



Chinney Investments, Limited

Stock Code : 216

Annual Report
2005/2006

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DIRECTORS

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

* *Independent non-executive directors*

AUDIT COMMITTEE

William Chung-Yue Fan
Clement Kwok-Hung Young
Johnny Chung-Ah Wong
Peter Man-Kong Wong

SECRETARY

Wendy Yuk-Ying Chan

PRINCIPAL BANKERS

Bank of East Asia Limited
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITORS

Deloitte Touche Tohmatsu

REGISTRARS

Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

18th Floor
Hang Seng Building
77 Des Voeux Road Central
Hong Kong

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STOCK CODE

SEHK 216

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Chinney Investments, Limited (the “Company”) will be held at Chater Rooms I-II, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Wednesday, 20th September, 2006 at 11:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors of the Company for the year ended 31st March, 2006.
2. To declare a final dividend.
3. To elect directors and to authorise the directors to fix their remuneration.
4. To re-appoint auditors and to authorise the directors to fix the remuneration of the auditors.
5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** the exercise by the directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.25 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares, which would or might require shares to be allotted, issued or dealt with, whether during or after the end of the Relevant Period be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to: (a) a rights issue where shares of the Company are offered for a period fixed by the directors to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any legal restrictions under the laws of the relevant place, or the requirements of the relevant regulatory body or any stock exchange in that place); or (b) any scrip dividend or similar arrangement providing for the allotment of securities in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; or (c) the exercise of any options under any share option scheme of the Company or similar arrangement for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (d) a specific authority granted by the shareholders of the Company in general meeting, the additional shares allotted, issued or dealt with (including shares agreed conditionally or unconditionally to be allotted, issued or dealt with, whether pursuant to an option or otherwise) shall not in aggregate exceed 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Ordinary Resolution and the said approval shall be limited accordingly.

For the purpose of this Ordinary Resolution, "Relevant Period" means the period from the passing of this Ordinary Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting is required by any applicable laws or the Company's Memorandum and Articles of Association to be held; and
 - (iii) the revocation or variation of the authority given under this Ordinary Resolution by an ordinary resolution of the shareholders in general meeting."
6. Any other business.

By Order of the Board
Wendy Yuk-Ying Chan
Company Secretary

Hong Kong, 31st July, 2006

Notes:

1. *Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.*
2. *To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be completed and deposited at the registered office of the Company at 18th Floor, Hang Seng Building, 77 Des Voeux Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
3. *Pursuant to Article 75 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded or, in the case of paragraph (v), required:*
 - (i) *by the chairman of the meeting; or*
 - (ii) *by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or*
 - (iii) *by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or*
 - (iv) *by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or*
 - (v) *by the relevant provisions of the Listing Rules.*

CONSOLIDATED RESULTS

I am pleased to report that the Group's audited consolidated profit attributable to shareholders for the year ended 31st March, 2006 amounted to HK\$190 million (2005: HK\$179 million). Earnings per share were 34.4 cents (2005: 32.5 cents). Audited net asset value per share increased to HK\$2.55 as compared with HK\$2.09 last year.

DIVIDEND

The Directors recommend the payment of a final dividend of 4 cents per share for the year ended 31st March, 2006 (2005: 3 cents) to shareholders whose names appear on the Company's register of members on 20th September, 2006. It is expected that the dividend cheques will be despatched to shareholders on or before 10th October, 2006.



City Square at Jia Bin Lu, Luo Hu District, Shenzhen, Guangdong Province, PRC developed by Hon Kwok Land Investment Company, Limited

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 15th September, 2006 to 20th September, 2006 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the final dividend, all transfers accompanied by relevant share certificates must be lodged with Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong by not later than 4:30 p.m. on 14th September, 2006.



Construction site of Long Dong Cun at Guangshan Road Western, Tianhe District, Guangzhou, Guangdong Province, PRC held by Hon Kwok Land Investment Company, Limited

REVIEW OF OPERATIONS

Property

During the year, the Company acquired additional shares of Hon Kwok Land Investment Company, Limited ("Hon Kwok") from the market and increased its shareholding in Hon Kwok from 57.83% as at 1st April, 2005 to 58.81% as at 31st March, 2006. On 27th June, 2006, Hon Kwok issued convertible bonds due June 2011 to five institutional investors for a principal amount of HK\$280 million at par. The bonds, being unlisted and guaranteed

by Hon Kwok, bear interest at the rate of 3.5% per annum payable semi-annually in arrears and are convertible into the shares of Hon Kwok at an initial conversion price of HK\$4 per share, subject to adjustments. In the event that the bonds are fully converted, the Company's shareholding in Hon Kwok will be diluted to 50.05%.



One City Hall (Phase I) at South-West Corner of Bay Street and Dundas Street West, Toronto, Ontario, Canada developed by Hon Kwok Land Investment Company, Limited

Hon Kwok showed a record performance for the year ended 31st March, 2006. Net profit attributable to shareholders was HK\$520 million (2005: HK\$230 million) against increase in turnover to HK\$1,059 million (2005: HK\$176 million). The profit momentum came from the contribution of Hon Kwok's property development activities in Mainland China and revaluation surplus from Hon Kwok's investment properties. **City Square** (城市天地廣場), a residential and commercial development in the Luo Hu District of Shenzhen, commenced its contribution to the earnings of Hon Kwok when the project was completed in June 2005.

Interested shareholders are referred to the Hon Kwok's annual report for further details.

Construction

The Group's Construction Division continues to engage in sub-structure and superstructure building construction. The Construction Division reported turnover of HK\$691 million (2005: HK\$561 million) and a net loss of HK\$50.6 million (2005: net loss of HK\$5.9 million). The loss has widened, as there was margin pressure in our substructure business and continued loss of our superstructure business in Hong Kong and the Middle East. The substructure business invested heavily in advanced machinery, equipment and plant accessories, such capital investment has kept us in the forefront of the market but necessitated high depreciation charge year by year. Related depreciation charge amounted to HK\$28 million in the year (2005: HK\$30 million).

Going forward, the Construction Division will tightly control its costs to maintain competitiveness and explore for more job



Piling, pile caps and basement construction work at MGM Grand Macau at Nam Van, Macau undertaken by Chinney Timwill Construction (Macau) Co., Ltd.

opportunities in Macau where there are projects with healthier profit margin. In Hong Kong, we have seen more tender opportunities from the private sector and hope the same will also happen in the public sector.

Garment

The Garment Division comprises two distinct operations, (i) the J.L. Chinney Group, which produces fashionable garment in Mainland China for customers mainly in Europe; and (ii) the Gateway Group, which produces woven and knitted garment mainly in Indonesia for customers in the United States. The Gateway Group has a 50% interest in SGA Holdings Limited, which produces outerwear, suits and pants in Mainland China for customers in North America.



Bored piling work at City of Dream (Phase I), Tseung Kwan O, Kowloon undertaken by Kin Wing Foundations Limited

Turnover for the Garment Division was HK\$611 million (2005: HK\$681 million) but with loss widened to HK\$30 million (2005: HK\$10 million). The disappointing result was due to persistent loss suffered in the Gateway Group. The Gateway Group lost its competitive advantage, as the quota system became abolished effective 1st January, 2005 and the labour law in Indonesia became more stringent and unfavourable to investors. Your Directors have initiated changes, including reorganizing the management team, downsizing the factory operation in Indonesia, relocating production to lower cost area in Indonesia and subcontracting the factory operation. Despite all these, the Gateway Group posted a third-year consecutive loss of HK\$49 million (2005: HK\$27 million), resulting mainly from the Indonesian operation. After careful consideration, the Board was of the opinion that it would be beneficial to the Group to dispose the Gateway Group and Royal Treasure Limited to a 70:30 joint venture owned by Cha Textiles Limited and Chinney Development Company Limited for a cash consideration of HK\$8.6 million. The consideration represented the aggregate of the combined audited net assets of the Gateway Group and Royal Treasure Limited as at 31st March, 2006 and the related shareholder's loans to be assigned to the purchaser upon completion. An agreement was reached on 24th July, 2006 to give effect to the disposal. The disposal constitutes a discloseable and connected transaction to the Company under the Listing Rules and is subjected to reporting and announcement requirements. For details of the transaction, please refer to the Company's announcement to be issued.

The net profit of J.L. Chinney Group increased to HK\$19 million (2005: HK\$17 million), against turnover of HK\$308 million (2005: HK\$302 million). The savings in quota cost and tight control of selling expenses accounted mainly for the profit growth.

Trading

Chinney Alliance Group Limited ("Chinney Alliance"), a 29.1% owned associate of the Group, remained profitable for the year ended 31st December, 2005. Turnover and net profit for the year amounted to HK\$1,015 million (2004: HK\$1,044 million) and HK\$3.4 million (2004: HK\$12.7 million), respectively. The profit drop was mainly due to increased loss in Shun Cheong Holdings

Limited ("Shun Cheong"), a 29.9% owned associate of Chinney Alliance for the year ended 31st December, 2005, and higher finance costs in a rising interest rate environment.

On 26th January, 2006, Chinney Alliance entered into an agreement to acquire the electrical and mechanical contracting business (the "Contracting Business") from Shun Cheong for a cash consideration of HK\$35 million. Shun Cheong had difficulties in retaining and expanding the Contracting Business as it lacked the banking support and other financing means. Chinney Alliance, in contrast, has the financial resources to support and expand the Contracting Business. The transaction was approved by the shareholders of Chinney Alliance and Shun Cheong and completed on 31st March, 2006.

On 12th April, 2006, Chinney Alliance disposed 32 million Shun Cheong shares, representing 27.6% interest in the issued share capital of Shun Cheong, to Upsky Enterprises Limited for a cash consideration of HK\$9.6 million. The disposal constituted a discloseable and connected transaction to Chinney Alliance and was subjected to reporting and announcement requirements. On 3rd July, 2006, Chinney Alliance further disposed its remaining 2.3% interest in Shun Cheong for a cash consideration of about HK\$0.8 million, pursuant to a general offer from Upsky Enterprises Limited.

Following all these, Chinney Alliance realized its investment in Shun Cheong and gained the full control over the Contracting Business. It is hoped that Chinney Alliance can build the Contracting Business with its resources and expertise and realize the synergy in combining the Contracting Business with the engineering business under Chinney Alliance.

OVERVIEW

The Hong Kong economy continues its growth momentum, with annual GDP growth now at 8% and unemployment rate at 5%. Across the border, the Mainland economy has been booming with the second quarter GDP jumped 11.3% from a year earlier. As a result, the Central Government has introduced austerity measures to cool the otherwise overheated economy.

Your Group has been streamlining its operation by disposing non-profitable businesses so that the Group can concentrate its resources in businesses with brighter prospects and greater value to the shareholders of the Company. The recent austerity measures should pave the way for the Mainland economy to grow in a healthy manner, avoiding any detriments that may be created from a bubble economy. Hong Kong, as the gateway to Mainland China, shall benefit from the continuous economic growth of its motherland. Under such premises, your Directors remain optimistic on the future prospects of the Group, which principally now operates in Hong Kong, Macau and the Mainland China.

Taking this opportunity, I would like to express my appreciation to my fellow directors for their advice and to all staff for their effort and contribution in the past year.

James Sai-Wing Wong
Chairman

Hong Kong, 24th July, 2006

DIRECTORS

James Sai-Wing Wong

Aged 68, was appointed as a director and the Chairman of the Company in 1987. He is a director of Chinney Holdings Limited (“Chinney Holdings”) and Lucky Year Finance Limited (“Lucky Year”), both being substantial shareholders of the Company. He is also the Chairman of Hon Kwok Land Investment Company, Limited (“Hon Kwok”) and Chinney Alliance Group Limited (“Chinney Alliance”). Except Chinney Holdings and Lucky Year, all the other companies are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). He was appointed a Justice of the Peace for Hong Kong in 1987.

Madeline May-Lung Wong

Aged 66, was appointed as a director of the Company in 1987. She is a director of Chinney Holdings and Lucky Year, both being substantial shareholders of the Company. She is also a director of Hon Kwok and HKR International Limited, which are both listed on the Stock Exchange.

William Chung-Yue Fan

Aged 65, was appointed as a director of the Company in 1987. He is a solicitor in Hong Kong and a consultant to Fan & Fan, Solicitors. He is also a director of Alltronics Holdings Limited, which is listed on the Stock Exchange.

Herman Man-Hei Fung

Aged 68, was appointed as a director of the Company in 1987 and became the Managing Director of the Company in 1995. He is also a director of Chinney Holdings and Lucky Year, both being substantial shareholders of the Company. He is also the Vice-Chairman of Hon Kwok and a non-executive director of Chinney Alliance, which are both listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Clement Kwok-Hung Young

Aged 72, was appointed as an independent non-executive director of the Company in 1999. He obtained his Ph.D. degree from The University of Texas, USA and served as university professor and administrator before his retirement from the Hong Kong Baptist University. He was the Supervisor of Pui Ching Middle and Primary Schools and a court member of the Hong Kong Baptist University. He is the Supervisor of Pui Ching Education Centre.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)***Johnny Chung-Ah Wong**

Aged 70, was appointed as an independent non-executive director of the Company in 2003. He is a director of Wong's International (Holdings) Limited, which is listed on the Stock Exchange. He has over 30 years experience in the electronics industry.

Peter Man-Kong Wong

Aged 57, was appointed as an independent non-executive director of the Company in 2004. He is the Chairman of M.K. Corporation Limited and North West Development Limited, as well as a director of Hong Kong Ferry (Holdings) Company Limited, China Travel International Investment Hong Kong Limited, Glorious Sun Enterprises Limited, Sino Hotels (Holdings) Limited and Sun Hung Kai & Co. Limited. Except M.K. Corporation Limited and North West Development Limited, all the other companies are listed on the Stock Exchange. Mr. Wong graduated from the University of California at Berkeley in the USA with a Bachelor of Science Degree in Mechanical Engineering (Naval Architecture). Mr. Wong serves as a deputy of the Tenth National People's Congress of the PRC.

SENIOR MANAGEMENT**Zuric Yuen-Keung Chan**

Aged 52, is the Managing Director of Chinney Contractors Company Limited. He is also a director of Hon Kwok which is listed on the Stock Exchange. He joined the Group in 1989 and has 32 years experience in the construction industry. He is a member of the Chartered Institute of Building, the Hong Kong Society of Builders and the Hong Kong Institute of Construction Managers. He is responsible for the overall management of the Group's Construction Division.

Stephen Sek-Kee Yu

Aged 54, is a director of the Corporate Finance and Business Development Department of the Company. He is also a director of Chinney Alliance and Managing Director of Shun Cheong Holdings Limited, both of which are listed on the Stock Exchange. He joined the Group in 2001 and has worked with three North American banks for over 17 years during which he held various posts including the chief executive of a Canadian bank in Hong Kong. He holds a Bachelor's degree in Computer Science from the University of Western Ontario, Canada and a Master's degree in Finance from the University of British Columbia, Canada.

SENIOR MANAGEMENT *(Continued)***Vincent Kwok-Kuen Wong**

Aged 47, is the Managing Director of J.L. Group Company Limited, a major garment business acquired by the Company in 1993 with its markets in Europe and North America. He joined the Group in 1993 and has 28 years experience in the garment industry of sourcing and manufacturing. He is responsible for the overall management of J.L. Group Company Limited.

Lee Wing Hong

Aged 49, is a director and General Manager of Kin Wing Engineering Company Limited. He joined the Group in 2002 and is responsible for the overall operations of the Kin Wing Group. He has 22 years experience in the design and construction of civil, buildings, railways and foundation engineering works. He holds a Bachelor's and a Master's degree in Civil Engineering and is a Chartered Engineer, Registered Professional Engineer and a member of the Hong Kong Institution of Engineers and the Institution of Structural Engineers. He is also a Registered Structural Engineer and Authorized Person under the Buildings Ordinance in Hong Kong.

Peter Chi-Chung Luk

Aged 41, is the Director-Finance of the Company. He joined the Company in 1995. He has 19 years experience in the accounting field. He holds a Bachelor's degree in Mathematics from The University of Hong Kong and a Master's degree in Business Administration from the Australian Graduate School of Management. He is also a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

Louisa Kai-Nor Siu

Aged 40, joined the Company in 2005 and is the Financial Controller of the Company. She has 17 years experience in the accounting field. She holds a Bachelor's Degree in Accountancy from the City University of Hong Kong and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

The board of directors of the Company (the “Board”) is committed to maintain and ensure high standards of corporate governance and is continuously reviewing and improving the corporate governance practices and standards of the Group to ensure that business activities and decision making processes are regulated in a proper manner.

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the year under review, except for the deviations as disclosed in this report and the CG Code provision C.2 in respect of internal controls (which is applicable to the accounting periods commencing on or after 1st July, 2005).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The directors of the Company during the year ended 31st March, 2006 were:

Executive Directors

James Sai-Wing Wong (*Chairman*)
Herman Man-Hei Fung (*Managing Director*)

Non-Executive Directors

Madeline May-Lung Wong
William Chung-Yue Fan

Independent Non-Executive Directors

Clement Kwok-Hung Young
Johnny Chung-Ah Wong
Peter Man-Kong Wong

Details of background and qualifications of each director are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 9 to 11 of this annual report.

The Board is responsible for the overall strategic development of the Group. It also monitors the financial performance and the internal controls of the Group’s business operations. Executive directors are responsible for running the Group and executing the strategies adopted by the Board. The day-to-day running of the Company is delegated to the management with divisional/department heads responsible for different aspects of the business/functions.

Non-executive directors (including the independent non-executive directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings.

The Board considers that each independent non-executive director of the Company is independent in character and judgement. The Company has received from each independent non-executive director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

The Board meets at least twice each year at approximately half a year interval to discuss the Group's business development, operation and financial performance. Notice of at least 14 days is given to all directors for all regular board meetings to give all directors an opportunity to attend. All regular board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All directors have access to board papers and related materials, and are provided with adequate information which enable the Board to make an informed decision on the matters to be discussed and considered at the board meetings. Minutes of board meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any director.

To the best knowledge of the directors, there is no financial, business and family relationship among the members of the Board except that James Sai-Wing Wong and Madeline May-Lung Wong are partners in several investments (including their interests in the Company).

During the year under review, two full board meetings were held. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, thus only two full board meetings were held for the year ended 31st March, 2006.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman and the Managing Director are held by two different individuals. James Sai-Wing Wong is the Chairman whereas Herman Man-Hei Fung is the Managing Director of the Company. There is a clear division of responsibilities between the Chairman and the Managing Director, in that the Chairman bears primary responsibility for the functioning of the Board, by ensuring its effective operation, while the Managing Director bears executive responsibility for the business and the management of the day-to-day operations of the Company.

NON-EXECUTIVE DIRECTORS

The non-executive directors of the Company are not appointed for a specific term as stipulated in CG Code provision A.4.1, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

The Chairman and the Managing Director will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considered that the continuity of office of the Chairman and the Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

At the forthcoming annual general meeting, in accordance with the Articles of Association, Clement Kwok-Hung Young and Johnny Chung-Ah Wong are subject to retirement by rotation.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established in December 2005. The Remuneration Committee comprises three members, James Sai-Wing Wong, Clement Kwok-Hung Young and Johnny Chung-Ah Wong. The Chairman of the Remuneration Committee is James Sai-Wing Wong.

The Remuneration Committee's function is to review and recommend to the Board on the remuneration packages of the executive directors.

CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the Remuneration Committee in December 2005 but deviated from the CG Code as the duties of the committee are to review (as opposed to determine) and to make recommendation to the Board on the remuneration of the directors (as opposed to the remuneration of directors and senior management).

During the year under review, no Remuneration Committee meeting was held and the first Remuneration Committee was held in July 2006, during which the existing pay of all executive directors have been reviewed individually.

AUDIT COMMITTEE

The Audit Committee was established in 2001. The Audit Committee currently comprises four members, William Chung-Yue Fan, Clement Kwok-Hung Young, Johnny Chung-Ah Wong and Peter Man-Kong Wong. Three of them are independent non-executive directors. The Chairman of the Audit Committee is Johnny Chung-Ah Wong. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee.

The Audit Committee's functions include:

- to review and monitor financial reporting and the reporting judgement contained in them; and
- to review financial and internal controls, accounting policies and practices with management and external auditors.

The Audit Committee held two meetings during the year under review, which were attended by the external auditors, Deloitte Touche Tohmatsu.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with management and the external auditors the financial reporting matters, both for the interim results for the six months ended 30th September, 2005 and the annual results for the year ended 31st March, 2006.

ATTENDANCE AT MEETINGS OF THE BOARD AND AUDIT COMMITTEE

	Number of meetings attended	
	Board meetings	Audit Committee meetings
Number of meetings held for the year ended 31st March, 2006	2	2
James Sai-Wing Wong	2	N/A
Madeline May-Lung Wong	0	N/A
William Chung-Yue Fan	1	1
Herman Man-Hei Fung	2	N/A
Clement Kwok-Hung Young	2	2
Johnny Chung-Ah Wong	2	2
Peter Man-Kong Wong	2	2

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. During the year under review, the Company has not established a nomination committee. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his qualifications, experience and background.

AUDITORS' REMUNERATION

During the year, the remuneration paid to the auditors of the Group were as follows:

	Fee paid/payable <i>HK\$'000</i>
Types of services	
Audit services	3,358
Non-audit services (tax compliance services and other services)	203
	<u>3,561</u>

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 27 of this annual report.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules. The Board hosts the annual general meeting each year to meet the shareholders and answer their enquiries.

At present, the Company does not maintain a website. The terms of reference of the Remuneration Committee and Audit Committee are available from the Company Secretary on request rather than available on the Company's website as stipulated in CG Code provisions B.1.4 and C.3.4.

The directors herein present their annual report and the audited financial statements of the Company and the Group for the year ended 31st March, 2006.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

Details of the Group's results are set out in the consolidated income statement on page 28.

The directors recommend the payment of a final dividend of 4 cents per ordinary share for the year to the shareholders whose names appear on the register of members of the Company on 20th September, 2006, amounting to approximately HK\$22,055,000.

FIVE YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the past five financial years is set out on pages 103 and 104.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$2,419 million (2005: HK\$1,713 million), of which approximately 24% of the debts were due and repayable within one year. Total cash on hand was approximately HK\$528 million (2005: HK\$455 million).

Total shareholders' fund as at 31st March, 2006 was approximately HK\$1,408 million (2005 (restated): HK\$1,150 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's apparent high gearing is primarily due to consolidating all debts of Hon Kwok (together with its subsidiaries, the "Hon Kwok Group"), a 59% owned but separately listed subsidiary of the Group. Hon Kwok obtains financing on its own without financial assistance from the Company. Had Hon Kwok been equity accounted for as an associate in previous years, the pro forma gearing of the Group at year end would have been 7%.

The Group had a total of HK\$580 million (2005: HK\$822 million) committed but undrawn banking facilities at year end available for its working capital purpose.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***Funding and treasury policy**

The Group adopts a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars, Renminbi and United States dollars and bear interest at floating rates, except for the Renminbi loan facilities.

Pledge of assets

Inventories, trade debts, bank balances, properties and shares of an associate with an aggregate book value of HK\$3,013 million as at 31st March, 2006 and shares in a subsidiary were pledged to secure certain banking facilities of the Group.

Contingent liabilities

Particulars of the contingent liabilities of the Group are set out in note 49 to the financial statements.

Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employed approximately 3,600 people as at 31st March, 2006. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

RESERVES

Movements in the reserves of the Company during the year are set out in note 45 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$20 million for the purposes of business expansion. Details of these and other movements in the property, plant and equipment of the Group and of the Company during the year are set out in note 17 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of the movements in properties under development of the Group during the year are set out in note 18 to the financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 20 to the financial statements.

PARTICULARS OF PROPERTIES

Particulars of the major properties held by the Group are set out on pages 105 to 108.

DIRECTORS

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

James Sai-Wing Wong
Madeline May-Lung Wong
William Chung-Yue Fan
Herman Man-Hei Fung
Clement Kwok-Hung Young*
Johnny Chung-Ah Wong*
Peter Man-Kong Wong*

* *Independent non-executive directors*

In accordance with Article 104 of the Company's Articles of Association, Clement Kwok-Hung Young and Johnny Chung-Ah Wong retire by rotation and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Details of retiring directors to be re-elected

(a) Clement Kwok-Hung Young

Aged 72, was appointed as an independent non-executive director of the Company in 1999. Dr. Young was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Dr. Young obtained his Ph.D. degree from The University of Texas, USA and served as university professor and administrator before his retirement from the Hong Kong Baptist University. He was the Supervisor of Pui Ching Middle and Primary Schools and a court member of the Hong Kong Baptist University. He is the Supervisor of Pui Ching Education Centre. Dr. Young did not hold any directorship in other listed companies in the past three years.

DIRECTORS *(Continued)***Details of retiring directors to be re-elected** *(Continued)*(a) Clement Kwok-Hung Young *(Continued)*

At the date of this report, Dr. Young did not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”). Other than his capacity as a director of the Company, he does not have any business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Dr. Young. He is entitled to a director’s fee of HK\$50,000 per annum.

Save as disclosed above, there is no other information relating to Dr. Young which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that need to be brought to the attention of the shareholders of the Company.

(b) Johnny Chung-Ah Wong

Aged 70, was appointed as an independent non-executive director of the Company in 2003. Mr. Wong was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company’s annual general meeting.

Mr. Wong is a director of Wong’s International (Holdings) Limited, which is listed on the Stock Exchange. He has over 30 years experience in the electronics industry.

At the date of this report, Mr. Wong did not have any interests in shares of the Company within the meaning of Part XV of the SFO. Other than his capacity as a director of the Company, he does not have any business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Wong. He is entitled to a director’s fee of HK\$50,000 per annum.

Save as disclosed above, there is no other information relating to Mr. Wong which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that need to be brought to the attention of the shareholders of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

1. The Group had the following transaction with Lucky Year, the ultimate holding company:

In December 2003, Lucky Year extended cash security arrangement in favour of Hon Kwok for a further period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to bank loans of HK\$150 million granted by the banks to Hon Kwok. In consideration for the provision of cash security, the Hon Kwok Group agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. The Hon Kwok Group provides no security to Lucky Year or other connected persons in connection with the arrangement.

The above facilities have been extended for a further period of 30 months upon maturity in June 2006.

Commission paid to Lucky Year by Hon Kwok during the year amounted to HK\$2,625,000.

James Sai-Wing Wong and Madeline May-Lung Wong are directors and shareholders of Lucky Year.

2. During the year, the Group had the following transactions with Hon Kwok:

The Company received management fee amounting to HK\$6,000,000 from Hon Kwok for the provision of administration and general services for the year ended 31st March, 2006.

James Sai-Wing Wong and Madeline May-Lung Wong are directors of and have beneficial interests in Hon Kwok through their interests in the Company. William Chung-Yue Fan and Herman Man-Hei Fung are also directors of Hon Kwok.

3. During the year, the Group had the following transactions with Chinney Alliance, an associate of the Company:

The Company received management fees amounting to HK\$2,000,000 from Chinney Alliance for the provision of administration and general services for the year ended 31st March, 2006.

James Sai-Wing Wong and Herman Man-Hei Fung are directors of Chinney Alliance. James Sai-Wing Wong and Madeline May-Lung Wong have beneficial interests in Chinney Alliance through their interests in the Company.

4. William Chung-Yue Fan is the consultant of Messrs. Fan & Fan which provides legal and professional services to the Group and receives normal professional fees for such services. Total fees amounting to approximately HK\$349,000 was paid by the Group during the year.

Save as disclosed above, no contracts of significance to which the Company, its holding companies or any of its subsidiaries and fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2006, the interests and short positions of the directors of the Company 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 as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Directors' interest in the 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

All the interests stated above represent long positions.

(b) Directors' interest in the shares of associated corporations

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	235,370,553	58.81
	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	235,370,553	58.81
	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

All the interests stated above represent long positions.

DIRECTORS' INTERESTS IN SECURITIES (Continued)**(c) Directors' interest in the underlying shares of associated corporation**

Pursuant to the share option scheme of Chinney Alliance, 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. During the year, no share options were exercised.

Notes:

- 1. These shares are beneficially held by Chinney Holdings which is a subsidiary of Lucky Year. James Sai-Wing Wong and 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, James Sai-Wing Wong and 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, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
- 4. These shares are held by Gold Sound Enterprises Limited, of which William Chung-Yue Fan is both a director and a shareholder.*

Save as disclosed herein, as at 31st March, 2006, none of the directors of the Company 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 are required to be recorded in the register kept by the Company under Section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year, Madeline May-Lung Wong is a director of HKR International Limited whose group's businesses consist of property development and property investment. In this respect, Madeline May-Lung Wong is regarded to be interested in a competing business of the Group.

Save as disclosed above, none of the directors of the Company is interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2006, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 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.

Save as disclosed herein, as at 31st March, 2006, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

PURCHASE, SALE OF REDEMPTION OF SHARES

There were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's shares during the year ended 31st March, 2006.

CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

- (a) On 24th January, 2006, a wholly-owned subsidiary of Hon Kwok, Orient States Limited (“Orient States”) entered into an agreement with Shenzhen Yujianye Development Co., Ltd. for the acquisition of its 20% equity interest in Foshan Nanhai XinDa Land Development Ltd. (“Foshan Nanhai”), at a cash consideration of RMB53.6 million (equivalent to approximately HK\$51.5 million). Foshan Nanhai is a company incorporated in the People’s Republic of China (“PRC”) and was 80% owned by Orient States before the acquisition. The above transaction constituted a connected and discloseable transaction to the Company under the Listing Rules, details of which were set out in a circular to the shareholders dated 16th February, 2006.
- (b) On 16th March, 2006, a wholly-owned subsidiary of Hon Kwok, Hopmate International Development Limited (“Hopmate”) entered into an agreement with Neimenggu Huaye Property Co., Ltd. for the acquisition of its 20% equity interest in Shenzhen Honkwok Huaye Development Co., Ltd. (“Honkwok Huaye”), at a cash consideration of RMB10 million (equivalent to approximately HK\$9.6 million). Honkwok Huaye is a company incorporated in the PRC and was 80% owned by Hopmate before the acquisition. The above transaction constituted a connected transaction to the Company under the Listing Rules, details of which were set out in an announcement dated 16th March, 2006. As the applicable percentage ratios as defined in the Listing Rules were less than 25% and the consideration was less than HK\$10 million, the transaction was subject only to the reporting and announcement requirements.
- (c) On 24th July, 2006, the Group entered into a sale and purchase agreement to dispose the entire issued share capital of its wholly-owned subsidiaries, Gateway Group Holdings Limited and Royal Treasure Limited, together with the assignment of related shareholder’s loan for a cash consideration of HK\$8.6 million. The above transaction constituted a connected and discloseable transaction to the Company under the Listing Rules, details of which are to be set out in an announcement and a circular to the shareholders.

Gateway Group Holdings Limited is mainly engaged in garment manufacturing. Royal Treasure Limited is a property holding company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of turnover attributable to the Group’s five largest customers accounted for approximately 26% of the Group’s turnover and turnover attributable to the Group’s largest customer accounted for approximately 8% of the Group’s turnover.

The aggregate amount of purchases attributable to the Group’s five largest suppliers accounted for approximately 20% of the Group’s total purchases and purchases attributable to the Group’s largest supplier accounted for approximately 7% of the Group’s purchases.

None of the directors, their associates or any shareholders whom to the knowledge of the directors owns more than 5% of the Company's issued share capital has an interest in the Group's five largest customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

Throughout the year ended 31st March, 2006 until the date of this report, based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital is held by the public.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years. A resolution will be submitted at the Annual General Meeting of the Company to re-appoint them.

On behalf of the Board
Herman Man-Hei Fung
Managing Director

Hong Kong, 24th July, 2006

Deloitte.

德勤

TO THE SHAREHOLDERS OF CHINNEY INVESTMENTS, LIMITED

建業實業有限公司

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements on pages 28 to 102 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

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

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

OPINION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 24th July, 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2006

	<i>Notes</i>	2006 HK\$'000	2005 <i>HK\$'000</i> (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

At 31st March, 2006

	Notes	THE GROUP		THE COMPANY	
		2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (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

	Notes	THE GROUP		THE COMPANY	
		2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (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
		<u>1,225,842</u>	<u>995,778</u>	<u>157,477</u>	<u>126,355</u>
Liabilities associated with assets classified as held for sale	39	159,519	-	-	-
		<u>1,385,361</u>	<u>995,778</u>	<u>157,477</u>	<u>126,355</u>
NET CURRENT ASSETS (LIABILITIES)		<u>1,000,909</u>	<u>1,152,073</u>	<u>134,673</u>	<u>(63,856)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,533,216</u>	<u>3,457,036</u>	<u>981,086</u>	<u>962,229</u>
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	-	-
		<u>1,974,102</u>	<u>1,439,718</u>	<u>-</u>	<u>-</u>
		<u>2,559,114</u>	<u>2,017,318</u>	<u>981,086</u>	<u>962,229</u>
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		<u>2,559,114</u>	<u>2,017,318</u>	<u>981,086</u>	<u>962,229</u>

The financial statements on pages 28 to 102 were approved and authorised for issue by the Board of Directors on 24th July, 2006 and are signed on its behalf by:

James Sai-Wing Wong
Director

Herman Man-Hei Fung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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	Retained profits	Total	Minority interests	Total
						property reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	Dividend reserve	Investment	Retained profits	Total	Minority interests	Total
				(goodwill) reserve		property reserve				
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

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For the year ended 31st March, 2006

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (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

	<i>Notes</i>	2006 HK\$'000	2005 <i>HK\$'000</i>
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

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.

For the year ended 31st March, 2006

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

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.

For the year ended 31st March, 2006

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

Financial instruments (Continued)

Classification and measurement of financial assets and financial liabilities (Continued)

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.

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

Financial instruments (Continued)

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 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).

For the year ended 31st March, 2006

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

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied 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.

For the year ended 31st March, 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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
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	<u>313,958</u>	<u>–</u>
Attributable to:		
Equity holders of the parent	164,118	–
Minority interests	149,840	–
	<u>313,958</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

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
	<u>2,019,944</u>	<u>(2,626)</u>	<u>2,017,318</u>	<u>68,894</u>	<u>2,086,212</u>
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)	–	–	–
	<u>2,019,944</u>	<u>(2,626)</u>	<u>2,017,318</u>	<u>68,894</u>	<u>2,086,212</u>

For the year ended 31st March, 2006

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	<u>941,946</u>	<u>622,920</u>	<u>1,564,866</u>	<u>(5,088)</u>	<u>1,559,778</u>
Minority interests	<u>622,920</u>	<u>(622,920)</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

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).

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

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.

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates *(Continued)*

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 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.

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

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Financial instruments** *(Continued)***Financial assets** *(Continued)**Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (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.

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.

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liability and equity *(Continued)*

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.

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

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.

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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.

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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)***Foreign currencies** *(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 it 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.

For the year ended 31st March, 2006

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

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.

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.

For the year ended 31st March, 2006

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
	<u>2,361,233</u>	<u>1,417,927</u>

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 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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

For the year ended 31st March, 2006

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)
(i) Business 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	30,442	-	-	-	-	-	-	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

For the year ended 31st March, 2006

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)**(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

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

For the year ended 31st March, 2006

9. FINANCE COSTS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
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
	<hr/>	<hr/>
Total borrowing costs	101,515	56,882
Less: Amount capitalised under property development projects	(19,301)	(24,624)
	<hr/>	<hr/>
	82,214	32,258
	<hr/> <hr/>	<hr/> <hr/>

10. SHARE OF RESULTS OF JOINTLY-CONTROLLED ENTITIES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Share of results	4,172	5,782
Waiver of debts	–	3,873
	<hr/>	<hr/>
	4,172	9,655
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

11. PROFIT BEFORE TAXATION

	2006 HK\$'000	2005 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
	<u>43,676</u>	<u>46,277</u>
Less: Amount capitalised in contract costs	(4,399)	(4,488)
	<u>39,277</u>	<u>41,789</u>
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)
	<u>141,443</u>	<u>133,579</u>
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
	<u>86,540</u>	<u>74,403</u>
Less: Direct operating expenses from investment properties that generated rental income during the year	(34,859)	(22,667)
	<u>51,681</u>	<u>51,736</u>

For the year ended 31st March, 2006

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	
	Fees HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payments HK\$'000	Retirement benefits scheme contribution HK\$'000	Total HK\$'000	Total HK\$'000
			(Note)			
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 HK\$'000	2005 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

For the year ended 31st March, 2006

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)**(ii) Information regarding employees' emoluments** (Continued)

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.

For the year ended 31st March, 2006

13. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS (Continued)

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

Note: There are no forfeited contributions for both years.

14. TAXATION CHARGE (CREDIT)

	2006 HK\$'000	2005 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
	<hr/>	<hr/>
	64,993	5,923
Deferred taxation charge (credit) (note 26)	82,775	(7,326)
	<hr/>	<hr/>
	147,768	(1,403)
	<hr/> <hr/>	<hr/> <hr/>

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

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 HK\$'000	2005 HK\$'000 (Restated)
Profit before taxation	<u>565,861</u>	<u>273,540</u>
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	<u>131</u>	<u>(705)</u>
Taxation charge (credit) for the year	<u>147,768</u>	<u>(1,403)</u>

15. DIVIDEND

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

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.

For the year ended 31st March, 2006

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 <i>HK cents</i>	2005 <i>HK cents</i>
Reported figures before adjustments	4.6	32.5
Adjustments arising from the adoption of new HKFRSs	29.8	–
Restated	<u>34.4</u>	<u>32.5</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings		Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	Hong Kong HK\$'000	Overseas 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

For the year ended 31st March, 2006

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Details of the leasehold land and buildings are as follows:

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

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 <i>HK\$'000</i>
THE COMPANY	
COST	
At 1st April, 2004, 31st March, 2005 and 31st March, 2006	<u>72</u>
DEPRECIATION	
At 1st April, 2004	70
Provided for the year	<u>1</u>
At 31st March, 2005	71
Provided for the year	<u>1</u>
At 31st March, 2006	<u>72</u>
NET BOOK VALUES	
At 31st March, 2006	<u><u>–</u></u>
At 31st March, 2005	<u><u>1</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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 33 $\frac{1}{3}$ %

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)
	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.

For the year ended 31st March, 2006

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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current	397	395
Non-current	<u>15,035</u>	<u>15,030</u>
	<u>15,432</u>	<u>15,425</u>

20. INVESTMENT PROPERTIES

	THE GROUP	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
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	<u>–</u>	<u>58,613</u>
At the end of the year	<u>1,987,092</u>	<u>1,329,400</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

20. INVESTMENT PROPERTIES (Continued)

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
	<u>1,987,092</u>	<u>1,329,400</u>

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	<u>846,413</u>	<u>839,466</u>

For the year ended 31st March, 2006

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

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	
				%	%	
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

For the year ended 31st March, 2006

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	
				%	%	
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
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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

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	
				%	%	
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

For the year ended 31st March, 2006

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	
				%	%	
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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
Share of net assets	<u>45,841</u>	<u>51,123</u>
Amounts due from associates (note)	<u>-</u>	<u>8,701</u>

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	<u>14,771</u>	<u>28,849</u>

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.

For the year ended 31st March, 2006

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 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Turnover	<u>1,015,001</u>	<u>1,044,491</u>
Profit for the year	<u>3,452</u>	<u>12,940</u>

Consolidated balance sheet

At 31st December, 2005

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

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.

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.

For the year ended 31st March, 2006

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

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

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

24. GOODWILL

	THE GROUP 2005 <i>HK\$'000</i>
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	<u>(32,572)</u>
At 31st March, 2006	<u>2,463</u>
IMPAIRMENT	
Recognised during the year ended 31st March, 2005 and balance at 31st March, 2005 and 2006	<u>2,463</u>
At 31st March, 2005 and 2006	<u>–</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

25. NEGATIVE GOODWILL

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

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.

For the year ended 31st March, 2006

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 <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i> (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	<u>(20,846)</u>	<u>(107,868)</u>	<u>7,911</u>	<u>-</u>	<u>(120,803)</u>

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Deferred taxation assets	6,760	5,275
Deferred taxation liabilities	<u>(127,563)</u>	<u>(53,114)</u>
	<u>(120,803)</u>	<u>(47,839)</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

27. INVESTMENTS IN SECURITIES

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

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

Notes:

- 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.*
- 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.*

For the year ended 31st March, 2006

28. AVAILABLE-FOR-SALE INVESTMENTS

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

	THE GROUP <i>HK\$'000</i>
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 <i>HK\$'000</i>
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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	2,411	36,422
Work in progress	14,470	42,533
Finished goods	—	4,736
	<u>16,881</u>	<u>83,691</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

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)
	<u>1,012,275</u>	<u>1,209,402</u>
At the end of the year	<u>1,012,275</u>	<u>1,209,402</u>

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
	<u>255,059</u>	<u>102,830</u>
Total	<u>255,059</u>	<u>102,830</u>

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.

For the year ended 31st March, 2006

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.

For the year ended 31st March, 2006

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.

For the year ended 31st March, 2006

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

On 24 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
	<hr/>
Total assets classified as held for sale	168,142
	<hr/> <hr/>
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
	<hr/>
Total liabilities associated with assets classified as held for sale	159,519
	<hr/> <hr/>

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.

For the year ended 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
	<hr/>	<hr/>
Total	91,464	99,359
	<hr/> <hr/>	<hr/> <hr/>

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.

For the year ended 31st March, 2006

42. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum payments		Present value of	
	2006		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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

43. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Bank overdrafts	27,043	34,832	-	-
Bank loans	2,385,353	1,668,320	31,000	64,500
	<u>2,412,396</u>	<u>1,703,152</u>	<u>31,000</u>	<u>64,500</u>
Secured	1,721,574	971,403	31,000	64,500
Unsecured	690,822	731,749	-	-
	<u>2,412,396</u>	<u>1,703,152</u>	<u>31,000</u>	<u>64,500</u>
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	-	-
	<u>2,412,396</u>	<u>1,703,152</u>	<u>31,000</u>	<u>64,500</u>
Less: Amount due within one year or on demand and shown under current liabilities	<u>(570,589)</u>	<u>(400,364)</u>	<u>(31,000)</u>	<u>(64,500)</u>
Amount due after one year	<u>1,841,807</u>	<u>1,302,788</u>	<u>-</u>	<u>-</u>

For the year ended 31st March, 2006

43. BANK BORROWINGS (Continued)

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

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%).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

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

45. RESERVES *(Continued)*

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

46. ACQUISITIONS OF SUBSIDIARIES (Continued)

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
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)	–
	<u>281,883</u>	<u>(2,463)</u>
Write off of goodwill arising from acquisitions	–	2,463
	<u>281,883</u>	<u>–</u>
Consideration given	<u>281,883</u>	<u>–</u>
Satisfied by:		
Cash paid	231,320	–
Investment purchased in prior year	50,563	–
	<u>281,883</u>	<u>–</u>

For the year ended 31st March, 2006

46. ACQUISITIONS OF SUBSIDIARIES (Continued)

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

	2006 HK\$'000	2005 <i>HK\$'000</i>
Cash consideration paid	(231,320)	–
Bank balances and cash acquired	9,825	–
	<u>(221,495)</u>	<u>–</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
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

For the year ended 31st March, 2006

47. DISPOSALS OF SUBSIDIARIES (Continued)

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cash consideration	174,190	400,171
Bank balances and cash disposed of	(2,446)	–
	<u>171,744</u>	<u>400,171</u>

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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
(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	–	–
	<u>–</u>	<u>96,109</u>	<u>538</u>	<u>53,032</u>

For the year ended 31st March, 2006

49. CONTINGENT LIABILITIES *(Continued)*

- (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 5 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.

For the year ended 31st March, 2006

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
	<u>53,217</u>	<u>53,174</u>

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
	<u>10,892</u>	<u>9,722</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2006

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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
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
	<u> </u>	<u> </u>

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.

The following is a summary of the consolidated results, assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements and reclassified as appropriate:

	Year ended 31st March				
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
RESULTS					
Turnover	<u>2,361,233</u>	<u>1,417,927</u>	<u>1,685,089</u>	<u>1,447,896</u>	<u>1,744,202</u>
Profit (loss) before taxation	565,861	273,540	62,356	(187,027)	26,502
Taxation (charge) credit	<u>(147,768)</u>	<u>1,403</u>	<u>(4,126)</u>	<u>(13,876)</u>	<u>(16,144)</u>
Profit (loss) for the year	<u>418,093</u>	<u>274,943</u>	<u>58,230</u>	<u>(200,903)</u>	<u>10,358</u>
Attributable to:					
Equity holders of the parent	189,838	179,263	13,956	(205,451)	6,895
Minority interests	228,255	95,680	44,274	4,548	3,463
	<u>418,093</u>	<u>274,943</u>	<u>58,230</u>	<u>(200,903)</u>	<u>10,358</u>

FIVE YEAR FINANCIAL SUMMARY (Continued)

	As at 31st March				
	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
ASSETS AND LIABILITIES					
Property, plant and equipment	222,461	262,760	296,774	323,550	353,375
Properties under development	1,209,885	582,586	488,773	–	–
Prepaid lease payments	15,035	15,030	–	–	–
Investment properties	1,987,091	1,329,400	1,267,575	1,500	1,600
Interests in associates	45,841	51,123	55,682	569,088	814,262
Amounts due from associates	–	8,701	–	–	–
Interests in jointly-controlled entities	43,934	46,397	6,376	4,189	4,533
Amounts due from jointly-controlled entities	–	5,928	–	–	–
Negative goodwill	–	(69,426)	(128,933)	–	–
Permanent export quota entitlements	–	–	–	–	2,185
Deferred taxation assets	6,760	5,275	2,900	4,913	4,100
Investments in securities	–	53,015	1,510	3,510	3,510
Available-for-sale investments	1,300	–	–	–	–
Retention monies receivable after one year	–	14,174	6,676	6,920	16,125
Net current assets	<u>1,000,909</u>	<u>1,152,073</u>	<u>1,029,328</u>	<u>202,157</u>	<u>39,179</u>
Total assets less current liabilities	<u>4,533,216</u>	<u>3,457,036</u>	<u>3,026,661</u>	<u>1,115,827</u>	<u>1,238,869</u>
Obligations under finance leases – amount due after one year	(4,732)	(6,840)	(960)	(537)	(4,459)
Bank and other borrowings – amount due after one year	(1,841,807)	(1,302,788)	(1,331,833)	(126,993)	(35,461)
Deferred taxation liabilities	(127,563)	(53,114)	(58,525)	(34,939)	(33,731)
Amounts due to minority shareholders of subsidiaries	–	(76,976)	(70,477)	(23,255)	(32,390)
Net assets	<u>2,559,114</u>	<u>2,017,318</u>	<u>1,564,866</u>	<u>930,103</u>	<u>1,132,828</u>
Equity attributable to equity holders of the parent	1,406,974	1,149,678	941,946	925,865	1,131,729
Minority interests	1,152,140	867,640	622,920	4,238	1,099
Total equity	<u>2,559,114</u>	<u>2,017,318</u>	<u>1,564,866</u>	<u>930,103</u>	<u>1,132,828</u>

Note: Amounts disclosed in the financial summary for 2005 have been restated to reflect changes in accounting policies in the current year as stated in note 2 to the financial statements. The financial summary for year 2002 to 2004 are not restated for practical reasons.

31st March, 2006

Group I – Properties held for development

Location	Use	Site area (sq.ft.)	Gross floor area (sq.ft.)	Development progress (up to 24th July, 2006)	Estimated completion date	Attributable interest of the Group (%)
MAINLAND CHINA						
1. Da Li District Nanhai Guangdong Province	Low density residential	2,668,340	2,668,340	Planning stage	–	29.41
2. Liwan District Guangzhou Guangdong Province	Commercial/ Residential	51,831	500,278	Development plan under revision	–	29.41
3. Dongguan Dongguan Road Tianhe District Guangzhou Guangdong Province	Residential	1,041,267	2,881,250	Planning stage	–	35.29
4. Long Dong Cun Guangshan Road Western Tianhe District Guangzhou Guangdong Province	Residential	113,785	2,448,890	Phase I-Superstructure work in progress for 8 residential towers Phase II - Planning stage	–	28.23
5. 17- 43 Beijing Nan Road Guangzhou Guangdong Province	Commercial/ Residential	26,372	270,420	Planning stage	–	52.93
6. Junction of Shen Nan Zhong Road and Fu Ming Road Shenzhen Guangdong Province	Commercial/ Residential	84,411	1,377,280	Planning stage	–	47.05
CANADA						
7. South – West Corner of Bay Street and Dundas Street West Toronto, Ontario (Phase I – One City Hall)	Mainly condo development with shops and carparks	37,979	462,852	Superstructure work in progress	9/2006	44.11
8. South – West Corner of Bay Street and Dundas Street West Toronto, Ontario (Phase II)	Mainly condo development with commercial and carparks	36,545	222,395	Planning stage	–	29.41

PARTICULARS OF PROPERTIES

31st March, 2006

Group II – Completed properties

Location	Use	Remaining unsold units	Gross floor area (sq.ft.)	Car parking spaces	Attributable interest of the Group (%)
HONG KONG					
9. Le Village (駿愉居) 49 Village Road Happy Valley Hong Kong	Residential	2 residential units	2,246	2	29.41
10. Shun Cheong Building (順昌大廈) 20 – 34 Hau Wo Street Kennedy Town Hong Kong	Commercial	7 ground floor shops 2 floors of commercial units	13,092	–	58.81
11. Kent Place (金濤閣) 8 Yen Chow Street Shum Shui Po Kowloon	Commercial	3 ground floor shops	3,252	–	58.81
12. Kensington Plaza (金威廣場) 98 Parkes Street Jordan Kowloon	Commercial	9 ground floor shops	6,649	–	58.81
13. Fulham Court (順發居) 140 – 146 Castle Peak Road Cheung Sha Wan Kowloon	Commercial	1 floor of commercial units	4,726	–	58.81
14. A portfolio of second hand properties, mainly at Laguna City (麗港城) and Sky Tower (傲雲峰)	Residential	86 residential units	59,520	2	58.81
MAINLAND CHINA					
15. House W Green Mountain Village (綠色山莊) Longgang Botanical Garden Longgang, Shenzhen Guangdong Province	Residential	1 villa	3,203	–	58.81
16. City Square (城市天地廣場) Jia Bin Lu Luo Hu District Shenzhen Guangdong Province	Residential/ Office	317 residential/ 168 office	288,497	–	47.05

31st March, 2006

Group III – Properties held for investment

Location	Use	Gross floor area (sq.ft.)	No. of apartments	Car parking spaces	Ownership status	Attributable interest of the Group (%)
HONG KONG						
17. Hon Kwok Jordan Centre (漢國佐敦中心) 5, 7 & 7A Hillwood Road Tsim Sha Tsui Kowloon	Commercial/ Office	60,857	–	–	Medium term lease	58.81
18. The Bauhinia and Honwell Commercial Centre (寶軒及漢貿商業中心) 119 – 121 Connaught Road Central & 237 – 241 Des Voeux Road Central Hong Kong	Service apartments/ Commercial/ Office	122,823	112	–	Long term lease	58.81
19. Yien Yieh Commercial Building (鹽業商業大廈) 236 – 242 Des Voeux Road Central Hong Kong	Commercial/ Office	46,410	–	–	Long term lease	58.81
20. Hon Kwok TST Centre (漢國尖沙咀中心) 5-9 Observatory Court Tsim Sha Tsui Kowloon	Commercial/ Office	59,608	–	–	Medium term lease	58.81
MAINLAND CHINA						
21. City Square (城市天地廣場) Jia Bin Lu Luo Hu District Shenzhen Guangdong Province	Commercial Podium	218,515	–	–	Medium term lease	47.05
MALAYSIA						
22. Plaza Ampang Jalan Tun Razak and Jalan Ampang Kuala Lumpur	Commercial and shopping complex	401,777	–	171	Freehold	58.81

PARTICULARS OF PROPERTIES

31st March, 2006

Group IV – Carparks held for investment

Location	Car parking spaces	Ownership status	Attributable interest of the Group (%)
23. Provident Centre (和富中心) 21 – 53 Wharf Road North Point Hong Kong	369	Long term lease	58.81
24. Lido Garden (麗都花園) 41 – 63 Castle Peak Road Sham Tseng Tsuen Wan New Territories	115	Medium term lease	58.81
25. Shining Court (順寧居) 439 Shun Ning Road Cheung Sha Wan Kowloon	26	Medium term lease	58.81