "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 currently holding approximately 55.67% of the issued share capital of the Company |
| "Company" | Chinney Investments, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange and which is the holding company of Hon Kwok currently holding approximately 60.39% of the issued share capital of Hon Kwok |
| "Completion Date" | on the expiry of 6 months from the date of the Agreement or such an earlier date as the Purchaser may elect by giving 3 months prior notice in writing to Spark Eagle |
| "Directors" | the directors of the Company |
| "Disposal" | the sale of Plaza Ampang by Spark Eagle to the Purchaser pursuant to the Agreement |
| "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 Stock Exchange |
| "Hon Kwok Group" | Hon Kwok and its subsidiaries |
| "Hong Kong" | the Hong Kong Special Administrative Region of the People's Republic of China |
| "HK$" | Hong Kong dollar(s), the lawful currency of Hong Kong |

| | |
|---|---|
| "Latest Practicable Date" | 8th August, 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 |
| "Purchaser" | Capitol Hotel Sdn. Bhd., a company incorporated in Malaysia |
| "RM" | the Ringgit Malaysia, the lawful currency of Malaysia |
| "Spark Eagle" | Spark Eagle Development Limited, a company incorporated in Hong Kong with limited liability and which is a direct wholly-owned subsidiary of Hon Kwok |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |

*For illustration purpose, RM has been translated into HK$ at the exchange rate of RM1=HK$2.03. Such translation should not be construed as a representation that any amounts in RM or HK$ have been, could have been, or could be, converted at the above rate or any other rates or at all.*

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*

*Registered office:*
18th Floor
77 Des Voeux Road Central
Hong Kong

* *Independent Non-executive Directors*

15th August, 2006

*To the Shareholders*

Dear Sir or Madam,

## MAJOR TRANSACTION

## DISPOSAL OF PROPERTY PLAZA AMPANG IN MALAYSIA

### 1. INTRODUCTION

Reference is made to the Announcement in which the Board announced that on 12th June, 2006, Spark Eagle as vendor has entered into the Agreement with the Purchaser for the sale of Plaza Ampang at a cash consideration of RM70,000,000 (equivalent to HK$142,100,000).

The Disposal constitutes a major transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with further information regarding the Disposal in compliance with the requirements of the Listing Rules.

### 2. THE AGREEMENT

Pursuant to the Agreement, Spark Eagle agreed to sell Plaza Ampang to the Purchaser.

**(a) Date**

12th June, 2006

**(b) Parties**

| | | |
|---|---|---|
| Vendor | : | Spark Eagle Development Limited, a direct wholly-owned subsidiary of Hon Kwok |
| Purchaser | : | Capitol Hotel Sdn. Bhd. |

**(c) Information on Plaza Ampang**

Plaza Ampang is a commercial and shopping complex situated at Jalan Tun Razak and Jalan Ampang, Kuala Lumpur, Malaysia with a total gross floor area of approximately 401,777 square feet. It is free from encumbrances.

The carrying value of Plaza Ampang as at 31st March, 2006 was approximately HK$142,100,000 and it had been valued at RM70,000,000 (equivalent to HK$142,100,000) as at 12th June, 2006 by an independent valuer. A valuation report on Plaza Ampang is set out in Appendix II to this circular.

Plaza Ampang is currently leased out for rental income. The net loss before and after tax attributable to Plaza Ampang for the year ended 31st March, 2006 were both approximately HK$2 million and the net loss before and after tax attributable to Plaza Ampang for the year ended 31st March, 2005 were both approximately HK$22 million.

**(d) Consideration**

The consideration for the Disposal is RM70,000,000 (equivalent to HK$142,100,000) and was agreed after arm's length negotiations between the parties, taking reference to the market price of commercial complex in the vicinity.

The consideration of RM70,000,000 will be payable in the following manner:

(i) a sum of RM700,000 had been paid to Spark Eagle;

(ii) a further sum of RM2,800,000 had been paid upon execution of the Agreement;

(iii) the first balance sum of RM56,500,000 will be paid on the Completion Date; and

(iv) the final balance sum of RM10,000,000 will be paid within 24 months from the date of execution of the Agreement.

As security for the payment of the consideration for the Disposal, (aa) Low Yat Construction Company Sdn. Berhad, a fellow subsidiary of the Purchaser, has executed a corporate guarantee in favour of Spark Eagle to guarantee the due payment of the first balance sum and the final balance sum of an aggregate amount of RM66,500,000 by the Purchaser; and (bb) Mr. Low Gee Teong, a shareholder of the Purchaser, has executed a personal guarantee in favour of Spark Eagle to guarantee the due payment of the final balance sum of RM10,000,000 by the Purchaser.

**(e) Completion**

Completion of the Agreement is subject to the satisfaction of the procurement of obtaining the shareholders' approval of Spark Eagle and its holding companies and shall take place on the expiry of 6 months from the date of the Agreement. The Purchaser may elect to complete earlier by giving 3 months prior notice in writing to Spark Eagle.

As at the Latest Practicable Date, all necessary shareholders' approval of Spark Eagle and its holding companies have been obtained.

## 3. REASONS AND BENEFITS FOR THE DISPOSAL

The directors of Hon Kwok believe that the Disposal represents a good opportunity for the Hon Kwok Group to realise its investment in Malaysia and reallocate its resources to the property activities in Hong Kong and Mainland China. The Disposal will further strengthen the financial position of the Hon Kwok Group and enhance its cashflow. As a result of these benefits to the Hon Kwok Group, the Directors believe that the Disposal will also benefit the Group (as the holding company of the Hon Kwok Group).

The proceeds from the Disposal will be used as general working capital for the Hon Kwok Group. No new projects have been identified which will command usage of the proceeds from the Disposal.

The Directors believe that the terms of the Disposal are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## 4. FINANCIAL EFFECT OF THE DISPOSAL

The consideration of the Disposal at fair value and the carrying value of Plaza Ampang are the same. Under the Group's accounting policy, the final balance sum of RM10 million receivable within 24 months from the date of the execution of the Agreement, which carries no interest, is to be measured at its fair value. As a result, there would be no material gain or loss arising on disposal of Plaza Ampang for the year ending 31st March, 2007.

The financial effects of the Disposal on the Group are expected to be (a) a decrease in non-current assets of approximately HK$123.5 million; (b) an increase in current assets of approximately HK$122 million; (c) an increase in current liabilities of approximately HK$1 million; and (d) a decrease of minority interest of approximately HK$1 million.

## 5. 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.

## 6. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Malaysia and is engaged in hotel business, investment holding and letting of property.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent third parties of the Company and are not connected persons (as defined in the Listing Rules) of the Company.

## 7. GENERAL

The Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the approval of the shareholders of the Company. As the Purchaser is an independent third party, no shareholder of the Company is required to abstain from voting in the general meeting for approving the Disposal. The Company has obtained from Chinney Holdings, which holds 55.67% of the issued share capital of the Company, written approval of the Disposal. Pursuant to Rule 14.44 of the Listing Rules, the Disposal 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.

## 8. 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 COMPANY

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 | Share premium | Exchange reserve | Capital (goodwill) reserve | Dividend reserve | Investment property revaluation reserve | Retained profits | Total | Minority interests | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'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 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Hong Kong | Overseas | Leasehold improvements | Plant and machinery | Motor vehicles | Furniture, fixtures 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 | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Directly % | Indirectly % | |
| 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 | Other investments | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *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 30th June, 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$2,817 million comprising:

(a) secured bank loans of approximately HK$1,759 million;

(b) unsecured bank loans of approximately HK$693 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$56 million;

(f) 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 30th June, 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 30th June, 2006.

The Directors are not aware of any material adverse changes in the Group's indebtedness position or contingent liabilities since 30th June, 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 Disposal, the Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirements.

## 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Plaza Ampang is an investment property held by the Hon Kwok Group. The Hon Kwok Group has development land banks in Canada and Mainland China as well as other investment properties in Hong Kong and Mainland China. 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. 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 Disposal has no impact on these activities and the Directors' view on the prospects for these activities in the current financial year remains unchanged from that expressed in the Company's annual report for the year ended 31st March, 2006.

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 following is the text of a valuation report letter in relation to Plaza Ampang, prepared for the sole purpose of inclusion in this circular received from Henry Butcher Malaysia Sdn. Bhd., an independent valuer:*

HENRY BUTCHER MALAYSIA

Our Ref: V/R08-06/1439
(Previous: V/R06-05/1170)

August 15, 2006

**Chinney Investments, Ltd.**
**Hon Kwok Land Investment Co., Ltd.**
18th Floor
77 Des Voeux Road Central
Hong Kong

Dear Sirs,

**VALUATION OF SHOPPING COMPLEX HELD UNDER LOT NO. 149, GERAN 11408, SECTION 43, TOWN OF KUALA LUMPUR, STATE OF WILAYAH PERSEKUTUAN KNOWN AS "PLAZA AMPANG SHOPPING COMPLEX CENTRE" (PREVIOUSLY KNOWN AS PLAZA YOW CHUAN) JALAN TUN RAZAK, KUALA LUMPUR**

This letter was prepared for the inclusion in the circular of Chinney Investments, Limited, the holding company of Hon Kwok Land Investment Company, Limited which has 100% interest in Spark Eagle Development Limited.

The subject property was inspected and referenced on June 12, 2006. It is our considered opinion that the current **Market Value (MV)** of the freehold unencumbered interest in the subject property subject to all existing tenancies **as at June 12, 2006** is:

**MV – RM70,000,000 (Ringgit Malaysia : Seventy Million Only)**

Please do not hesitate to contact us if you require any further information or assistance.

Yours faithfully,
**HENRY BUTCHER MALAYSIA Sdn. Bhd.**
**LONG TIAN CHEK**
B.Sc., MRICS, MISM
Registered Valuer (V-241)

**HENRY BUTCHER MALAYSIA Sdn Bhd (160636 P)**
No. 25 Jalan Yap Ah Shak, 50300 Kuala Lumpur, Malaysia
tel : 03-2694 2212
fax : 03-2694 5543 (general) / 03-2694 3484 (valuation)
e-mail : hbllmal@po.jaring.my(general) / hbllho@tm.net.my (valuation)
www.henrybutcher.com.my

## 1.0 INTRODUCTION

### 1.1 Terms of reference

We have been jointly instructed by **Chinney Investments, Ltd.** and **Hon Kwok Land Investment Co., Ltd.** to ascertain the **Market Value as at June 12, 2006** of the subject property for public announcement purpose.

### 1.2 Date of valuation

The subject property was inspected on June 12, 2006. The relevant date of valuation for this exercise is June 12, 2006.

### 1.3 Definition

The term "**MARKET VALUE**" as used herein is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

### 1.4 Qualifications and disclaimers

The Valuer has no pecuniary interest in the said property past, present or prospective, and the opinion expressed is free of any bias in this regard.

Any encumbrance, restriction or other factor not specifically referred to in this report, which is or should be revealed by the appropriate land and title searches and which would, in the opinion of the client's solicitor, affect the value or marketability of the property, should be referred to the valuer for comment before any advancement is made.

This Valuation represents our opinion of value as at the date of the valuation. It must be recognised that the real estate market fluctuates with internal and external influences and the valuation should be reviewed at regular intervals.

## 2.0 LOCATION AND SURROUNDING LOCALITY

### 2.1 Description

The subject property comprises a 7 storey shopping complex with a basement carpark known as Plaza Ampang (previously known as Plaza Yow Chuan) located along Jalan Tun Razak by the Jalan Tun Razak – Jalan Ampang junctions.

The subject land is known as Lot 149 held under title Geran 11408, Section 43, Town of Kuala Lumpur, State of Wilayah Persekutuan.

### 2.2 Location

The subject property is situated within an established commercial area at the northeast Jalan Tun Razak – Jalan Ampang junction. The main access is via Jalan Tun Razak and Jalan Ampang.

### 2.3 Surrounding locality

Surrounding developments within the immediate vicinity comprise mainly highrise office blocks, shopping complexes and hotels. Located within walking distance from the subject property include Ampang Park Shopping Complex, City Square Shopping Complex, Empire Tower, the MIDF building, Lembaga Urusan Tabung Haji, Menara Citibank, Menara OSK, Menara MCA, Wisma Tan & Tan, Crown Princess Hotel and Nikko Hotel.

Other notable landmarks within the locality due east of the subject property include Menara Public Bank, Wisma Central, Bangun Getah Asli and Menara Petronas (KLCC). Immediate to the west and south-west is the established prime residential area known as Taman U-Thant comprising individually designed detached houses, condominiums and foreign embassies.

It is also surrounded by other housing estates namely Kg. Baharu and Kg. Datok Keramat comprising mainly terrace houses, flats, kampung type of houses and workshops.

The comprehensive PUTRA-LRT systems linking Kuala Lumpur-Central Market to Jalan Damai runs underground station at Ampang Park which is opposite to the subject property. The main access (Jln Tun Razak & Jln. Ampang) of the subject property have a high density of usage especially by Ampang district residents due to its linkage the Bukit Bintang and Chow Kit area and other main housing estates.

**2.4 Site**

The original land area of the subject property is about 10,238 sq.m. (440,818.1 sq.ft.). However, based on the title search made at the Kuala Lumpur Register of Titles on August 7, 2000 a portion of land measuring 348.525 sq.m. was acquired on June 22, 1995 by the authorities for road purposes. The net land area after the acquisition is approximately 9,889.48 sq.m. (106,452.96 sq.ft.).

The subject site is irregular in shape and is bounded by Jalan Tun Razak on the east boundary and Jalan Ampang on the south boundary. The land is generally flat in terrain and lies at the same leveled with a both main road. The internal vehicular of the subject land is generally tarmacadamised with a main motor vehicle access via Jalan Tun Razak.

At the time of inspections, we noted that the southern boundary has a frontage onto police station and Jalan Ampang whilst the northern boundary is fronting City Square and Crown Princess Hotel. The western boundary has a frontage onto Ampang Park shopping and MIDF building whilst the eastern boundary is lot 22, Section 88A which forms part of the PUTRA-LRT route.

**2.5 Services**

The subject building is provided with a centralized air conditioning system (York chiller) which operates daily during business hours. Additional air conditioning is provided by individual split units.

The shopping complex has a comprehensive of fire fighting installations comprising hose reels, portable fire extinguishers placed strategically, break glass alarms, heat and smoke detectors and automatic water sprinkles. The KELUAR signs and emergency lighting are located each level of podium block as per endorsed plans. Meanwhile, a Mitsubishi 336 KW capacity diesel generator set provides emergency power supply to the building.

Public mains supply is pumped from the Bomba/Domestic/Cooling Tower water Supply suction tank to the water tanks on the flat roof for bomba, domestic and cooling tower use. Electric supply and telephone lines are available within the vicinity and connected to the subject property.

Street lighting, road maintenance, sewage disposal and rubbish collection are provided by Dewan Bandaraya Kuala Lumpur (DBKL) and Alam Flora Sdn. Bhd.

Public transportation in the form of buses, taxis and LRT is available Jalan Ampang and Jalan Tun Razak.

## 3.0 BUILDING DETAILS

### 3.1 Building

The 7 storey building which was completed in 1982 and started operating by January 1983. It is generally constructed of reinforced concrete with plastered infill brickwalls supporting a concrete flat roof and part of decorative translucent paneled roof. The building wall is generally of aluminium framed curtain with fixed glass panels whilst the external facade is finished with glazed wall tiles and acrylic spray.

The front entrance is covered by skylight and is via an automatic censor glass doors and double leaf glass doors further secured with metal roller shutters. The subject property is accessible via a pedestrian crossing bridge provided from ground to second floor between Plaza Ampang and City Square shopping complex. The subject property is also connected with a pedestrian bridge to Ampang Park Shopping Complex in mezzanine floor.

Other internal doors are mainly of plywood flush types, metal roller shutters type, collapsible PVC types, decorative hardwood paneled types, aluminium frame glass panel types and fire rated timber doors. Windows are of aluminium frame glazed panels types and adjustable louver glass types. Ceiling is generally of suspended gypsum boards and mineral fibreboards with decorative recessed and down lightings.

Access to upper floors are provided with six passenger lifts comprising four passenger "Hitachi" lifts with a capacity of 1000 kg/15 person each and two service lifts, nine sets of "Hitachi" escalators from lower ground to second floor and reinforced concrete staircase located at strategic places.

The building is provided with a total of 171 car parking bays including 4 loading bays with some motorcycle parking bays. Six of the car parking bays are occupied by a car wash operator. The car parking facilities in Plaza Ampang and City Square is managed by a team comprising representative from Plaza Ampang and from City Square.

## 4.0 OCCUPANCY STATUS

### 4.1 Tenancy

Plaza Ampang has a good mix of tenancies to cater the increasing demands of the consumer market. The tenants of Plaza Ampang are involved in trades which include:

***A. Entertainment***

- Karaoke lounges/Discotheques
- Fitness Club
- Entertainment/Amusement center

***B. Home Furnishings***

- Furniture and Handicrafts
- Interior design and furnishing
- Antique and carpet outlets

*C.* ***Beauty Trade***

- Beauty and hair salons
- Massage & Therapy centre

*D.* ***General Retail***

- Boutique and lady accessories
- Jewelleries/Gemstones
- Pharmacy and dental/medical clinics
- Gifts and souvenirs
- Tailoring
- Sports
- Photographic
- 7-Eleven convenient store
- Audio/Music

*E.* ***Eatery***

- Restaurants and cafeterias
- Yogurt and cookies
- Confectionaries and gourmet center

The Plaza Ampang management also frequently organized and conduct promotions and exhibitions where promotional stalls were erected and leased out to exhibitors within the Plaza.

The car parking collection are computed monthly and distributed on a ratio of 24.09 (Plaza Ampang) to 75.91 (City Square).

The subject property is only let out for investment with a current occupancy rate of about 73% as at June 12, 2006. The total rental income generated by the subject property is approximately RM450,000 per month.

## 5.0 VALUATION METHODOLOGY

### 5.1 Basis of valuation

We have adopted the "Comparison Method" in formulating our opinion of the current **Market Value** of the subject property.

This approach is the Market Approach of Comparing the subject property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, size, building differences, improvements and amenities, time element and other relevant factors to arrive at our opinion of value.

## 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 | 241,706,553 | 60.39 |
| | *2* | Chinney Alliance | Corporate | 46,158,319 | 29.10 |
| | *3* | Chinney Holdings | Corporate | 9,900,000 | 99.00 |
| | | Chinney Holdings | Personal | 100,000 | 1.00 |
| | | Lucky Year | Personal | 10,000 | 50.00 |
| Madeline May-Lung Wong | *2* | Hon Kwok | Corporate | 241,706,553 | 60.39 |
| | *2* | Chinney Alliance | Corporate | 46,158,319 | 29.10 |
| | *3* | Chinney Holdings | Corporate | 9,900,000 | 99.00 |
| | | Lucky Year | Personal | 10,000 | 50.00 |
| William Chung-Yue Fan | *4* | 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 320,000 shares in Chinney Alliance at an exercise price of HK$1.75 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. *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.*

4. *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 |
| Wintop International Investments 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 |
| Metro Corporation Indonesia Limited | Metro Gateway Concept (HK) Limited | 49 |
| Guangdong Guangkong Group Co., Ltd. (廣東廣控集團有限公司) | 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. Subject to prepayment or extension, 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.

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. No member of the Group has any business relationship with HKR International Limited. In the event that any member of the Group has any business dealings with HKR International Limited in the future, the dealings will be on arm's length terms and in compliance with the Listing Rules.

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

(a) 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 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.

(b) On 20th April, 1996, a writ was filed against a wholly-owned subsidiary of 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 Joint Peace'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 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. The plaintiff was dissolved on 5th November, 2004 pursuant to a court order.

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. EXPERT AND CONSENT

The following is the qualification of the expert who has given their opinions and advice which are included in this circular:

| Name | Qualification |
|---|---|
| Henry Butcher Malaysia Sdn. Bhd. | Property valuer |

(a) As at the Latest Practicable Date, Henry Butcher Malaysia Sdn. Bhd. did not has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(b) Henry Butcher Malaysia Sdn. Bhd. has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter or references to its name in the form and context in which they are included.

(c) Henry Butcher Malaysia Sdn. Bhd. has no 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.

## 7. 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 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.

(b) the 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.

(c) the 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.

(d) the 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.

(e) the Agreement.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) Debt Assignment dated 15th November, 2004 entered into between Hon Kwok, Vast Power Development Limited, Golden Country Development Limited and Global Success Holdings Inc. in relation to the assignment of the loan owing by Global Success Holdings Inc. and its subsidiary.

(p) Agreement for Sale and Purchase dated 13th September, 2004 entered into between Hawthorne Securities Limited (a wholly-owned subsidiary of Hon Kwok), Hon Kwok, Vast Power Development Limited and Trans Tasman Properties Limited in relation to the disposal of the entire issued share capital of Global Success Holdings Inc. and the assignment of the loan owing by Global Success Holdings Inc. and its subsidiary at an aggregate cash consideration of HK$565,725,000.

## 8. 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 18th Floor, 77 Des Voeux Road Central, 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.

## 9. 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 18th Floor, 77 Des Voeux Road Central, Hong Kong from the date of this circular up to and including 4th September, 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 valuation report on Plaza Ampang from Henry Butcher Malaysia Sdn. Bhd. as set out in Appendix II to this circular;

(d) the written consent referred to under the section headed "Expert and Consent" in this Appendix III;

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

(f) this circular.